



Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2023

Gdańsk, 23 April 2024

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1. SUMMARY

ENERGA GROUP IN 2023



One of the leading energy groups and a reliable supplier of electricity and services for ¼ of Poland, with a 46% share of RES in own production.

Financial data

Revenues	EBITDA	EBITDA margin
PLN 26,087 m	PLN 2,885 m	11.1%

RES production	Installed capacity	Installed capacity by source										
1,572 GWh	624 MWe	<table border="1"> <caption>Installed capacity by source</caption> <thead> <tr> <th>Source</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Wind</td> <td>39%</td> </tr> <tr> <td>Run-of-the-river plants</td> <td>33%</td> </tr> <tr> <td>PV</td> <td>15%</td> </tr> <tr> <td>Biomass</td> <td>13%</td> </tr> </tbody> </table>	Source	Percentage	Wind	39%	Run-of-the-river plants	33%	PV	15%	Biomass	13%
Source	Percentage											
Wind	39%											
Run-of-the-river plants	33%											
PV	15%											
Biomass	13%											

Operating data





Volume of electricity supplied	Gross electricity production	Retail sales of electricity
22.4 TWh	3.4 TWh	17.1 TWh

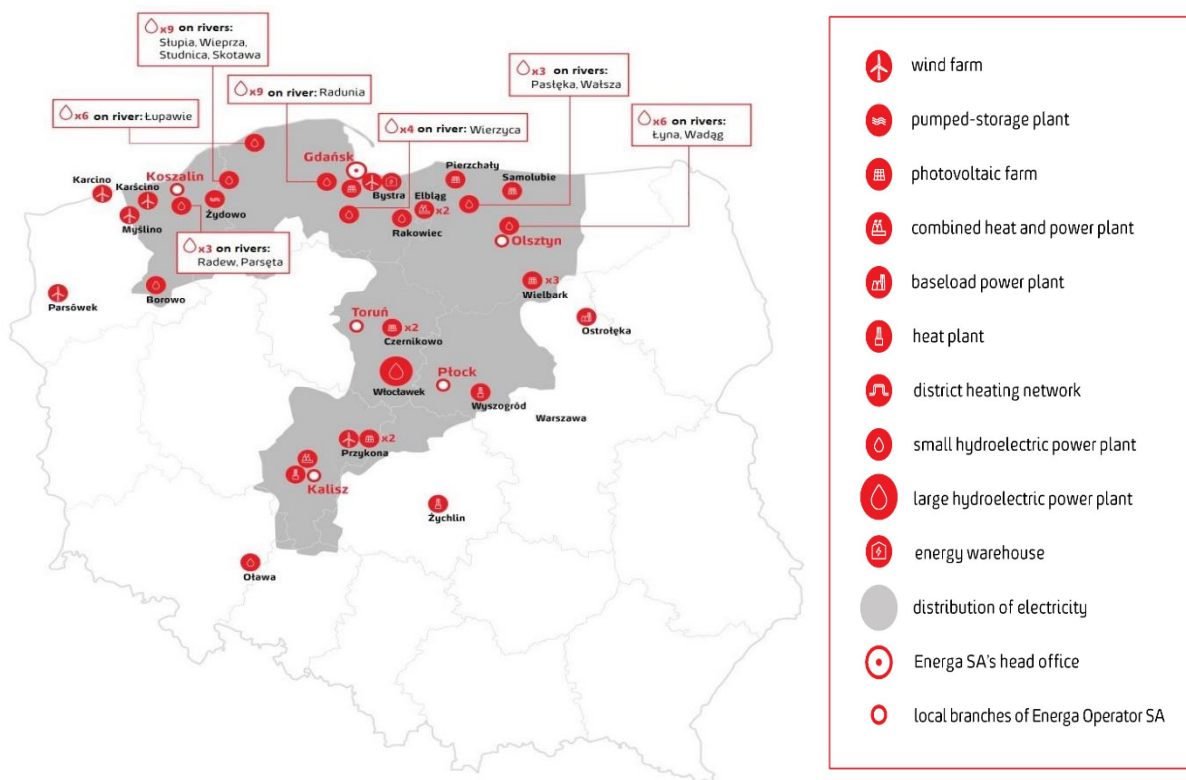
Capitalization and ratings of Energa SA*

Capitalization	Share price	Fitch rating	Moody's rating
PLN 3.90 billion	PLN 9.36	BBB+	Baa1

* As at 29 December 2023

Key resources

Distribution grid	Installed capacity	Number of clients	Number of employees
198.4 k km 	1.41 GWe of which 44% are RES 	Distribution: 3.3 m Sales: 3.3 m 	8.7 k 



Key Business Lines		
Distribution	Generation	Sales
Energa Operator	Energa Wytwarzanie	Energa Obrót
EBITDA: PLN 1,956 m	EBITDA: PLN 488 m	EBITDA: PLN 566 m

Investments			
PLN 4,334 m	New customer connections	Modernization of HV, MV and LV lines	New RES*
Of which Distribution: PLN 2,261 m	72 k	3,058 km	1,387 MW

* connected to the distribution grid



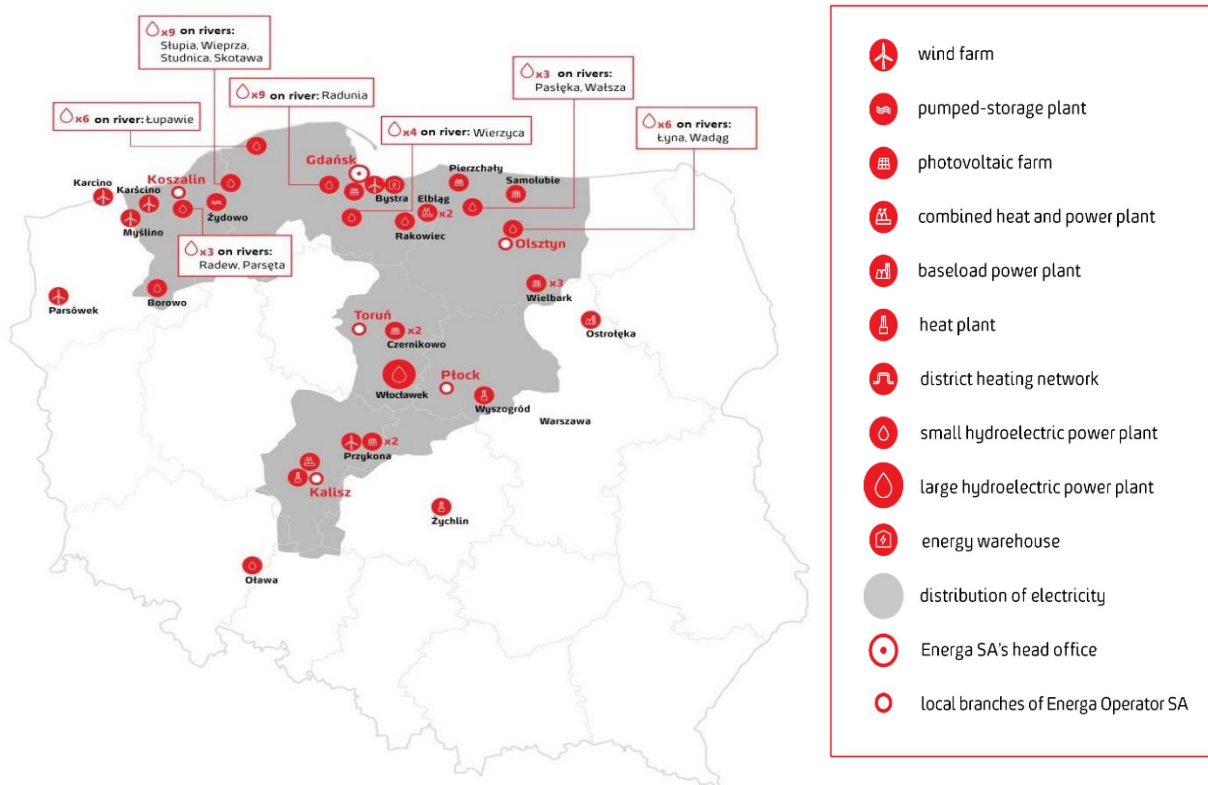
Straszyn hydro plant

Key information on the Energa Group

2. KEY INFORMATION ON THE ENERGA GROUP

2.1. Description of activities of the Group

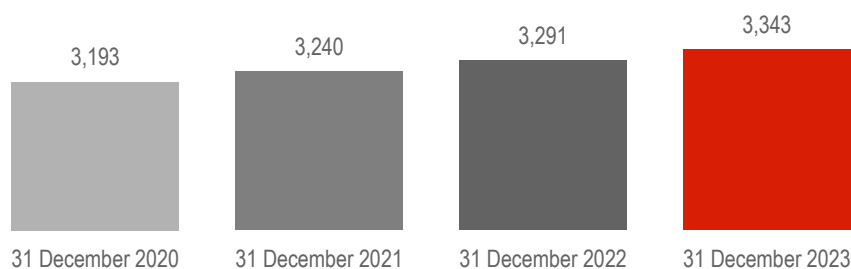
Figure 1: Business locations and main assets of the Group



The core business of the Energa Group (“Group”, “Energa Group”) involves the distribution, generation and the sale of electricity and heat. Activities of the Group concentrate on the following business lines:

Distribution Business Line. This is the Business Line of key importance to the Group’s profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (“ERO”). Energa Operator SA (“Energa Operator”, “EOP”) acts as the leading entity in this Line. The Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group’s distribution assets through which the Group supplies electricity to 3.3 million customers, approximately 3.2 million of whom are customers with universal agreements and 161 thousand are TPA (Third Party Access) customers. At the end of 2023, the total length of the power lines operated by the Group was over 198.4 thousand km and covered almost 75 thousand sq. km, i.e. approximately 24% of the area of country.

Figure 2: Number of Energa Operator SA customers as at 31 December 2020-2023 (000s)

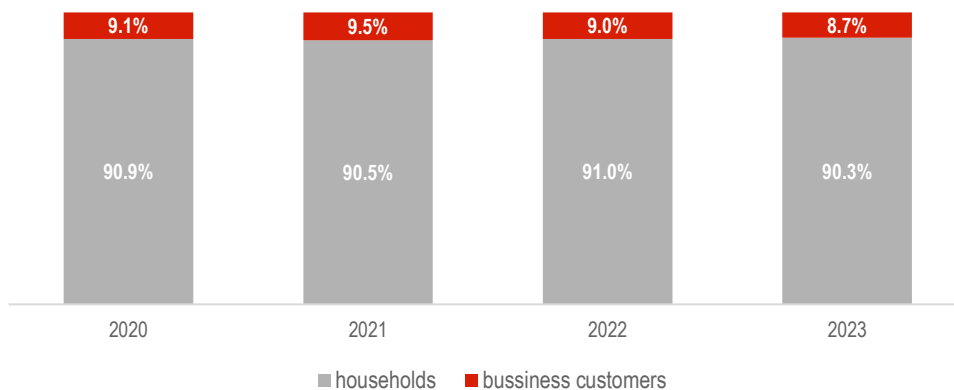


Generation Business Line operates on the basis of four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP and PV). At the end of 2023, the total installed generation capacity in the Group’s power plants was approx. 1.4 GW. The leading entity in this Business Line is Energa Wytwarzanie SA (“Energa Wytwarzanie”, “EWYT”). In 2023 the Group generated approx. 3.4 TWh of gross electricity, of which 51% originated from coal, 30% from hydro, 14% from wind, 3% from biomass and 2% from PV. The Energa Group owes its leading position, in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy by its hydro power plants and wind power plants. Green energy is produced by 44 small hydro power plants, 2 big hydro

plants (in Włocławek and Żydowo), 6 wind farms, as well as biomass-fired installations (i.a. in Energa Kogeneracja Sp. z o.o. entity) and photovoltaic installations owned by the Group. As at the end of 2023, the Group had c.a. 0.6 GW of renewable capacity, with a gross production of electricity totalling 1.6 TWh throughout the entire 2023.

Sales Business Line. Its leading entity is Energa Obrót SA (“Energa Obrót”, “EOB”). It sells electricity and additional services (e.g. photovoltaic installations, charging stations for electric vehicles, heat pumps) both as separate products and in bundles to all customer segments – from industry through large, medium and small enterprises, to households. As at the end of 2023, the Energa Group had approximately 3.3 million customers, including c.a. 3.0 million classified as G tariff customers, with the remainder being customers from: C, B and A tariff groups, in a decreasing order. In 2023, 49.5% of the electricity sold by Energa Obrót SA came from renewable energy sources.

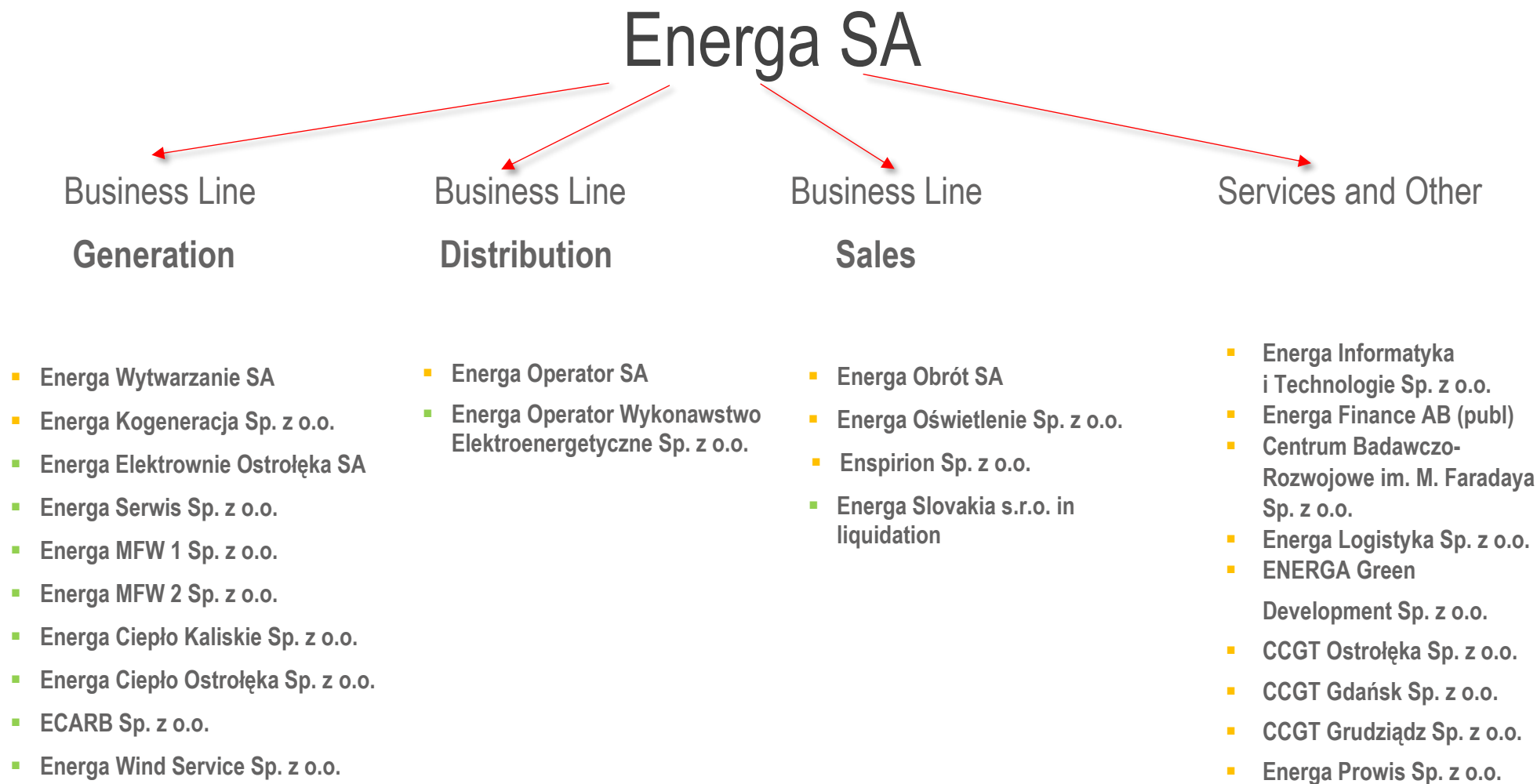
Figure 3: Structure of Energa Obrót's end customers by customer type



2.2. Group's structure and governance model

As at 31 December 2023, the Energa Group consisted of 26 companies, including its parent company, Energa SA (“Energa”, “Company”, “Issuer”).

Figure 4: Simplified organisational chart of the Energa Group as at 31 December 2023



- Direct subsidiaries of Energa SA
- Indirect subsidiaries of Energa SA

As at 31 December 2023 the Group held shares in a joint venture Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in an associate Polimex-Mostostal S.A. ("Polimex").

Key changes in the Group's structure and organisation

Establishment of Energa Prowis Sp. z o.o.

The company was registered in the National Court Register on 28 June 2023. Energa SA holds 100% of shares in this company. The main objective of Energa Prowis Sp. z o. o. will be activities aimed at the development of assets comprising the project under preparation, consisting in the construction of a dam and a hydroelectric power plant on the Vistula River in Siarzewo, downstream of Włocławek.

Sale of Energa Invest Sp. z o.o.

On 31 July 2023, Energa and ORLEN Projekt SA concluded a sale agreement, based on which the Company sold 100% of shares held in the subsidiary Energa Invest Sp. z o. o. ("Energa Invest"). The legal title to the shares was transferred to ORLEN Projekt SA on 1 August 2023. The sale price was PLN 14.5 million. The transaction is aimed at integrating the project activities carried out by the ORLEN Group ("ORLEN Group") entities, which will strengthen this business area and have a positive impact on the implementation of investment projects by the Group. In the period preceding the sale, Energa Invest was classified as a disposal group in accordance with IFRS 5.

Establishment of Baltic Offshore Service Solution – the first offshore wind farm service company in Poland

In March 2024, Energa Wytwarzanie and Northland Power International Holdings BV, a subsidiary of Northland Power, established the Baltic Offshore Service Solution (BOSS) joint venture. BOSS will operate in two locations: Łeba and the Tri-City (Gdańsk, Gdynia, Sopot) area. The new joint venture is the first international consortium in Poland whose goal is to develop and implement a strategy for managing Baltic Sea offshore wind energy assets. It will provide specialized services for the offshore wind energy sector, including, but not limited to, technical, operational, commercial and contractual aspects of wind farms in the Baltic Sea. The joint venture will also be responsible for operating the 24/7 Offshore Wind Farm Management Centre, which will be established by the ORLEN Group. The business unit will control, monitor and coordinate the activities of offshore assets.

Acquisition of 50% of shares in Elektrownia Ostrołęka Sp. z o.o.

On 4 April 2024, Energa acquired from Enea S.A. 50% of the shares in Elektrownia Ostrołęka Sp. z o.o. (Ostrołęka Power Plant), which was established for the purpose of a project to build a coal-fueled power plant in Ostrołęka (the 'Coal Project'). The value of the deal was PLN 42 million. The purpose of the transaction was to take full control of the Ostrołęka Power Plant in order to leverage its potential and resources, including its real estate, in the implementation of Energa Group's strategic investment projects. Currently, the Issuer holds 100% of the shares in the Ostrołęka Power Plant. In 2023, the Issuer's Management Board, in the context of the findings of the Supreme Audit Office (NIK) presented in its 2021 post-inspection report on the investments in the Coal Project, against the backdrop of media reports about Enea S.A.'s claims for compensation against the former management of the company, reviewed the decisions taken in the implementation of the Coal Project and, taking into account external advisers' analyses, found no basis for claiming compensation.

The Group Governance Model

"The Energa Group Cooperation Agreement" ("Cooperation Agreement"), signed on 20 December 2017 by 31 Energa Group companies (as at the date of this report, 23 Energa Group companies, 3 of whom acceded to the Cooperation Agreement in September 2023, remain parties to this agreement, including Energa SA, as a result of corporate restructuring within the Energa Group, conducted in connection with integration with and transformation of ORLEN Group) is the basic document of the Energa Group defining the general principles of its governance.

The Cooperation Agreement is a civil-law instrument which:

- ensures cooperation between the Energa Group companies and guarantees effective performance of the Group,
- reflects the need to ensure, to the extent required by law, the independence of the distribution system operator within the Energa Group,
- forms the basis for the development of long-term cooperation across all Energa Group companies,
- reflects the necessity to have a uniform and consistent operating policy for all Energa Group companies in place.

The Cooperation Agreement took into consideration the need to define the rights and obligations of Energa SA as the Energa Group's Dominant Entity with respect to setting of objectives, business strategies, as well as control and oversight of

subsidiaries, which became the foundation for the provisions of the Cooperation Agreement. The Cooperation Agreement enables simultaneous introduction across the Energa Group companies of the regulations developed at Energa and consulted with the Energa Group companies by the dates set in the Cooperation Agreement, while taking into consideration the interests of the Energa Group. As at the date of its signing, the Cooperation Agreement comprised 32 appendices, which were regulations (procedures/policies/rules) defining the functioning of the Group in individual business areas, including the rules of co-operation of the Energa Group companies with the companies of the Energa Group operating as specialist support services structures.

The assumptions underlying the integration of the Energa Group with ORLEN S.A. (previously Polski Koncern Naftowy ORLEN S.A.) ("ORLEN") and the ORLEN Capital Group and their transformation pursued in 2023 necessitated amendments to the Corporation Agreement ensuring: (i) implementation of the standards in force at ORLEN and the ORLEN Group and (ii) continued reliance by the Energa Group companies, in the first place on the support services structures, including that which are part of the capital structure of the ORLEN Group.

In 2023, 7 annexes to the Corporation Agreement were signed. Following consultations, the annexes introduced amendments to 14 regulations already in force and introduced 12 new regulations, implementing the provisions of the Standards and Policies of ORLEN and the ORLEN Group. As at the end of 2023, the Corporation Agreement included 78 regulations in force.

In particular, the changes in the Energa Group's regulatory environment pursued further to the cooperation agreement focused on such areas as:

- 1) ESG - through the implementation of (1) the Energa Group's Climate Policy until 2030 and revision of (2) Energa Group's Charity Policy;
- 2) broad security - implementation of new group by-laws: (1) Energa Group's Conflict of Interest Management Policy, (2) Energa Group's Whistleblowing Policy, (3) Energa Group's Enquiry Conduct Policy, (4) Energa Group's Counterparty Screening Policy, and through the revision of: (5) Energa Group's Anti-Corruption and Anti-Fraud Policy, (6) Energa Group's Information Security and Cybersecurity Management Policy, (7) Energa Group's Internal Control Policy;
- 3) Marketing - drafting and implementation of revised Energa Group's Brand Book;
- 4) HR - implementation of new by-laws, such as (1) ORLEN Capital Group's Human Rights Protection Policy, (2) ORLEN's Intra-Group Employee Migration Policy, (3) Rules for applying the Organisational Standard for employee transfer processes within the ORLEN Capital Group, (4) Energa Group's Development Interviewing Policy, and by revising (5) Energa Group's Recruitment Policy, (6) Rules on the participation of Energa Group companies in the New Job Program;
- 5) Strategy - putting in place new by-laws: (1) Rules on applying the Lessons Learned Organisational Standard for the Portfolio of Investment Programs and Projects, and by revising (2) Energa Group's Project, Program and Project Portfolio Management Policy, or (3) Energa Group's Procurement Policy;
- 6) Audit - putting in place a new by-law entitled (1) Energa Group's Financial Control Policy, and revision to (2) Energa Group's Risk Management Policy;
- 7) Legal Office - implementation of the Rules for the application of the Organisational Standard for the ORLEN Capital Group's Anti-Trust Compliance Policy in the Energa Group and of the Organisational Standard for the procedures to be followed in the event of a competition and consumer protection inspection.

but the changes also pertained to corporate governance, occupational health and safety, as well as finance, and involved revising the following: Energa Group's Corporate Governance Policy, Energa Group's Occupational Safety and Health Policy, and Energa Group's Accounting Policy.

The changes were aimed at adapting the legal and ownership environment to ensure the provision of governance and coordination of activities throughout the Energa Group.

Energa SA, as the dominant company of the Energa Group making up the Group together with its subsidiaries and affiliates, operated in the manner ensuring pursuit of the ORLEN Group's policy following the purchase of Energa SA shares representing over 80% of share capital of the Company by ORLEN S.A. in April 2020 (ORLEN S.A. increased this share to 90.92% in November 2020). As a result, Energa SA (and indirectly its subsidiaries) became a subsidiary of PKN ORLEN.

The provisions of the holding agreement (the "Holding Agreement") made on 29 October 2020 defined the 2021 rules of cooperation between the Parties, i.e. ORLEN S.A. and Energa SA as well as the Energa Group companies, on behalf of whom Energa submitted the statement of consent to the wording of and accession to the Holding Agreement, in the field of co-ordination, optimisation and partial centralisation of activities. Rules and scope of co-operation were defined to:

- build the value,
- pursue the interest and objectives of the ORLEN Group,
- integrate the activities of the ORLEN Group,

- develop a single decision-making model for the ORLEN Group,
- keep the division of tasks and responsibilities between the Parties, as the parent company (ORLEN) and subsidiary (Energa as a parent company in the Energa Group),
- ensure the availability and exchange of information between the parties.

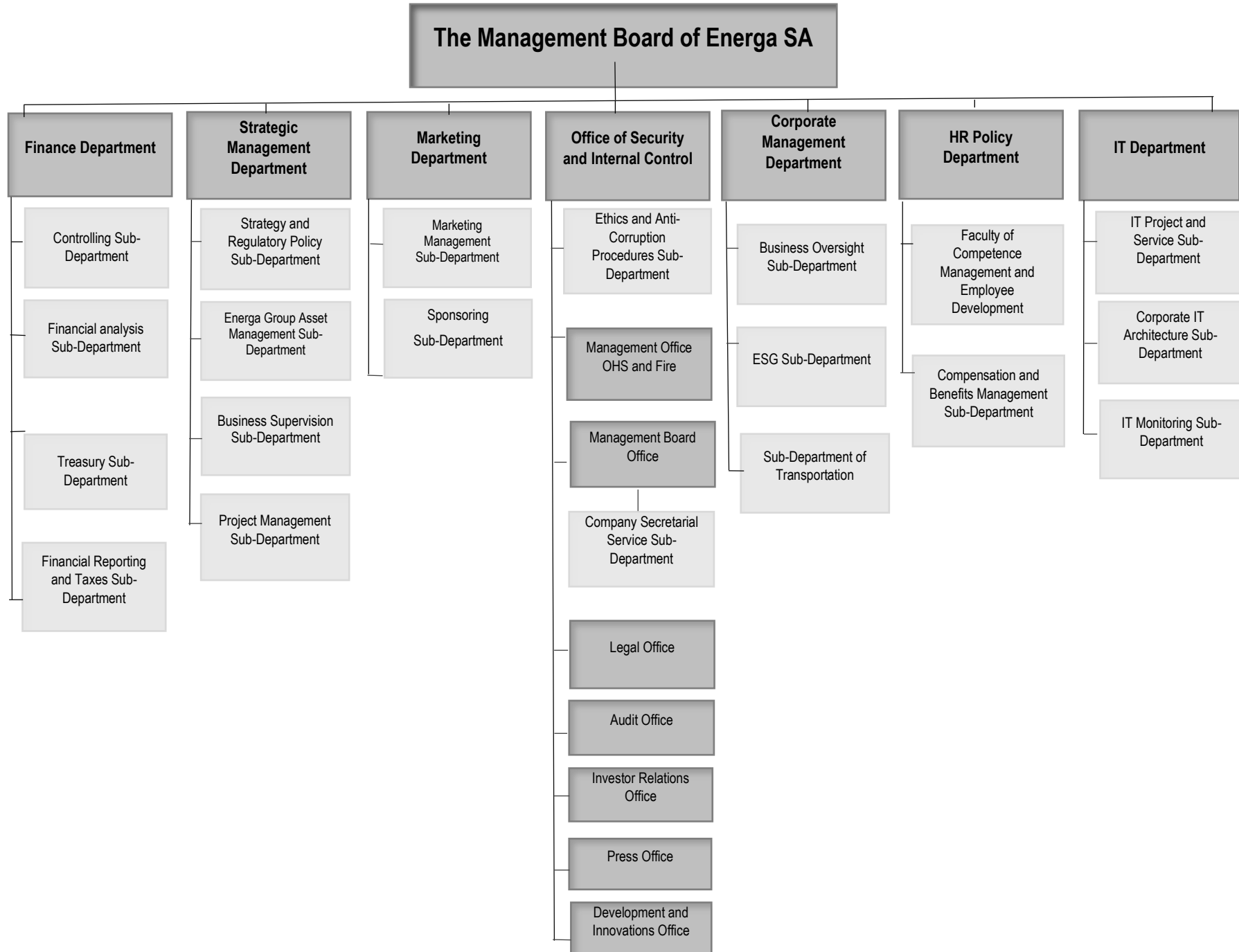
The Holding Agreement establishes foundations for the centralization of organisational, planning and analytical processes which contribute to the development of the Energa Group and the ORLEN Group, as well as decision-making rules at the Energa Group companies, by defining collaboration in the areas such as:

- Segment Management and Operational Supervision,
- Implementation of organisational policies and standards,
- Corporate governance,
- Financial reporting.

Collaboration arising from the provisions of the Agreement is pursued at the operational level, covering specifically the scope of operation of ORLEN Committees, consulting of "Group resolutions" and collaboration between the relevant areas of Energa SA and the relevant areas of ORLEN, including with respect to agreement of the wording of the regulations implemented and novated under the Energa Group Cooperation Agreement, also in connection with their adaptation to the regulations in force within the ORLEN Group.

The Organisational Regulations of Energa SA together with the company's organisational chart define the grounds for and scope of operation of Energa SA, also within the Energa Group as the Dominant Entity in the area of supervision and coordination. The document regulates such areas as the Company's governance, organisational structure as well as obligations and responsibilities of the Company's individual organisational units. The chart below presents the structure of Energa SA up to the level of organisational units reporting directly to the members of the Management Board, as at 31 December 2023.

Figure 5: Organisational chart of Energa as at 31 December 2023



2.3. Key events in 2023 and after the balance sheet date

2.3.1. Material events in the reporting period

Changes in the Management Board and Supervisory Board of Energa SA

On 16 February 2023 the Supervisory Board of the Company adopted a resolution to dismiss as of 16 February 2023 Mr. Dominik Wadecki, performing the function of the Vice-President of the Management Board of Energa SA for Operations and Climate, from the composition of the Management Board of Energa SA of the 7th term of office.

On 22 February 2023 Mr. Michał Róg submitted a statement of resignation from the position of Member of the Supervisory Board of the Company, effective as of the end of 22 February 2023.

On 27 April 2023 the majority shareholder of the Company, ORLEN, submitted a statement informing that as of 1 May 2023 it appointed Mr. Artur Michalski to the Company's Supervisory Board.

On 15 June 2023 the Ordinary General Meeting of the Company adopted resolutions on appointment the following Members of the Supervisory Board of the new joint 7th Term of Office:

- Ms. Agnieszka Terlikowska-Kulesza,
- Mr. Artur Michalski,
- Ms. Sylwia Kobylkiewicz,
- Ms. Barbara Hajdas.

On the same day ORLEN submitted a statement informing that - pursuant to Article 385 § 2 of the Polish Code of Commercial Companies and § 17 section 3 of the Company's Articles of Association - it appointed the following persons to the Company's Supervisory Board of the new joint 7th Term of Office:

- Ms. Paula Ziemiecka-Księżak for the function of the Chairperson of the Supervisory Board,
- Ms. Anna Barbara Ziobroń for the function of the Member of the Supervisory Board,
- Mr. Jarosław Piotr Dybowski for the function of the Member of the Supervisory Board,
- Ms. Agnieszka Sylwia Żyro for the function of the Member of the Supervisory Board.

The 7th Term of Office of the Supervisory Board of the Company started on the day following the date of the Ordinary General Meeting of the Company approving the financial statements of Energa SA for 2022, i.e. on 16 June 2023.

Distribution of the Company's net profit for 2022

On 9 May 2023 the Management Board of the Company decided to recommend to the General Meeting of Energa SA ('GM') to transfer the Company's net profit for 2022 in the amount of PLN 49,875,171.18 to increase the supplementary capital. On 11 May 2023 the Supervisory Board of the Company positively assessed this recommendation. On 15 June 2023 the GM decided on distribution of the Company's net profit for 2022 in accordance with the recommendation of the Company's Management Board.

Signing a loan agreement for financing the construction of CCGT power plant in Ostrołęka

On 29 June 2023 the subsidiary CCGT Ostrołęka Sp. z o.o. ("CCGT Ostrołęka") signed a loan agreement for financing the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka and the operating activity of the CCGT Ostrołęka. The agreement was signed with the consortium of the following Polish and foreign financial institutions: Bank Gospodarstwa Krajowego, Alior Bank SA, Bank Polska Kasa Opieki SA (in the role of the Facility Agent and Security Agent), KfW IPEX-Bank GmbH and Erste Group Bank AG.

The purpose of the agreement is to grant the CCGT Ostrołęka financial funds in the total amount of PLN 2.64 billion, of which PLN 2.45 billion is a term investment loan, while the remaining part is two revolving loans for the CCGT Ostrołęka operating activities and VAT financing during the construction of the power plant (hereinafter collectively "Loan"). According to the agreement, the CCGT Ostrołęka is obliged to repay the funds from the Loan together with interest and other amounts due under the terms of the agreement, while the repayment of the funds under the term loan should take place by 15 December 2036. The interest rate for the Loan has been set on market terms based on the WIBOR rate plus margin. The Loan is secured, among others, by a mortgage on the CCGT Ostrołęka real estate.

Signing of a document containing a summary of the terms of the acquisition by the State Treasury of shares in Energa Elektrownie Ostrołęka SA

On 23 July 2021, Energa signed a cooperation agreement on the spin-off of coal assets and their integration within the National Energy Security Agency ("NABE"). In connection with it, on 14 July 2023 Energa Wytwarzanie received from the State Treasury, represented by the Minister of State Assets, a proposal for a non-binding document ("Term Sheet") summarizing the key terms of the purchase transaction by the State Treasury of all shares in Energa Elektrownie Ostrołęka SA ("EEO") held by EWYT, constituting 89.64% of EEO's share capital, for the purpose of establishing NABE ("Transaction").

In particular, the Term Sheet contained a proposal for the purchase price of shares in EEO, key economic and legal conditions for the Transaction, including key provisions of the preliminary sale agreement and the final sale agreement. According to the Term Sheet, the sale price of the shares in EEO amounted to PLN 153 million based on the Enterprise Value determined using the locked-box mechanism as at 30 September 2022.

The Term Sheet was a subject to further negotiations between EWYT and the Issuer with the State Treasury, the aim of which the purpose of which was to finalize the content of this document.

On 10 August 2023, the final version of the Term Sheet was signed by Energa Wytwarzanie and the State Treasury, represented by the by the Minister of State Assets. The signed Term Sheet contains the key boundary conditions of the Transaction, which were indicated above and also specifies the terms upon which the conclusion of the preliminary agreement for the sale of shares in EEO to the State Treasury is conditional, including in particular:

- a) reaching an agreement on the content of documentation related to the Transaction, including future financing of NABE and obtaining preliminary credit decisions of banks for financing NABE,
- b) positive consideration by the Prime Minister of the application for the purchase of shares in EEO by the State Treasury from the Reprivatisation Fund,
- c) obtaining all internal approvals and permissions required to conclude or execute the Transaction,
- d) signing of agreements (or relevant annexes) ensuring the functioning of the companies constituting NABE after closing the Transaction,
- e) conducting changes in the share capital or the structure of shares of the companies constituting NABE in order to prepare them for the Transaction, including carrying out the conversion.

The Term Sheet does not constitute an offer or obligation to conclude any contract.

The decision to continue the project, its structure, and the timetable and scope of work, will be driven by the strategy adopted by the Treasury. As at the date of this report, no further decisions have been taken with regard to the coal assets and associated companies in terms of their target prospects and role within the Energa Group.

Statement of claim and court judgement on repealing the resolution of Energa SA's Ordinary General Meeting

On the 21 August 2023 the Company informed about receiving from the Regional Court in Gdańsk, 9th Commercial Division, a copy of the statement of claim for the repeal of the resolution No. 5 of the Ordinary General Meeting of the Company on 15 June 2023 on the distribution of the net profit for the financial year 2022 and allocation of this profit to increase of the supplementary capital. The Company did not agree with the statement of claim and submitted a statement of defence.

On 27 March 2024 the Company received information that on 25 March 2024 the Regional Court in Gdańsk, 9th Commercial Division issued a judgement dismissing the above mentioned statement of claim and awarding the court costs from the plaintiffs in favour of the Company. The judgement was passed in a closed session. The judgment is not final.

Mutual consent to terminate the agreement with auditor

Energa and Deloitte Audyt sp. z o.o. sp.k. headquartered in Warsaw ("Deloitte") on 28 September 2023 signed a mutual consent to terminate the agreement for auditing and reviewing financial statements concluded on 12 July 2022. The agreement was entered into for the duration of the Auditor's performance of work covered by the subject matter of this agreement for years 2022 and 2023.

On the base of the above mentioned agreement, the Deloitte, among others, audited and reviewed the following financial statements prepared in accordance with the International Financial Reporting Standards approved by the European Union and other applicable laws:

- the annual separate financial statements of the Company and the annual consolidated financial statements of the Energa Capital Group for the years 2022 and 2023,

- interim separate financial statements of the Company and interim consolidated financial statements of the Group for the first half of 2022 and 2023.

The decision to terminate the above mentioned agreement was made by both its parties. The agreement has been terminated due to Deloitte's inability to perform the agreement for reasons attributable to Deloitte, which resulted from the decision of the Polish Agency for Audit Oversight, imposing on Deloitte a temporary prohibition of the provision of services covered by national professional standards.

At the same time the Company informed that there were no instances of expressing in the reports on the audit of financial statements or consolidated financial statements, either opinions with disclaimer, nor negative opinions, nor refusal to express opinions. There were also no cases of expressing in the reports on the review of condensed financial statements or condensed consolidated financial statements, either conclusions with disclaimer, nor subject to negative conclusions, nor refusal to express conclusions. During the term of the agreement, there were no discrepancies regarding the interpretation and application of the law or the provisions of the Company's Articles of Association regarding the subject matter and scope of the audit, review or other services between the Company's Management Board and Deloitte who performed the audit, review or other services regarding the Company's financial statements or the Group's consolidated financial statements.

On 3 November 2023, the Supervisory Board of Energa SA appointed an auditor to audit the financial statements of Energa SA and the Energa Group for the years 2023 and 2024. The audit and review services concerning the financial statements were commissioned from PKF Consult Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, based in Warsaw.

Changes regarding the implementation of construction project of CCGT power plant in Ostrołęka

On 3 October 2023 CCGT Ostrołęka, on the one side, and GE Power Sp. z o. o. with its registered office in Warsaw and General Electric Global Services GmbH, based in Baden, Switzerland (collectively the "General Contractor") on the other side signed the annex ("Annex") to the agreement of 25 June 2021 regarding the project of the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka.

In accordance with the provisions of the Annex, the estimated remuneration of the General Contractor for the implementation of the above mentioned project will increase from approximately PLN 2.5 billion net to approximately PLN 2.85 billion net. The deadline for signing of the Conditional Acceptance Certificate for the CCGT power plant in Ostrołęka was set for 31 December 2025.

The conclusion of the Annex results from the need to adapt the contract with the General Contractor to the conditions that have arisen since the conclusion of this contract, in particular the outbreak of the war in Ukraine and its impact on the raw materials, energy and construction markets.

Information on the estimated impact of regulation of the Minister for Climate and Environment of 9 September 2023 on the Energa Group's financial results

On 5 October 2023 the Company received the information from Energa Obrót about the estimated impact of the regulation of the Minister for Climate and Environment amending the regulation on shaping and calculation of tariffs and methods of settlement in electricity supply on EOB's financial results.

This regulation introduced the mechanism enabling reduction of households' payments to electricity supply companies for the year 2023. The effect of the introduction of this mechanism was estimated at PLN 313 million, and the amount was recognized in the Group's statement of financial position for 2023 (as a decrease in trade receivables), which translated into a corresponding reduction of net profit.

Affirmation of Energa SA's rating by Fitch Ratings

On 5 December 2023 Fitch Ratings ("Fitch") affirmed the Company's long-term foreign and local currency Issuer Default Ratings (IDRs) at "BBB+" with a stable outlook. (for more information see chapter 8.4. *Ratings*).

Adoption of the Strategic Development Plan and the Long-Term Strategic Investments Plan of the Energa Group for 2024-2030

On 6 December 2023 the Company's Supervisory Board adopted the resolutions to approve: the "Strategic Development Plan of the Energa Group for 2024-2030" ("SDP") and the "Long-Term Strategic Investments Plan of the Energa Group for 2024-2030" ("LSIP"), which is the SDP's forecast document reflecting the current assumptions regarding investments in the Energa Group. The SDP replaced the "Strategic Development Plan of the Energa Group for 2021-2030" and the LSIP replaced the "Long-Term Strategic Investments Plan of the Energa Group for 2021-2030". The detailed information on SDP and LSIP are presented in point 2.6.1. of this document.

Results of the capacity market main auction for 2028

On 18 December 2023 Polskie Sieci Elektroenergetyczne S.A. published preliminary results of the capacity market main auction for 2028 (they were in line with the final results announced by the President of the Energy Regulatory Office on 5 January 2024), including the closing price for the capacity auction which is 244.90 PLN/kW/year.

The Energa Group companies concluded capacity agreements for existing units and demand side response units. In total, 555.749 MW of capacity obligations were contracted.

The total revenues of the Energa Group in the year 2028 from the above-mentioned contracts may amount to ca. PLN 136 million.

The total value of the Energa Group capacity obligations for 2028 delivery resulting from the above-mentioned contracts and long term contracts from previous auctions is 1,928.018 MW.

Information on the decisions of the President of the Energy Regulatory Office regarding imposing cash penalties on a subsidiary

On 18 December 2022 the Company received the information from Energa Obrót about the decisions issued by the President of the Energy Regulatory Office imposing the following cash penalties on the Company:

- a) PLN 60.7 million - due to EOB's failure to comply with the obligations referred to in Art. 6 section 1 and 2 of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts, including the obligation to adjust prices and rates for electricity within the period specified in this Act,
- b) PLN 193.7 million - in connection with EOB's failure to meet the obligation for 2018 specified in Art. 52 section 1 of the Act of 20 February 2015 on renewable energy sources, i.e. obtaining and submitting for redemption to the President of ERO certificates of origin or certificates of origin of agricultural biogas issued for electricity or agricultural biogas, respectively, produced in renewable energy source installations located in the territory of Poland or located in the exclusive economic zone by 30 June 2019.

Imposition of the above-mentioned cash penalties result in the necessity to create a provision in the financial statements for 2023, which translated directly into a decrease in the consolidated EBITDA result in the of ca. PLN 105 million.

The above-mentioned decisions of the President of ERO are not final or legally binding, and EOB appealed against them.

Information on the necessity to create a provision in connection with the approval by the President of ERO of the tariff for electricity for customers of the G tariff groups for 2024

On 19 December 2023 the Company received the information from Energa Obrót on the necessity to create a provision for the electricity sale agreements for the G tariff groups for 2024.

On 15 December 2023 the President of the Energy Regulatory Office approved the electricity sales price for consumers in the G tariff groups for 2024 for EOB at an average level of PLN 739.11 per MWh.

Due to the fact that the aforementioned approved price does not fully cover the legitimate costs of electricity sold in the G tariff groups, in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) EOB identified the necessity to create a provision for onerous contracts in the amount of PLN 213.9 million, which translated directly into a reduction by the same amount in the consolidated EBITDA result of the Energa Group.

Upgrading of Energa SA's rating by Moody's

On 21 December 2023 the rating agency Moody's upgraded the Company's Long-Term Issuer Ratings - Domestic Currency from the level of "Baa2" to "Baa1". Simultaneously, the agency upgraded the Company's backed senior unsecured rating and the guaranteed senior unsecured EMTN program rating of Energa Finance AB (publ) (the Issuer's subsidiary) from the level of "Baa2" to "Baa1". The outlook on all ratings was changed to stable from positive (for more information see chapter 8.4. Ratings).

Other

Additional information is provided in the Consolidated financial statements in Note 38 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group.*

2.3.2. Material events after the balance sheet date

Information on the necessity to create a provision for electricity sale agreements for the G tariff groups not covered by the President of ERO tariff

On 19 January 2024 the Company received the information from Energa Obrót on the necessity to create a provision for the electricity sale agreements for the G tariff groups not covered by the President of Energy Regulatory Office tariff, which results from the entry into force of the Act of 7 December 2023 amending acts to support consumers of electricity, gas fuels and heat. The main goal of this act is to limit the impact of increases in electricity, gas and heat prices on the most sensitive recipients of these products in the first half of 2024.

EOB evaluated the impact of the above mentioned act and identified a potential loss due to the performance of contracts in the first half of 2024, which was estimated at PLN 252.1 million, and resulted in the creation of a provision in the financial statements for 2023. The above event translated directly into a decrease by the above-mentioned amount in the consolidated EBITDA of the Energa Group's for 2023.

The judgment of the court on statement of claim for repealing the resolution of the Ordinary General Meeting of Energa SA

On 23 January 2024 the Company received information that the Regional Court in Gdańsk, 9th Commercial Division, issued a judgement dismissing the statement of claim for repealing the resolution No. 5 of the Ordinary General Meeting of the Company on 20 May 2022 on the distribution of the net profit for the financial year 2021 and allocation of this profit in full to the reserve capital and awarding the court costs from the Company in favour of plaintiffs. The court refrained from providing oral reasons for the decision. The judgment is not final.

Changes in the Management Board and the Supervisory Board of Energa SA

On 31 January 2024 the Supervisory Board of the Company adopted a resolution to dismiss as of 31 January 2024 Ms. Adrianna Sikorska, performing the function of the Vice-President of the Management Board of Energa SA for Communication, from the composition of the Management Board of the Company of the 7th term of office.

Ms. Sylwia Kobyłkiewicz submitted a statement of resignation from the position of Member of the Supervisory Board of the Company, effective as of 31 January 2024.

Ms. Barbara Hajdas submitted a statement of resignation from the position of Member of the Supervisory Board of the Company, effective as of the end of 1 March 2024.

On 25 March 2024 the Supervisory Board of the Company adopted the resolutions to dismiss as of 25 March 2024 Ms. Zofia Paryła, performing the function of the President of the Management Board of Energa SA and Mr. Janusz Szurski, performing the function of the Vice-President of the Management Board of Energa SA for Corporate Affairs, from the composition of the Management Board of the Company of the 7th term of office. At the same time, the Supervisory Board of the Company adopted a resolution to entrust the duties of the President of the Management Board Energa SA to Mr. Michał Perlik, Vice-President of the Management Board of Energa SA for Finance and Climate, until the appointment of a new President of the Management Board of the Company.

On 4 April 2024 the Extraordinary General Meeting of the Company adopted resolutions on:

1) dismissal, as of the end of 4 April 2024, Ms. Agnieszka Terlikowska-Kulesza and Artur Michalski from the composition of the Company's Supervisory Board and from the functions held by these persons in the Company's Supervisory Board,

2) appointment, with effect from the beginning of 5 April 2024, the following persons to the composition of the Supervisory Board of Energa SA:

- Ms. Dominika Martyna Lechowska for the function of the Member of the Supervisory Board,
- Ms. Agata Justyna Piotrowska for the function of the Member of the Supervisory Board,
- Mr. Zbigniew Tadeusz Lubośny for the function of the Member of the Supervisory Board,
- Mr. Dariusz Trojanowski for the function of the Member of the Supervisory Board.

On 4 April 2024 the majority shareholder of the Company, ORLEN S.A., submitted a statement informing that - pursuant to Article 385 § 2 of the Polish Code of Commercial Companies and § 17 section 3 of the Company's Articles of Association - it dismissed, as of the end of 4 April 2024, Ms. Anna Barbara Ziobroń and Ms. Agnieszka Sylwia Żyro from the composition of the Company's Supervisory Board as well as from the function of the Member of the Company's Supervisory Board.

On 19 April 2024 the Supervisory Board of the Company appointed Mr. Roman Szyszko and Mr. Sławomir Staszak to the Company's Management Board of the 7th term of office as of 20 April 2024, entrusting them with the functions of Vice-Presidents of the Management Board.

Decision of the Court of Appeal in the case of annulling or repealing the resolution of the Extraordinary General Meeting of Energa SA

On 21 March 2024 the Court of Appeal in Gdańsk, 1st Civil Division, issued a judgement in the case about which the Company informed in current reports No. 82/2020 of 16 December 2020, No. 7/2021 of 14 April 2021 and No. 46/2022 of 1 December 2022. The court fully dismissed the appeal filed by the Company against the judgment of the court of first instance repealing the resolution No. 3 of the Extraordinary General Meeting of Energa SA of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code. In the above-mentioned judgment the court awarded the costs of the appeal proceedings, including the costs of legal representation from the Company in favour of plaintiffs. The judgment is final on the day of its issuance.

2.3.3. Other information having a significant impact on the assessment of the property and financial situation and the financial result of the Group

The impact of armed conflicts on the Group's performance

The Group monitors the situation in Ukraine and the Gaza Strip on an ongoing basis in terms of its impact on business operations. However, the situation is very volatile and forecasting economic consequences of the war is subject to a high risk of making erroneous assumptions. Given the high dynamic of changes in the geopolitical and economic conditions as well as difficulties in processing or obtaining unambiguous and highly probable economic and financial forecasts, the potential impact of the conflict on the Group's operations and financial results cannot be reliably estimated at this time.

Further military actions, the scope and effectiveness of sanctions imposed and the response from central banks and other financial institutions to the crisis shall be of key relevance for a full assessment of the implications of the current situation for the future financial results of the Group.

Bearing in mind the above, the Group has identified the following market risks:

- The risk of the Polish currency's weakening against major currencies, including specifically against euro. The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects.
- The risk of an increase in prices of energy inputs (coal and gas) as a result of their limited availability due to the embargo imposed on Russia. It needs to be stressed that the Group no longer purchases fuels from operators based in Russia, Belarus, Ukraine or Israel. The Group understands that the current situation may significantly affect the hard coal availability and prices, and therefore the Group identifies as risk the adverse impact of that factor on its operations and financial performance. The Group monitors the availability and level of prices of that fuel on an ongoing basis for the respective periods and takes actions to secure the supply and prices that allow uninterrupted and profitable operations of the Generation Business Line. The existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg shall be exposed to this risk).
- The risk of the Group's operations being adversely affected by the Polish government's intervention on the domestic electricity market (as a response to the increase in electricity prices in the aftermath of the war in Ukraine) – including the statutory cap on electricity prices for selected groups of customers; compensation for energy trading companies in an amount that will not cover the full range of costs; the need for energy producers to return part of their revenues that exceed the statutory level, and the tariff policy of the President of the Energy Regulatory Office.
- The risk of unavailability and increase in the price of electrical engineering materials being purchased as well as other components. Price growth in that area may lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure. In particular, the Group monitors the timeliness of delivery of measuring infrastructure items, and takes the corresponding adaptive actions required to ensure the continuity of operations as regards the installation of meters in the distribution grid.
- Greater risk of attacks against the IT, generation and distribution infrastructure which is required to achieve the Group's main business goals, which necessitates higher expenditure on protection of IT systems and building facilities, as well as use of more advanced tools, equipment and security systems.
- The risk of further growth of inflation and interest rates, and consequently the risk of reduced access to or less favourable terms of external funding, may drive up the cost of debt financing for the Group.

- In addition, the economic situation (high inflation, worsening GDP forecasts, high borrowing costs) may affect the liquidity situation of businesses and households in Poland, potentially resulting in a deterioration of payment behaviours of the Group's customers. At the time of preparing this report, the Group does not identify any significant delays in the collection of receivables from its customers, however, it takes this possibility into account, and therefore appropriate actions are taken to monitor the payment performance of individual customer groups. The entry into force of the acts on the Solidarity Shield and Maximum Prices had a significant impact on the liquidity in the Sales Business Line, related to the creation of receivables for compensation from the Settlement Administrator.

On the other hand, the Group has not identified any direct negative impact of the war in Ukraine and situation in the Gaza Strip on its financial performance in 2023.

The Group's companies have no business relations with business operators registered in the territory of Ukraine, Russia, Belarus or Israel.

2.4. Research, Development and Innovation activities

In 2023, the Energa Group companies were implementing 18 projects in the field of Research, Development and Innovation (RDI), including: 3 new projects, 9 continued from previous years and 6 projects completed in 2023. The Energa Group companies spent more than PLN 52 million net for implementation of 18 projects. Descriptions of selected RDI projects are provided in point 2.4.1. below.

2.4.1. Selected projects pursued in 2023 by the Energa Group companies in the field of Research, Development and Innovation (RDI)

SERENE

Energa Operator is implementing SERENE, a research project which aims to develop mechanisms and business models for new network services to increase the flexibility of the MV and LV distribution network and to employ technical solutions to actively manage the LV network using AMI meters. The project is being implemented by an European consortium and is supported under the Horizon 2020 programme. The project was launched and the first consultations took place in August 2019, and the European project consortium began its work in May 2021. Work in 2023 focused on preparing the demonstration area by installing electric car chargers, energy storage, heat pumps and equipment to monitor and control the operation of the network and consumer facilities. Arrangements were also initiated to upgrade a substation located in a residential area of single-family homes with PV systems, scheduled for installation in 2024. It was an important element of the activities to build consumer awareness and encourage active participation, which involved regular meetings with the residents of Przywidz. The project is scheduled to be completed by the end of May 2025.

EUniversal

Energa Operator is carrying out the EUniversal project in the area of grid flexibility development and use of flexibility services on the energy market. The project is being implemented by a consortium of 18 European energy sector companies and is supported under the Horizon 2020 programme. In 2023, the testing of flexibility services continued, the commissioning tests of the NODES platform and of smart substations were successfully completed. 2023 saw the drafting of the Grid Adaptability Validation Report, which was submitted to the European Commission. Towards the end of 2023, EOP started work on the final (financial and technical) project report for the European Commission.

OneNet

Energa Operator is implementing OneNet, a research project which aims to develop mechanisms and business models for new network services to increase the flexibility of the HV, MV and LV transmission and distribution grids. The project is being implemented by an European consortium and is supported under the Horizon 2020 programme. The project was launched in November 2019, and the European project consortium began its work in October 2020. In 2023, flexibility services were tested and verified in the Polish demonstration area, involving actual customers who provided flexibility services as part of the tests. On that basis, recommendations for transparent market platforms and TSO-DSO-customer data exchange, and a validation report on the correct operation of the market platform for flexibility services, were prepared. Activities in 2024 will focus on the preparation of proposals and a CBA (cost-benefit analysis) for the eastern cluster and the preparation of a technical and financial report for the European Commission. The project is scheduled to be completed by the end of July 2024.

Innovative phase-change thermal energy storage in an advanced district heating system

Energa Ciepło Ostrołęka Sp. z o.o. is implementing "Innovative phase-change thermal energy storage in an advanced district heating system", a research project aimed at developing a dedicated phase-change thermal energy storage facility to work with a small gas power station. The project is being implemented by a consortium and is supported under a programme of the National Centre for Research and Development. The project started in March 2017 and is scheduled for completion by the end

of April 2024. In 2023, three thermal energy storage facilities (high-, medium- and low-temperature) were tested in real conditions and the operation of a test system of three heat and cold storage facilities connected to a heating node was validated. The project is nearing completion and pending clearance of the grant by the National Centre for Research and Development (NCBiR).

Reversible Solid Oxide Electrolyser (rSOC)

Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o. completed the research project Reversible Solid Oxide Electrolyser (rSOC: modułowa instalacja odwracalnych ogniw stałotlenkowych), the aim of which was to develop and construct a power-to-gas system based on a stack of solid oxide electrochemical cells operating as a reversible electrolyser. The project was implemented by a consortium and was co-financed by a Fast Track grant of the National Centre for Research and Development. The project started in January 2020 and ended on 24 July 2023.

As part of the project:

- the following parameters were attained for the installation in the testing phase: (i) the total electricity-to-hydrogen-to-electricity conversion capacity (also known as round-trip efficiency) was confirmed through long-lasting tests. The electrical efficiency of the unit operating in the electrolyser mode was 85.95% and that of it operating as a fuel cell was 50.84%, which translated into a round-trip efficiency of 43.7%, (ii) the energy intensity of hydrogen production of the rSOC was confirmed through long-lasting test runs. The energy consumption of the system at the rated operation point was 38.77 kWh/kg H₂;
- a type series of commercial installations with rSOC cells was developed – conceptual designs were made for a series of installations with rSOC cells intended for SOE/SOFC operations, 10, 50, 200 and 1,000 kW installations.

Energy Business Intelligence (EBI)

31 December 2023 marked the round-off of the Energy Business Intelligence (EBI) project of Enspirion Sp. z o.o., which was dedicated to the transformation of the Power Aggregation System into an Energy Services Platform supporting the provision of new energy and energy-related services and products based on the processing and analysis of measurements. The EBI project led to the design and deployment of a product platform that will constitute the system basis for all Enspirion products based on remote measurements. Both the administrative and customer-end parts of the platform were created. Additionally, an analysis and specification for the creation of the Power Market product based on the EIB platform environment was prepared.

2.5. Capital expenditures and execution of key projects

In 2023, capital expenditures of the Energa Group totalled PLN 4,334 million, of which the majority were investments in the Distribution Business Line, totalling PLN 2,261 million.

The investments of the Distribution Business Line included expansion of the grid with a view to connecting new customers and generators as well as upgrades aimed at improving the reliability of electricity supply. Expenditure was also incurred on innovative technologies and grid solutions, such as a smart grid conversion project.

In the Generation Business Line, CAPEX amounted to PLN 367 million, a significant portion of which was spent on the construction of new renewable energy capacities (mainly PV) and the development and maintenance of the Group's district heating assets.

The greatest amounts in the Sales Business Line were spent on lighting assets.

The 'Other' Business Line expended funds on a project towards the construction of gas power plants in Ostrołęka (CCGT Ostrołęka) and Grudziądz (CCGT Grudziądz).

Table 1: Status of implementation of the investment programme in 2023

Project description	Capital expenditure in 2023 (PLN m)
Distribution Business Line	2,261
Connection of electricity consumers and sources and the related construction of new grids	1,206
Modernization and reconstruction of the existing assets related to the improvement of the quality of services and/or the increase in the demand for power	723
Other capital expenditures, collisions and corrections	332
Generation Business Line	367
Construction of new RES capacities	250

Development and maintenance of heating assets	71
Other investments	46
Sales Business Line	110
Capital expenditures for lighting assets	58
Purchase of an electric vehicle charging stations	21
Other capital expenditures	31
Other companies, projects and corrections	1,596
CCGT Ostrołęka	944
CCGT Grudziądz	680
Other investments and corrections	-28
Total	4,334

Investment programme in the area of heat assets

Preparations are under way for a task involving the construction of 3xSG10 gas engines at the Elbląg site – the conditions for connecting to the power grid and the Decision on Environmental Conditions have been obtained. On 30 August 2023 the City Hall in Elbląg issued a decision on a building permit. In 2023, the company ran a tender procedure to select the general contractor for the investment, which was not responded to by any bidders. Another procedure was launched at the beginning of January 2024, with one binding tender obtained within the bidding deadline of 12 February 2024.

A contract for the construction of a peak-load/reserve boiler house and a water treatment plant is being executed at the Kalisz site. The boilers were brought and placed into the boiler house building. The boilers were prepared for the adjustment and test runs. Work is also underway on the construction of a cogeneration system based on 2xSG10 gas engines. Work is underway on the foundations for the engines and the main building of the cogeneration installation.

At the Ostrołęka site, design work was carried out on a gas pipeline to supply a new heat source - the Decision on Environmental Conditions have been obtained. Work is in progress related to the preparation of documentation for obtaining administrative decisions.

In 2023 development and upgrade investments were also made in the area of district heating networks.

CCGT Ostrołęka power plant development project

In December 2021, as a result of the main auction of the capacity market for the year 2026, CCGT Ostrołęka Sp. z o.o. signed a capacity contract for a period of 17 years (capacity requirement of 695.951 MW). On 24 March 2022 the company CCGT Ostrołęka Sp. z o.o. had issued the Commencement Order (a notice to proceed - NTP) related to the construction of a gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka for the general contractor of this investment. Construction is currently underway. On 29 June 2023, a loan agreement was concluded for financing the construction with a consortium of Polish and foreign financial institutions. On 3 October 2023 an annex was signed to the agreement of 25 June 2021 with the general contractor of the investment, under which, among others, the remuneration of the general contractor was increased (detailed information in this regard is presented in point 2.3.1 of this document).

CCGT Grudziądz power plant development project

In December 2021, as a result of the main auction of the capacity market for the year 2026, CCGT Grudziądz Sp. z o.o. signed a capacity contract for a period of 17 years (capacity requirement of 518.370 MW). On 24 June 2022, the company gave possession of the site to the general contractor. On 18 May 2023, the cornerstone was laid. The block is currently under construction.

CCGT Gdańsk project

On 16 September 2022, Energa and ORLEN S.A. signed an agreement regarding the financing of the construction of a CCGT plant in Gdańsk. In 2023 the procedure for selecting the general contractor (EPC) and maintenance service provider (LTSA) for a CCGT unit in Gdańsk with a capacity of up to 456 Mwe was continued. Because no implementation decision has been issued for the project and CCGT Gdańsk Sp. z o.o. did not join the 2023 Main Capacity Market Auction, the project is currently only in implementation readiness.

Smart Grid

The project aims to ensure the stability and flexibility of the distribution system through the implementation of smart grid solutions and is co-financed by the EU under the Operational Programme Infrastructure and Environment. All the project work has been completed. The final report on the project will be drafted after the transition to production operation across the Branches, which will take place in May 2024. As part of the project, a fault localisation module was added to a SCADA power grid control system, what led to shorten the duration of power outages. The project also included the construction of an energy storage facility to stabilise the performance of the distribution system at the connection of a 4 MW photovoltaic farm in Czerników.

PV Wielbark and PV Gryf projects

In 2023, the construction of a complex of photovoltaic farms in the Warmińsko-Mazurskie Province with a total capacity of nearly 70 MW was completed, and the Gryf PV farm in the Wielkopolskie Province was repowered to approximately 25 MW. Gryf PV was built in the Przykona municipality, on land reclaimed after a lignite open-pit mine, in the vicinity of an Energa Group windfarm.

PV Mitra project

The goal of the project is to prepare, build and put into service a photovoltaic installation consisting of a complex of photovoltaic power plants with a total installed capacity of approximately 65 MW. In 2023 an agreement was signed with the general contractor of this investment, the NTP was issued and the construction site was handed over.

5xPV

The purpose of the project is to build five photovoltaic farms (PV Czernikowo+, PV Samolubie 1, PV Samolubie 2, PV Przykona, PV Pierzchały) up to 1 MW each and power offtake points. In 2023, 4 projects were completed, and at the beginning of 2024 the Pierzchały PV project was completed. The expansion of new capacities will increase the share of renewable sources in the total electricity production of all Energa Group assets.

Investment in new RES of total capacity of 59 MW

On 30 June 2023, Energa Wytwarzanie signed with Greenvolt a preliminary agreement for the purchase of wind farm and four PV installations of a total capacity of 59 MW for an estimated amount of approx. EUR 107 million (approx. PLN 460 million). The transaction involves two portfolios of RES projects carried out in the Wielkopolska province. One is the Opalenica portfolio, involving three photovoltaic farms with a total capacity of 22 MW. The other one is the Sompolno hybrid project, combining 26 MW of wind turbines and a 10 MW photovoltaic installation. The assets purchased during the year can produce 111 GWh of energy, which is equivalent to the consumption of over 55 thousand households. Greenvolt Power, a company that is part of the Greenvolt Group, is responsible for the construction and bringing both projects to the operational phase.

The conclusion of final agreements for the Opalenica portfolio is planned in the second quarter of 2024, and for the Sompolno portfolio in the third quarter of 2024, after construction and obtaining licenses for the production of electricity for individual RES installations.

Offshore windfarm projects

In 2023, the Ministry of Infrastructure announced the results of the process for allocating six sites for new windfarm planned by developers in the Polish waters of the Baltic Sea. The ORLEN Group scored the highest number of points for five locations. As a result, the company's offshore wind energy potential may soon increase by approximately 5,200 MW, of which Energa MFW 1 Sp. z o.o. and Energa MFW 2 Sp. z o.o., subsidiaries of Energa Wytwarzanie, have been issued two permits for the construction and use of artificial islands, structures and devices in Polish offshore areas with a total capacity of approximately 1,800 MW. The concessions secured by the ORLEN Group relate to locations off Kołobrzeg and Łeba and are located about 30 kilometers from the shoreline. The subsidiaries of Energa Wytwarzanie referred to above scored the highest number of points in the award procedure in areas 14.E.1 and 14.E.2, respectively.

Signing of a preliminary agreement for the acquisition of a special purpose vehicle implementing a project for the construction of hybrid renewable energy sources with a total capacity of up to ca. 334 MW

On 13 October 2023 Energa Wytwarzanie and Lewandpol Holding sp. z o.o. signed the preliminary agreement for the purchase of 100% of shares in E&G sp. z o.o., which implements Kleczew Solar & Wind project for the construction of photovoltaic installations and wind farm with a total capacity of from ca. 244.5 MW to ca. 334 MW in the Wielkopolska province. If the above transaction is concluded, the total installed capacity of the Energa Group's renewable energy sources ("RES") may increase to 950 MW, or by ca. 54% as compared to the end of June 2023.

The above mentioned project is divided into three stages, the first of which includes the construction of a photovoltaic installation with a capacity of 193,1 MW and a wind farm with a capacity of up to 19.2 MW. In the next two stages, the installed

capacity of the photovoltaic farm is expected to increase by maximum ca. 122 MW. According to the Project's current schedule, construction of the aforementioned RES is expected to be completed in 2025. The project in question creates the possibility of possible expansion with additional wind capacity in the future, in the *cable pooling* formula.

The Transaction is subject to the fulfillment of a number of conditions precedent (including obtaining unconditional approval from the President of the Office of Competition and Consumer Protection and a license to generate electricity), and is expected to close no later than in the first quarter of 2025.

As envisaged, if the transaction goes through, ORLEN will provide financial support to the Energa Group to finance the investment.

Assuming the maximum value of the project's power (i.e. 19.2 MW - wind farm and 315.1 MW in PV installations), the maximum purchase price may amount to PLN 1,927 million.

Acquisition of Farma Wiatrowa Szybowice Sp. z o.o. by Energa Green Development Sp. z o.o.

In March 2024, Energa Green Development Sp. z o.o. acquired from ONDE (GK Erbud) and Goalscreen Holdings Limited (Neo Energy Group company) 100% of shares in the special purpose vehicle Farma Wiatrowa Szybowice Sp. z o.o., which owns the Szybowice wind farm construction project (Opole Province, Prudnik District). The purchase amount of 100% of the shares was PLN 57.6 million (this value does not include the planned investment outlays for the project). The Szybowice Wind Farm (WF) is to consist of 17 Vestas turbines, each with a capacity of 2.2 MW and a height of 180 m. The construction of the farm is to be completed within 21 months from the notice to proceed with the construction, which was issued by the investor on 20 March 2024. The total value of the investment (purchase of shares together with construction) will amount to approx. PLN 407 million.

Acquisition of Wena Projekt 2 Sp. z o.o. by Energa Wytwarzanie

On 12 April 2024, Energa Wytwarzanie SA acquired from Lightsource bp 100% of the shares in the special purpose vehicle Wena Projekt 2 sp. z o.o., Warsaw, which holds the rights to a photovoltaic installation project with a total capacity of approximately 130 MW. Also on 12 April 2024, Notices to Proceed were issued to the General Contractor. The photovoltaic installation is to be built in the municipality of Kotła, Głogów District, Dolnośląskie Province. The photovoltaic installation is expected to be put into service before the end of 2025. The fair value of the consideration paid was PLN 117 million, which included the acquisition of the shares and the repayment of the loan granted to the special purpose vehicle by its former shareholders, being a prerequisite for taking control of the SPV.

2.6. Strategy and directions of development of the Energa Group

2.6.1. Energa Group's development strategy

In 2023, the "Strategic Development Plan of the Energa Group for 2021-2030" ("SDP 2021-2030"), which had been approved in 2021, was in effect. The SDP 2021-2030 set the framework for the operation and development of the Energa Group until 2030, in line with the "ORLEN Group strategy by 2030" announced by ORLEN, the Company's strategic shareholder.

SDP 2021-2030 described the contribution of the Energa Group to the implementation of the above-mentioned Strategy of the ORLEN Group. Furthermore, it took into account the implementation of the most important initiatives related to the integration of both groups and key trends affecting the shape and functioning of the domestic energy market. The main strategic objectives of the Energa Group for the years 2021-2030: (i) in the area of distribution: formulation and implementation of a multi-year development plan for HV, MV, LV grids and improving the quality of customer service, (ii) in the area of generation: development of new RES capacities - photovoltaic, offshore wind farms, and in the case of easing the regulations, also onshore wind farms. In the area of system power plants, the strategic goal is to participate in the implementation of new capacities in gas installations and the modernization of cogeneration installations, (iii) in the area of sales: carrying out an in-depth digitization program and cost reduction. As part of SDP, the Energa Group planned to achieve: (i) approx. 1.1 GWe of installed capacity in onshore renewable energy sources and participation in offshore wind farm projects with a capacity of approx. 1.3 GWe, (ii) participation in the implementation of investments in gas installations (CCGT) with a capacity of approx. 1.3 GWe, (iii) reduction of CO₂/MWh emissions by 33% in comparison to 2019, (iv) increasing the share of remote reading meters (AMI) installed at customers to 100% by 2026. It was planned that the realisation of the above-mentioned SDP 2021-2030 goals would translate into an increase in the consolidated EBITDA result in 2030 by over 60% compared to 2020.

On 6 December 2023 the Company's Supervisory Board adopted the resolutions to approve:

- the "Strategic Development Plan of the Energa Group for 2024-2030" ("SDP"),
- the "Long-Term Strategic Investments Plan of the Energa Group for 2024-2030" ("LSIP"), which is the Strategic Development Plan's forecast document reflecting the current assumptions regarding investments in the Energa Group ("Group").

The SDP replaced the "Strategic Development Plan of the Energa Group for 2021-2030" and the LSIP replaced the "Long-Term Strategic Investments Plan of the Energa Group for 2021-2030".

Updating the SDP and LSIP is necessary due to the changes in market and regulatory environments that have occurred in recent years, which affect the electricity market in Poland. Evolving technology, digitization pressure, taxonomy, business models redefining the energy sector, business and social awareness in line with ESG, development of energy efficiency areas, signing of the Charter for the Efficient Transformation, diversification of generation sources and the decarbonization process are the main challenges affecting the Group's long-term development. In order to remain competitive while committing to protecting the environment and pursuing sustainable development, the Group has to align its business profile and asset structure with the new challenges as well as conduct energy transformation, mainly by continuing the decarbonization process. In addition, the SDP and LSIP reflect the changes made to the "ORLEN Capital Group strategy by 2030", which ORLEN S.A. – the Company's strategic shareholder – announced in February 2023.

The Energa Group's main strategic goals for the years 2024-2030, as set out in the SDP, include:

- 1) in the Distribution business:
 - a) development of HV, MV, LV grids necessary for connecting renewable energy sources ("RES"), energy storage and electromobility, which will translate into an increase in the installed capacity of RES connected to the grid to approx. 13.2 GW by 2028,
 - b) expanding the grid to increase the potential for connecting electric vehicle charging stations,
 - c) increase in MV line cabling,
 - d) improving SAIDI and SAIFI indicators,
 - e) achieving 100% share of remote reading meters among customers starting from 2026,
- 2) in the Generation business:
 - a) development of new RES capacities (both through own investments and mergers and acquisitions) – the Group plans to reach approx. 3.6 GW of installed RES capacity in 2030,
 - b) replacing coal fuel with low-carbon fuel (gas) by continuing the construction of combined cycle power plants (CCGT) in Grudziądz and Ostrołęka with a total installed capacity of approx. 1.3 GW,
 - c) reducing the share of coal assets in the installed capacity to 2% in 2030,
 - d) reducing CO2 emissions by at least 40% by 2030 compared to 2019,
- 3) in the Sales business: the main strategic goal in this business line is to carry out an in-depth digitization and cost reduction program in order to increase EBITDA result (operating profit before amortization and impairment of non-financial non-current assets). The activities will include:
 - a) increasing the profitability of electricity sales,
 - b) increasing the ability to respond quickly to changes in the market environment by digitizing business processes and building a flexible process culture,
 - c) increasing the share of green energy in sales,
 - d) developing the lighting service with a focus on asset additions and upgrades,
 - e) developing energy flexibility services (DSR service, among others).

According to the LSIP, total outlays on the Group's core and additional investments planned for the years 2024-2030 will amount to approx. PLN 47.9 billion, of which approx. PLN 23.4 billion accounts for the Distribution Business Line, approx. PLN 22.8 billion for the Generation Business Line (of which approx. PLN 14.3 billion for RES-related investments and approx. PLN 3.2 billion for construction and maintenance of CCGT units in Grudziądz and Ostrołęka), approx. PLN 1.6 billion for the Sales Business Line and other services.

The implementation of such an ambitious investment plan is necessary to maintain the Group's competitiveness in the medium and long term. The anticipated source of financing for the aforementioned investments is own funds generated by the Group as well as debt instruments. In order to achieve the full scale of funds necessary to implement the investments described in the LSIP, retention of profits in the Company will also be required, which means that the Company will not pay dividend. Additional support from ORLEN S.A. is also expected. All investment activities carried out by the Energa Group must meet the criteria of minimum investment attractiveness, compliance with ESG requirements and lack of risk of compromising the Group's financial stability.

It is estimated that the achievement of the aforementioned SDP goals and the investments envisaged in the LSIP will result in a more than two-and-a-half-fold increase in consolidated EBITDA in 2030 as compared to 2022, which should consequently translate into an increase in the Company's value for shareholders.

2.6.2. Implementation of the Energa Group's Strategy in 2022 and development prospects for 2023

The overarching objective of the Company is to grow the value of the company, guaranteeing a return on capital employed for shareholders. Furthermore, the Company performs functions associated with assurance of energy security of Poland. Because of the high proportion of regulated activities in its business structure, the Group maintains the status of a company with a balanced risk profile.

Distribution Business Line

Energa's Distribution Business Line is consistently seeking to become a leading Distribution System Operator (DSO) by improving its grid performance and reliability, and providing top quality customer service. The value of the base investment plan of Energa Operator for 2024 in correspondence to the structure of the Development Plan is higher by over 33% than the CAPEX made in 2023. The CAPEX of EOP account for over 99% of the total capital expenditure of the Distribution Business Line.

EOP's key investment areas in 2024 include:

- further connections of new customers and new generation units, as well as the related construction of new networks,
- network expansion and redevelopment to meet increased power demand,
- distribution network redevelopments/upgrades at all voltage levels to improve the continuity of supply to customers (SAIDI/SAIFI), meet the required quality parameters of electricity supply and reduce network losses, such as:
 - replacement of overhead MV power lines running through forest and wooded land with underground cable lines and/or insulated overhead power lines,
 - MV network automation,
 - replacement of non cross-linked (emergency) MV cables,
 - replacement of LV cables with insulated cables and terminals,
 - construction of new MV power line connections,
 - replacement of HV/MV transformers,
- connection of public recharging stations and charging infrastructure for the public road transport,
- connection of energy storage facilities to the grid,
- purchase and installation of smart metering infrastructure in accordance with Article 11t of the revised Energy Law (Journal of Laws 2021 item 1093). By 31 December 2028, distribution system operator will have installed remotely readable meters connected to a remote reading system at energy consumption points that will represent at least 80% of the total number of consumption points at final consumers', including at least 80% of household consumption points, with a measurement and billing system without current or voltage transformers, connected to a network with a rated voltage of up to 1 kV. Moreover, Article 4.2a of the Renewable Energy Sources Act obligates the DSOs to take hourly readings of electricity withdrawn from and injected into the grid for all producers and prosumers. Since 1 April 2022, such consumers must be billed according to hourly readings.

In 2024, EOP plans to intensify high-voltage network investment activities. In 2024, a major challenge will be posed by the contracting and delivery of the breadth of HV network projects (design tasks or work based on existing design documentation) foreseen in the investment plan, which are aimed at developing the network in order to prepare it for a surge in renewable energy generation, enhancing the potential for connecting new customers with a high installed capacity, and developing electromobility, mainly by boosting the capacity of the high voltage grid, building new power lines and constructing new or upgrading existing 110/15 kV substations. Additionally, given the nature of the closed extra-high and high voltage grids, there is a need for certain investments in HV lines in order to ensure full export of power from the offshore wind farms to be connected to the transmission network. High voltage grid investments provide added value by reducing technical network losses.

In March 2022, Energa Operator SA submitted a draft revision of the Development Plan for Meeting Current and Future Electricity Demand 2023-2028 for consultation to the President of ERO, which every DSO is required to do pursuant to Article 16(14) of the Energy Law. In December 2022, the President of ERO approved the draft Development Plan for 2023.

In September 2023, Energa Operator (as the other DSOs) submitted a revision to the 2023-2028 Development Plan with regard to 2024-2028 for approval by the President of ERO, who approved it and validated the expenditure in full on 15 December 2023. This means that EOP's Development Plan was approved by the President of ERO in its entirety for the years 2023-2028. The revision referred to above resulted from the need to align the information contained in the Development Plan to the goals resulting from the signing of the Charter for the Effective Transformation of Distribution Networks of the Polish Energy Industry (Karta Efektywnej Transformacji Sieci Dystrybucyjnych Polskiej Energetyki) on 7 November 2022.

In 2023, Energa Operator completed migration work aimed at having 100% of its customers billed by means of a single billing system. The 2024 plans comprise development of functionalities and further automation of the handling of enquiries/failure notifications and the alignment of the system and business processes to legislative developments. It is necessary to develop

such handling/processing and system development assumptions as to enable serving new electricity market players, including: energy cooperatives, virtual prosumers, handling so-called 'direct power lines', energy clusters, cable pooling, and civic energy communities (CECs). It will also be necessary to effect changes related to the Balancing Market following the introduction of a 15-minute imbalance settlement period on 14 June 2024.

The above changes also necessitate the adaptation of Energa Operator's IT systems to the Central System of Energy Market Information (CSIRE), which is to go live in July 2025.

In 2024, EOP will continue intensive design work towards the implementation of CSIRE, including the preparation and migration of data, definition of the business requirements for adapting EOP's processes and IT systems to the new communication model, and work related to the development of new customer service procedures in EOP. There are also plans to bring about changes, test new system solutions and processes adapted to the new service model.

In 2024, the 'Moj Prąd 6.0' government scheme encourages the connection of new renewable energy sources by co-funding newly connected microinstallations. At the end of 2023, the total number of microinstallations connected to EOP's network was 268,891 and their installed capacity totaled 2,334 MW. In 2023, 40,396 new microinstallations were connected, of which nearly 95% were photovoltaic installations. The total installed capacity of microinstallations connected in 2023 was over 390 MW. The number of microinstallations connected in the individual quarters of 2023 was similar and averaged 10,000 microinstallations per quarter with a total capacity of approximately 100 MW. As a consequence, in 2024, EOP will face the challenge of maintaining secure operation of the low-voltage power grid in spite of the rising prosumer generating capacity.

A strong increase in interest in the construction and connection of new renewable capacities is still observed. As of 31 December 2023, 1,890 generators (other than microinstallations) with a total capacity of over 6,080 MW were being connected to the Energa Operator network.

Connecting RES to the grid will continue to be a major challenge facing Energa Operator in 2024 and beyond.

In 2024, the new model of Qualitative Regulation for 2018-2025 introduced in 2019 by the President of the Energy Regulatory Office (ERO) and described in the '2018-2025 Qualitative Regulation for Distribution System Operators' (a set of grid quality-related KPIs to be met by DSOs), version dated 29 May 2019, will continue to apply. The new 2018-2025 Quality Regulation has introduced far-reaching changes, for instance in terms of the subdivision and calculation of supply reliability ratios, return on capital employed, the level of OPEX to be reflected in the tariff. The President of ERO has set very ambitious targets for the improvement of key performance indicators, the delivery of which (mostly the area-related CTP and CP power supply reliability indicators and the CRP connection time indicators) will have a direct impact on the company's regulated revenue for the part related to return on equity – 2024 performance will be reflected in the tariff for 2026.

The transition of the energy market poses new challenges also to the DSO, whose power grid connects the energy market players. New challenges call for the development and creation of new technical, organisational and process solutions. The ambition of the Distribution Business Line is to lead the deployment of innovative solutions and to cooperate in that respect with other European countries. Energa Operator SA implements innovative solutions in such areas as smart grid, smart metering, advanced network asset management and cable diagnostics systems and vendor and customer support system. The DSO's activities additionally involve cooperation with DSOs on international research and development projects. The goal of such projects is to devise mechanisms for the development and integration of the future energy market and to set up the conditions for new services on the market on the DSO side. These include, in particular, grid flexibility and flexibility services as well as supporting customers in playing active energy market roles, in particular designing new solutions for energy communities.

In the area of research and development, it is important to build relationships with universities and scientific institutions. Cooperation with local research institutions, i.e. the Gdańsk University of Technology, the Gdańsk Branch of the Institute of Power Engineering, and the Institute of Fluid-Flow Machinery at the Polish Academy of Sciences is being developed in the framework of the activities.

Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. (EOWE) is a strategic reserve of technical and human resources for the Distribution Business Line in the event of massive Energa Operator SA power system failures. EOWE's Internal Task Plan for 2024 comprises the delivery of investment and repair/renovation contracts within the bounds of the company's potential to perform contracted work. Based on the agreed Internal Task Plan, Energa Operator SA branches accept the successive contracts until the company runs out of resources available to it.

Generation Business Line

Energa Wytwarzanie SA ("EWYT") operates in the power sector, within an established legal environment based primarily on the following Acts: Energy Act, Water Act, Capacity Market Act, Act on Renewable Energy Sources, Construction Act, Environmental Protection Act. The company is active in the domestic market of the power sector, involving electricity generation; it generates electricity from renewable energy sources and sells electricity. In 2023, EWYT also provided system services to the transmission system operator PSE S.A. – compensation operation and ARNE (automatic voltage and reactive

power control) services, using the hydropower units of the Żydowo Pumped-Storage Plant, and the National Electricity System recovery service, using the hydropower units of the Włocławek Hydro PP. Moreover, the Żydowo Pumped-Storage Plant (ESP Żydowo) hydropower units, as centrally dispatched generating units (JWCD), participate in the balancing of the National Electricity System.

Energa Wytwarzanie is one of the leading generators of renewable hydropower in terms of the amount of electricity generated. It has a large generating potential and its leadership position is not going to be threatened in the coming years.

The Generation Business Line, in which EWYT is the lead entity, carries out activities related to the generation of electricity and heat, the provision of system services, and the transmission and distribution of heat.

The industry in which EWYT operates depends on the price of products generated and the cost of investments, as well as the cost of ongoing upgrades ensuring maximum availability of sources. Companies in the Generation Business Line, which have conventional generation sources, are to a significant extent dependent on fuel prices, which are subject to significant increases, and on the price of emission allowances.

The development focus of Energa Wytwarzanie S.A. is aligned with the strategic documents of the Energa Group and ORLEN Group. In 2024, the delivered tasks will focus on:

- 1) Building Offshore Wind Farms - in 2023, the company finalised its 'Offshore Wind Farms' project, under which the special purpose vehicles Energa MFW 1 and Energa MFW 2 obtained permits to build and use artificial islands, structures and equipment for offshore wind farms (PSzW) at locations 14.E.1. and 14.E.2. As part of the project 'Development of O&M Services for Offshore Wind Farms', activities were pursued jointly with a Northland Power Europe (NPE) team to prepare an offer for the management of the assets of the Baltic Power Offshore Wind Farm (BLP). Following this, a letter of intent was signed between NPE, BLP and Energa Wytwarzanie regarding cooperation in the management of BLP's assets. A contract was signed with a technical advisor from Deutsche Windtechnik Offshore und Consulting GmbH, who developed a study on matters relevant to an offshore wind farm operation centre, the related organisational setup, and risks of managing OWFs,
- 2) Redevelopment of the connection of the Bystra battery energy storage system – as a result of the planned development work, the battery energy storage system will be reconnected to the power system through a direct connection to the 110 kV network bypassing the existing connection to the Bystra wind farm,
- 3) Construction and commissioning of the PV Wielbark I and II photovoltaic farm – all the work was completed as scheduled and both investment projects were acquired from Energa Green Development sp. z o.o.,
- 4) Construction of PV Mitra with an installed capacity of approximately 65.5 MW and PV Żuki of approximately 2.4 MW – investment agreements for the construction and commissioning of both installations in 2024 with Energa Green Development Sp. z o.o. were signed,
- 5) Acquisition - EWYT acts as the target owner of RES assets and the company dedicated to the operation of RES installations in the Energa Group, therefore EWYT will be the direct beneficiary of the M&A projects. In order to support comprehensively M&A projects, EWYT has concluded M&A cooperation agreements with Energa SA,
- 6) Pumped-storage plants – Energa Wytwarzanie commenced work towards the preparation of investments in new pumped-storage plants. The pre-design work formulated the key technical and economic assumptions for two potential pumped storage plants, namely Tolkmicko Plant with a capacity of 1,000 MW and Włocławek with a capacity of 100 MW. The preliminary profitability models created upon the initiation of the project will be updated.

In 2024, the Generation Business Line will carry out a range of operational and organisational activities. It will also continue activities initiated in preceding years resulting from projects pursued with a view to integrating with the ORLEN Group. Innovation plans will also be developed and initiated to reinforce the Group's market position in the coming years.

Sales Business Line

Energa Obrót SA, which is the leading entity in the Sales Business Line, sells electricity and gas to individual, institutional and business customers. EOB is a frontrunner in green innovation and is successively consolidating its position in this respect, inter alia by:

- engaging in photovoltaics projects,
- by taking actions in support of energy efficiency,
- expanding energy storage,
- improving energy saving technologies.

Energa Obrót consistently seeks new development lines by expanding its product range and projects. EOB continues its renewable energy production efforts – it now sources 40% of energy from renewables.

The company initiates and participates in green energy and locally focused projects, inter alia by:

- running the Green Idea (Zielone Pojęcie) blog, where it suggests well-tested ways of saving electricity and ideas on how to be more 'eco',
- partnering up with local governments and pursuing joint actions for the energy efficiency of municipalities,
- taking part in events where it promotes solutions helpful in sourcing electricity from renewables.

The company sells electricity to 3.3 million customers, over 2.9 million of which/whom are G tariff customers (households). Its activities on the sales market focus on the development of services and offers. Energa Obrót attaches great importance to optimisation of customer service processes, development of electronic channels, and assurance of high quality services.

The other companies in the Sales Business Line are:

- 1) Enspirion Sp. z o.o. – domestic leader in security support for the power industry and telecommunications via Demand Side Response services and TETRA mission-critical communications. The key aspect of Enspirion's strategy is to add value to the Energa Group by commercialising unique market services,
- 2) Energa Oświetlenie Sp. z o.o. – road, street and other outdoor lighting is the main service rendered to customers. The company also sells advertising space on lighting poles, provides building and structure illumination services and offers seasonal festive decorations. The company provides lighting maintenance services.

The main strategic goals of Energa's Sales Business Line work towards effective digitisation and reduction of costs of core operations.

In order to improve efficiency of EOB's business processes, efforts were continued in 2023 to further automation and eliminate redundant steps in keeping with the Lean Management philosophy. The optimisation work has translated into systemic and organisational changes that have significantly reduced the time needed to complete the individual processes. The observations the company has made, as well as the analytical and workshop-based work it has conducted have allowed it to boost its performance in such areas as PV sales and efficiency products. A number of training courses on Lean Management tools were also delivered in 2023. One educational highlight was the Lean Week learning initiative, during which a number of employees from five locations attended several dozen training sessions and workshops devoted to work efficiency enhancement and process improvement.

Furthermore, Energa Obrót managed 333 EV recharging stations in 2023.

The year 2023 saw the launch of the Energa Obrót SA Transformation Programme, which had been initiated further to the transformation of the Orlen Corporate Group with a view to aligning Energa Obrót to the goals set in the 'Strategy of the ORLEN Capital Group until 2030'.

In 2024, Energa Obrót will continue the initiatives it has embarked on and will focus on furthering organic growth of the profit margin on its core product and on the sale of additional products, in particular in the area of energy efficiency. The company monitors the market situation in its business areas on an ongoing basis and dynamically adjusts its business model to any emerging challenges.

2.7. Awards and distinctions

The details of awards and distinctions have been presented in the table below.

Table 2: Energa Group's awards in 2023

No.	Award/distinction name/title	Description - what the prize was awarded for	Date of award of the prize/distinction (month)	Company
1.	Patron of Sport in Toruń 2022	Recognition for the sponsor of sports clubs from Toruń	March 2023	Energa
2.	Booth design: Creative Award	Energa Obrót received an award in the Booth Design category: Creative Award from the Modern House and Renewable Energy Sources Construction Fair held on 15-16 April 2023 in Jaworzno.	April 2023	Energa Obrót
3.	WPROST Eagle	Wprost (weekly magazine) Eagles 2023 award in the Pomorskie Region in the POWER ENGINEERING category	May 2023	Energa Logistyka
4.	Great Gak 2023 statuette	Recognition for the support for the Gdynia Basketball Academy in 2022/2023	June 2023	Energa

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5.	Memorial plaque for cooperation with the Polish Basketball Federation	Recognition for the sponsorship cooperation with the Polish Basketball Federation at termination of the agreement	June 2023	Energa
6.	Statuette for the Sponsor of Energa Basket League and Energa Women Basket League for the 2022/23 season	Recognition for the league name sponsor for the 2022/23 season	June 2023	Energa
7.	2nd place for Energa in the Responsible Business Leader competition, category "Fuels, power engineering, mining" in the Responsible Businesses Ranking	Energa is a runner-up in the "Fuels, power engineering, mining" sector in the 17th edition of the Responsible Businesses Ranking 2023	June 2023	Energa
8.	Energa awarded with Polityka (weekly magazine) CSR Golden Leaf in the ranking of socially responsible businesses for 2022	Polityka CSR Leaves is the ranking of companies in Poland that show the greatest social commitment	June 2023	Energa
9.	Distinction for activities in support of sustainable development objectives for 2022 - Energy Planet, Good Energy Homes projects, AMI remote meters and TETRA radio communication	Energa was recognized for the implementation of sustainable development objectives.	June 2023	Energa
10.	Honourable mention in the category 'Popularisation of circular economy practices' for the 'Planet of Energy' project in the GOZpodarz 2023 competition.	The 'GOZpodarz 2023' contest award ceremony was held during the 4th GOZpodarka Congress at the PRECOP28 conference. The competition was organised by the Pracodawcy RP (Employers of Poland) association and was addressed to entrepreneurs, local governments and other organisations.	October 2023	Energa
11.	Winner of the 2023 SUPERMEN OF QUALITY popular vote competition in the EKOSUPERMEN category.	The competition organised by TUV NORD Polska	November 2023	Energa
12.	Volunteering Project of the Year – 3rd prize	The award was presented at the Volunteering Gala organised by the Orlen Group for the "YOU HAVE THE POWER" (MASZ tę MOC) project. Employees assumed the roles of voice-over actors and recorded an audiobook with motivational fairy tales for children struggling with low self-esteem and lack of faith in their own abilities. The CDs were distributed in 15 care and educational facilities, reaching an audience of 600 people.	December 2023	Energa
13.	Honourable mention in category S (social innovation) in the ESG Innovator 2023 competition	Honourable mention for the Good Energy Homes (Domy Dobrej Energii) project	December 2023	Energa
14.	Patron of Sport in Siedlce 2022	Award granted to individuals and legal persons for outstanding patronage of sports, recreational, cultural and artistic projects in Siedlce.	December 2023	Energa

15.	Olivia Impact 2023	2023 Olivia Impact special award for a broad ESG programme and supporting vital initiatives in the region, Poland and the world, including through the Planet of Energy and Good Energy Houses	January 2024	Energa
16.	Power Deal of the Year 2023 in Europe	The financing deal for the Ostrołęka CCGT project was recognized by IJ Global Awards magazine in the Power Deal of the Year 2023 in Europe category. The IJ Global Awards is a prestigious award in the financial and investment industry. The competition recognizes the achievements of companies, financial institutions, investment teams and projects in areas such as project finance, infrastructure, renewable energy, transport, real estate and the public sector.	March 2024	Energa

2.8. Sustainable development and impact of climate change together with a non-financial statement

The awareness of the importance of sustainability (“ESG”) has been rooted in Energa since 2011, when the company first disclosed its non-financial data by means of dedicated CSR reports published at <https://grupa.energa.pl/otoczenie/reports-csr>.

The year 2023 focused on the pursuit of sustainability projects that responded to EU directives and recommendations, which included the delivery of measures and activities towards compliance with the requirements of the European Non-Financial Reporting Standards. In 2023, Energa participated in the ORLEN Group’s work aimed at adapting to the new reporting requirements. It independently assessed gaps and compliance with the EU’s standards and undertook alignment work in such areas as sustainable development strategy, value chain, biodiversity, etc. Energa’s sustainability reporting complies with the new Global Reporting Initiative (GRI) guidelines, which are recognised worldwide as a standard for non-financial reporting. Additionally, in line with the EU Taxonomy, it has identified and launched initiatives that contribute to environmental protection and counteracting climate change.

In June 2022, the Task Force on Climate Related Financial Disclosures (TCFD) was established. The activities of the Energa Group were adapted to climate change through analysis of the impact of climate risks on the Group using a climate scenario analysis. The Risk Management System was adapted in terms of climate risks. It was tasked with developing and setting up the architecture of the climate risk management process and completing a scenario analysis. A schedule of steps to be taken to bring the Energa Group’s operations in line with the TCFD recommendations was drafted. In 2023, the physical and transition-related climate risks and climate opportunities were identified for the Energa Group in the short-, medium- and long-term perspectives. The potential impacts of climate risks were identified and mitigating measures were put in place in response to climate change developments. As a result, the key climate risks and climate opportunities were inventoried for the Energa Group.

Climate scenarios

Since 2022, work has been underway to implement the TCFD’s recommendations in the Energa Group. The guidelines referred to above are addressed to companies that strive to improve their climate change reporting. The TCFD’s recommendations include conducting a scenario analysis to assess the company’s resilience in the face of the ongoing climate change and the associated risks. As one of the first energy groups, Energa identified the need to improve its management of climate issues and has since been gradually refining it inter alia by including climate risks in the risk management model and developing a method for identifying and assessing them. With the publication of the European Sustainability Reporting Standard in June 2023, the TCFD’s recommendations became mandatory.

In 2023, the Energa Group conducted its first scenario analysis to identify the key threats resulting from climate change and their impacts on generation and distribution assets. The analysis, which involved two scenarios: one where the global warming is kept below 1.5 degrees C (SSP1-1.9 + NZE) and one where the growth of global temperature is kept below 4.4 degrees C (SSP5-8.5), identified hurricane winds, convective storms, and drought as the greatest risks to the Energa Group. The awareness of changes in the intensity of threats posed by climate change in the future will allow the Group to better adapt its risk mitigation measures. Any activities taken by the Group with a view to improving its resilience to climate change contribute to increasing the security of energy supply.

Decarbonisation Strategy

In line with the guidance of the GHG Protocol, the group adopted its Decarbonisation Strategy in July 2022. In order to calculate Scope 1, 2 and 3 emissions, competent individuals from the ESG Unit of the Energa Corporate Management Department were

appointed to participate in the ORLEN Group carbon footprint calculation project. In 2023, the project was to develop and implement a methodology for CO2 emission measurements across the Group companies, and subsequently to provide ORLEN with data necessary data for carbon footprint (Scope 3) reporting in the Energa Group. The ESG Unit provided training in this area to all environmental and energy coordinators across the Energa Group. As a result of the first stage of work, Scope 1, 2 and 3 GHG Protocol emissions were calculated for 2019, 2020, 2021, 2022, and work on 2023 is in progress.

An external audit of the Eco-Management and Audit Scheme of the Energa Group and ISO standards: 14001 and 50001 was completed in September 2023. The audit report did not find any major non-conformities, and those that were identified have been rectified. An accredited environmental verifier highlighted the continuous improvement of environmental and energy activity indicators at the Energa Group, as well as the understanding of the law and systems by energy coordinators across all Group companies. The General Director for Environmental Protection confirmed that the Group's sustainability measures had been fulfilled and improved, and as a result Energa could remain in the highly coveted EMAS register.

Sustainability Goals

In 2023, the assumptions and goals defined in the Sustainable Development Strategy 2021-2023 of the ORLEN Group and the Sustainable Development Strategy 2021-2023 in the Energa Group (SD Strategy) were realised. In pursuing its sustainability goals, the Energa Group attaches great importance to consistent implementation and monitoring of progress in achieving the Sustainable Development Goals (SDGs) in keeping with the 2030 Agenda. In 2019, Energa joined the initiative of the Ministry of Economic Development, Labour and Technology entitled "Partnership towards the Sustainable Development Goals".

The sustainable development goals in the governance, environmental and social areas can be implemented effectively thanks to the Group guidelines, which are not only defined by the SD Strategy, but also by the 2030 Agenda through the SDGs defined in it. Being well aware of the 17 sustainable development goals, Energa has pursued projects relevant to areas influenced by the company's operations with a growing efficiency from year to year.

In 2023, Goal 3 was achieved to a greater extent than in the previous year, mainly thanks to the activities of the Energa Foundation (Fundacja Energa). A heavy emphasis was placed on initiatives to achieve the following three SDG goals: 4 – Quality education, 7 – Clean and accessible energy, and 13 – Climate action.

By implementing Goal 7 Affordable and clean energy through its Good Energy Homes programme, which involves the installation of solar panels on the roofs of 6 children's homes, Energa has contributed to achieving the following objective: 'To ensure broad access to affordable, reliable and modern energy services and increase substantially the share of renewables in the global energy mix by 2030'. Moreover, in 2023, work on measures to combat energy poverty began. The analysis of this topic has translated into work on dedicated solutions for those social groups that, in addition to being vulnerable consumers, also require a special approach, in accordance with the recommendations resulting from EU regulations (e.g. Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023) and those of the EPAH.

Efforts towards achieving Goal 13 – Climate action were also stepped up through the delivery of more environmental projects than in the previous year, which included: Cleaning the Piska Forest, Forest Closer to Us, Wild Nature Close at Hand, Cleaning the Banks of the Narew, Cleaning the Wierzyca River, We Care for the Earth, Supporting the Protection of the White Stork, an Energy Planet. The above projects contribute to the Group's efforts for biodiversity and protection of ecosystems.

Goal 4 – Good quality education was realised through numerous educational programmes, activities and events, both long-term ones, such as the Energy Planet or the Energa Operator Safe Land, and shorter ones, like one-year scholarships awarded by the Energa Foundation.



Management decisions regarding the implementation of sustainable development goals are made on the basis of their relevance to the prospects and development of local communities and of the environment. The allocation of funding in this area is well thought out and taken into account at the time of business activity and financial planning. Financial resources allocated to CSR, charity, sponsorship and employee volunteering activities support programmes related to the environment, education, sports and the promotion of culture and art.

In 2023, 91 projects responding to social needs were delivered in the CSR area, the number of beneficiaries was 118,528. The Sponsorship Division completed 134 sponsorship agreements. The Energa Foundation delivered 650 donation agreements. Employee volunteering was supported by 529 volunteers who provided help to 3,176 beneficiaries. In 2023, we had our 2030

Agenda activities published regularly in the newsletter of the Ministry of Development and Technology. In addition, Energa is an active member of key organisations promoting the development of corporate social responsibility and implementation of Agenda 2030: UN Global Compact and the Responsible Business Forum, where it is a strategic partner.

EU Taxonomy

Starting from its non-financial report for 2021, the Energa Group has delivered the obligation to disclose in a non-financial statement data on how and to what extent its activities qualify as environmentally sustainable. Regarding its activities reported in the non-financial report for 2023, the Energa Group qualified 10 of its activities for the EU Taxonomy:

1. Production of electricity using photovoltaic technology,
2. Production of electricity from wind energy,
3. Production of electricity from hydropower,
4. Transmission and distribution of electricity,
5. Electricity storage,
6. Distribution in heating or cooling systems,
7. Cogeneration of heat or cooling and electricity from bioenergy,
8. Generation of electricity using fossil gaseous fuels:
9. Infrastructure supporting low-carbon road and public transport,
10. Installation, maintenance and repair of renewable energy technology systems.

In 2023, for the purposes of reporting compliance with the Taxonomy in the Energa Group, an analysis was carried out to determine whether the Group met the minimum safeguards referred to in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. The analysis checked whether the Group had procedures in place such as to ensure compliance with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights (including the principles and rights established in the eight fundamental conventions set out in the ILO Declaration on Fundamental Principles and Rights at Work), and the principles and rights set out in the International Charter of Human Rights.

The assessment of the compliance of the Energa Group's activities with the minimum safeguards for 2023 took into account the recommendations set out in the Final Report on Minimum Safeguards prepared by the Platform on Sustainable Finance, an advisory body of the European Commission. The assessment, which took into account the procedures and processes used by the Energa Group, was carried out in relation to four areas, i.e. human rights, corruption and bribery, fair competition, and taxation. The application of standards of responsible conduct is part of the culture of the Energa Group, and the standards are reflected across a breadth of internal procedures and processes. The Group's key policies in this respect include such documents as the Code of Ethics of the ORLEN Capital Group and the Code of Conduct for Suppliers. The Energa Group's due diligence activities are constantly developed.

ESG ratings against the background of the industry

The Energa Group's sustainable development focus was once again validated by Moody's ESG Solutions, which awarded Energa a score of 45 in its annual ESG rating. In order to improve the Group's ESG performance, Energa continuously expands the range of tools used for internal analysis of indicators. Furthermore, in 2023, Energa started cooperation with the Fitch Ratings agency.

Of all the ESG areas, the Group ranks highest in the environmental area, where it scores better than energy sector companies on average thanks to the impeccable implementation of its environmental strategy and its management of environmental issues using the Eco-Management and Audit system. Human rights are another area where Energa performs better than its competitors. The group keeps track of any legislative developments and implements the necessary policies and regulations to protect and respect human rights. The group ranks 42nd out of the 66 energy companies surveyed by the Moody's rating agency.

Upskilling

In order to continuously improve their expertise in ESG issues, employees of the ESG Division actively participate in working groups of external institutions such as:

- The ESG Committee of the National Chamber of Commerce;
- The Working Group on Non-Financial Reporting for Polish Enterprises at the Ministry of Finance;
- The Working Group on the Application of the EU Taxonomy at the Ministry of Development;
- The EFRAG Sector Specific ESRS Working Group – Energy production and energy companies;
- The Net Zero Working Group and the 'ESG Reporting' Working Group, the 'CSDDD' Working Groups appointed by the Responsible Business Forum;

- The Biodiversity Strategy Working Group of the Orlen Group.

By participating in the above groups, the Group can monitor the market and adapt to market expectations and ESG legislation. The ESG Division keep improving their expertise by participating in training courses, postgraduate programmes and webinars.

In addition, 2023 abounded in sustainability training for members of the management boards of Energa Group companies and the Group's employees underwent training on climate risk management, environmental issues, biodiversity, decarbonisation and non-financial reporting.

Detailed non-financial disclosures pursuant to Article 49b of the Accounting Act can be found in the Energa Group's Non-Financial Report for 2023, which was published on the Group's website on 25 April 2024.



Pieniężno hydro plant

Regulatory and business environment

3. REGULATORY AND BUSINESS ENVIRONMENT

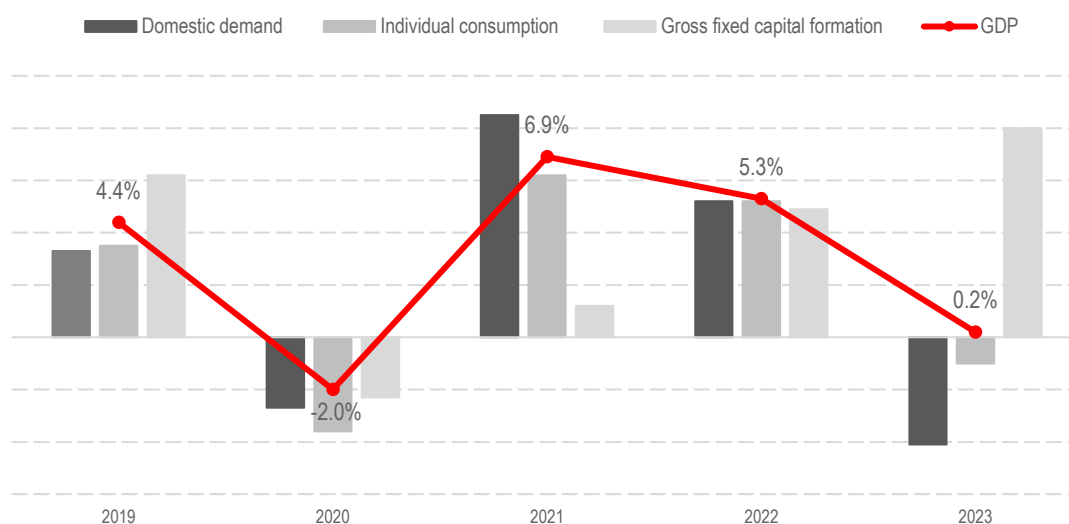
3.1. Macroeconomic situation

The domestic market is the primary marketplace for Energa Group companies. Therefore, market cycles, expressed by means of changes in GDP, inflation, and unemployment rate, have a bearing on the prices of electricity, heat and gas and the development of demand for products supplied to end customers.

According to tentative estimates of Statistics Poland (GUS), in 2023, Poland's GDP grew by 0.2% y/y in real terms, compared to a 5.3% increase in 2022, which means a sharp decline after the post-pandemic rebound. The slump was mainly caused by the reduction in stocks, which had piled up in 2022 due to the post-pandemic rebound in business activity. Additionally, there was a decline in domestic demand (by 4.1% y/y) and consumption by households (by 1.0% y/y), which was caused inter alia by high inflation. Investments were the main driver of economic growth – gross fixed capital formation increased by 8.0% compared to 2022.

A major risk for the economy is posed by the war in Ukraine caused by the Russian invasion, which translates into high prices of fuels and food. In turn, the inflation and declining purchasing power of disposable incomes stifle consumption. GDP growth may also be affected by the stalling of global demand and delays in the inflow of EU funding, especially from the Recovery Fund.

Figure 6: Annual changes in the GDP, domestic demand, individual consumption and investments



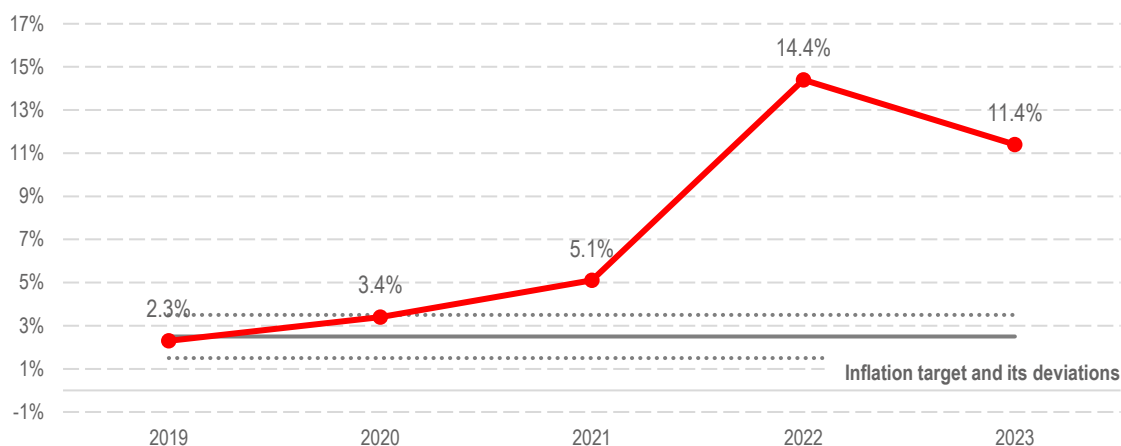
Source: Data from the GUS (February 2024)

The PMI index, which is the forecasting indicator of Polish industry, surged in November 2023 – to 48.7 points compared to 44.5 points in the previous month, to decrease to 47.4 points in December 2023 and 47.1 points in January 2024 and increase to 47.9 points in February 2024. The evolution in the index reflects prolonged adverse business environment – when it drops below 50.0 points, the PMI Index indicates that the managers surveyed do not expect the situation of the sector to improve. Polish producers continue to suffer from the effects of weak foreign and domestic demand. Geopolitical tensions (mainly the war in Ukraine) and high inflation led to a decline in new orders and industrial production.

According to Statistics Poland (GUS), the situation on the labour market in 2023 was similar to that of the previous year. The recorded unemployment rate at the end of 2023 was 5.1%, that is 0.1 percentage point lower than at the end of 2022. In December 2023, the average employment in the enterprise sector amounted to 6,495,300 full-time jobs, i.e. 0.1% less than in December 2022. In December 2023, the average monthly gross pay in enterprises was PLN 8,032.96, which meant a nominal increase of 9.6% y/y, driven mainly by the inflation rate of more than ten percent, which was far above the inflation target set by the National Bank of Poland.

In 2023, the average annual consumer price index dropped to 11.4% compared to 14.4% in 2022. The drop was mainly attributable to lower food and energy prices and a slowdown in core inflation in the second half of 2023.

Figure 7: Annual growth rate of the quarterly consumer price index



Source: Data from the GUS (January 2024)

The Monetary Policy Council reduced interest rates by a total of 100 basis points in the second half of 2023 – the reference rate of the National Bank of Poland was down to 5.75%. The lombard rate was reduced too – to 6.25%, the deposit rate – to 5.25%, the rediscount rate for bills of exchange – to 5.80%, and the discount rate for bills of exchange – to 5.85%.

In February 2024, the European Commission published the GDP growth forecast for Poland. According to the Commission, Poland will achieve a GDP growth of 2.7% in 2024, which will be mainly driven by private consumption to be stimulated by rising real pay, additional social transfers, and decreasing inflationary pressures. Public consumption is also expected to make a significant contribution to economic growth thanks to new additional fiscal support measures. The European Commission forecasts that in 2025, GDP growth will rise to 3.2% on account of strong private consumption and rising investments boosted by EU funds. The Commission believes that inflation in Poland will decrease to 5.2% in 2024 and to 4.7% in 2025, mainly as a result of the expected declines in the prices of fossil fuels.

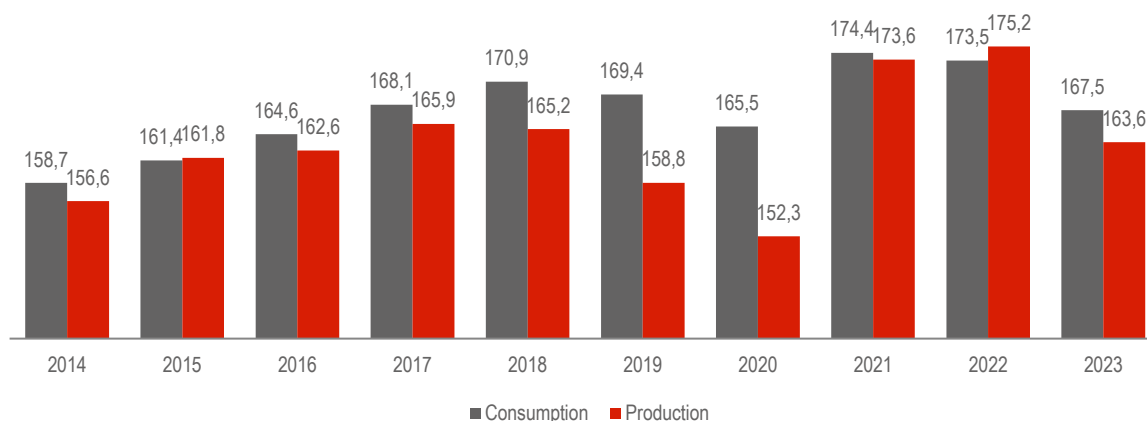
3.2. Electricity market in Poland

Developments in the market environment are of key importance for the financial performance of the Group. In this context, particular attention should be paid to price quotations for electricity, property rights, CO₂ emission allowances and coal (which continues to be the main fuel for electricity production in Poland). Furthermore, the Group's results were determined by the regulatory mechanisms of the market, such as the Capacity Market as well as non-regulatory factors, e.g. weather conditions, in particular hydrometeorological and wind conditions. Note must be taken of the rising geopolitical tensions due to the Russian invasion on Ukraine, supported by sanctions on imports of energy commodities from Russia to the EU.

Domestic production and consumption of electricity

According to data published by PSE, electricity consumption in Poland in 2023 decreased by 6.0 TWh (3.4% y/y) compared to 2022, down to 167.5 TWh, which was reflected to some extent by production, which fell by 11.5 TWh relative to 2022, down to 163.6 TWh.

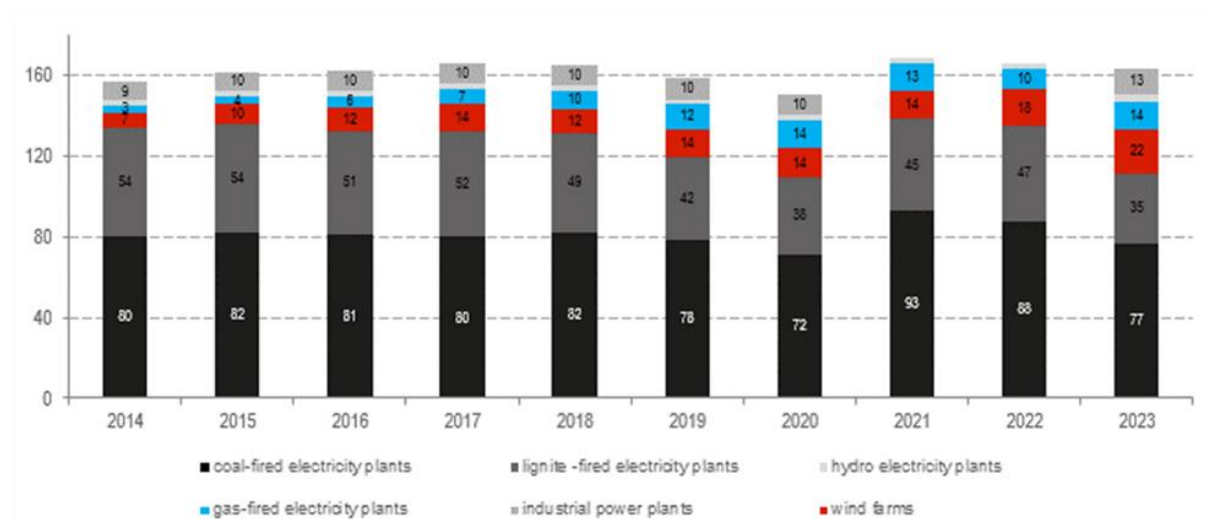
Figure 8: Production and consumption of electricity in Poland in 2014-2023 (TWh)



Source: PSE

In 2023, production of electricity by wind farms was on the rise again. The share of wind energy in the generation mix was 13.4%, and the production of wind power increased by approx. 20.2% in relation to 2022.

Figure 9: Structure of electricity generation in Poland in 2014-2023 (TWh)



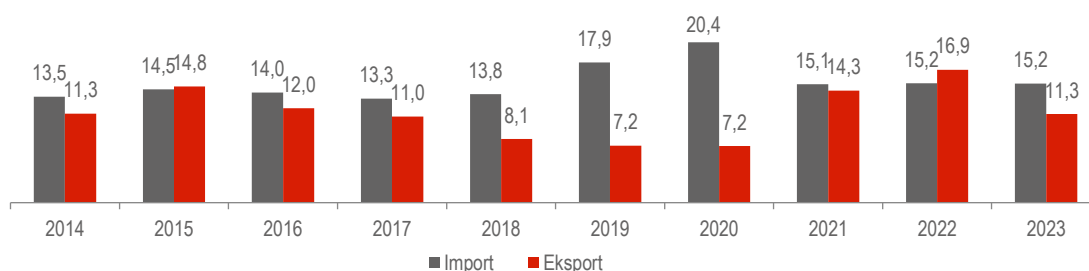
Source: PSE

Coal-fired main activity producer electricity plants had the highest share in the power generation mix last year. They accounted for 46.8% of the total production, while the share of lignite-fired main activity producer electricity plants was 21.1%. The highest increase in production in percentage terms in 2023 was recorded in other renewable sources, except wind farms and baseload hydropower plants, where generation increased by more than 42% y/y to 13.2 TWh. This increase was achieved mainly due to the increase in the capacity installed in photovoltaic sources in the national energy mix, mainly through the activation of subsequent support programs.

Poland's cross-border power exchange

The year 2023 saw a slight decrease by less than 0.1 TWh in electricity imports compared to the previous year, as well as a substantial decline in exports compared to 2022 – by 5.6 TWh, which can be attributed to a faster decline in prices in Western Europe than on the Polish market leading to far lower energy prices in countries neighbouring with Poland. The above factors behind the decline in exports compared to 2022 translated into reduced flows of electricity volumes across the interconnectors.

Figure 10: Annual cross-border power exchange volumes in Poland 2014-2023 (TWh)

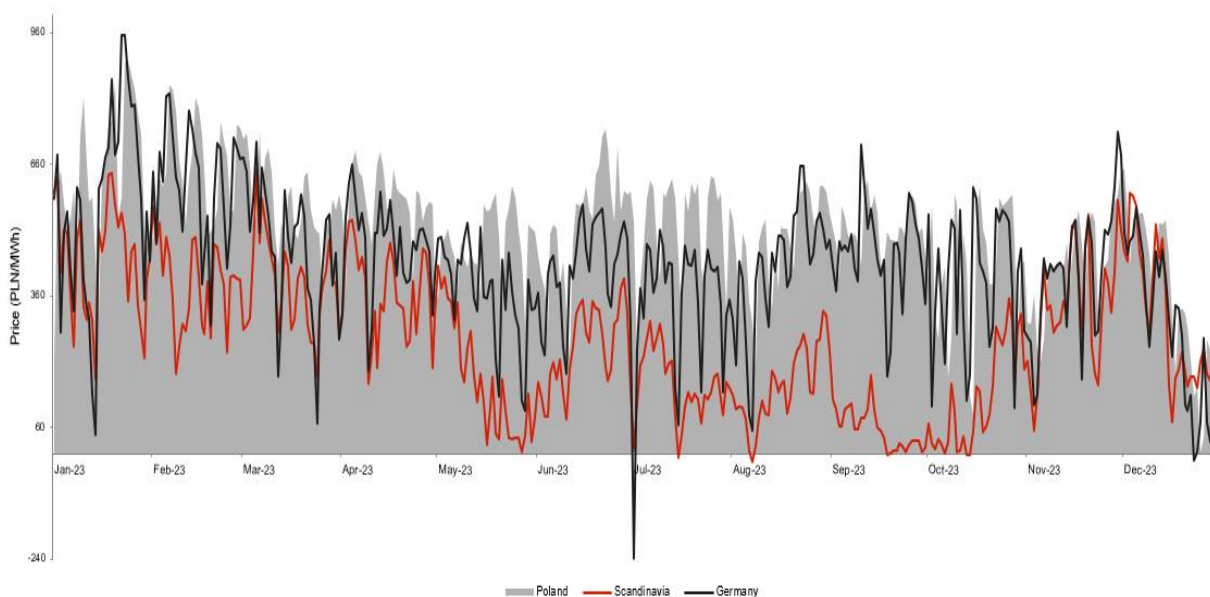


Source: PSE

Energy prices in selected countries neighbouring with Poland

In order to compare electricity prices in Poland against prices in neighbouring countries, SPOT market prices were used as the reference product. The price level in Poland was higher than in neighbouring countries. The highest price differences were found in comparison to the Scandinavian market (+98.82% or 254.39 zł/MWh), and lower differences were identified in comparison to the German market (+17.95%, 77.88 PLN/MWh). Q4 2023 alone observed a convergence between the Polish prices and those on neighbouring markets, with the former higher than those on the German market by only 11.28%, i.e. 40.66 PLN/MWh. A decline in demand for power, combined with higher output from renewable sources, energy security measures taken in Europe leading to price drops, and satisfied demand for gas and coal, supported by a drop in system losses and in prices of emission allowances, translated into price drops in the Polish market and in the neighbouring countries.

Figure 11: Prices of energy in the SPOT market in Poland and in neighbouring countries in 2023 (PLN/MWh)



Source: Bloomberg, TGE

Coal prices in Poland

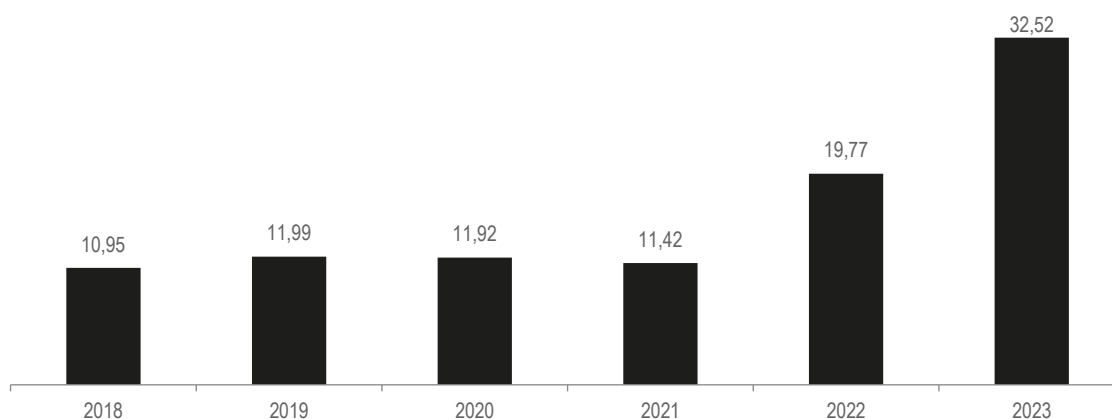
Over the last dozen years or so, coal prices have fluctuated due to global (global price falls and periodic rises), local (European Union strategy) and national (change in the energy mix due to the development of RES and low carbon sources in the utility and CHP sector) factors.

The European Union's strategy to promote low-carbon energy (in the transition period) and eventually zero-carbon energy, combined with overall market conditions, reduced demand for coal, which was being displaced from the country's energy mix mainly by wind, photovoltaic and gas-fired power plants.

Coal sales prices (according to the PSCMI 1 index¹) for the utility and industrial power industry have been rising on the Polish market to new historical levels since mid-2022. It was not until Q4 2023 that the downward trend in coal prices became apparent, a trend that continues into Q1 2024, due in part to the pressure to reduce coal-fired generation as a result of the growing RES generation and the greater competitiveness of gas-fired generation.

It is worth noting that the price of coal stockpiled at power plants is significantly higher than current coal price indices, as it is largely linked to the performance of the 2023 contracts.

Figure 12: Prices of coal including cost of transport for coal-fired power plants at year-end in 2018-2023 (PLN/GJ)



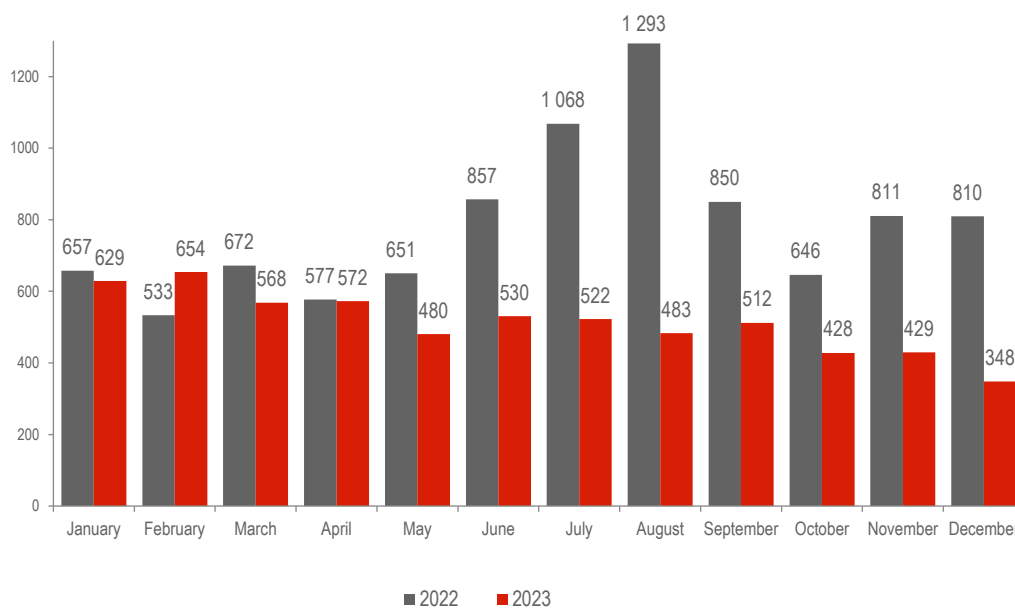
Source: Polski Rynek Węgla

¹ PSCMI 1 – Polish Steam Coal Market Index 1; data source: <https://polskirynekwegla.pl/>

Day-Ahead Market of electricity in Poland

The average level of the TGeBase index for 2023 was PLN 511.81/MWh, i.e. PLN 275.81/MWh lower than in 2022 (PLN 787.62/MWh). The low power demand was supported by lower grid losses and higher renewable production, which combined with energy security measures taken in Europe following a supply shock in the raw materials market, drove prices down relative to the previous year.

Figure 13: Prices of the TGeBase index from 2021 to 2023 (PLN/MWh)



Source: TGE

The highest average monthly price for electricity on the commodity market was recorded in February last year, when the average TGeBase index stood at 653.79 PLN/MWh. The minimum of PLN 347.71/MWh was seen in December 2023.

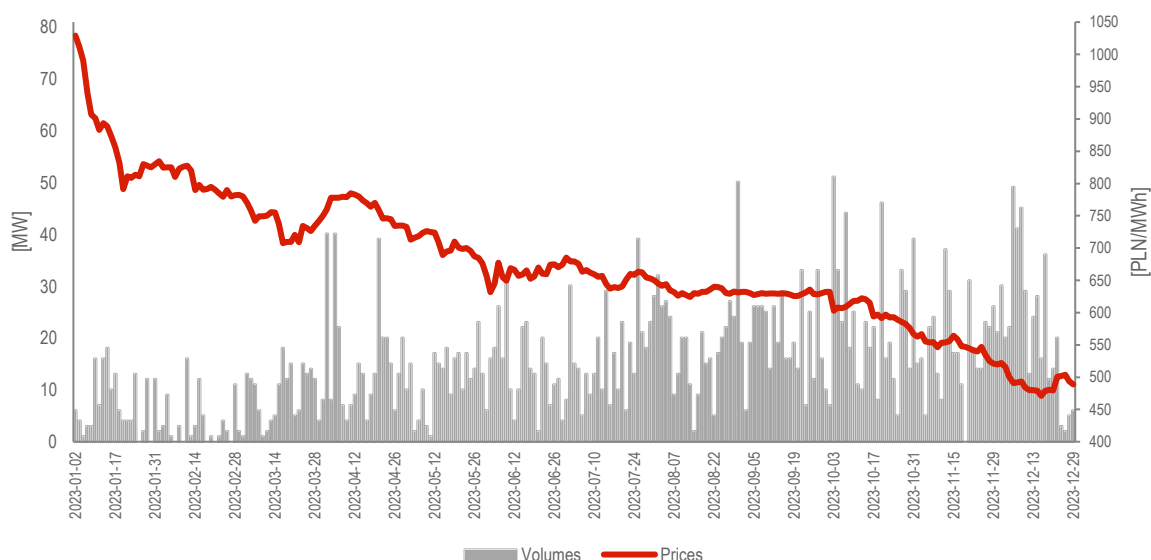
Electricity futures market in Poland

In order to assess the futures market in Poland, a one-year base-load future contract for 2024 (BASE 2024) has been selected as a reference product. In 2023, the prices showed a downward trend to peak on the first quoting day of the year at PLN 1,029.00/MWh. Subsequently, they began to decline almost linearly to reach the minimum on 15 December 2023 at PLN 470.95/MWh. The filling of gas storage facilities ahead of the winter season, the securing of coal supplies backed by the reduction in carbon prices, increased production from renewables (good windiness) and temperatures higher than the long-term average allowed the Group to end the year at PLN 489.00/MWh. The trend on the futures market is particularly important from the perspective of the Group's contracting process for the next year.

The main determinants of energy price declines on the futures market in Q4 were as follows:

- easing of concerns about the energy security of European countries ahead of the winter season,
- decline in SPOT market prices,
- lower grid losses,
- further decline in emission allowance prices,
- economic slowdown,
- drop in prices of energy raw materials,
- increase in the share of renewable energy sources in electricity production.

Figure 14: Base-load electricity futures price with delivery in 2024



Source: TGE

Emission allowance market

On 15 May 2023, the European Commission reported that more than 1,135 million emission allowances were in circulation at the end of 2022 (a drop in the number of allowances by some 314 million, or 22%). This value formed the baseline to determine the EU Emissions Trading System (EU ETS) Market Stability Reserve (MSR), which was launched in January 2019. In accordance with the rules of the MSR, almost 272 million allowances in total will have been allocated to the Market Stability Reserve over a 12-month period from 1 September 2023 to 31 August 2024. This is already the seventh calculation of surplus allowances published by the EC. On 21 February 2023, the EU Council adopted a part of the REPowerEU plan, which is aimed at accelerating the sale of EUR 20 billion worth of emission allowances. Under the terms of REPowerEU, the EUR 20 billion is to be sourced from the auctioning of emission allowances in 2027-2030 (EUR 8 billion) and from the Innovation Fund (EUR 12 billion). On 27 March 2023, the Commission announced that the first stage, i.e. the plan to sell the volumes transferred from MS's auction reserves otherwise designated for auctioning after 2027, would start in July this year. This means that only 16.5 million additional allowances were added to the auction calendar in 2023 (from 3 July 2023), which may amount to about 3 million more allowances per month (1.5 million more for the so-called 'summer holiday' volume in August). The auctioning of EUAs from the Innovation Fund will be launched only in 2024. The EU regulation on the carbon border adjustment mechanism (CBAM) was published in the Official Journal on 16 May, and became effective on the following day. In February, the closing price was above EUR 100/t for the first time in history (EUR 100.34/t) and was dropping steadily since. This resulted in only a slight increase in the average price for 2023 (EUR 85.35/ t) compared to the 2022 average (EUR 81.09/t), which is an increase of 5.26% y/y.

Figure 15: Prices for emission allowances (EUA DEC 2023) in 2023



Source: Bloomberg

Market for property rights

The table below presents the average prices of property right indices listed on the Polish Power Exchange.

Table 3: Average price levels of green property rights listed on the Polish Power Exchange

Index (type of certificate)	Index value		Percentage of obligation (%)	Substitution fee (PLN)
	2022 (PLN/MWh) index	2023 (PLN/MWh) index		
OZEX_A (green)	188.17	149.24	12.5*	300.03*

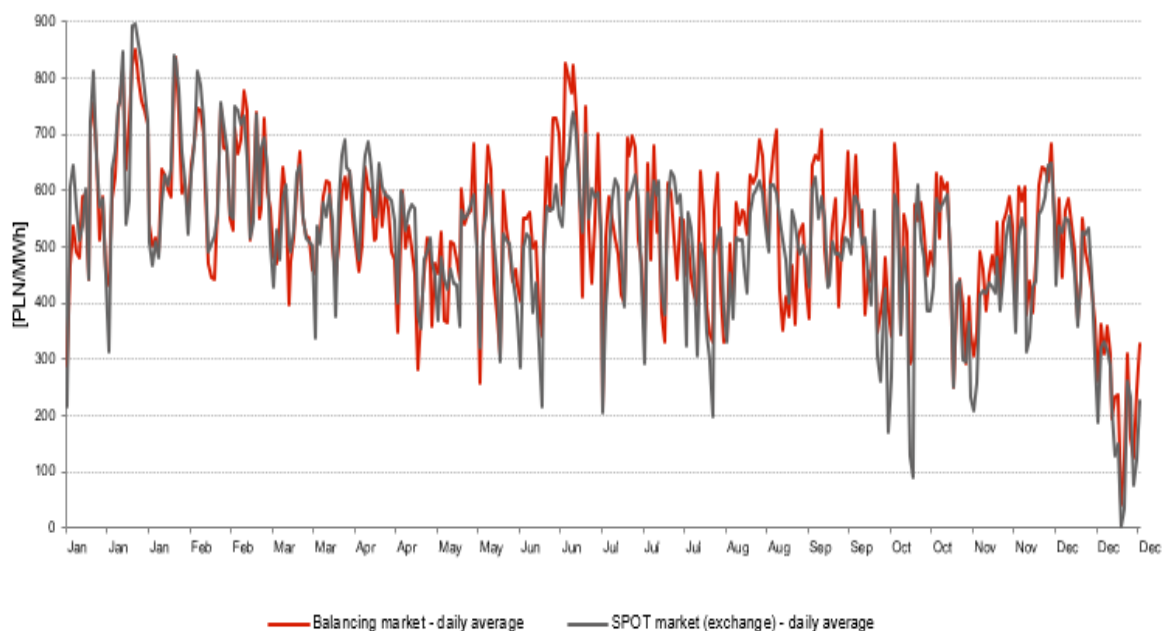
* value of the substitution fee and redemption obligation for 2022.

From the perspective of the Group's generation mix (its high share of renewable energy sources), the prices of what is referred to as 'green property rights' or 'green certificates' are of key importance. PM OZE (green certificate) prices followed a downward trend from the beginning of 2023, to reach a minimum of 44.74 PLN/MWh in mid-October. Subsequently there was a rebound, with the prices peaking at 85.10 PLN/MWh and 2023 closed at 68.62 PLN/MWh. The volume of issued RES property rights certificates declined to 15.7 TWh from 19.4 TWh in 2022.

The electricity balancing market and the SPOT market

The figure below shows the average daily prices for electricity on the electricity balancing market and SPOT market.

Figure 16: Comparison of prices on the balancing market and SPOT market (exchange) in 2023 (PLN/MWh)



Source: PSE

In 2023, the limits for electricity clearing prices on the electricity balancing market, ranging from -50,000.00 PLN/MWh to PLN +50,000.00 PLN/MWh, were maintained. In 2023, the differences in prices on the balancing market and in prices of instruments listed on the SPOT market were mainly attributable to large fluctuations in wind generation, decreased demand for power, a substantial increase in renewable production, which led to its reduction, and the discontinuation of the obligation to sell energy on a power exchange. The average price level in 2023 on the electricity balancing market was 525.08 PLN/MWh vs. 718.07 PLN/MWh in 2022.

3.3. Regulatory environment

Legislative processes ended in 2023

Table 4: Overview of legislation having a material effect on the Group

Legal act	Description and purpose of the regulations
<p>Act of 9 March 2023 amending the Act on wind farm investments and certain other Acts Act ID: Journal of Laws of 2023 item 553</p>	<p>Key assumptions: On 23 March 2023, the Act of 9 March 2023 amending the act on wind farm investments and certain other acts (the Act) was promulgated in the Journal of Laws (Act). A key change in the Act is the regulation of the minimum distance between a wind turbine and residential buildings or, for instance, Natura 2000 sites. Because of the high social importance of housing, it was considered that this sphere should be regulated separately. When selecting a site for a residential building, a minimum distance of 700 m must be observed, as with wind farms. If a site for residential buildings is selected around an existing wind farm, the 10h rule will no longer apply. Importantly, each municipality, including adjacent municipalities, may set different distances from wind turbines within which residential buildings cannot be located, even in relation to the same wind farms. Other changes:</p> <ul style="list-style-type: none"> ✓ According to the revision, sites for new wind turbines can only be selected based on a local zoning plan (MPZP); ✓ The determination of the minimum setback distance – between 10 times the total height of the turbine (the 10H rule) and a minimum setback distance of 700 m from residential buildings – will be based on a range of factors, including the findings of strategic environmental impact assessment (SEIA) carried out for the purposes of the local zoning plan. SEIA covers, <i>inter alia</i>, the impact of noise emissions on the environment and community health. Municipal authorities will not be able to refrain from performing the SEIA for a draft local zoning plan that includes a wind farm; ✓ The Act additionally introduces minimum setback distances between wind turbines and electricity transmission lines. At the same time, it completely removes the ban on erecting residential buildings in the vicinity of <u>existing</u> wind turbines; ✓ The revised act upholds the 10H rule for national parks and the 500 m limit for nature reserves. For other forms of nature conservation, the distance is to be specified in an installation-specific environmental decision. It upholds the ban on erecting wind farms in national parks, nature reserves, landscape parks and Natura 2000 sites; ✓ In addition, under the new arrangements, a developer will be required to offer at least 10 per cent of the installed wind power capacity to municipality inhabitants, who will use the electricity as a virtual prosumer. Every inhabitant in the municipality will be given the opportunity to take a share up to 2 kW and obtain electricity at a price based on a calculation of the maximum cost of construction. <p>Impact on the Energa Group: Any regulation and mechanism that supports the implementation of onshore wind projects is a beneficial process businesswise.</p>
<p>Act of 8 February 2023 amending the Act on specific solutions for certain heat sources in connection with the situation in the fuel market and certain other acts Bill ID: Journal of Laws of 2023 item 295</p>	<p>Key assumptions:</p> <ul style="list-style-type: none"> ✓ Introduction of support for households and public service institutions (eligible customers), such as hospitals, schools, kindergartens etc.; ✓ The assumption is that if the net price of heat supply in a given district heating system increases by more than 40% compared to prices from 30 September 2022, energy companies will be compensated so that eligible customers will not have to carry the burden of increased cost of heating; <ul style="list-style-type: none"> ▪ In this way, the increase in the price of heat for residential and public service customers will be additionally reduced to a predefined level; ▪ The maximum net price for heat also applies to the cap obtained from the average price of heat generation with compensation. The point is to avoid excessive surges in heat prices where prices were already raised before 30 September 2022. In that case, heat providers will have to use prices which are more advantageous to customers for customer billing. ✓ The maximum net price for heat supply must include all cost components of heat supply existing in the district heating system concerned, including those relating to heat generation and transmission; ✓ Within 10 days of the entry into force of the Act, the President of the Energy Regulatory Office will calculate and publish the maximum net price for heat supply, separately for each energy company that holds a license and is engaged in business activities associated with the sale of heat; <p>Furthermore, the bill introduces the following legislative changes:</p> <p>in the Act of 10 April 1997 – Energy Law:</p> <ul style="list-style-type: none"> ▪ new definition of a storage facility and energy storage; ▪ the option for the distribution system operator and electricity system operator to have and use electricity storage facilities, under certain conditions. <p>in the Act of 7 October 2022 on specific solutions for the protection of electricity customers in 2023 in connection with the situation in the electricity market:</p> <ul style="list-style-type: none"> ▪ introduction of a new obligation: a supplier of last resort is obligated to enter into an electricity contract or universal agreement with an eligible customer. <p>in the Act of 27 October 2022 on urgent measures to cap electricity prices and support certain consumers in 2023:</p> <ul style="list-style-type: none"> ▪ a revised definition of the sale of electricity: in the new wording, an electricity contract is a contract for the sale of electricity with a guarantee of physical delivery of that energy, including all additional cash settlements relating to the sale of that electricity; ▪ imposing an obligation on DSOs or TSOs to hand over declarations of eligible customers who switch their suppliers to the new supplier; ▪ addition of a definition of a market price, that is, the net price of electricity (in PLN per MWh) established in: (1) an electricity contract; or (2) the balancing power market; or (3) an agreement associated with the sale of electricity that includes, in particular, financial instruments.

Legal act	Description and purpose of the regulations
<p>Act of 17 August 2023 amending the Renewable Energy Sources Act and Certain Other Acts Journal of Laws of 2023 item 1762</p>	<p>The Act entered into force on 1 October 2023 (subject to the vacatio legis of some of the provisions referred to in its Article 50).</p> <p>Key assumptions:</p> <p>Increase in the share of renewable energy sources in gross domestic energy consumption, as well as broadly understood development of the energy sector in line with economic emission reduction ambitions and international commitments.</p> <p>Implementation of Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, referred to below as "RED II Directive" in the following areas:</p> <ul style="list-style-type: none"> ✓ RES National Contact Point (Article 16 of RED II); ✓ Administrative procedures (Articles 15 and 16 of RED II); ✓ Guarantees of origin (Article 19 of RED II); ✓ District heating and cooling (Articles 23 and 24 of RED II); <p>In addition, the Act introduces changes concerning:</p> <ul style="list-style-type: none"> ✓ Implementation of the support scheme for upgraded installations and operational support for: <ul style="list-style-type: none"> • upgrade of renewable energy source installations, • for renewable energy installations whose 15-year support scheme is expiring; ✓ Hybrid renewable energy source installations; ✓ Change of the definition and rules of settlement of an energy cooperative; ✓ Clarification of the provisions defining the entity, scope and area of activities of the energy cluster; ✓ The Act clarifies the provisions on prioritising heat purchase from renewable sources and thermal waste treatment installations, and introduces rules for issuing and settling guarantees of origin for heating and cooling from RES in order to promote and attract green heat supplies; ✓ As regards informing end users about the energy efficiency of the district heating system and the share of renewable energy in a given district heating system, obligations on district heating companies are imposed to publish relevant data on the website; ✓ The creation of a national contact point, which is intended to provide information services to any entity that intends to start producing renewable electricity; ✓ The adopted amendments exempt photovoltaic installations up to 150 kW from the building permit requirement. Currently, the exemption from the building permit procedure applies to RES systems which are less than 50 kW in output; ✓ As regards prosumer households in multi-apartment buildings, the amendments introduce an option to change the fee due to a renewable energy prosumer producing energy for the common parts of a multi-apartment building (the so-called prosumer household in multi-apartment buildings), which is dedicated only to renewable energy prosumers producing energy for the common parts of a multi-apartment building (e.g. for housing communities, housing cooperatives). The option allows to change the form of the fee for the produced energy; ✓ Upgraded installations using various types of biogas, hydropower or biomass with the FIT support system are now allowed to be covered by the FIT support scheme (RES installations with a total installed electrical capacity of less than 500 kW) and by the FIP support system. (RES installations with a total installed electrical capacity of not less than 500 kW and not more than 1 MW); ✓ As regards RES installations which have already benefited from the mechanisms provided for in the RES Act and for which the support period has already expired, the legislators provide for the option to receive new operating aid; ✓ Regulations are also introduced that provide for the option of cable pooling, i.e. the connection of multiple RES sources to the network over a single connection line.
<p>Regulation of the Minister of Climate and Environment of 4 August 2023 on the main auction parameters for the delivery year 2028 and additional auction parameters for the delivery year 2025 Journal of Laws 2023 item 1561</p>	<p>The Regulation entered into force on 9 August 2023.</p> <p>Main assumptions of the Regulation:</p> <ul style="list-style-type: none"> ✓ Demand for capacity in the main auction for delivery in 2028 is set at 5,791 MW; ✓ The maximum price set for the price taker, determined on the basis of capital expenditures and fixed operating costs, in the main auction for the delivery period in 2028 is PLN 183 PLN/kW; ✓ The parameter determining the capacity volume below the demand for capacity in the main auction for which the price reaches the maximum value taking into account the factor increasing the price of the delivery period for 2028, is 10%; ✓ The parameter determining the capacity volume above the demand for capacity in the main auction for which the price reaches the minimum value of PLN 0.01/kW/month for the delivery period in 2028, is 60%; ✓ Demand for capacity in the capacity market in the respective quarters of 2025 considers the results of the main auction and is as follows: <ul style="list-style-type: none"> • 3,520 MW for Q1; • 1,131 MW for Q2; • 500 MW for Q3; • 842 MW for Q4. ✓ The entry price of a new CeWe unit is set at PLN 431/kW; ✓ The factor determining the maximum price in the main auction and in the additional auctions is set as follows: the factor is 1.05 for the maximum price for the 2028, and 1.0 for the additional auction for 2025; ✓ The maximum number of rounds of the main auction for the delivery period of 2028 is 12; ✓ The level per unit of net capital expenditures referred to the net achievable capacity that, providing the entitlement to offer capacity obligations in the main auction for the delivery period in 2028 for not more than: <ul style="list-style-type: none"> • 15 delivery periods by a new generating unit in the capacity, is PLN 2,400/kW; • 5 delivery periods by the new and upgraded generating unit in the capacity market or demand reduction unit in the capacity market, is PLN 400/kW.

Legal act	Description and purpose of the regulations
<p>Act amending the Act on the planning for and execution of strategic transmission grid investment projects and certain other Acts Journal of Laws of 2023 item 1506</p>	<p>The Act entered into force on 3 September 2023.</p> <p>Key assumptions: In order to accelerate distribution infrastructure investment, crucial for the electricity system and for the development of RES in Poland, the draft Act proposes to subject certain distribution investments to the special-purpose transmission Act. This will shorten timeframes of key investment projects, where often 80% of the time is spent on drafting the relevant investment documentation and obtaining legally required administrative approvals by the project owner.</p> <p>To the Act of 24 July 2015 on the planning for and execution of strategic transmission grid investment projects and certain other Acts:</p> <ul style="list-style-type: none"> ✓ Addition of point 1a in Article 1(2) of that Act, containing a definition of an associated investment project, understood as an investment task functionally related to the strategic transmission grid investment project, including the required construction work within the meaning of the Building Law, in particular construction or redevelopment of facilities, equipment, networks and installations required for the construction, redevelopment, overhaul, maintenance, use, changed use, operation or dismantling of lines which are part of the distribution grid, whose voltage is at least 110 kV, in particular the coordinated 110 kV grid, as well as an investment task involving redevelopment or overhaul of the existing power lines which are part of the distribution grid whose voltage is at least 110 kV, temporary civil facilities, gas, power, water supply, sewage, heating, telecom network facilities, road or railway infrastructure and open-access charging stations; ✓ Addition of Article 2a in order to ensure greater flexibility in respect of options to use simplified procedures for investment projects involving redevelopment or overhaul of existing lines; the Council of Ministers is to specify, by regulation, the list of investment projects concerning the already existing infrastructure which, as an exception, will be covered by the Act on 24 July 2015 on the planning for and execution of strategic transmission grid investment projects; ✓ Addition of Article 3b to precisely specify the scope of application of the Act on 24 July 2015 on the planning for and execution of strategic transmission grid investment projects to associated investment projects. To that end, the proposed provision specifies the method of suitable adaptation of that Act, and interpretation of the respective expressions it introduces as regards associated investment projects. <p>To the Act of 7 July 1994 – Building Law:</p> <ul style="list-style-type: none"> ✓ Addition of section 1a in article 5a of that Act, by introduction of the option to publicly announce the decision in the case of land whose legal status is not regulated; ✓ Amendment in Article 29(1)(27) of that Act, to facilitate the investment process. As a result of that change, the substructure of power line poles does not require a notification.
<p>Act of 28 July 2023 amending the Energy Law Act and certain other Acts Journal of Laws of 2023 item 1681</p>	<p>The Act entered into force on 7 September 2023, (subject to the vacatio legis of some of the provisions referred to in Article 48).</p> <p>Key assumptions:</p> <ul style="list-style-type: none"> ✓ The option of establishing civil energy communities (as of 24 August 2024) in the form of cooperatives, housing cooperatives, housing communities, associations, excluding standard associations, partnerships to the exclusion of professional partnership, and farmer cooperatives; ✓ Postponement by one year, from 1 July 2024 to 1 July 2025, of the launch of the Central Energy Market Information System (CSIRE). Provisions enabling a technical change of the electricity seller in 24 hours are to be effective from 2026; ✓ Tasking URE with the establishment of the price comparison service for all electricity sale offers available in the market for households and businesses whose annual consumption is less than 100 MWh per year. The comparison service will have to include offers for sale only; it will also be possible to compare other electricity sale-related services provided by electricity sellers. The sellers will have to make their offers available to the regulator for the purpose of the price comparison, or face sanctions; ✓ The option to enter into contracts with dynamic electricity price at a minimum billing frequency of 15 minutes (as of 24 August 2024). Those contracts are to be offered by sellers supporting more than 200 end-users, and end-users will need to have remote-reading meters; ✓ Introduction of provisions concerning the direct line (effective as of 7 September 2023) between the user and the electricity producer. Businesses willing to build such lines will no longer need the consent of the URE President, and instead will file a notification only; ✓ The legislators have extended the powers of the President of the URE by granting him/her the powers to develop guidelines on the direction of network development and priority investments; ✓ The Act also introduces a non-market based mechanism to limit generation from wind farms and photovoltaic installations by the transmission system operator if there are balancing problems. The limitation is to apply only where other available, listed measures are used up; ✓ The end-user may terminate the contract (as of 24 October 2023), concluded for a fixed term, under which the electricity undertaking supplies that user with gaseous fuels or energy, without incurring costs and indemnification other than as arising from the contract, by submitting a notice of termination to the electricity undertaking. The amount of such costs and indemnification may not exceed the amount of direct economic loss suffered by the electricity undertaking as a result of termination of the contract concluded for a fixed period by the end-user; ✓ The amendments introduce the obligation to conclude (as of 24 February 2024) only comprehensive agreements with household end-users of gaseous fuels or electricity. Previously, it was possible to conclude separately a sales agreement and an agreement for the provision of gas or electricity distribution services, or comprehensive agreements;
<p>Regulation of the Minister of Climate and Environment of 9 September 2023 amending the Regulation on the method of development and calculation of tariffs and the billing method in electricity trading</p>	<p>The Regulation entered into force on 18 September 2023.</p> <p>Main assumptions of the Regulation: <u>Billing for household customers:</u> The Regulation fulfils the statutory delegation provided for in Article 46(3) and (4) of the Energy Law Act of 10 April 1997.</p> <ul style="list-style-type: none"> ✓ The amendments require sellers to introduce a new billing method for household customers, rewarding the proactive and pro-efficiency behaviours of energy customers;

Legal act	Description and purpose of the regulations
<p>Journal of Laws of 2023, item 1847</p>	<ul style="list-style-type: none"> ✓ The following will be rewarded: saving electricity, consenting to marketing communications, receiving electronic VAT invoices, and being a prosumer; ✓ All customers that are household off-takers and meet the conditions set out in the Regulation are entitled to a one-off discount on the electricity bill in the amount equal to 12% of the product of the average electricity price published by the President of the URE for 2022 and resulting from the tariffs of the nominated suppliers (<i>sprzedawcy z urzędu</i>), for the G1x tariff and the energy volume of 2523 kWh. The one-off discount on the electricity bill is PLN 125.34; ✓ Energy sellers will be required to clearly inform customers about changes in the billing and about the amount of the bonus and the time of its award. This initiative aims to increase transparency in the electricity market and to strengthen the rights of household customers; <p><u>RES support:</u></p> <ul style="list-style-type: none"> ✓ The amended regulation also provides for support to the electricity system operators and facilitates their management of power balance in the system; ✓ The new provisions exempt customers from charges for non-contractual reactive energy consumption and for exceeding the contractual capacity, where they arise from operator instructions or from services provided to them; ✓ The amendments will contribute to the development of incentives for customers to manage their energy consumption in a more informed manner, increasing the flexibility of the system. They may include, inter alia, additional electricity consumption at the operator's request during periods of RES oversupply in the system, without charging system users for additional power from the system. As a result, system users will be able to actively participate in the use of excess electricity, which is particularly important in the context of the development of renewable energy sources in Poland.
<p>Act of 16 August 2023 amending the Act on particular solutions for the protection of electricity customers in 2023 in connection with the situation in the electricity market, and certain other Acts Journal of Laws 2023 item 1785</p>	<p>The Act entered into force on 19 September 2023.</p> <p>Key assumptions: The Act raises consumption thresholds below which household customers are entitled to energy price freeze.</p> <p>Under the new regulations, the limit will be increased:</p> <ul style="list-style-type: none"> ✓ For households: from 2,000 kWh to 3,000 kWh per year; ✓ For households with a person with disabilities: from 2,600 kWh to 3,600 kWh; ✓ For large family card holders and farmers – from 3,000 kWh to 4,000 kWh per year; ✓ The new limits will be used in 2023 even if the electricity consumer exceeds the existing limit; ✓ From 1 October 2023, the maximum price for energy will be reduced from PLN 785/MWh to PLN 693/MWh. The above will apply to: local governments; small and medium-sized enterprises; vulnerable public utility entities, such as hospitals, schools, nurseries and pre-nurseries, night shelters or institutions caring for persons with disabilities. <p>The 2023 introduction of a mechanism for large coal mining and coke production entities, involving:</p> <ul style="list-style-type: none"> ✓ Implementation of a mechanism for the classification of large enterprises with surplus revenue in accordance with the EU classification proposal described in Regulation 2022/1854; ✓ Introduction of an obligation to pay the surplus revenue generated in 2022 to the Price Difference Payment Fund, where such revenue is generated by activities in the coal mining and coke production sector, in the form of solidarity contribution; ✓ Appointment of Zarządca Rozliczeń S.A. as the entity responsible for collecting the solidarity premium; ✓ Designation of the President of the Energy Regulatory Office (URE) as the entity responsible for exercising control over the fulfilment of the above obligation by the specified enterprises. <p>Solidarity contribution for enterprises and reduced electricity prices for local authorities:</p> <ul style="list-style-type: none"> ✓ The Act, amending the Act of 27 October 2022 on extraordinary measures to reduce electricity prices and on supporting certain customers in 2023, reduces the maximum electricity price in Q4 2023 from PLN 785/MWh to PLN 693/MWh to support small and medium-sized enterprises, local governments, public utility entities and other vulnerable entities (the change provides relief to those entities and addresses energy price drops in wholesale markets); ✓ The Act defines and specifies the rules for calculating the solidarity contribution to be paid to the Surplus Revenue Payment Fund (where such revenue exceeds 120% of the average revenue earned in the previous 4 years) by the obligated enterprise; ✓ It identifies the President of the URE as the body responsible for verifying the fulfilment of the obligation to calculate and pay the solidarity contribution and empowers the President accordingly.
<p>DIRECTIVE (EU) 2023/2413 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652 (RED III) Ref.: OJ L 2023/2413</p>	<p>Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources and repealing Council Directive (EU) 2015/652 was published in the EU's Official Journal on 31 October 2023.</p> <p>The main assumptions of the directive are as follows:</p> <ul style="list-style-type: none"> ✓ The RED III Directive entered into force on 19 November 2023, and member states have 18 months to implement the new regulations. ✓ The overarching objective is to boost the production of green energy in the European Union up to 45% by 2030. ✓ The target for Poland will be higher by an additional 0.5% due to a delay of 39.84 million tonnes per year. ✓ The RES actions have been further reinforced by the REpowerEU package aimed at reducing the EU's dependency on fossil fuel imports inter alia from Russia; ✓ The RED III assumes that EU countries will designate special zones where simplified environmental assessment procedures will be applied to the implementation of RES projects. In the zones referred to as 'renewables go-to areas', investors are to obtain permits for the construction of wind and photovoltaic power plants in 12 months as a maximum (a maximum of 24 months for offshore zones). Even less time is to be spent on permitting smaller RES installations (up to 150 kW) and repowering projects. EU countries are to designate such zones within 30 months of the entry into force of RED III; ✓ Procedures for issuing RES construction permits outside special zones are to be accelerated. They are to take not more than 24 months (36 months for offshore areas); ✓ The new law provides for an increase in the share of green energy in transport to at least 14.5%. This is to be achieved through the use of advanced biofuels and RFNBO fuels (renewable fuels of non-biological origin) – including hydrogen produced from renewable energy sources;

Legal act	Description and purpose of the regulations
	<ul style="list-style-type: none"> ✓ RED III provides for the reward of investments in renewable energy using technologies considered innovative. They are expected to account for at least 5% of new renewable capacity. In addition, under the new legislation, Member States are to adopt mechanisms to facilitate cross-border RES investments;
<p>Act of 7 December 2023 amending acts to support consumers of electricity, gas fuels and heat; ref. of the bill: Polish Journal of Laws, item 2760</p>	<p>The Act entered into force on 31 December 2023.</p> <p>Key assumptions: The Act works towards mitigating between 1 January 2024 and 30 June 2024 the impact of increases in the prices of electricity, gas and heat on the most sensitive consumers of these products, including households, local governments, and public utilities. The Act assumes the extension of the electricity price cap for households of PLN 412 per MWh net until mid-2024 (subject to the current consumption ceiling as reduced by 50% since the regulations are to be in force for half a year). Consumption beyond the limit is to be subject to the rate of PLN 693 per MWh as the maximum price.</p> <p>Electricity prices: The limitation of electricity consumption thresholds applied in the period from 1 January 2024 to 30 June 2024 to 50% of the current limits is calculated as 6/12 (fifty percent) of the hitherto limits, i.e. a maximum</p> <ul style="list-style-type: none"> ✓ of 1.5 MWh for an eligible consumer or 2 MWh (for those who run upon the entry of the Act into force a farm or pursue agricultural production in a special segment and for those eligible consumers who hold, on the date of entry into force of the Act, a Large Family Card, which is issued to families with 3 plus children); ✓ 1.8 MWh (for eligible consumers with a certificate of severe or moderate disability or living together with a holder of such a certificate), as well as a dedicated price for family allotment gardens. <p>Additionally, the Act has put in place a cap on electricity prices within the limits indicated above for consumers who have concluded a contract for a guaranteed fixed price exceeding the electricity price limits for other eligible consumers.</p> <ul style="list-style-type: none"> ✓ Furthermore, the Act provides that, should the business environment change in a way leading to the reduction of electricity prices resulting from the tariffs approved for 2024 or part of this year, such tariff-based electricity prices can be reduced, and it foresees corresponding authorisations for the President of ERO. ✓ The Act maintains the system and mechanism for compensating energy companies from 1 January 2024 to 31 December 2024, except that, if the President of ERO does not approve the tariffs for 2024, such compensations will be paid at 60% of the 2023 prices until the tariffs have been approved. <p>Heat prices: The legislator has maintained the system of caps on heat and heat supply prices in the period from 1 January 2024 to 30 June 2024, both in tariffed district heating systems, in which prices and fee rates are subject to approval by the President of ERO, and in those exempt from the obligation to have the heat tariffs approved by the President of the Energy Regulatory Office.</p> <p>The cap will be based on the application of the lowest of the three prices:</p> <ul style="list-style-type: none"> ✓ Tariff-based prices and fee rates, ✓ Maximum prices and fee rates set by the President of ERO as of 30 September 2022 plus 40%, ✓ Heat prices resulting from the average price of heat production minus the compensation, which is to be calculated on the basis of statutory heat production prices for the heat source concerned (gas, oil, coal, RES), plus the currently applicable heat distribution tariff rates. <p>The Act provides for a mechanism for the payment and settlement of compensatory allowance for energy companies for the application of the heat supply price cap for the period from 1 January 2024 to 30 June 2024.</p>

Regulatory issues handled in 2023 and before (EU regulations) and continuing in 2024

Table 5: Overview of legislation with a potential material effect on the Group

Legal act	Description and purpose of the regulations
Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design Ref. of the proposed Regulation: 2023/0077(COD)	<p>Main assumptions of the proposed Regulation:</p> <ul style="list-style-type: none"> ✓ Use of a CfD (Contract for Difference) in all investments related to the production of new electricity from renewables and nuclear energy. ✓ The derogation set out by the regulation allows the capacity market to be used as a support mechanism for coal-fired power plants in Poland (but also in Germany and other EU countries) until the end of 2028. ✓ Reducing the dependence of electricity prices on volatile fossil fuel prices, protecting consumers from soaring prices, accelerating the deployment of renewable energy sources and improving consumer protection. ✓ Promoting power purchase agreements, for example through state-backed market price guarantee schemes and private guarantees or PPA demand pooling instruments. ✓ Two-way contracting for difference would be mandatory when public funding is involved in long term contracts. ✓ Revenues generated by the state through two-way CfD would be redistributed to final customers or used to finance the costs of direct price support schemes or investments to reduce electricity costs for final customers. ✓ The agreement between the two co-legislators also envisages strengthening the role of the Council in declaring a temporary regional or EU-wide electricity price crisis and amending the conditions for announcing such a crisis.
Proposal for a Regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act) projekt: 2023/0081(COD)	<p>Main assumptions of the proposed Regulation:</p> <p>The main objective of the proposed legislation is to accelerate the industrial deployment of key technologies needed to support the transition to climate neutrality, while using the capacity of the Single Market to strengthen Europe's economic resilience and competitiveness.</p> <p>The Regulation proposes facilitating the investing environment based on a list of key technologies by simplifying permitting procedures and prioritising strategic projects. It also proposes facilitating market access for strategic technology products, upskilling the European workforce in these promising sectors (in particular through the launch of net-zero industry academies) and creating a platform to coordinate EU action in this area. In order to support innovation, the Net Zero Industry Act proposes the creation of a specific regulatory framework for the development, testing and validation of innovative technologies (so-called regulatory sandboxes).</p> <p>The Net Zero Industry Act sets an indicative benchmark of 40% of production to cover EU demand for strategic technology products such as solar panels, wind turbines, electrochemical storage and heat pumps. With regard to carbon capture and storage, the Act sets a target of 50 million tonnes of annual CO₂ storage capacity by 2030.</p> <p>Public contracts and auctioning</p> <p>The general approach adds clarity to public procurement procedures to ensure secure, transparent, implementable and harmonised requirements for net-zero technologies as well as diversification in the supply of strategic technologies to the EU, while ensuring sufficient flexibility for contracting authorities.</p> <p>The Council proposal allows member states to apply both pre-qualification and award criteria. The Commission will define these criteria in an implementing act and review the volume auctioned based on an assessment of the functioning of the system.</p> <p>Regulatory sandboxes:</p> <p>The Council's general approach keeps the possibility for member states to establish regulatory sandboxes. Start-ups should also benefit from the special measures for the participation of small and medium-sized enterprises in those sandboxes.</p>

3.4. Description of the Group's position in relation to other energy groups

The Energa Group is one of the four largest vertically integrated energy groups operating in Poland. The groups operate in separate geographies with respect to their electricity distribution territories. The distribution territory of the Energa Group covers the northern and central part of Poland.

Figure 17: Distribution territories of top energy groups

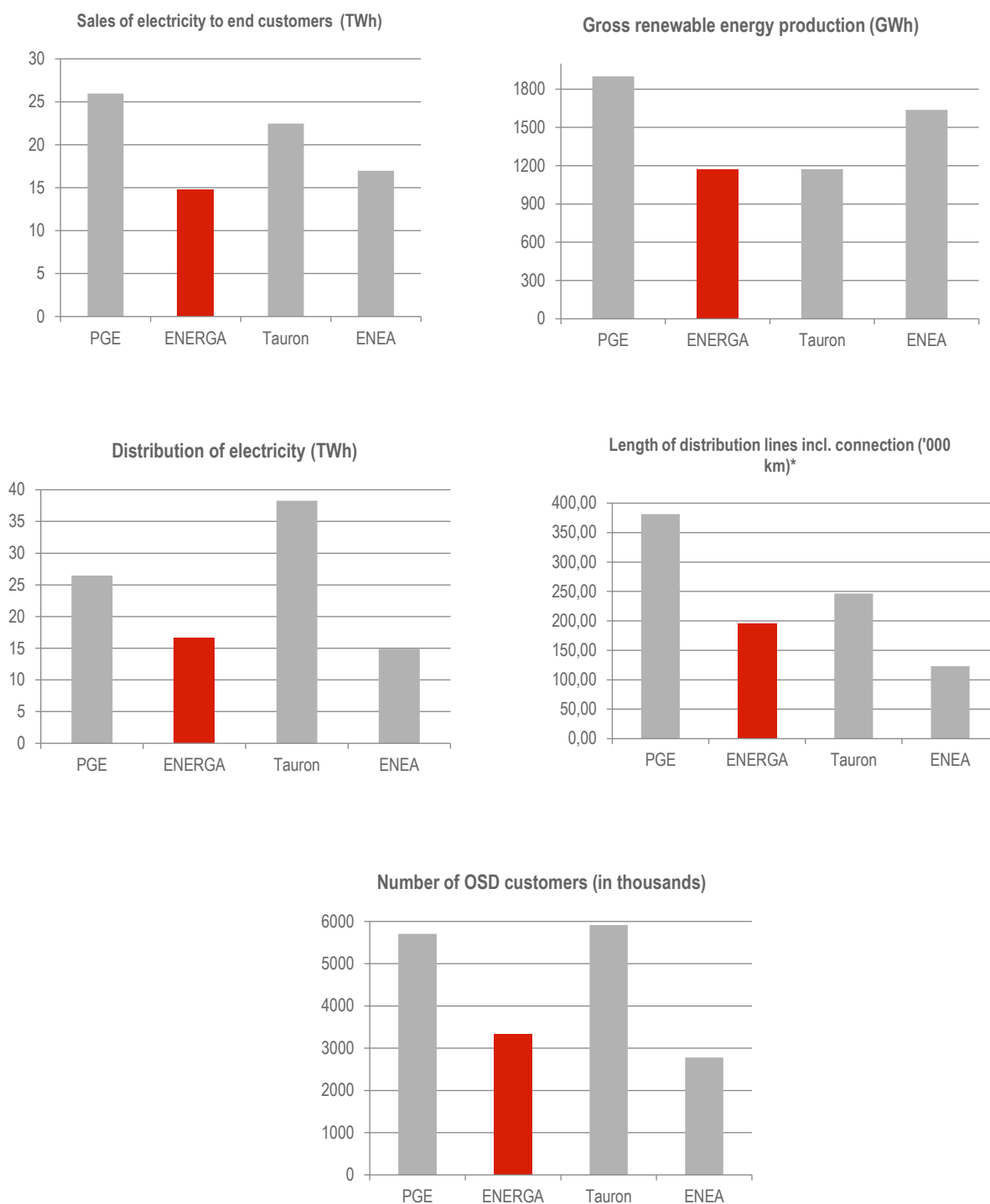


In the Distribution Segment, the Energa Group ranks third after the PGE Group and the Tauron Group in terms of the volume of electricity supplied, network length and number of customers. Owing to intensive upgrading efforts, the Energa Group's network quality indicators are among the best in Poland and are consistently improving. There was a decrease in the volume of distributed energy compared to the same period of the preceding year in all energy groups covered by the survey.

For historic reasons, the coverage of the distribution networks is correlated with the number of customers in the Sales Segment. Sales by value to end customers is more volatile than the number of customers, depending on the commercial strategy chosen for the largest users. Over the first three quarters of 2023, the Energa Group ranked fourth in terms of sales volume, outperformed by PGE, Tauron and Enea.

Compared to the other groups, the Energa Group has a low share in conventional generation. The Group has a single baseload unit with an installed capacity of 690 MWe (the Ostrołęka B Power Plant). This is significantly less than what the other groups have. In terms of energy production from renewable energy sources, the Energa Group has the highest share of this energy in own energy mix out of all groups covered by the survey, almost 50%.

Figure 18: Comparison of operating data for the ENERGA Group and the other energy groups (data from Q1 to Q3 2023)²



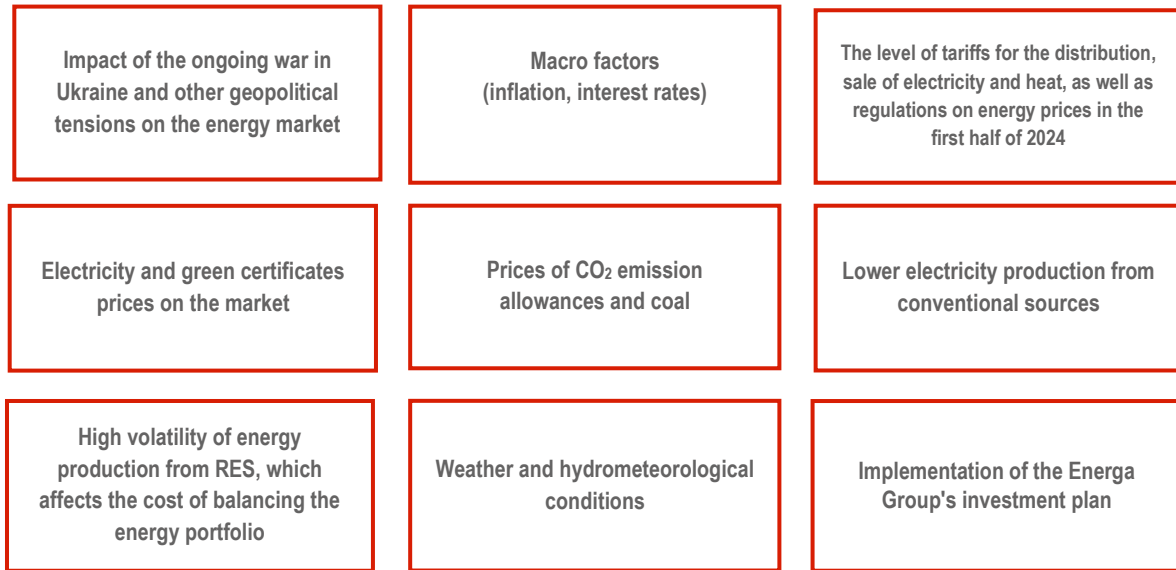
*PTPIREE data, end of 2022

² Data on sales of electricity to end customers for ENEA also include sales of natural gas.

3.5 Factors relevant to the development of the Energa Group

In the opinion of the Management Board of Energa SA, the factors described below will affect the results and activities of the Company and the Energa Group at least throughout 2024:

Figure 19: Factors relevant to the development of the Energa Group at least throughout 2024





Straszyn hydro plant

Financial and assets situation of the Energa Group

4. FINANCIAL AND ASSETS SITUATION OF THE ENERGA GROUP

4.1. Rules of preparing the annual consolidated financial statements

The consolidated financial statements of the Energa Group for the year ended 31 December 2023 were prepared:

- in accordance with the International Financial Reporting Standards endorsed by the European Union,
- on a historical cost basis, except for financial instruments measured at fair value through profit or loss and hedging derivatives,
- in millions of Polish zlotys ("PLN m"),

based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of the financial statements there is no evidence indicating that the continuation of the Energa Group's business activities as a going concern may be at risk.

The parent company's Management Board applied the standards and interpretations as well as the valuation approaches and principles for each item of the consolidated financial statements of the Energa Group to the best of their knowledge, in line with the IFRS EU for the year ended 31 December 2023. Due diligence was applied in the preparation of the accompanying supplementary information and notes.

The accounting principles (policy) applied to prepare the annual consolidated financial statements are presented in note 9 to the annual consolidated financial statements of the Energa Group for the year ended 31 December 2023.

4.2. Explanation of the economic and financial data disclosed in the annual consolidated financial statements

Table 6: Consolidated statement of profit or loss (PLN m)

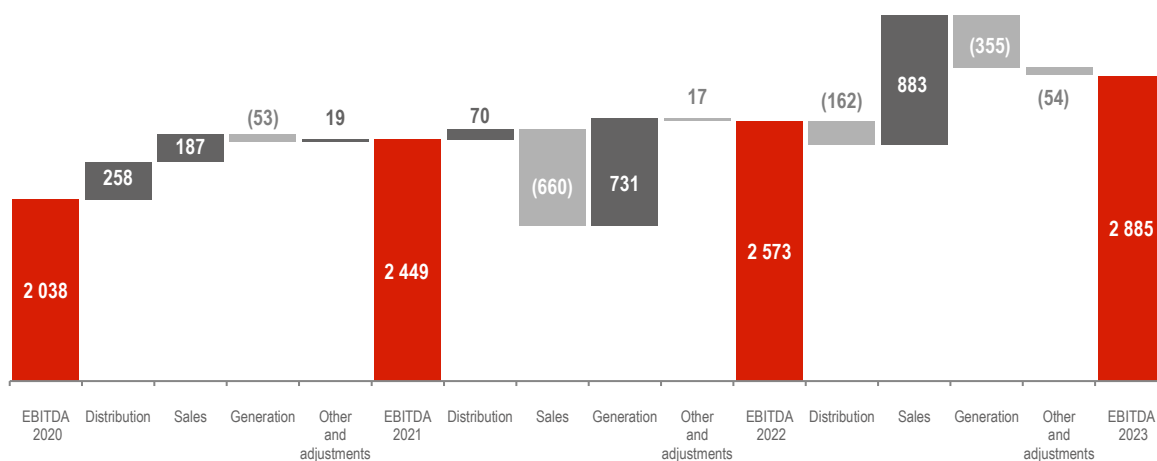
PLN m	2020*	2021*	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Sales revenues	12,401	13,791	20,095	22,081	1,986	10%
Revenue from the Price Difference Payment Fund	57	-	349	4,006	3,657	> 100%
Cost of sales	(10,233)	(10,971)	(17,798)	(21,876)	(4,078)	23%
Gross profit	2,225	2,820	2 646	4,211	1,565	59%
Other operating income	509	214	945	498	(447)	-47%
Selling and distribution expenses	(954)	(953)	(983)	(2,034)	(1,051)	> 100%
General and administrative expenses	(377)	(325)	(397)	(506)	(109)	27%
Other operating expenses	(739)	(478)	(844)	(477)	367	-43%
Operating profit	664	1,278	1,367	1,692	325	24%
Result on financial activity	(619)	(194)	(261)	(603)	(342)	> 100%
Share in profit/(loss) of entities measured by the equity method	(264)	185	71	9	(62)	-87%
Profit or loss before tax	(219)	1,269	1,177	1 098	(79)	-7%
Income tax	(225)	(332)	(168)	(492)	(324)	> 100%
Net profit or loss for the period	(444)	937	1,009	606	(403)	-40%
EBITDA	2,038	2,449	2,573	2,885	312	12%

*restated

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Sales revenues	5,071	5,821	750	15%
Revenue from the Price Difference Payment Fund	349	777	428	> 100%

Cost of sales	(5,966)	(6,595)	(629)	11%
Gross profit	(546)	3	549	< -100%
Other operating income	292	127	(165)	-57%
Selling and distribution expenses	(259)	(590)	(331)	> 100%
General and administrative expenses	(121)	(72)	49	-40%
Other operating expenses	(183)	(260)	(77)	42%
Operating profit	(817)	(792)	25	-3%
Result on financial activity	3	(164)	(167)	< -100%
Share in profit/(loss) of entities measured by the equity method	9	3	(6)	-67%
Profit or loss before tax	(805)	(953)	(148)	18%
Income tax	221	(60)	(281)	< -100%
Net profit or loss for the period	(584)	(1,013)	(429)	73%
EBITDA	(525)	(473)	52	-10%

Figure 20: EBITDA bridge by Business Lines (PLN m) in 2020-2023



The Group's EBITDA in 2023 was PLN 2,885 m vs. PLN 2,573 m in 2022. The Sales Business Line recorded an increase by PLN 883 million, to PLN 566 million. The key underlying factor was the change in the level of provisioning for onerous contracts, which followed from regulations on electricity prices for some final consumers in 2023 and 2024, as well as from the level of tariffs set by the President of the Energy Regulatory Office for electricity for G tariff consumers. A major factor behind the EBITDA of the Generation Business Line y/y (a decrease of PLN 355 million) was i.a. lower production by the Ostrołęka Power Plant. Additionally, the 2023 result was influenced by the valuation of electricity sales positions, a portion of which was – in keeping with the existing policy – recognised under other operating activities of the this by Energa Elektrownie Ostrołęka S.A. The EBITDA of the Distribution Business Line was PLN 162 million lower y/y, which was due to a more than four-fold increase in the purchase price of electricity to cover grid losses and by the OPEX, which were PLN 359 million higher y/y. The surge in the latter was caused inter alia by inflation and an increase in the minimum pay and the resulting wage pressure. On the balance, the Distribution Business Line benefited from an increase in the average rate of the distribution service year on year and a growth in revenues from connections.

The Distribution Business Line had the largest share in the Group's EBITDA in 2023 (68%), while the Sales Business Line contributed 20% and the Generation Business Line 17%.

The Group's EBIT in 2023 amounted to PLN 1,692 m compared to PLN 1,367 m in 2022. The above-described operating factors contributing to EBITDA were the strongest year-on-year EBIT drivers.

In 2023, the Group recognised a PLN 9 m share in the profit/loss of related parties and joint ventures compared to PLN 71 m in 2022, which took into account the release of a provision for the settlement of the Ostrołęka C Power Plant coal project of PLN 46 million.

The 2023 operating result was PLN 342 m lower y/y, which chiefly stemmed from a higher y/y debt balance.

As a consequence, the Group's net income/loss amounted to PLN 606 m in 2023 compared to PLN 1,009 m in 2022.

In 2023, the Group generated PLN 26,087 m in sales revenues, 28% or PLN 5,643 m more than in 2022. The rise in revenues y/y was mainly driven by revenues of the Sales and Distribution Business Lines as a result of higher electricity and distribution service sales prices.

Energa Group's revenue from the Capacity Market in 2023 totalled PLN 261 m (PLN 70 m in Q4 2023 alone) vs. PLN 257 m in 2022 (PLN 63 m in Q4 2022).

The Group's EBITDA in Q4 2023 was PLN -473 m vs. PLN -525 m in the same period last year. The result was primarily influenced by the Sales Business Line, whose EBITDA increased by PLN 469 m, primarily as a result of the change in the level of provisioning for onerous contracts. The Generation Business Line also recorded an increase of PLN 48 million y/y mainly as a result of the impact of factors presented on an incremental basis. The Distribution Business Line's EBITDA decreased by PLN 461 m y/y, mainly due to high costs of grid losses and higher OPEX y/y.

The effect of material non-recurring events (assuming a materiality threshold of PLN 25 m) on EBITDA is presented below.

Table 7: EBITDA after material one-off events* (PLN m)

EBITDA (PLN m)	
12 months of 2023	
EBITDA	2,885
Adjusted EBITDA	3,710
<i>including:</i>	
<i>Actuarial reserves</i>	61
<i>Income from "exit fee"***</i>	(120)
<i>Impact of the Regulation on reducing electricity prices for households</i>	313
<i>Provision for onerous contracts</i>	466
<i>Provision for penalties from the President of the Energy Regulatory Office</i>	105
12 months of 2022	
EBITDA	2 573
Adjusted EBITDA	3 630
<i>Including::</i>	
<i>Provision for onerous contracts</i>	1 068
EBITDA (PLN m)	
Q4 2023	
EBITDA	(473)
Adjusted EBITDA	202
<i>including:</i>	
<i>Actuarial reserves</i>	28
<i>Impact of the Regulation on reducing electricity prices for households</i>	76
<i>Provision for onerous contracts</i>	466
<i>Provision for penalties from the President of the Energy Regulatory Office</i>	105
Q4 2022	

EBITDA	(525)
Adjusted EBITDA	554
<i>Including::</i>	
Provision for onerous contracts	1 068

* The tables present non-recurring items identified on the basis of the criterion of materiality, which was set at PLN 25 million.

** Transfer of wholesale electricity trade to ORLEN Energia.

Table 8: Consolidated statement of financial position (PLN m)

	As at 31 December 2020*	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	Change 2023/2022	Change 2023/2022 (%)
ASSETS						
Non-current assets						
Property, plant and equipment	14,565	15,281	17,386	20,513	3,127	18%
Intangible assets	926	974	1,487	985	(502)	-34%
Right-of-use assets	907	1,063	1,050	1,152	102	10%
Goodwill	11	-	-	-	-	-
Investments in associates and joint ventures measured by the equity method	105	128	153	163	10	7%
Deferred tax assets	207	237	418	232	(186)	-44%
Other non-current financial assets	77	254	190	32	(158)	-83%
Other non-current assets	141	289	702	252	(450)	-64%
	16,939	18,226	21,386	23,329	1,943	9%
Current assets						
Inventories	140	111	346	409	63	18%
Current tax receivables	30	102	399	372	(27)	-7%
Trade receivables	1,941	2,074	3,271	5,135	1,864	57%
Other current financial assets	60	105	210	1,276	1,066	> 100%
Cash and cash equivalents	221	340	1,100	521	(579)	-53%
Other current assets	337	231	478	637	159	33%
	2,729	2,963	5,804	8,350	2,546	44%
Assets classified as held for sale	-	49	58	-	(58)	-100%
TOTAL ASSETS	19,668	21,238	27,248	31,679	4,431	16%
EQUITY AND LIABILITIES						
Equity						
Share capital	4,522	4,522	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	5	5	6	(1)	(7)	< -100%
Reserve capital	1,018	821	1,031	1,031	-	-
Supplementary capital	1,661	1,661	1,661	1,711	50	3%
Cash flow hedge reserve	(96)	87	55	(9)	(64)	< -100%
Retained earnings	1,669	2,912	3,706	4,260	554	15%
Equity attributable to equity holders of the Parent	8,779	10,008	10,981	11,514	533	5%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2023**

Non-controlling interests	(36)	(66)	559	928	369	66%
	8,743	9,942	11,540	12,442	902	8%
Non-current liabilities						
Loans and borrowings	1,690	1,309	1,531	1,543	12	1%
Liabilities for debt securities issued	2,520	2,501	1,965	1,811	(154)	-8%
Non-current provisions	923	734	696	644	(52)	-7%
Deferred tax liabilities	777	910	931	975	44	5%
Deferred income and non-current grants	214	301	326	378	52	16%
Lease liabilities	704	838	817	903	86	11%
Other non-current financial liabilities	22	9	5	37	32	> 100%
Contract liabilities	11	9	9	7	(2)	-22%
	6,861	6,611	6,280	6,298	18	0%
Current liabilities						
Trade liabilities	792	1,067	2,388	1,593	(795)	-33%
Contract liabilities	131	297	314	691	377	> 100%
Current portion of loans and borrowings	1,742	1,395	2,537	2,551	14	1%
Liabilities for debt securities issued	41	31	609	39	(570)	-94%
Current income tax liability	-	13	3	5	2	67%
Deferred income and grants	187	180	202	218	16	8%
Short-term provisions	763	1,073	2,496	2,091	(405)	-16%
Other financial liabilities	249	448	609	5,324	4,715	> 100%
Other current liabilities	159	161	245	427	182	74%
	4,064	4,665	9,403	12,939	3,536	38%
Liabilities directly related to assets classified as held for sale	-	20	25	-	(25)	-100%
Total liabilities	10,925	11,296	15,708	19,237	3,529	22%
TOTAL EQUITY AND LIABILITIES	19,668	21,238	27,248	31,679	4,431	16%

*restated

As at 31 December 2023, the balance sheet total of the Energa Group was PLN 31,679 m, up by PLN 4,431 m compared to the year-end figure for 2022.

As far as fixed assets are concerned, the most significant change concerned the item Property, plant and equipment and was linked, in particular, to expenses made by the Distribution Business Line (expenditure on grid expansion and upgrade and on connection of consumers and sources of electricity) and the Services Business Line and other (expenditure on the construction of power generation equipment in CCGT Ostrołęka and CCGT Grudziądz). In addition, there was a significant drop in the value of intangible assets primarily as a result of the redemption of CO₂ emission allowances.

The item Other non-current assets also saw a major change, with the downward movement mainly attributable to the settlement of advances paid towards the construction of the CCGT Grudziądz, the Wielbark PV farm, and the CCGT Ostrołęka.

As regards current assets, the most important change was recorded in Trade receivables, notably as a result of the increase in value of electricity and distribution service sales, and the recognition of compensations by Energa Obrót.

Additionally, as regards current assets, the value of Other current financial assets increased in comparison to the end of 2022, mainly as a result of growth in cash pooling receivables. Following the integration of the Energa Group with the ORLEN Group, the accession of the Energa Group companies to the cash pooling structure of the ORLEN Group began in April 2023 to optimise cash management within the ORLEN Group.

The reasons for the change in cash are further described in the section on cash flows.

As at 31 December 2023, the Energa Group's equity was PLN 12,442 m and its share in the financing of the Group was 39%.

Current liabilities were the item that saw the greatest change under liabilities.

The increase in other financial liabilities resulted, among others, from the above optimisation of the ORLEN Group cash management (increase in cash pooling liabilities).

The decrease in Trade liabilities was linked in particular to the settlement in 2022 of electricity from wind farms in the start-up phase.

Additionally, as at 31 December 2023, the following items decreased relative to the end of 2022: Bonds issued (redemption of a tranche of hybrid bonds in the amount of EUR 125 million) and Current provisions (successive release of the provision for onerous contracts established in 2022 as a result of the entry into force of legislation regulating electricity prices and the utilisation of the provision for liabilities due to CO₂ emissions).

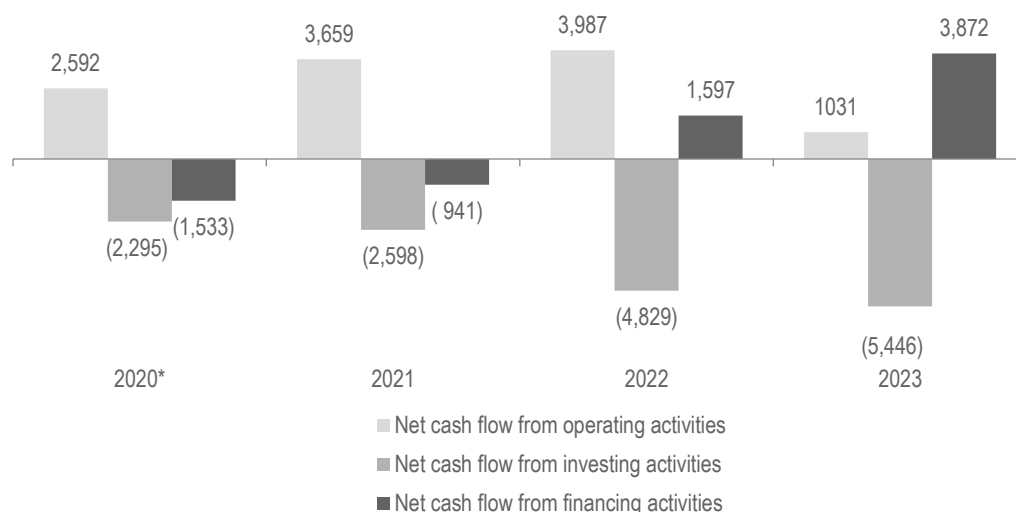
In connection with the integration of project activities within the ORLEN Group, on 21 July 2023, Energa SA signed a contract with ORLEN Projekt S.A. on the sale of 100% of shares in Energa Invest, an engineering services company.

Table 9: Consolidated cash flow statement (PLN m)

PLN m	2020*	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Net cash flow from operating activities	2,592	3,659	3,987	1,031	(2,956)	-74%
Net cash flows from investment activities	(2,295)	(2,598)	(4,829)	(5,446)	(617)	-13%
Net cash flows from financial activities	(1,533)	(941)	1,597	3,872	2,275	> 100%
Net increase / (decrease) in cash	(1,236)	120	755	(543)	(1,298)	< -100%

*restated

Figure 21: Cash flows of the Group in 2020-2023 (PLN m)



Total net cash flows from operating, investing and financing activities of the Group in 2023 were negative at PLN (543) m, compared to positive flows of PLN 755 m in 2022.

Cash flows from operating activities amounted to PLN 1,031 million compared to PLN 3,987 million in 2022. Positive cash flows on operating activities were mainly due to a profit before tax of PLN 1,098 m compared to PLN 1,177 million in 2022. The negative change in working capital of PLN (2,507) million (compared to a likewise negative amount of PLN (194) in 2022) resulted mainly from an increase in trade receivables and a decrease in trade payables in Energa Obrót. The entry into force of the acts regarding the Solidarity Shield and Maximum Prices, which resulted in the creation of compensation receivables from the Settlement Administrator, had a significant impact on the increase in the level of receivables.

Net cash flow from investing activities in 2023 totalled PLN (5,446) m vs. PLN (4,829) m in 2022. The main contributor was expenditure on property, plant and equipment and intangible assets, which totalled PLN (4,342) m in 2023 vs. PLN (4,992) m in 2022, and net cash pooling outflows of PLN (1,153) m.

Cash flows from financing activities amounted to PLN 3,872 million in 2023. For the most part, the positive cash flows resulted from the incurrance of new financial liabilities of PLN 3,508 m, positive net cash flows from cash pooling of PLN 4,655 m and an additional capital contribution of PLN 382 m to CCGT Ostrołęka made by ORLEN. On the other hand, financing outflows in 2023 resulted mainly from scheduled repayments of current loans and borrowings totaling PLN (3,440) m, repurchase of debt securities in the amount of PLN (578) m, PLN (70) m in lease repayments and PLN (621) m in current interest payments. In

2023, cash flows from financing activities were higher and amounted to PLN 3,872 m, which was mainly due to a higher balance of incurred/repaid financial liabilities compared to 2022, including cash flows from cash pooling.

4.3. Structure of assets and liabilities in the consolidated statement of financial position

Figure 22: Structure of assets and liabilities from 2020 to 2023

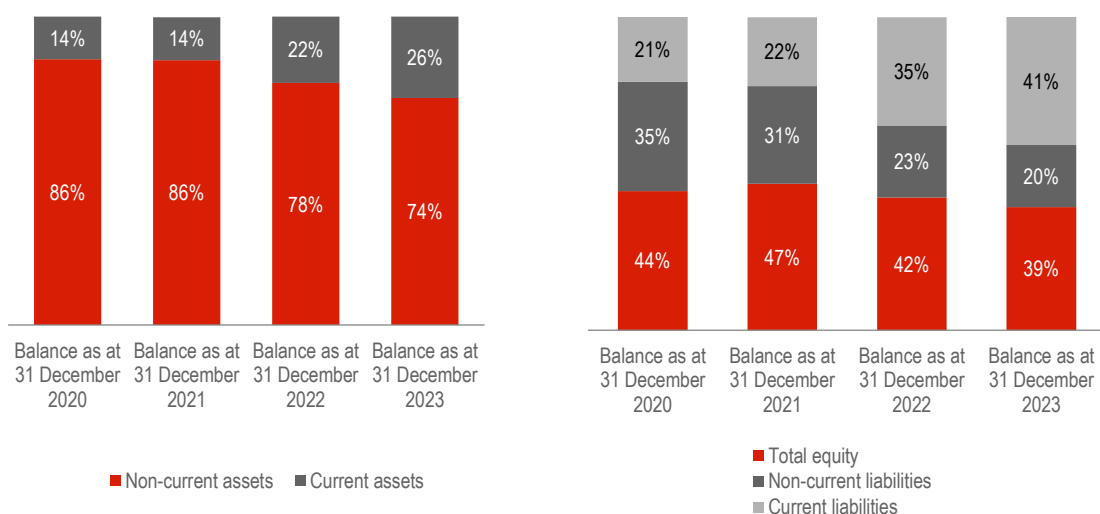


Table 10: Financial ratios of the Enega Group

Ratio	Definition	2020	2021	2022	2023
Profitability					
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets/ sales revenues (taking into account the revenue from the Price Difference Payout Fund)	16.4%	17.8%	12.6%	11.1%
return on equity (ROE)	net profit for the period* / total equity at the end of period	-5.1%	9.4%	8.7%	4.9%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the revenue from the Price Difference Payout Fund)	-3.6%	6.8%	4.9%	2.3%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	-2.3%	4.4%	3.7%	1.9%
Liquidity					
current liquidity ratio	current assets/current liabilities	0.7	0.6	0.6	0.6
Debt					
financial liabilities (PLN m)	total liabilities due to loans and borrowings, debt securities and liabilities due to cash pooling and leases (both long- and short-term)	6,736	6,113	7,504	11,575
net financial liabilities (PLN m)	financial liabilities – cash and cash equivalents – cash pooling receivables	6,515	5,773	6,404	9,897
net debt/ EBITDA ratio*	net financial liabilities/EBITDA	2.3	1.6	1.8	2.9

* net financial liabilities included in the calculation of the net debt/ EBITDA ratio include the key elements defined in the financing agreements;

Both sales revenues and EBITDA increased in 2023 compared to the previous year (the contributing factors have been described in the section discussing the financials). The much stronger revenue growth squeezed the EBITDA margin. The

decline in net result, on the other hand, and hence in profitability ratios, was mainly due to a lower balance of financing activities and a lower share of the profit or loss of equity-accounted entities.

The current ratio remained unchanged y/y.

The net debt/EBITDA ratio was pushed up by an increase in financial liabilities as at 31 December 2023 relative to 31 December 2022.

4.4. Description of significant off-balance sheet items

For details please see section 9.1. *Information on material contracts, agreements and transactions* of this Report and note 36 to the consolidated financial statements: *Contingent assets and liabilities*.

4.5. Projected financial results

The Management Board of Energa has not published projections for separate and consolidated financial results for the financial year of 2023.



Lidzbark Hydro plant

Operations of the Energa Group Segments

5. OPERATIONS OF THE ENERGA GROUP SEGMENTS

Energa Group's financial performance by Business Line was as follows:

Table 11: EBITDA of the Energa Group, by Business Lines (PLN m)

EBITDA in PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
DISTRIBUTION	1,790	2,048	2,118	1,956	(162)	-8%
GENERATION	165	112	843	488	(355)	-42%
SALES	156	343	(317)	566	883	> 100%
OTHER and consolidation eliminations and adjustments	(73)	(54)	(71)	(125)	(54)	-76%
Total EBITDA	2,038	2,449	2,573	2,885	312	12%

EBITDA in PLN m	Q4 2022	Q4 2023	Change	Change (%)
DISTRIBUTION	467	6	(461)	-99%
GENERATION	27	75	48	> 100%
SALES	(997)	(528)	469	47%
OTHER and consolidation eliminations and adjustments	(22)	(26)	(4)	-18%
Total EBITDA	(525)	(473)	52	10%

5.1. Distribution Business Line

5.1.1. Business and operating activities

Table 12: Distribution of electricity by tariff groups (GWh)

Distribution of electricity by tariff groups (billed sales) in GWh	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Tariff group A (HV)	3,187	3,512	3,743	3,433	(311)	-8%
Tariff group B (MV)	8,558	9,129	9,258	8,809	(449)	-5%
Tariff group C (LV)	4,129	4,289	4,206	3,968	(238)	-6%
Tariff group G (LV)	5,889	6,143	6,026	6,201	175	3%
Total distribution of electricity	21,763	23,074	23,233	22,411	(822)	-4%

Distribution of electricity by tariff groups (billed sales) in GWh	Q4 2022	Q4 2023	Change	Change (%)
Tariff group A (HV)	949	862	(87)	-9%
Tariff group B (MV)	2,288	2,300	12	1%
Tariff group C (LV)	1,005	1,029	24	2%
Tariff group G (LV)	1,508	1,611	102	7%
Total distribution of electricity	5,751	5,801	51	1%

In 2023, the volume of electricity supplied was on average 4% lower than in the previous year. The largest drops in volumes were observed for tariff groups B and A, lower in group C. The declines resulted primarily from the economic slowdown and high electricity prices, which encouraged consumers to reduce consumption. By contrast, there was an y/y increase in volumes

supplied to tariff group G (households), where the prices for 2023 had been set at the 2022 level. In addition, the number of customers increased across the tariff groups, except group C.

In Q4 2023, the volume of energy supplied was higher than in the corresponding period of the previous year. Slight increases in electricity supply were recorded in tariff groups B, C and G, while tariff group A saw a decrease in supply by 9%.

Table 13: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q4 2022	14.6	7.0	21.6	0.3	0.0	0.3
Q4 2023	50.3	8.1	58.4	0.7	0.0	0.7
Change	35.7	1.1	36.8	0.4	(0.0)	0.4
Change (%)	> 100%	16%	> 100%	> 100%	-3%	> 100%
2020	96.0	20.8	116.8	1.7	0.1	1.9
2021	186.0	22.1	208.1	2.3	0.2	2.4
2022	384.7	25.8	410.5	3.0	0.2	3.2
2023	160.7	28.5	189.2	2.0	0.2	2.1
Change 2023/2022	(224.0)	2.7	(221.3)	(1.0)	(0.0)	(1.0)
Change 2023/2022 (%)	-58%	11%	-54%	-34%	-5%	-33%

In 2023, the Energa Group's SAIDI (planned and unplanned incl. catastrophic) was 189.2 minutes per customer compared to 410.5 minutes per customer in 2022. SAIFI improved as well. The 2022 indicators had been influenced by weather anomalies in the early months of 2022 (hurricane winds caused extensive and serious damage to Energa Operator's power grid of all voltage levels).

However, in Q4 2023, the Energa Group achieved a SAIDI of 58.4 minutes per customer compared to 21.6 minutes per customer in the same period of 2022. SAIFI followed a similar trend.

Table 14: Number of customers of Energa Operator SA in 2020-2023 (by tariff groups)

Tariff groups at Energa Operator [units]	As at 31 December				Change 2023/2022	Change 2023/2022 (%)
	2020	2021	2022	2023		
Tariff group A	129	174	211	240	29	14%
Tariff group B	8,433	8,983	9,487	9,916	429	5%
Tariff group C	292,926	295,591	293,871	292,775	(1,096)	-0%
Tariff group G	2,891,025	2,934,776	2,987,538	3,040,430	52,892	2%
TOTAL	3,192,513	3,239,524	3,291,107	3,343,361	52,254	2%

Tariff group A – the largest customers connected to HV grid (110 kV), such as mills, melting plants, mines, shipyards and other large industrial facilities;

Tariff group B – large industrial facilities connected to MV grid (1 to 60 kV), such as manufacturing plants, hospitals, shopping centres, leisure and entertainment facilities;

Tariff group C – institutional customers connected to LV grid (up to 1 kV), such as banks, shops, clinics, retail and service outlets, street lighting;

Tariff group G – households and similar customers, regardless of power supply voltage.

In 2023, Energa Operator recorded a 2% increase in the number of customers compared to the end of the previous year. The number of customers increased across all tariff groups, except group C, where the decline was due to a tough economic situation in the second half of 2023.

5.1.2. Financial results

Figure 23: Results of the Distribution Business Line of the Energa Group (PLN m)

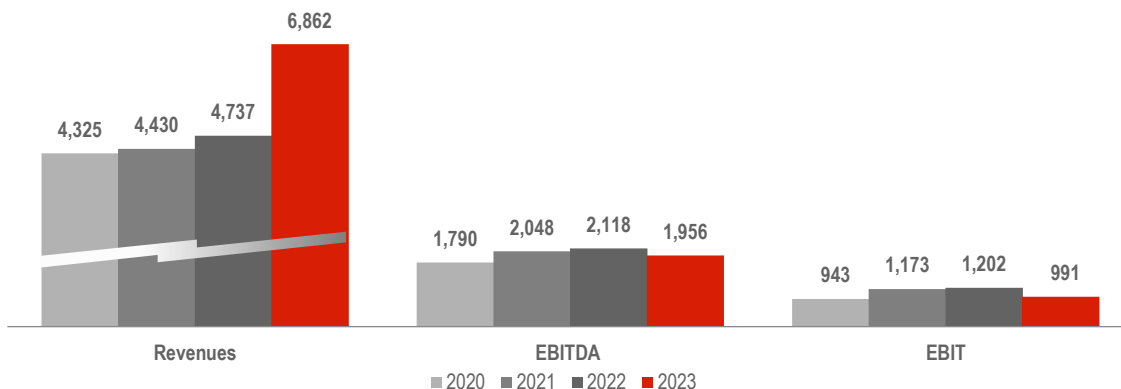
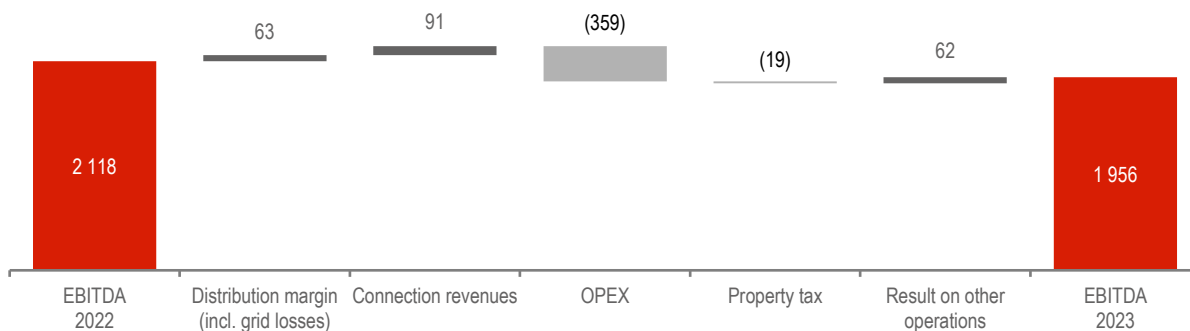


Table 15: Results of the Distribution Business Line (PLN m)

PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	4,325	4,430	4,737	6,862	2,125	45%
EBITDA	1,790	2,048	2,118	1,956	(162)	-8%
amortization and depreciation	847	875	916	965	49	5%
impairment of non-financial non-current assets	-	-	-	-	-	0%
EBIT	943	1,173	1,202	991	(211)	-18%
Net result	614	780	752	513	(239)	-32%
CAPEX	1,350	1,526	1,648	2,261	613	37%

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	1,314	1,851	537	41%
EBITDA	467	6	(461)	-99%
amortization and depreciation	240	257	17	7%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	227	(251)	(478)	< -100%
Net result	129	(278)	(407)	< -100%
CAPEX	538	853	315	59%

Figure 24: EBITDA bridge of the Distribution Business Line (PLN m)



Throughout 2023, the Distribution Business Line generated 68% of the Energa Group's EBITDA (vs. nearly 82% in 2022).

The Distribution Business Line's sales revenues in 2023 were PLN 6,862 m, up 45% y/y, which was mainly attributable to increased revenues from the sale of distribution services primarily on account of the 42% growth in the average rate for the distribution service (payable to the DSO). Revenues from the connection service also increased.

The EBITDA of this Line amounted to PLN 1,956 million and was PLN 162 million lower y/y. It suffered from an increase in the price of electricity purchased to cover grid losses (more than a four-fold increase in price y/y), which was not fully taken into account by the President of ERO in the calculation of the tariff for Energa Operator, and thus was not fully offset by the higher average price of the distribution service. The EBITDA was also adversely influenced by OPEX, which grew by PLN 359 million y/y as a result of inflation and increased wage pressure following the increase in the minimum pay. This was also attributable to the 2022 base effect – in Q1 2022, the work pursued in order to recover from massive power system failures was charged to other operating activities, and not OPEX. Given the absence of such major outages covered by insurance in 2023, normal operational works were carried out. The result benefited from a y/y increase in revenues from new connections and the favourable balance of other operating activities (the low base effect mentioned above).

The net profit of the Distribution Business Line in 2023 amounted to PLN 513 m, which was 32% lower y/y, mainly as a consequence of the operating result described above, as well as the unfavorable balance on financing activities (higher y/y debt servicing costs).

Capital expenditure of that Line totalled PLN 2,261 m and was 37% higher than in 2022.

The EBITDA of the Distribution Business Line in Q4 2023 amounted to PLN 6 million compared to PLN 467 million in the same period of the previous year. This stemmed from a lower margin on distribution (with grid losses) – the higher price of electricity for covering grid losses was only partially offset by the higher average sales price of the distribution service y/y. Furthermore, in Q4 2023, the volume of grid losses was 11% higher due to high electricity volumes injected into the grid from the local markets (including RES and prosumers) and not fully consumed by local energy customers. This had a bearing on the nature of grid flows, which entailed inter alia transiting electricity to other DSOs and the grid of Państwowe Sieci Energetyczne, which generated higher grid loss ratios. With the high inflation and wage pressure, OPEX went up, too.

5.2. Generation Business Line

5.2.1. Business and operating activities

Table 16: Gross electricity production (GWh)

Gross electricity production (GWh)	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Power plants – coal-fired	1,609	2,599	3,093	1,760	(1,333)	-43%
Power plants - biomass co-fired	156	-	-	-	-	-
CHP plants - coal-fired	78	31	22	-	(22)	-100%
CHP plants - biomass-fired	45	83	73	86	13	18%
Power plants – hydro	740	894	744	920	176	24%
Pumped storage plant	62	67	94	117	23	24%
Power plants – wind	488	458	481	496	15	3%
Power plants - photovoltaics	5	5	26	69	44	> 100%
Total production of electricity	3,184	4,136	4,533	3,449	(1,084)	-24%
<i>including from RES</i>	<i>1,434</i>	<i>1,439</i>	<i>1,324</i>	<i>1,572</i>	<i>248</i>	<i>19%</i>

Gross electricity production (GWh)	Q4 2022	Q4 2023	Change	Change (%)
Power plants – coal-fired	811	537	(274)	-34%
CHP plants - coal-fired	8	-	(8)	-100%
CHP plants - biomass-fired	21	24	3	13%
Power plants – hydro	150	208	58	39%
Pumped storage plant	26	35	9	32%
Power plants – wind	107	160	53	49%

Power plants - photovoltaics	3	7	4	> 100%
Total production of electricity	1,126	971	(155)	-14%
<i>including from RES</i>	281	399	118	42%

In 2023, the Energa Group's generating assets produced 3.4 TWh of electricity, compared to 4.5 TWh in 2022, that is 24% less y/y, mostly as a result of a lower output from the power plant in Ostrołęka. In 2023, 51% of the Group's gross electricity production originated from coal, 30% from hydro, 14% from wind, 3% from biomass and 2% from PV.

The Ostrołęka power plant production levels mirrored the concluded market contracts, reliability must-run operation for the Transmission System Operator in Poland and the availability of the units. The generation of energy by run-of-river power plants is an effect of hydrological conditions, while the wind power production was determined by the prevailing weather conditions. The production of energy by the Group's CHP plants reflected the overall heat production, which depended mostly on the demand for heat from local customers of the Group, availability of the Group's units and availability of production inputs (including biomass).

The volume of gross electricity production in Q4 2023 as compared to Q4 2022 displays a growth in production from renewables (by 42%), especially from hydro and wind, and (as in the entire year 2023) a decline in production by the Ostrołęka power plant.

Table 17: Gross heat production (TJ)

Gross heat production in TJ	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Energa Kogeneracja Sp. z o.o.	2,160	2,281	2,087	1,845	(242)	-12%
Energa Elektrownie Ostrołęka S.A.	1,161	1,263	1,193	1,085	(107)	-9%
Energa Ciepło Kaliskie Sp. z o.o.	272	312	293	453	160	55%
Total gross heat production	3,593	3,856	3,573	3,384	(189)	-5%

Gross heat production in TJ	Q4 2022	Q4 2023	Change	Change (%)
Energa Kogeneracja Sp. z o.o.	700	616	(84)	-12%
Energa Elektrownie Ostrołęka S.A.	388	340	(48)	-12%
Energa Ciepło Kaliskie Sp. z o.o.	110	208	98	89%
Total gross heat production	1,198	1,164	(34)	-3%

In 2023, the Group produced 3,384 TJ of heat energy, down 5% on the previous year, which was due to a range of factors, including air temperatures, which translated into the demand for heat from the Group's local customers in Ostrołęka, Elbląg and Kalisz.

In Q4 2023, the production of heat decreased by approx. 34 TJ yoy (or 3%) due to the same factor.

Table 18: Volume and cost of consumption of key fuels

Consumption of fuels*	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Hard coal						
Quantity (thous. of tonnes)	826	1,259	1,444	846	(599)	-41%
Cost (PLN m)	248	357	1,018	869	(150)	-15%
Biomass						
Quantity (thous. of tonnes)	147	85	72	82	11	15%
Cost (PLN m)	73	40	97	97	(1)	-1%
Total fuel consumption (PLN m)	321	398	1,116	965	(150)	-13%

* including the cost of transport

Consumption of fuels*	Q4 2022	Q4 2023	Change	Change (%)
Hard coal				
Quantity (thous. of tonnes)	377	259	(118)	-31%
Cost (PLN m)	422	230	(191)	-45%
Biomass				
Quantity (thous. of tonnes)	22	22	(0)	-2%
Cost (PLN m)	37	23	(14)	-37%
Total fuel consumption (PLN m)	459	254	(205)	-45%

* including the cost of transport

In 2023, the Group's producers consumed 599 thousand tonnes less hard coal and 11 thousand tonnes more biomass than in 2022. The lower coal consumption is an effect of lower electricity production, mainly by the Ostrołęka Power Plant. The increase in the use of biomass was mainly due to the availability of the raw material and the capacity of the biomass-fired unit in Elbląg. This went hand-in-hand with an increase in the unit price of coal on the market and a decline in the price of biomass y/y.

When compared to the same period of the previous year, the Q4 2023 figures display a decrease in unit prices of coal and biomass. It needs to be highlighted, however, that coal consumption declined and biomass consumption remained stable y/y.

5.2.2. Financial results

Figure 25: Results of the Generation Business Line of the Energa Group (PLN m)

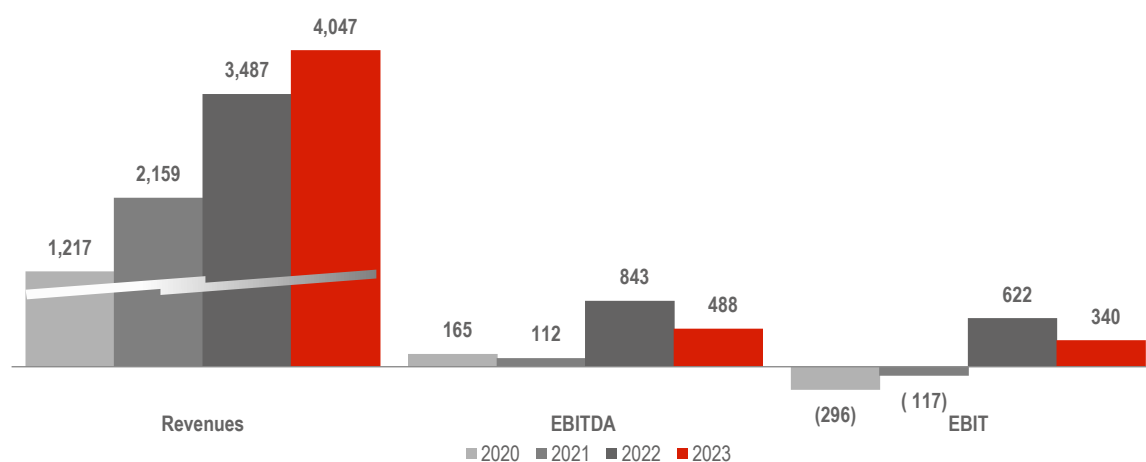


Table 19: Result of the Generation Business Line (PLN m)

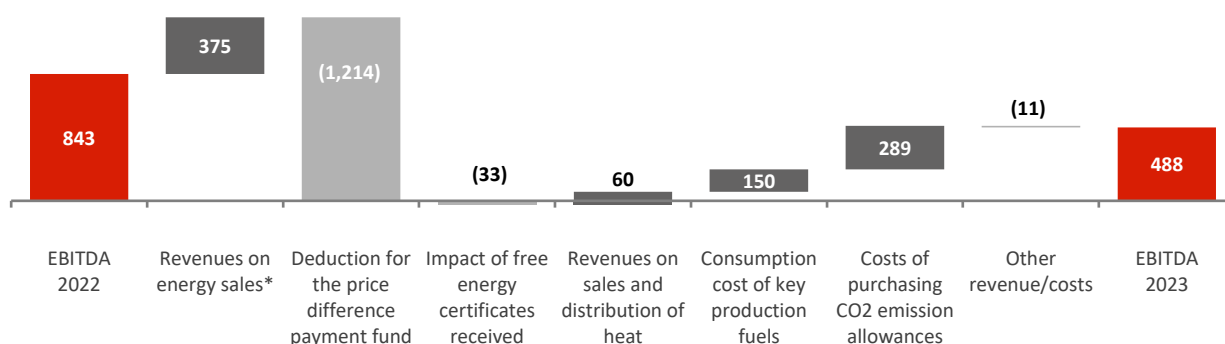
PLN m	2020*	2021*	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	1,217	2,159	3,487	4,047	560	16%
EBITDA	165	112	843	488	(355)	-42%
amortization and depreciation	131	139	149	149	-	0%
impairment of non-financial non-current assets	330	90	72	(1)	(73)	< -100%
EBIT	(296)	(117)	622	340	(282)	-45%
Net result	(391)	(216)	509	238	(271)	-53%
CAPEX	274	233	443	367	(76)	-17%

* restated

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	893	991	98	11%
EBITDA	27	75	48	> 100%
amortization and depreciation	36	42	6	17%
impairment of non-financial non-current assets	(1)	-	1	100%
EBIT	(8)	33	41	> 100%
Net result	12	46	34	> 100%
CAPEX	168	154	(14)	-8%

* restated

Figure 26: EBITDA bridge of the Generation Business Line (PLN m)



* includes net electricity trading (revenue less cost), write-off to the price difference payment fund and the impact of valuation of open positions of the power plant in Ostrołęka

The following table presents a breakdown of EBITDA for the Generation Business Line by Division. The overview shows non-consolidated data, excluding inter-company transactions between business areas and consolidation adjustments.

Table 20: EBITDA for Generation Business Line broken down to Generation Segments (PLN m)

EBITDA in PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Water	114	205	307	238	(69)	-22%
Wind	106	146	205	139	(66)	-32%
Ostrołęka power plant	(37)	(207)	540	138	(402)	-75%
Other and adjustments	(17)	(32)	(210)	(27)	183	87%
Generation total	165	112	843	488	(355)	-42%

EBITDA in PLN m	Q4 2022	Q4 2023	Change	Change (%)
Water	50	52	2	5%
Wind	35	42	8	22%
Ostrołęka power plant	105	(6)	(111)	< -100%
Other and adjustments	(162)	(14)	149	92%
Generation total	27	75	48	> 100%

In 2023, the EBITDA of the Generation Business Line amounted to PLN 488 million (down 42% y/y), and its share in the Group's total EBITDA was 17% (compared to 33% in 2022). The Line's EBITDA in 2023 was driven by a range of factors, mainly revenue from the sale of electricity and heat, cost of consumption of key fuels for production and cost of purchase of emission allowances. Additionally, the 2023 result was influenced by the valuation of electricity sales positions, a portion of which was – in keeping with the applied policy – recognised under other operating activities of the Line by Energa Elektrownie Ostrołęka (impact on the result = -PLN 186 m y/y and -PLN 119 m relative to Q4 only y/y).

The drop in revenues on electricity sales was caused inter alia by lower energy production by the Ostrołęka power plant, contributions to the Price Difference Compensation Fund (PLN 1,233 m) and accounting for the effect of valuation of the open electricity positions entered into by the Ostrołęka power plant.

The higher revenues from the sale and distribution of heat reflect the heat prices on the local markets of the cities of Ostrołęka, Elbląg and Kalisz and lower demand for heat due to air temperature.

The Generation Business Line derives its revenues inter alia from the provision of system services following the introduction in early 2021 of the Capacity Market, a contracting instrument used by the Group's generating units. In 2023, the revenue was at a similar level y/y. The 2023 revenues from system services totalled PLN 209 m (including PLN 181 m from the Capacity Market), compared to PLN 211 m in the previous year (with PLN 182 m derived from the Capacity Market).

The cost of consumption of the key fuels mainly reflects the lower volume of electricity production at the Ostrołęka power plant, the higher fuel consumption unit cost, mainly for coal, and the efficiency of generation facilities.

The lower purchase cost of CO2 allowances mirrors the lower production of conventional plants (mainly of the Ostrołęka power plant) and depended on the market prices of emission allowances.

In 2023, the CAPEX of the Generation Business Line was PLN 76 million lower y/y, which was linked to the deployment of new renewable energy capacities and the development and maintenance of the Group's heating assets.

The results of Q4 2023 (similarly to the y/y results) were mainly affected by lower revenues from the sale of electricity (the calculation includes net electricity trading, the contribution to the Price Difference Compensation Fund of PLN 309 m, and the impact of the valuation of open electricity positions in Ostrołęka). The above results were compensated by lower fuel costs and reduced emission allowances prices. One major factor was the valuation of the open electricity sale position of Energa Elektrownie Ostrołęka, which was recognised for the quarter under the Line's other operating activities at PLN (-)119 m on a y/y basis.

Table 21: Results of the Hydro Power Division (PLN m)

PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	222	318	475	1,362	888	> 100%
EBITDA	114	205	307	238	(69)	-22%
EBIT	80	170	271	203	(68)	-25%
CAPEX	22	13	9	14	5	51%

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	99	297	198	> 100%
EBITDA	50	52	2	5%
EBIT	41	43	2	6%
CAPEX	3	7	3	98%

Table 22: Results of the Wind Power Division (PLN m)

PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	144	97	269	351	82	30%
EBITDA	106	146	205	139	(66)	-32%
EBIT	59	80	140	73	(67)	-48%
CAPEX	130	4	4	11	7	> 100%

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	47	89	42	90%
EBITDA	35	42	8	22%
EBIT	18	25	7	41%
CAPEX	2	4	2	> 100%

Table 23: Results of the Ostrołęka Power Plant Division (PLN m)

PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	766	1,515	2,508	2,011	(496)	-20%
EBITDA	(37)	(207)	540	138	(402)	-75%
EBIT	(473)	(265)	546	136	(410)	-75%
CAPEX	83	16	5	20	15	> 100%

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	659	514	(144)	-22%
EBITDA	105	(6)	(111)	< -100%
EBIT	105	(7)	(112)	< -100%
CAPEX	0	14	14	> 100%

Table 24: Results of the Other and Adjustments Division (PLN m)

PLN m	2020*	2021*	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	84	229	235	323	87	37%
EBITDA	(17)	(32)	(210)	(27)	183	87%
EBIT	39	(102)	(334)	(72)	262	79%
CAPEX	38	200	425	322	(103)	-24%

* restated

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	88	91	3	3%
EBITDA	(162)	(14)	149	92%
EBIT	(172)	(30)	142	83%
CAPEX	162	129	(34)	-21%

5.3. Sales Business Line

5.3.1. Business and operating activities

Table 25: Sale of electricity (GWh)

Sales of electricity by the Sales Business Line in GWh	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Retail sales of electricity	18,782	18,578	17,992	17,117	(875)	-5%

Sales of electricity in the wholesale market, including:	4,058	2,915	3,235	2,818	(417)	-13%
<i>Sales of energy to the balancing market</i>	1,254	1,318	968	1,169	201	21%
<i>Other wholesale</i>	2,804	1,597	2,267	1,649	(618)	-27%
Total sales of electricity	22,841	21,493	21,227	19,935	(1,292)	-6%

Sales of electricity by the Sales Business Line in GWh	Q4 2022	Q4 2023	Change	Change (%)
Retail sales of electricity	4,679	4,571	(108)	-2%
Sales of electricity in the wholesale market, including:	499	582	83	17%
<i>Sales of energy to the balancing market</i>	177	232	55	31%
<i>Other wholesale</i>	322	351	28	9%
Total sales of electricity	5,178	5,154	(25)	-0%

In 2023, the total volume of electricity sold by the Sales Business Line declined by 6% (i.e. by 1,292 GWh) vs. 2022, which resulted from lower sales on the retail and wholesale markets.

2023 saw a drop in the volume of electricity sold on the retail market by 5% (i.e. 875 GWh) y/y, which should be attributed to the level of business customer contracting, increased self-consumption by prosumers (increased number of prosumers, i.e. investments in own generation sources) and macroeconomic developments, such as an economic downturn and high energy prices, which incentivises consumers into saving energy.

At the end of 2023, the number of final consumers of electricity (Points of Consumption) of the Sales Business Line was 3.3 million, which denotes an increase by approximately 53,000 customers y/y. The G tariff group (households) is mainly responsible for the increase in the customer base.

In 2023, the sales of electricity on the wholesale market were 13% (i.e. 417 GWh) lower than in 2022, which was the result of lower sell-off of surplus electricity associated with energy portfolio balancing. The wholesale figures are determined by the energy portfolio balancing process.

In Q4 2023, the total volume of electricity sales was slightly lower y/y (by 25 GWh, i.e. 0.5%), with retail sales, similarly to the year-long figure, lower by 108 GWh or 2% than in the corresponding period of 2022 for the reasons described above. The slower pace of y/y decline in electricity sales in the last quarter of 2023 can be explained inter alia by the slow-down in the decline of consumption observed in the previous quarters following the economic recovery that started in the last months of 2023. The wholesale of electricity saw a contrary trend, with the volume increasing by 17% y/y as a result of increased scale of surplus electricity sell-off associated with energy portfolio balancing, especially in the last two months of 2023, when production from renewables soared.

Customer service

As regards operational activity, 2023 was the most challenging period in recent years following legislative developments, which led to unprecedented customer traffic across the contact channels, both in the business and mass markets.

In 2023, over 2 m customers contacted Energa Obrót. The year-on-year increases reached 70% for the mailing channel, 40% for the hotline, 23% for the chat.

The key efforts to improve and build better communication with customers in 2023 included:

- Process, technical and operational adaptation to the requirements of the Solidarity Shield and Price Cap Act;
- Enhancement of communication to customers via the ENERGA24 website, the chat feature, and recorded automatic voice messages on the hotline;
- Setting up an automatic hotline for customers in order for their details to be updated further to the introduction of the 'electricity discount' scheme (one-off reduction of electricity bill);
- Alignment to the requirements of the Central Energy Market Information System (CSIRE) and of the National E-Invoicing System (KSEF);
- Customer service after the implementation of the new ENERGA24 platform,
- External and internal employee training to maintain high quality customer service.

Product offers for the Company's individual customers

In 2023, sales of some of the offers that had been most popular among customers and had generated the highest sales and those targeted at specific customer groups continued.

In 2023, the Group continued to sell its offerings for individual customers indexed to the standard price list for consumers, with the price of electricity varying over the offer period and defined in the Terms and Conditions of the Offer in a descriptive way as a discount on the standard price. From 1 March 2023 and 1 October 2023, sales of the successive offers of this type began.

The placing on the market of new indexed offers for individual customers was necessitated by new legislation, i.e.:

- a) The Act of 7 October 2022 on special solutions to protect electricity consumers in 2023 in connection with electricity market developments (Journal of Laws 2022 item 2127, as amended);
- b) The Act of 27 October 2022 on exceptional measures to cap electricity prices and support certain customers in 2023 (Journal of Laws 2022 item 2243, as amended).

The new offers allowed individual customers to benefit from the shields against high electricity prices foreseen by both acts, i.e.:

- a) electricity price freeze in 2023 at the average 2022 tariff-based price for consumption of up to 3,000 kWh for all tariff group G customers (up to 3,600 kWh for households with people with disabilities; up to 4,000 kWh for households with three children or more and farmers),
- b) the electricity price cap of PLN 693/MWh above the limit in (a) above.

In 2023, EOB prepared for customers offers with home assistance insurance, offers with a fuelling discount card, ECO offers and complementary offers dedicated to specific customer groups.

Additionally, in order to boost its product portfolio, from 1 April 2023, Energa launched a completely new price offer named 'Package with a 200 TS bonus' to be sold to individual customers in cooperation with ORLEN. The customer receives a discount code worth PLN 200 to be used in the vitay.pl online store and a premium home assistance insurance package.

Product offers for the SOHO segment customers (small enterprises)

Throughout 2023, sales of products based on the 'New Product Policy for SOHO Customers' were continued to maintain the existing sales strategy aimed at cross-selling and winning customer loyalty as part of existing Mass Offers.

In 2023, the company prepared the following for SOHO segment customers: a standard price list for enterprises, basic offers without additional products, ECO offers, offers with a discount on fuel and other additional products.

Electromobility

Energa Obrót, as a provider of charging services at publicly accessible recharging stations, makes consistent efforts to promote electromobility through presentations during events for customers, e.g. the *Moto Safety Day*, and information published on the Energa's blog 'Zielone Pojęcie' (Green Idea).

The company is actively developing an electric car recharging network in northern and central Poland, managing currently 333 recharging stations.

Owing to the integration of the Energa Group with the ORLEN Group, the Company's EV recharging stations are available on the *ORLEN Charge* network, which covers the entire territory of Poland.

Energa Obrót offers the following public recharging stations:

- 50 kW direct current (DC) stations, or fast charging stations, which are capable of charging a car battery in 20 to 60 minutes,
- 22 kW alternating current (AC) stations, or semi-fast charging stations, charging an electric vehicle in a few hours.

Customers can use the *ORLEN Charge* application to quickly and conveniently find the nearest charging station, check which terminals are currently available and track the charging process and its parameters on a smartphone. All Energa Group's stations are supplied with green electricity.

In 2023, EOB continued to offer sale of recharging stations to B2B customers. This end-to-end service covers all stages of the investment project – from audit to selection of an appropriate charging station type, execution of a supply system and equipment installation, as well as all the required formalities and acceptance by the Office of Technical Inspection. Following its integration with the ORLEN Group, Energa Obrót offers a charging station management service to its customers, understood as integrating the equipment with the *ORLEN Charge* network, which enables the customers to generate revenue from recharging sessions, attracts new customers to the location.

Energy efficiency

In 2023, EOB was gradually expanding its portfolio of customers for energy efficiency services, which features solutions for rational, conscious and responsible use of existing energy resources and for reducing the costs of running an enterprise dedicated for business clients interested in improving energy efficiency. The Company tailors its approach to every customer, analysing their needs and expectations, and our wide range of services allows us to implement measures in all areas of energy efficiency improvement. The most popular products in the portfolio were photovoltaic installations, reactive power compensation, energy consumption profile visualisation, engineering design, and optimisation of energy consumption parameters.

The National e-Invoicing System

Within the framework of its programme entitled 'Preparation of an e-invoicing solution for the Energa Group', the Group is delivering projects aimed at ensuring that it maintains business continuity while meeting the legislative requirements. To achieve this, it is upgrading its computerised systems so that they can issue sales invoices and receive cost invoices in line with the National e-Invoice System requirements. The development of the functional and technical design has been completed. In September 2023, the company accepted the business concept for the billing system.

The Central Energy Market Information System

Following 3 July 2021 revision of the Energy Law, the Central Energy Market Information System (Centralny System Informacji Rynku Energii – CSIRE) will be operated for the Polish energy sector. CSIRE will collect and process information necessary to implement energy market processes specified by the Energy Law (including the electricity supplier switching process) and to handle electricity supply and sale billing.

The main goals of the system are to:

- ensure efficient and secure exchange of information on the electricity market, such as to enable its participants to exercise their statutory rights and fulfil their statutory obligations,
- standardise and streamline market processes and information flow between its participants,
- provide final consumers with free access to their own energy market information (including meter data),
- improve competitiveness on the electricity market,
- provide free access to some statistical data resulting from energy market processes,
- provide access to data enabling market participants to offer new products and services,
- improve the utilisation of resources of the National Power System (NPS).

As a result of the 2021 developments, EOB established a project towards setting in motion energy market processes based on the CSIRE. As part of the project, several key tasks related to the implementation of the CSIRE in the company were completed in 2023. In addition, the Company tested successfully the uploading of a full dataset of a Power Delivery Point to CSIRE.

5.3.2. Financial results

Figure 27: Results of the Sales Business Line (PLN m)

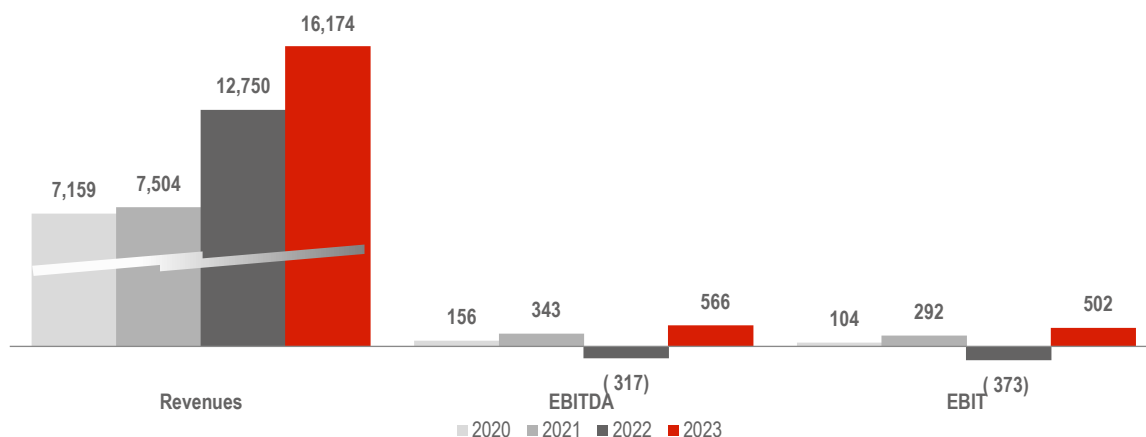
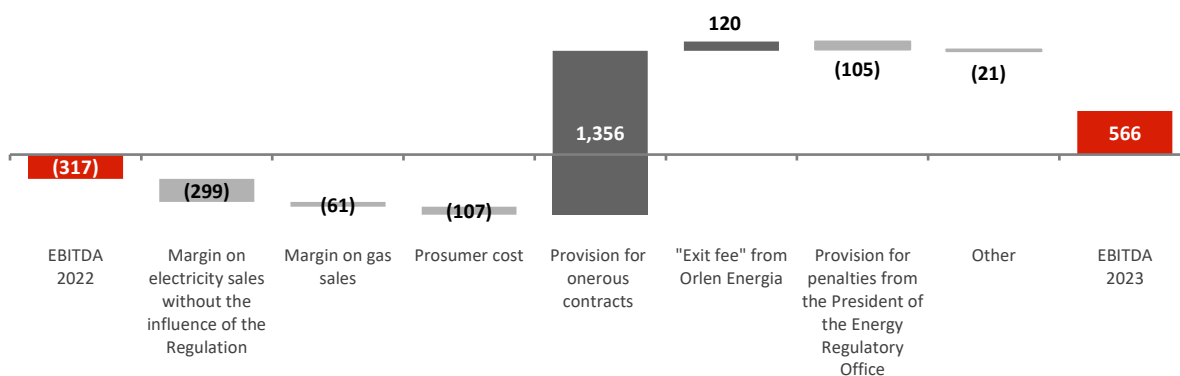


Table 26: Results of the Sales Business Line (PLN m)

PLN m	2020	2021	2022	2023	Change 2023/2022	Change 2023/2022 (%)
Revenues	7,159	7,504	12,750	16,174	3,424	27%
EBITDA	156	343	(317)	566	883	> 100%
amortization and depreciation	52	49	56	64	8	14%
impairment of non-financial non-current assets	-	2	-	-	-	0%
EBIT	104	292	(373)	502	875	> 100%
Net result	68	230	(317)	152	469	> 100%
CAPEX	66	64	77	110	33	43%

PLN m	Q4 2022	Q4 2023	Change	Change (%)
Revenues	3,339	3,735	396	12%
EBITDA	(997)	(528)	469	47%
amortization and depreciation	15	18	3	20%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	(1,012)	(546)	466	46%
Net result	(831)	(674)	157	19%
CAPEX	34	30	(4)	-12%

Figure 28: EBITDA bridge of the Sales Business Line (PLN m)



In 2023, the EBITDA of the Sales Business Line was PLN 566 m and was PLN 883 m higher than in 2022 (EBITDA of -PLN 317 m). The EBITDA of this Line in 2023 accounted for 20% of the Energa Group's EBITDA, while in 2022 it had not contributed positively to the Group's result.

Revenues of the Sales Business Line in 2023 totalled PLN 16,174 m, up PLN 3,424 m (27%) on 2022. The increase was driven by higher selling prices for electricity and gas.

In 2023, the financial results of the Sales Business Line were influenced materially by regulations regarding the prices of electricity sold to final consumers in 2023 and 2024. The legislation triggered the following accounting events:

- a) Provision for onerous contracts in 2023 (+ PLN 2,135 m effect on the change in EBITDA y/y) – the provision of PLN 1,068 m was set up in December 2022 further to the decision by the President of ERO to approve the 2023 tariff for G group customers and the entry into force of laws regulating electricity prices for certain final consumers in 2023, which reduced the results for 2022. Subsequently, in 2023, the provision was utilised with a positive effect on the 2023 financial result,
- b) Provision for onerous contracts in 2024 of PLN 466 million, which was established in December 2023 in connection with the decision by the President of ERO to approve the 2024 tariff for G group customers and the prolongation of regulated electricity prices for some final consumers in the first half of 2024,
- c) The need to reduce (by approx. PLN 125 per customer) the electricity bill for households following the entry into force of Regulation of the Minister for Climate and the Environment of 9 September 2023 amending regulation on the method for developing and calculating the tariffs and settling electricity sales (negative effect on results of PLN 313 m in 2023).

The margin on the sale of electricity (net of the impact of the above regulation) turned out to be lower y/y (by PLN 299 m), mainly due to the unprofitable 2023 tariff for households approved by the President of ERO.

The margin on gas sales, which was PLN 61 m lower in 2023 than in 2022, had a negative impact on the y/y EBITDA. This resulted from the inability to transfer the entire rise in purchasing price of that fuel to final consumers and from lower sales volumes.

Another factor negatively affecting EBITDA was the prosumer cost, that is the cost of the distribution service paid by the Obligated Seller (Energa Obrót SA) on the energy consumed by the prosumer, which increased by PLN 107 m y/y in 2023. That results from a larger customer base in 2023, and more careful consumption of produced and stored energy.

In addition, the following two one-off events had an effect on the financial performance in 2023:

- a) receipt by Energa Obrót SA of the PLN 120 m "exit fee" (positive effect on the 2023 result) in connection with the transfer of electricity wholesale trade functions and processes to ORLEN Energia,
- b) creation of provisions totalling PLN 105 m for penalties of the President of ERO (negative effect on the 2023 result) – the penalties concern Energa Obrót SA and are related to non-compliance with the 2018 Electricity Act obligations (price freeze in 2019) and failure to fulfill the obligation to obtain and submit certificates of origin for 2018 to the President of ERO for redemption.

In Q4 2023, the EBITDA of the Sales Business Line totalled PLN -528 m, up PLN 469 m compared with the corresponding period of 2022. In addition to the 'exit fee' received from ORLEN Energia, which occurred in the second quarter of 2023, the most substantial effect on the change in Q4 EBITDA compared to the same period of the previous year was produced by items presented on an incremental basis. The increase in EBITDA was driven by the provision for onerous contracts in 2023 (+PLN 1,428 m effect on the change in EBITDA q/q) – the provision of PLN 1,068 m was created in December 2022 for the entire year 2023 and was being consumed successively throughout 2023 (in Q4 2023, PLN 360 m was withdrawn from the provision). The other items had a negative effect on the q/q EBITDA. They included the creation of a provision for onerous contracts in 2024 (impact of PLN -466 m), the margin on the sale of electricity was PLN 258 m lower, and provisions for President of ERO fines (effect of PLN -105 million).



Wielbark photovoltaic Farm

Financial and assets situation of Energa SA

6. FINANCIAL AND ASSETS SITUATION OF ENERGA SA

6.1. Rules of preparing the separate consolidated financial statements

The separate financial statements of Energa SA for the twelve months ended 31 December 2023 were prepared:

- in accordance with the International Financial Reporting Standards endorsed by the European Union;
- on a historical cost basis, except for financial instruments measured at fair value through profit or loss and hedging derivatives;
- in millions of Polish zlotys ("PLN m"), unless otherwise specified;
- based on the assumption that Energa SA would continue as a going concern in the foreseeable future and without any evidence indicating that the continuation of the Company business activities as a going concern may be at risk.

To the extent not covered by the IFRS EU, Energa maintains its accounting books in accordance with the accounting policy (principles) set forth by the Accounting Act of 29 September 1994 and its secondary legislation as well as other applicable laws.

The accounting principles (policy) applied to prepare the annual separate financial statements are presented in note 7 to the annual separate financial statements of Energa SA for the twelve months ended 31 December 2023.

6.2. Explanation of the economic and financial data disclosed in the annual separate financial statements

Table 27: Separate statement of profit or loss (PLN m)

	2022	2023	Change	Change (%)
Sales revenues	62	78	16	26%
Cost of sales	(49)	(64)	(15)	31%
Gross profit	13	14	1	8%
Other operating income	15	15	-	-
General and administrative expenses	(114)	(99)	15	-13%
Other operating expenses	(10)	(32)	(22)	>100%
Dividend income	201	201	-	-
Interest income	305	297	(8)	-3%
Other financial income	98	63	(35)	-36%
Impairment losses for shares	(168)	25	193	> 100%
Other financial costs	(295)	(378)	(83)	28%
Profit before tax	45	106	61	> 100%
Income tax	5	(69)	(74)	< 100%
Net profit	50	37	(13)	-26%

Revenue is mostly generated by services provided by the Company to other Group companies, mainly marketing, IT, finance services and lease of office space and advice services. This revenue category saw an increase in 2023 by 26%, which is mainly attributable to the intensification of marketing activities in 2023 and the invoicing of CCGT Ostrołęka Sp. z o.o. for advisory services rendered to it in the project finance raising process.

In 2023, the Company derived most of its financial revenues from dividend income, which amounted to PLN 201 m (no movement y/y). Interest income increased by PLN 8 m y/y, with a simultaneous increase in interest expense by PLN 105 m y/y (recognised as Other finance income and Other finance expenses, respectively).

In 2023, the Company gained non-interest financial income mainly from exchange rate differences (PLN 33 m), a return of excess return amount under a loan agreement with the European Investment Bank (PLN 19 m), and return of an additional capital contribution received from Enspirion Sp. z o.o. (PLN 9 m).

The item Impairment losses on shares includes the reversal of impairment loss on shares in Energa Logistyka Sp. z o.o. (PLN 25 m). The item Other financial expenses in 2023 includes inter alia costs of bank commissions (PLN 14 m), costs related to the revaluation of options for Polimex-Mostostal shares (PLN 5 m), and CIT-14 tax expenses (PLN 1 m).

The above factors influenced Energa's net result, which stood at PLN 37 m.

Table 28: Standalone statement of financial position (PLN m)

	As at 31 December 2022	As at 31 December 2023	Change	Change (%)
ASSETS				
Non-current assets				
Intangible assets	13	13	-	-
Right-of-use assets	17	57	40	> 100%
Shares in subsidiaries, associates and joint ventures	7,453	7,558	105	1%
Bonds	601	533	(68)	-11%
Other non-current financial receivables	2,748	2,649	(99)	-4%
Deferred tax assets	-	13	13	-
Derivative financial instruments	172	15	(157)	-91%
Other non-current assets	228	1,119	891	> 100%
	11,232	11,957	725	6%
Current assets				
Cash pooling receivables	944	-	(944)	-100%
Trade receivables and other current financial receivables	399	260	(139)	-35%
Bonds	557	11	(546)	-98%
Current tax receivables	295	277	(18)	-6%
Cash and cash equivalents	674	2	(672)	-100%
Derivative financial instruments	102	15	(87)	-85%
Other current assets	40	78	38	95%
	3,011	643	(2,368)	-79%
Non-current assets classified as held for sale	20	-	(20)	-100%
TOTAL ASSETS	14,263	12,600	(1,663)	-12%
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Share capital	4,522	4,522	-	-
Reserve capital	1,031	1,031	-	-
Supplementary capital	1,661	1,711	50	3%
Cash flow hedge reserve	56	(9)	(65)	< -100%
Retained earnings/(non-covered losses)	94	81	(13)	-14%
	7,364	7,336	(28)	-0%
Non-current liabilities				
Loans and borrowings	1,481	951	(530)	-36%
Liabilities for debt securities issued	576	523	(53)	-9%
Non-current provisions	10	7	(3)	-30%
Deferred tax liabilities	1	-	(1)	-100%

Non-current deferred income and grants	25	16	(9)	-36%
Non-current lease liabilities	6	49	43	> 100%
	2,099	1,546	(553)	-26%
Current liabilities				
Cash pooling liabilities	861	169	(692)	-80%
Current portion of loans and borrowings	3,017	3,124	107	4%
Current lease liabilities	15	11	(4)	-27%
Trade liabilities and other financial liabilities	22	26	4	18%
Liabilities for debt securities issued	575	6	(569)	-99%
Short-term provisions	3	3	-	-
Deferred income and grants	9	9	-	-
Accruals	10	10	-	-
Other current liabilities	288	360	72	25%
	4,800	3,718	(1,082)	-23%
Total liabilities	6,899	5,264	(1,635)	-24%
TOTAL EQUITY AND LIABILITIES	14,263	12,600	(1,663)	-12%

As at 31 December 2023, the balance sheet total of Energa was PLN 12,600 m, down by PLN 1,663 m (12%) vs. 31 December 2022.

As regards fixed assets, the most significant change was seen by item Other non-current assets, which is related to additional contributions to CCGT Grudziądz Sp. z o.o. (PLN 490 m), CCGT Ostrołęka Sp. z o.o. (PLN 382 m), and CCGT Gdańsk Sp. z o.o. (PLN 17 m). There was also an increase in the shares and stocks in subsidiaries, related companies and joint ventures, which included the acquisition of shares in Energa Prowis Sp. z o.o. in the amount of PLN 80 million, as well as the reversal of an impairment loss on shares in Energa Logistyka Sp. z o.o. of PLN 25 million.

On the side of current assets, the decrease was mainly related to the non-recognition of receivables from cash pooling (the reporting period saw the completion of the integration of the individual Energa Group companies, including Energa SA, into the ORLEN Group's cash pooling arrangement, in which the cash pool is presented on a net basis as receivables or liabilities) and the redemption of 6-year hybrid bonds.

As at 31 December 2023, no fixed assets held for sale were recognised due to the sale of Energa Invest Sp. z o.o. in August 2023. In 2022, non-current assets held for sale amounted to PLN 20 m.

The liabilities side saw a substantial change under non-current loans and borrowings on account of the repayment of liabilities to the European Bank for Reconstruction and Development. As in the case of assets, the repayment of 6-year hybrid bonds referred to above was also reflected under liabilities.

Energa's 2022 result totalling PLN 50 m was fully allocated to reserve capital, increasing this item of equity. As at 31 December 2023, the Company's equity to assets ratio was 58.2%, compared to 51.6% at the end of 2022.

Table 29: Standalone statement of cash flows (PLN m)

	2022	2023	Change	Change (%)
Net cash flow from operating activities	(54)	(74)	(20)	-37%
Net cash flows from investing activities	(71)	541	612	> 100%
Net cash flows from financing activities	710	(1,139)	(1,849)	> -100%
Net decrease in cash and cash equivalents	585	(672)	(1,257)	> -100%
Cash and cash equivalents at the beginning of the reporting period	89	674	585	> 100%
Cash and cash equivalents at the end of the reporting period	674	2	(672)	-100%

Energa's cash position as at 31 December 2023 was PLN 2 million. Net cash flows from operating, investment and financial activities of the Company in 2022 totalled PLN -672 million.

Negative cash flows from operating activities in 2022 and 2023 were mainly due to a low operating result adjusted for non-cash items.

The investing activities recorded a positive flow, primarily as a result of the purchase of 6-year hybrid bonds by Energa Operator SA, dividend received from Energa Operator SA, and partial repayment of loans. The positive cash flows were partially netted by negative cash flows from lending (mainly to CCGT Ostrołęka Sp. z o.o.) and additional contributions.

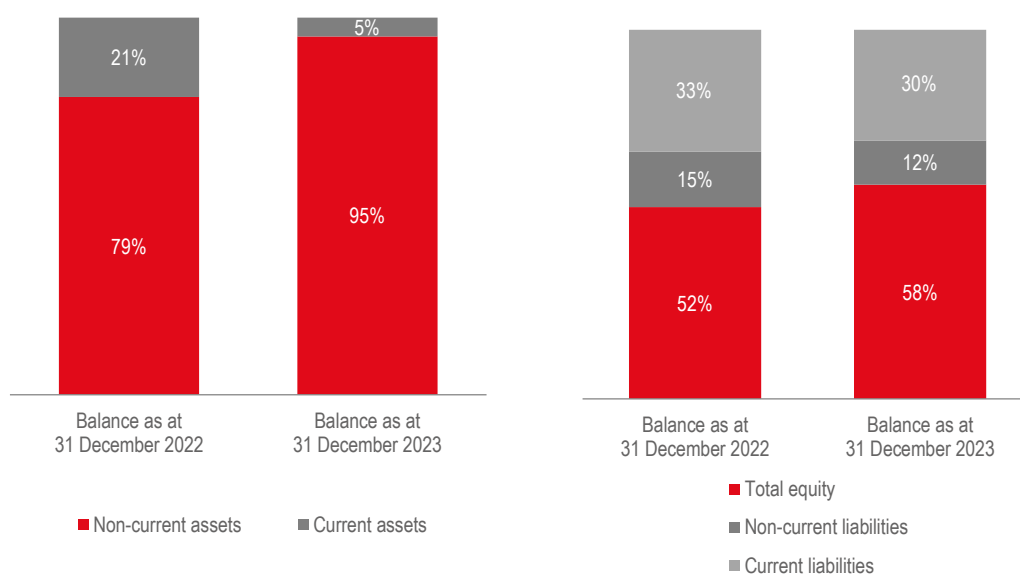
Negative net cash flows on financing activities were primarily related to the redemption of 6-year hybrid bonds in September 2023. Additionally, the negative value of flows is attributable to the repayment of loans of PLN 3.3 m, which was partially offset by revenues on the same account (PLN 3.0 m).

6.3. Structure of assets and liabilities in the separate statement of financial position

Table 30: Structure of the annual separate statement of financial position

	As at 31 December 2022	As at 31 December 2023
ASSETS		
Non-current assets	79%	95%
Current assets	21%	5%
TOTAL ASSETS	100%	100%
LIABILITIES		
Total equity	52%	58%
Non-current liabilities	15%	12%
Current liabilities	33%	30%
Total liabilities	48%	42%
TOTAL EQUITY AND LIABILITIES	100%	100%

Figure 29: Structure of assets and liabilities



As at 31 December 2023, non-current assets accounted for 95% of total assets, and current assets accounted for 5% of total assets. As at 31 December 2023, equity accounted for 58.2% of liabilities, with financial liabilities being the most significant liability item.

6.4. Description of significant off-balance sheet items

There are no significant contingent assets and liabilities in the Company.



Lapino hydro plant

Risk management

7. RISK MANAGEMENT

7.1. Integrated Risk Management System of the Energa Group

The Integrated Risk Management System ("IRMS") has been in place at the Energa Group since 2011 and is coordinated by Energa.

The IRMS has been implemented on the basis of a risk management process which is harmonised across the whole Group. It is based on international standards and spans all organisational levels and business lines. The risk management process consists of various interrelated stages that form a continuous process. It starts at the level of organisational units and moves on to top executives and from the level of Group companies to Energa as the Parent Company.

Figure 30: The Energa Group risk management process



The key document underlying the risk management process is the Risk Management Policy in the Energa Group, which defines, among other things, the uniform approach, risk management rules as well as roles and responsibilities in the process:



Management Board: oversees and defines directions of risk management, receives the findings of risk reporting and specifically determines the appetite for risk and the risk management strategy.



Risk Unit: coordinates the risk management process, conducts risk reviews, pursues cyclical monitoring of key risks, reports findings, analyses and supports estimation of materiality of risk within the organisation.



Risk Owner: manages risk, is in charge of ongoing and periodic risk analysis, develops and implements the risk management strategy, monitors and maintains risks within the defined boundaries.



Employees: report risks and incidents.



Audit Committee: monitors the effectiveness of the risk management system.



Internal Audit Unit: performs an independent and objective assessment of the elements of the risk management system and incorporates the findings of risk reporting as part of performance of its tasks.

As part of the Integrated Risk Management System, the Energa Group conducts the following activities:



risks review – involving the identification and assessment of risk and defining a comprehensive risk management strategy, carried out on a semi-annual basis.



cyclical monitoring of key risks – involving the verification of risk relevance and impacts as well as the implementation status of action plans affecting the evaluation of key risks in the Energa Group, carried out in line with a predefined schedule.



ongoing risk management – involving analysis of events, identification and assessment of risks and definition of the risk management strategy in the context of events inside and outside of the Energa Group.

Based on the semi-annual risk reviews, information on the risk exposure of the Energa Group is prepared. Relying on that information, the Management Board of Energa makes decisions relating to the level of risk appetite and approves the risk management strategy, obligating the Risk Owners to implement action plans.

In November 2023, the Risk Management Policy was updated and adapted to changes related to activities in the ESG area.

7.2. Description of major factors and risks

Key risks are presented below that were identified at the Energa and the Group's companies level, broken down by into four Risk Model areas, together with a description of the most important activities used to control risk.

Strategic area

Strategic risks have a direct impact on the achievement of strategic objectives. Their materialization will affect the growth of the Energa Group companies and building of competitive advantage in the energy market.

Table 29: Key strategic risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Key controls
Risks associated with the implementation of the Long-Term Strategic Investments Plan and the Strategic Development Plan of the Energa Group	Key risks in that area relate to disruptions and material deviations from the pre-defined goals set, among others, for the generation area, i.e., construction of new renewable capacities, optimized use of Energa Elektrownie Ostrołęka SA after 2025, reduction of CO ₂ emission levels, investment in gas assets, for the distribution area, i.e. development of the distribution grid, connection of new users to the grid, adjustment to renewable capacity growth, maintenance of quality of electricity supply, and for the sales area, i.e. improved performance in the core retail business, expansion of customer base and development of offered services and products. Materialization of risks may lead to a deterioration of the Group's competitive position, failure to achieve the assumed EBITDA growth or a decrease in operating costs. This risk may also result in regulatory fines, contractual penalties, environmental fines, increased variable costs, asset impairment or ineffectiveness of capital expenditures.	<ul style="list-style-type: none"> • Implementation of investment projects identified in the Long-Term Strategic Investments Plan of the Energa Group - in line with the investment plans' criteria. • Ongoing supervision of the implementation of the investment plan. • Monitoring of the Group's objectives and capital expenditures defined in the Strategic Development Plan of the Energa Group by 2030. • Contracts with contractors, suppliers, securing schedule changes and budget revisions.
Planning and resource allocation risks	Risks associated with the challenges of effective income and cost planning, pricing policies and increased planning for the long-term balancing cost of Local Market sources. The key risk factor is constituted by legislative changes relating to the operation of energy undertakings which affect their pricing policies and, together with price changes of raw materials for the production of electricity and heat, affecting the volatility and relevance of planning processes. Materialization of the risk may lead to a failure to achieve the Group's strategic and financial plans and difficulties in	<ul style="list-style-type: none"> • Energa SA's order concerning the implementation for use by the Company of a schedule of collecting information from the Group companies for the purposes of preparation of consolidated financial statements, consolidated economic and financial plans and operational and financial management information. • Principles of calculation of electricity and gas prices and margin management.

or termination of advanced projects, loss of market share or the need to buy more energy.

- Quoting process manual and methodology for margin calculation from contracts with electricity producers.
- Rolling projections for revenue and business expenses in a year.
- Plan monitoring.

Risk of negative impact of climate change	<p>The risk is associated with the impact of climate change on the productivity of the Energa Group's generating units and operation of the distribution grid as well as adjustment of the business operations of the Energa Group Companies to the requirements of climate risk management. Materialization of the risk may primarily be the failure to meet EU taxonomy targets, which will cause the image and competitive position of the Group companies to deteriorate. As a consequence of this risk, the ESG rating may be downgraded by the rating agency, which may render it difficult to obtain investment project funding or result in less favorable financing terms (increased financing margins and cost of insurance).</p>	<ul style="list-style-type: none"> • Climate Policy of the Energa Group until 2030. • Monitoring climate change adaptation and mitigation activities. • Establishment of a team responsible for carrying out a scenario analysis to create a strategy resilient to climate change and for the measurement of physical and transformation risks. • Procedures to ensure business continuity in case of climate events. • Property and assets insurance. • Integrated environmental and energy management system conforming to the EMAS Regulation and ISO 14001 and ISO 50001 standards.
Risk of ineffective environmental and energy management	<p>The risk is associated with the adverse environmental impact of the Energa Group companies, including their contribution to climate change. Materialization of the risk may involve loss of the ISO 14001 and ISO 50001 certificates by individual companies, striking off individual companies or the Group from the EMAS register, losing the image of a "green energy group" and increased cost of purchase of green energy.</p>	<ul style="list-style-type: none"> • The Energa Group Environmental and Energy Policy. • Functioning of an integrated environmental and energy management system conforming to the EMAS Regulation and ISO 14001 and ISO 50001 standards. • External audit of the environmental and energy management system.
Pricing policy risk	<p>The risk is associated with the calculation of the cost of electricity purchases and property rights, and preparation of customer offers for future years, using cost data based on current market prices and legal status, which are not or cannot be fully secured, and securing electricity volumes for customers. It arises from the volatility of electricity prices, changes in legislation, and also macroeconomic conditions.</p> <p>The materialization of the risk can manifest itself as the loss of market share, financial losses, and sanctions for non-compliance with applicable laws.</p>	<ul style="list-style-type: none"> • Principles of calculation of electricity prices and margin management. • Principles of calculation of natural gas prices and margin management. • Ongoing market investigation for developments in the market and legal and regulatory environment. • Ongoing examination of the budgeted results of operations and other selected ratios (including, but not limited to, sales and contracting data), and ongoing analysis of the impact of the price calculation principles adopted on the results/ratios.
Market risk: property rights	<p>The risk is associated with meeting the demand of retail customers on the wholesale market and contracting property rights. It arises from price changes affecting the value of contracts and from changes in applicable laws.</p> <p>The materialization of the risk can manifest itself as the loss of customers, increased cost of doing business, and the possibility of regulators challenging the solutions adopted.</p>	<ul style="list-style-type: none"> • Risk Management Principles. • Principles of calculation of electricity prices and margin management. • Use of advisory and legal services.

Operations area

Risks from the operational area are associated with the ongoing activities undertaken by the companies to carry out strategic actions – their materialization will affect the achievement of operational objectives of the Energa Group companies.

Table 30: Key operational risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Key controls
Project and investment risks	<p>Risks associated with investment projects carried out within the Energa Group aimed at increasing the Energa Group's generation, distribution and sales potential, consisting in failure to meet the planned delivery dates, time schedules, budgets or scopes. Materialization of the risk may lead to</p>	<ul style="list-style-type: none"> • Execution of investments as projects or through dedicated SPVs. • Ongoing monitoring and control of investments at the operating and strategic levels (Committees and Top Executives).

non-achievement of the expected return on investment, the requirement to incur additional expenses or write off project costs, repay financial support received, loss of potential revenue, escalation of claims pursued in court, sanctions or reputational damage.

- A series of workshops on major CAPEX deviations.
- Concluded contracts and agreements
- Monitoring of the market environment of projects.

Risks to the core business of individual Energa Group companies

Risks associated with core business activities, such as asset failure and production or distribution continuity risk, IT system disruption and stagnation risk, supply chain disruption risk and coal and biomass shortage risk. Materialization of the risks may lead to additional costs of restoring the equipment to its original condition or restarting it, and loss of revenue due to equipment unavailability, as well as penalties imposed if the required stock levels are not maintained.

A failure to adjust strategic IT systems will give rise to a risk of penalties and disruptions of core processes, such as invoicing, as well as information security threats.

- Regular inspections according to manuals and existing technical know-how.
- Overhaul and investment plans.
- Assets insurance.
- Provisions of contracts with generation equipment suppliers concerning response to warranty defects.
- Certificates of staff member competence
- Supplier diversification.
- Monitoring of the fuel market and fuel production and consumption plans.
- Long-term agreements for raw material purchases and transport.
- Coordination of IT Projects Portfolio.
- Securing of IT resources.

Finance area

Finance risks are associated with the financial aspects of operations of the Energa Group companies, in particular those involving the acquisition of financial capital from a variety of sources, its use to cover the costs of operating and investing activities, public charges and disclosure of financial and management information to a broad range of stakeholders – materialisation of these risks will affect the level of ensuring business continuity and development initiatives at the Energa Group.

Table 31: Key financial risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Key controls
Liquidity risk	The risk is associated with the ability to meet payment obligations in the short and long term, including the ability to pay uncertain tax obligations. Materialization of the risk may hinder the achievement of strategic objectives and corporate development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.	<ul style="list-style-type: none"> • Financial policy, including the market risk management policy. • Financial projections. • Long-term financial model. • Cash pooling. • Cash flow projections. • Analysis of deviations. • Activities of dedicated teams. • Cooperation with an external advisor. • Monitoring of ongoing changes in tax law and its application.
Margin loss risks	<p>The risks associated with the loss of margin, a large discrepancy between the tariff and offer prices, and withdrawal from electricity sales contracts by customers.</p> <p>The materialization of the risk can manifest itself as generating revenues lower than budgeted and thus failing to meet sales targets.</p>	<ul style="list-style-type: none"> • Monitoring the legal and regulatory environment. • Adaptation of offers to market conditions. • Book of Customer Service Standards for Stores. • Price list management process. • Offer management in terms of expiration dates. • Monitoring the consumption of electricity and gas by business customers.
Market risks	<p>Risks involved in electricity trading, e.g. in the context of unexpected price volatility, liquidity in the futures and SPOT markets. The risks also include securing CO2 emission allowances and fuel price fluctuations as well as volatility of customer demand for electricity or gas in relation to the contracted volume, and dynamic prosumer growth and losses caused by erosion of distribution charges.</p> <p>Materialization of these risks may give rise to problems in achieving strategic objectives, an unexpected change in risk exposure, financial losses due to conclusion of</p>	<ul style="list-style-type: none"> • Risk management in core selling activities. • Processes and internal regulations connected with the areas of contracting, trading and purchasing. • Monitoring of trading in electricity, property rights, guarantees of origin, CO2 emission allowances. • Use of advisory and legal services.

transactions on unfavorable terms, loss of margin mass, loss of competitive position, higher selling costs, reduced flexibility of operations in specific markets or sanctions imposed by regulators.

- Involvement in the process of consulting draft legislative acts.
- Implementation of projects by individual companies aimed at cost-effectiveness optimization
- Production cost control

Risks associated with customer and business partner billing

Risks arising from financing of company activities from debt or equity, including retained earnings. The risk involves discontinuous and incorrect settlements with customers as well as business partners failing to meet their contractual obligations (non-payments, late payments). The risk is also associated with disruptions to the invoicing process.

Materialization of the risk may lead, among others, to an increase in disputed and overdue receivables, cash flow disruptions, additional costs of debt collection activities and partial loss of revenue.

- Increased cash flow monitoring frequency.
- Monitoring the level of metering data provided/invoices issued.
- Setting up debt recovery schedules / pathways.
- Cooperation with law firms.
- Evaluation of reliability of business customers and business partners in the wholesale market.
- Obtaining security from debtors negatively rated business partners, debtor monitoring.
- Reports on the assessment of situation of major debtors with respect to repayments and preventing further accumulation of debt.

Financial security risk in the area of insurance

The risk associated with the failure to adjust the object and scope of insurance to the specific nature of operations of the Group's respective Business Lines or exhaustion of the sum insured in a policy and failure to obtain an acceptable supplementary offer. Climate changes and increasingly frequent mass failure events have a significant impact on risk.

Materialization of the risk may force the company to remedy the damage on its own and deplete the funds available for asset replacement.

- Insurance Policy of the Energa Group.
- Use of insurance broker services.
- Broker policy.
- Insurance audit.

Legal and regulatory area

Risks of the legal and regulatory area impact the level of compliance with the laws, requirements of the energy market regulator and internal corporate governance regulations. Their materialization will impact the image and reputation of the Energa Group.

Table 32: Key legal and regulatory risks identified at the level of Energa SA and Group companies

Risk	Description of the risk and its potential effects	Key controls
Legal risks	Risks are associated with ensuring that legal services for court and administrative proceedings carried out by or against the Group companies are of good quality. The risk is also associated with potential landowner claims for damages. Materialization of the risk may give rise to an obligation to pay damages and sanctions, or to grant customer discounts arising from the provisions of law. The risk may also result in additional legal and attorneys' costs, criminal and/or administrative sanctions, inability to carry out investments in linear assets as stipulated in the Development Plan of Energa Operator SA, and/or energy in the case of an order to remove HV and MV grid equipment.	<ul style="list-style-type: none"> • Cooperation with law firms and verification of the quality of legal assistance services. • IT systems to monitor and report material issues. • Internal policies concerning the coordination of legal assistance within the Energa Group and the legal status of energy real property. • The Energa Group Compliance Management System. • Consulting contracts. • Agreements with obligatory effect or material law agreements establishing utility easements and land easements.
Contracting risks	Risks associated with the conclusion by the Company of agreements on adverse terms, non-performance or defective performance of agreements and the potential resulting claims/complaints or sanctions. Materialization of the risk may result in financial losses, court proceedings or the inability to cover the costs of contract performance by revenue from that contract.	<ul style="list-style-type: none"> • Internal contracting and procurement procedures. • Central Register of Contracts and Mandates. • Register and evaluation of qualified subcontractors. • Monitoring the progress of services and deliveries.

Regulatory risk	<p>The risk concerns legislative changes affecting the functioning of the respective Energa Group Business Lines. Materialization of the risk may lead to modifications of investment plans, not meeting revenue targets, increased operating expenses, imposition of additional obligations, incurring sales losses, or sanctions if legislation is not properly implemented. The risk additionally offers an opportunity to adopt new legal solutions which could facilitate raising additional funds or provide a support system for the Group's assets.</p>	<ul style="list-style-type: none"> • Defining the principles of responsibility of Consortium Partners. • Monitoring of legal changes. • Involvement in the legislative process, including monitoring and consulting of law-making initiatives. • Cooperation within the ORLEN Group in the area of formulation of positions. • Participation of the Group's representatives in the activities of trade associations.
Tariff risk	<p>The risk associated with the obligation to submit a Tariff to the URE President for approval, a decision to refuse approval, no Tariff approval within the specified time limit, and lengthy Tariff amendment process during the year. The risk arises from the fact that the legal and regulatory environment is unstable.</p> <p>The risk gives rise to increased cost of doing business, a lower EBITDA and, in the worst-case scenario, the loss of the concession.</p>	<ul style="list-style-type: none"> • Monitoring of and participation in the drafting and evaluation of proposed legislative changes and providing opinions on regulations. • Agreeing Tariff calculation assumptions on an ongoing basis. • Direct consultation with the URE on elements affecting the Tariff. • Ongoing monitoring of revenues generated by the Tariff being applied, actual costs v. costs reflected in calculating the Tariff, and supply volumes. • Operation of the regulatory account mechanism to mitigate/eliminate volume risk.



Pumped-storage power plant Żydowo

Shares and shareholding structure

8. SHARES AND SHAREHOLDING STRUCTURE

8.1. Energa's shareholding structure

Energa SA shares have been listed on the Warsaw Stock Exchange (WSE) since 2013. As at 31 December 2023 and as at the preparation date of this Report, ORLEN S.A. is the strategic shareholder, holding 90.92% of the Company's shares, which translates to 93.28% of votes at the General Meeting ("GM").

Table 33: Company's shares by series and type as at 31 December 2023 and as at the date of this Report

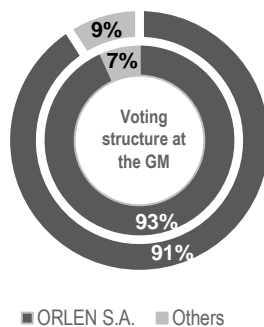
Series	Type of shares	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	preferred registered*	144,928,000	35.00	289,856,000	51.85
TOTAL		414,067,114	100.00	558,995,114	100.00

* One preferred share entitles to two votes at the General Meeting. ORLEN S.A. is the owner of these shares.

Table 34: Shareholding structure of the Energa Company as at 31 December 2023 and as at the date of this Report

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
ORLEN S.A.	376,488,640	90.92	521,416,640	93.28
others	37,578,474	9.08	37,578,474	6.72
TOTAL	414,067,114	100.00	558,995,114	100.00

Figure 31: Shareholding and voting structure at the General Meeting of Energa as at 31 December 2023 and as at the date of this Report



The Company does not have any employee share schemes in place.

In 2023, neither the Company nor its subsidiaries purchased Energa's own shares. As at 31 December 2023, neither the Company nor its subsidiaries held any shares in Energa.

8.2. The Company's stock prices on the Warsaw Stock Exchange

Table 35: Data on Energa's stock as at 29 December 2023

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 9.36

Capitalization at the end of the period	PLN 3.9 billion
Q4 2023 minimum at market close	PLN 7.88
Q4 2023 maximum at market close	PLN 9.52
2023 minimum at market close	PLN 6.80
2023 maximum at market close	PLN 9.68
Average trading value in 2023	PLN 0.23 million
Average trading volume in 2023	27.7 thousand
Average number of transactions in 2023	0.09 thousand

Source: Proprietary material based on data from www.infostrefa.com

Figure 32: Changes in Energa's share prices compared to changes in WIG, WIG30 and WIG-ENERGIA indices in 2023



Source: Proprietary material based on data from www.infostrefa.com

Energa's stock price at the close of the stock exchange session held on 29 December 2023 amounted to PLN 9.36, which means that it went up by c.a. 33% in comparison with the exchange rate applicable on the last business day of the year 2022 (i.e. on 30 December). During the discussed period, WIG increased by approximately 37% and WIG-Energia by approximately 33%.

Following a decrease in the number of free-floating Energa shares below 10% (after announcement of results of the delisting tender offer by ORLEN) WSE deleted Energa shares from all of its stock market indices effective after the 3 December 2020 session.

8.3. Investor relations at Energa

The Investor Relations Office, in cooperation with the Management Board of the Company and other business units of the Group, works to ensure effective communication with equity market participants. Those activities are tailored to the information needs of particular groups of recipients. Contact with the Company's stakeholders is made, among others, via email and regularly updated materials available on the website.

The Investor Relations Office uses a bilingual website to carry out its activities, which is updated on an ongoing basis with essential information about the Group in the form of, among others, annual, semi-annual and quarterly results presentations or fact sheets. Market participants are free to familiarize themselves with the rules followed by the Company in its investor relations – the website contains the Information Policy. In addition, the investor relations website contains current and periodic reports.

In 2023, 37 current reports were published, concerning, among others, changes in composition of the Management Board and the Supervisory Board of Energa, information about the impairment losses, signing a loan agreement for financing the construction of CCGT power plant in Ostrołęka, signing of a document containing a summary of the terms of the acquisition by

the State Treasury of shares in Energa Elektrownie Ostrołęka SA, statement of claim on repealing the resolution of Energa SA's Ordinary General Meeting, ratings, adoption of the Strategic Development Plan and the Long-Term Strategic Investments Plan of the Energa Group for 2024-2030, information on approval by the President of ERO of the tariff for electricity for customers of the G tariff groups and imposing cash penalties on a subsidiary, resolutions of the General Meeting or results of the capacity market auction for 2028.

8.4. Ratings

Ratings assigned by Fitch Ratings

On 5 December 2023 Fitch Ratings affirmed the Company's long-term foreign and local currency Issuer Default Ratings (IDRs) at "BBB+" with a stable outlook. The affirmation reflects, among others, Fitch's unchanged view on the Company under Agency's "Parent and Subsidiary Linkage Rating Criteria", under which the Agency equalizes Energa's rating with that of the Company's majority owner - ORLEN S.A.

Fitch also affirmed the following ratings of the Company and its debt:

- long-term national rating: 'AA+(pol)',
 - the Company's foreign-currency long-term senior unsecured rating: 'BBB+',
 - the Company's long-term rating of subordinated debt: 'BBB-',
 - long-term national senior unsecured rating: 'AA+(pol)',
- and long-term senior unsecured rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ): 'BBB+'.

The agency also affirmed the Company's standalone credit profile at 'bbb-' due to, among others, the Energa Group's solid business profile, with a focus on predictable regulated electricity distribution business.

Ratings assigned by Moody's

On 21 December 2023 the rating agency Moody's Investors Service upgraded the Company's Long-Term Issuer Ratings - Domestic Currency from the level of "Baa2" to "Baa1". Simultaneously, the agency upgraded the Company's backed senior unsecured rating and the guaranteed senior unsecured EMTN program rating of Energa Finance AB (publ) (the Company's subsidiary) from the level of "Baa2" to "Baa1". The outlook on all ratings was changed to stable from positive. The upgrade of ratings reflects the deeper integration of the Company into its higher rated parent company ORLEN S.A. ("A3" stable). The agency expects ORLEN to continue to provide support, which will benefit the Company's credit quality. Moody's believes that the Energa Group, through its key focus on electricity distribution and increasingly renewables, will play an increasingly important role within the ORLEN Group's strategy going forward. The agency indicates that the Issuer's "Baa1" ratings also continue to reflect the Company's overall low business risk profile, given that the major share of the company's earnings stems from regulated electricity distribution grid activities. Simultaneously Moody's added that the above positives are balanced by the higher business risk profile of the Group's power generation and energy supply businesses as well as execution risks related to its sizeable investment program over the next few years.

Table 36: Valid ratings of Energa as at 31 December 2023

Series	Fitch	Moody's
Long-term rating of the Company	BBB+	Baa1
Rating outlook	Stable	Stable
Rating date	19 January 2012	3 November 2011
Rating last changed on	17 November 2022	21 December 2023
Rating last reviewed on	5 December 2023	21 October 2023

8.5. Dividend

Since 2017 Energa SA has not paid dividends.

On 23 April 2024 the Management Board of the Company decided to recommend to the General Meeting of Energa SA to transfer the Company's net profit for 2023 in the amount of PLN 37,571,895.67 to increase the supplementary capital.

Retaining profit in the Company is necessary to achieve the goals set in the "Strategic Development Plan of the Energa Group for 2024-2030" ("SDP") and to implement the investments described in the "Long-Term Strategic Investment Plan of the ENERGA Group for 2024-2030" ("LSIP").

In accordance with the LSIP, the Energa Group plans to spend significant outlays on the construction of CCGT power plants in Ostrołęka and Grudziądz, the construction of new renewable energy sources ("RES") as well as the modernization and expansion of the distribution grid. Total outlays planned for the years 2024-2030 will amount to approx. PLN 47.9 billion. These capital expenditures are necessary to adapt the Energa Group to the current and expected changes in the market and regulatory environment and to strengthen its market position. Considerable funds are necessary to effectively implement this ambitious investment plan. To acquire such funds, the Company, among others, has concluded agreements with ORLEN S.A., its strategic shareholder, for the financing of LTSIP projects, namely construction of gas-steam power stations in Ostrołęka and Grudziądz, as well as the construction or purchase of RES projects. However, in order to provide funds to finance the investments included in the LTSIP, it is also necessary that the net profit for 2023 is retained in the Company.

The existing and planned investments will bring measurable results, such as an increase in the EBITDA: it is expected that achievement of the LSIP targets will result in a more than two-and-a-half-fold increase in the consolidated EBITDA in 2030 as compared to 2022. Consequently, this will translate to measurable benefits for the Company's shareholders in connection with an increase in its value.

In addition, it is important to bear in mind the uncertainty about the direction of energy market regulations for the second half of 2024 and for 2025, where past regulations have had a negative impact on the Energa Group's performance, as reflected in the provisions made. An additional risk is the ability of the institution responsible for paying compensation (due to current regulations) to handle the compensation requests submitted. In this regard, it is reasonable to retain the generated profit in order to strengthen the Energa Group's financial security.

Thanks to the transferring the net profit to increase the Company's supplementary capital, there will be lower demand for external financing, which will positively impact the debt ratio. This is of particular importance given the current unstable and difficult market situation.



Włocławek Hydroelectric Power Station

Other information about the Group

9. OTHER INFORMATION ABOUT THE GROUP

9.1. Information on material contracts, agreements and transactions

Information on material transactions with related parties made on non-arm's length terms

All transactions within the Energa Group are entered into based on arm's-length prices of the goods, products or services delivered, which result from the cost of production. For details, please see Note 33 to the Consolidated financial statements for year ended 31 December 2023.

Agreements for loans and borrowings

Lending agreements with multilateral financial institutions

Loans to finance the investment programme at Energa Operator for the years 2009-2012

In 2009-2010, Energa and its subsidiary Energa Operator signed the following lending agreements in connection with the development and upgrading of its distribution grid in 2009-2012:

- with the European Investment Bank ("EIB") for a PLN 1,050 m facility,
- with the European Bank for Reconstruction and Development ("EBRD") for a PLN 1,076 m facility,
- with the Nordic Investment Bank ("NIB") for a PLN 200 m facility.

The financing was fully utilised by the Company, and the following balances remain outstanding:

- to EIB - PLN 120.0 m with a final maturity date on 15 December 2025.

Loans to finance the investment programme at Energa Operator for the years 2012-2015

In 2013, Energa together and Energa Operator entered into the following lending agreements to finance the investment programme of Energa Operator in 2012-2015, in connection with the development and upgrading of the distribution grid:

- an agreement with EIB for a PLN 1,000 m facility – as at 31 December 2023, PLN 495.8 m were utilised (of which PLN 366.7 m by Energa and PLN 129.2 m by Energa Operator SA). The final maturity date of the drawn facility is 15 September 2031.

Nordic Investment Bank

On 23 October 2014, Energa signed a bank credit facility agreement with the Nordic Investment Bank for a PLN 67.5 m facility to finance a wind farm construction project in Myślino. As at 31 December 2023, PLN 17.3 m were utilised under the facility. The facility's final maturity date is 15 September 2026.

Revolving ESG-linked credit facility

On 17 September 2019, Energa signed a revolving ESG-linked credit facility agreement totalling PLN 2,000 m. The agreement was made with a consortium of banks, namely: Santander Bank Polska S.A. with its registered office in Warsaw, Bank Gospodarstwa Krajowego with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw, Caixabank SA (Spółka Akcyjna) Oddział w Polsce with its registered office in Warsaw and MUFG Bank (Europe) N.V. with its registered office in Amsterdam. The funding under the facility may be spent, among other things, on growth of RES capacity and further modernisation of power lines, and may also be partially allocated towards repayment of related prior indebtedness. The facility is granted on the condition that the provided funds are not spent on coal-based power generation. The facility is granted for a term of 5 years from the date of signing of the agreement which may be extended by one-year periods twice. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. The loan is unsecured. The final repayment date of loan is 17 September 2024. As at 31 December 2023, the loan had not been used.

SMBC renewable loan

On 28 July 2020 Energa and SMBC Bank EU concluded a revolving facility agreement worth EUR 120 million in the ESG-linked loan formula, based on the assessment of the borrower's involvement in the area of sustainable development and responsible business, intended for the financing of the Company's corporate goals, including financing of day-to-day operations, financing of the CapEx programme, and refinancing of financial debt, excluding capital expenditure on coal-fired energy. The facility's final maturity date is 28 July 2025. The credit facility's interest was set on the arm's length principle based on the EURIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. As at 31 December 2023, the loan was not utilised.

Loan granted to CCGT Ostrołęka

On 29 June 2023 the subsidiary CCGT Ostrołęka signed a loan agreement in a total amount of PLN 2,540 million for financing the construction of a 745 MWe net gas-fired combined cycle gas turbine power plant in Ostrołęka and the operating activity. The agreement was signed with the consortium of the following Polish and foreign financial institutions: Bank Gospodarstwa Krajowego, Alior Bank SA, Bank Polska Kasa Opieki SA, KfW IPEX-Bank GmbH and Erste Group Bank AG. The final repayment date of loan is 15 December of 2036. As at 31 December 2023, PLN 275.1 m were utilised under the facility.

Loans to finance the investment programme at Energia Operator for the years 2021-2023

On 16 December 2021, Energia and its subsidiary Energia Operator signed a long-term investment loan agreement with the European Investment Bank up to the amount representing the PLN equivalent of EUR 150 million. The Facility proceeds will be used to fund the Energia Operator's investment programme in 2021–2023, including projects such as connections of new consumers, distribution network upgrades, construction and upgrades of distribution assets to connect new renewable energy sources, smart grid components etc. Facility utilisation as at 31 December 2023 was PLN 623,4 million.

Loans granted by Energia Finance AB (publ)

In 2023, two loans originally totalling EUR 499 m, granted to the Company by subsidiary Energia Finance AB (publ) in March 2013 and maturing on 27 February 2026 were continued. As at 31 December 2023, EUR 110 million was drawn down under these loans. The loan granted to Energia in June 2017 by Energia Finance AB (publ) million maturing on 28 February 2027 was also continued. Facility utilisation as at 31 December 2023 was PLN 180,0 million.

ORLEN S.A. loans

On 9 December 2022, Energia signed a PLN 1,000 m revolving facility agreement with ORLEN, to be repaid by 27 September 2024. Based on an annex of 29 September 2023, the loan amount was increased to PLN 3,000 m. The revolving loan was granted for Energia's general corporate purposes. As at 31 December 2023, PLN 2,700 m were utilised under the facility.

Loans granted

On 31 December 2019 Energia entered into a long-term lending agreement with Energia Operator, its subsidiary, in the amount of PLN 4,900 m, intended for the refinancing of Energia Operator SA debt towards Energia on account of long-term bonds up to PLN 1,566 m and financing of the borrower's investment programme pursued in 2020-2023, up to the amount of PLN 3,334 m. Loan utilisation as at 31 December 2023 was PLN 2,212.5 million.

On 8 June 2021 Energia and its subsidiary Energia Wytwarzanie concluded a long-term loan agreement in amount of PLN 579.2 m, intended for the refinancing of Energia Generation's debt towards Energia under long-term bonds. Loan utilisation as at 31 December 2023 was PLN 423.1 million.

On 28 June 2023, Energia concluded a long-term loan agreement with CCGT Ostrołęka in the amount of PLN 650 million, intended to cover the funding shortfall and debt servicing in the event of specific risks occurring as part of the financing of the CCGT Ostrołęka investment program - the construction of a 745 MW net gas-steam power plant project in Ostrołęka. The final repayment date of the loan is 2 January 2037. As at 31 December 2023, the loan was not used.

On 3 October 2023, Energia concluded a long-term loan agreement with CCGT Ostrołęka in the amount of PLN 325 million, intended for refinancing current debt in the cash pool mechanism used as part of the implementation of the CCGT Ostrołęka investment program - the construction of a 745 MW net gas-steam power plant project in Ostrołęka. The final repayment date of the loan is 2 January 2037. Loan utilisation as at 31 December 2023 was PLN 205.1 million.

Furthermore, the Energia Group serviced its internal bond issue programmes during the reporting period. The following table presents the par values of bonds taken up by Energia and not redeemed, broken down by individual Energia Group issuer companies, as at 31 December 2023.

Table 37: Par value of bonds taken up by Energia and not redeemed, by issuer, as at 31 December 2023

No.	Company name	Par value of the bonds taken up (PLN '000)
1.	Energia Operator	533,000
TOTAL		533,000

Insurance contracts

The Group has a common insurance policy in place, which provides for insurance coverage for the companies against risks involved in their business and assets, conforming to the highest market standards, at a fairly calculated market premium. The

adopted sums insured are set at an adequate level for the diagnosed own risks and external factors and correspond to the profile of energy sector companies in Poland.

A joint Insurance Programme in Energa Group is carried out in cooperation with a brokerage company. In accordance with the conditions of the Programme, all companies have a coinciding insurance period in key risks, and in most cases contracts are made for three years. The Programme accepts standardised coverage for insured risks, with individual extension clauses taking into account specific needs of the companies.

Insurance contracts are made with leading insurers operating in Poland. Currently, the Energa Group's main insurance partner is Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Guarantees and sureties granted

Table 38: Information on Energa's guarantee and surety business as at 31 December 2023

No.	Date guarantee or surety granted	End date of guarantee or surety	Entity for which guarantee or surety was granted	Entity in favour of which guarantee or surety was granted	Form of surety or guarantee granted	Amount of guarantee or surety (PLN million)	Amount of liability as at 31 December 2023 covered by surety or guarantee (PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5,435.0	1,283.6
2.	2018-10-31	2026-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.1	1.5
3.	2019-11-15	2027-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.8	2.1
4.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	17.2	17.2
5.	2020-12-03	2024-12-31	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0
6.	2021-01-05	2024-12-31	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0
7.			Other Energa Group companies		surety** - guarantee agreement	23.9	1.3
TOTAL						5,501.0	1,309.7

*The Euro Medium Term Note (EMTN) programme for up to EUR 1,000,000,000 was established on 15 November 2012. As part of the EMTN Programme, Energa Finance AB (publ), a Swedish law subsidiary of Energa SA, can issue Eurobonds with maturities of one to ten years. Under a surety agreement of 15 November 2012, as amended on 16 February 2017, Energa undertook to unconditionally and irrevocably guarantee the Eurobond liabilities of Energa Finance AB (publ) up to EUR 1,250,000,000 until 31 December 2033 inclusive. On 19 March 2013, Energa Finance AB (publ) issued the first series of Eurobonds totalling EUR 500,000,000 which were redeemed on 19 March 2020; on 7 March 2017, it issued the second series of Eurobonds totalling EUR 300,000,000 and maturing on 7 March 2027.

** Civil-law sureties granted by Energa for liabilities of the Energa Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to Energa Group companies. The facility is available until 19 September 2022. The expiry dates of guarantees provided under the facility can fall beyond the end date of the facility itself. The repayment of liabilities is secured by a civil-law surety.

Assessment of the management of financial resources and the prospects of investment projects

During the financial year, the Energa Group had sufficient financial resources to timely cover all current and planned expenses in connection with its operating and investing activities. The cash held by the Group as well as the available credit facilities allow the Group to pursue a flexible liquidity management policy.

In order to secure funds for financing development and acquisition projects in the field of renewable energy sources, Energa SA and ORLEN S.A. signed an investment agreement in October 2023, providing financing from ORLEN up to PLN 5.5 billion.

The execution of investment projects was based on the use of own funds combined with debt financing. The structuring of the projects implemented by the Energa Group assumes that its financial security will be maintained, which is reflected in the use of long-term debt financing sources, pursuing a dividend policy aligned with the strategy, maintaining financial covenants as agreed with debt capital providers, and maintaining the investment-grade rating. The two latter represent restrictions that

determine the investment capabilities of the Energa Group, which are defined in the long-term perspective. Such a conservative approach allows to carry out the investing policy in a way that minimises any risk of violation of financial covenants or rating downgrades, while optimising the financial structure of the Group in consideration of the current and projected financial market trends.

The Company monitored its liquidity risk using a regular liquidity planning tool, taking into account the due/maturity dates of investment liabilities, financial assets and financial liabilities, as well as the projected cash flows from operating activities, in order to maintain a balance between continuity and flexibility of financing by using different sources of financing.

In 2023, the optimization of liquidity management was transferred to the level of ORLEN S.A. The previous participants of the cash pooling structure of the Energa Group, whose agent was Energa SA, were included in the real cash-pooling structure of the ORLEN Group, and the cash-pooling structure of the Energa Group was closed.

9.2. Proceedings pending before courts, arbitration or public administration bodies

As at 31 December 2023, the Energa Group was a party to 15,808 court proceedings. The Group was a plaintiff in 13,672 cases with a total amount in dispute of approx. PLN 478 million. The Group was a defendant in 1,211 cases with a total amount in dispute of approx. PLN 754 million. The total amount in dispute figures do not include disputes involving non-monetary claims.

As at 31 December 2023, the total amount of claims involving the location of power installations on third party properties without a legal title, awarded by final judgments, was approx. PLN 45.6 million in approx. 1,671 cases. 797 court cases with amounts in dispute totalling PLN 76.2 million were pending.

Based on the available data pertaining to the value of pending proceedings, the Company assumes that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 61.1 million, which is subject to change if new court cases involving power installations located on third-party properties without a necessary legal title are brought against Energa Operator SA.

The above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases.

As at 31 December 2023, the aggregate value of the cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases amounts to approx. PLN 249 million, of which:

Type of receivables	Balance at 31 December 2023 (PLN m)
court and enforcement-based	145
bankruptcies	81
non-billed - WIENA	5,2
non-billed - SAP	16,5
non-billed – bankruptcies	1
TOTAL	249

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2023. The Company's previous periodic reports contain details of the legal steps taken during earlier years.

Table 39: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute and details of the case
Energa Operator SA (plaintiff) Arcus SA (defendant)	<p>Claim for payment of contractual penalties under the a contract for the delivery and start-up of metering infrastructure during Stage I</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 23.1 million</i></p> <p>Evidence proceedings before the Court of the first instance are pending. The defendant contests the litigation claim. The likely resolution of the case, due to its complex facts and multitude of legal</p>

	aspects cannot be anticipated. Currently, the court is looking for another qualified expert witness in metrology.
Energa Operator SA (defendant) Arcus SA (plaintiff)	<p>Claim for declaration of annulment of the contract of delivery and commissioning of the metering infrastructure at Stage II</p> <p><i>Litigated value: approx. PLN 78 million</i></p> <p>Counterclaim for payment of contractual penalties for a delay in performance of the contract of delivery and commissioning of the metering infrastructure</p> <p><i>Litigated value: approx. PLN 157 million</i></p> <p><i>Regional Court in Gdańsk</i></p> <p>Energa Operator SA does not admit any part of the claim. Evidence proceedings before the Court of the first instance are pending. The expert's opinion was delivered to the parties and the parties submitted their positions on this opinion. As at the date of update of this case the Court had obliged the expert to issue an opinion on the parties' positions.</p>
Energa Operator SA (defendant) Arcus SA (plaintiff)	<p>Claim for payment of compensation for unlawful acts/unfair competition practices</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 174 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and in response to the statement of claim dated 30 April 2018 applied for the claim to be dismissed. Pursuant to Article 177 § 1 Clause 1 of the Code of Civil Procedure, the court suspended the related proceedings. Energa Operator SA appealed against this decision in a complaint, which was dismissed. The proceedings have been stayed.</p>
Energa Operator SA (defendant) Arcus SA (plaintiff)	<p>Claim for payment for additional works under the contract of delivery and commissioning of the metering infrastructure</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 4.7 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and has moved for it to be dismissed. The court did not grant the motion to dismiss the lawsuit. The proceedings have been stayed.</p>
Energa Operator SA (defendant) Eltel Networks Energetyka SA (plaintiff)	<p>Claim for payment for works in the investment process</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 18 million</i></p> <p>Claim of 2 August 2023 for payment for works in the investment process. Energa Operator SA filed a statement of defence in response to the claim within the prescribed deadline.</p>
Energa Operator SA (defendant) Eltel Networks Energetyka SA (plaintiff)	<p>Claim for payment for additional works and for an increase in the contractual lump-sum fee for turnkey construction of high-voltage lines</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 5.5 million</i></p> <p>In response to the claim, Energa Operator SA filed a statement of defence demanding that the claim be dismissed in its entirety. The court held the first hearing, during which it heard witnesses. The court admitted the expert witness evidence.</p>
Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	<p>Fine imposed by the authority</p> <p><i>Regional Court in Warsaw</i></p> <p><i>Litigated value: PLN 11 million</i></p> <p>The Company received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on Energa Operator SA for misleading the President of the URE. On 24 May 2019, the Regional Court in Warsaw issued a judgment reducing the fine to PLN 5.5 million. The URE President has filed a cassation appeal and the Company requested its dismissal.</p>
Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	<p>Fine imposed by the authority</p> <p><i>Regional Court in Warsaw</i></p> <p><i>Litigated value: approx. PLN 13.2 million</i></p> <p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13.6 million for breaching the Traffic and Distribution Grid Operation Manual through: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failure to meet the deadlines to provide measurement data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (5) failure to meet the deadlines for</p>

the final settlement of electricity sales agreements; and (6) failure to restart power supplies to one of the customers. With its judgment of 8 December 2020 the Regional Court in Warsaw dismissed the appeal. The company filed an appeal which was dismissed by the Court of Appeal in Warsaw by a judgment of 7 September 2021. The company lodged a cassation appeal against that judgment. The Supreme Court decided to accept the cassation appeal for hearing.

Energa Kogeneracja Sp. z o.o.
(plaintiff)

Claim for payment on account of a contract price reduction

Regional Court in Gdańsk, file No. IX GC 494/17

Mostostal Warszawa SA
(defendant)

Litigated value (after expansion of the claim): approx. PLN 114.4 million, with approx. PLN 7.8 million under the counterclaim

Energa Kogeneracja Sp. z o.o. moved to the court to award the amount of approx. PLN 114.4 million from Mostostal Warsaw S.A., which includes: approx. PLN 22.6 million in contractual penalties, approx. PLN 90.3 million in reduced remuneration and approx. PLN 1.5 million in capitalised interest. In its statement of defence of 15 December 2017, Mostostal Warszawa SA moved to the Court to dismiss the claims in their entirety and filed a counterclaim to award the amount of approx. PLN 7.8 million from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 7.4 million in repayment of bank guarantee unduly withdrawn and approx. PLN 0.4 million in capitalised interest. There was only one hearing in the case regarding opposition by Mostostal Warszawa S.A. against third-party respondent entering the case, namely the Minister of Energy (whose tasks, after reorganisation, were taken over by the Minister of Climate). Objection by Mostostal Warszawa S.A. to third-party respondent entering the case was dismissed, so the third-party respondent is still present in the case. The Court admitted evidence from the opinion of a scientific and research institute for the purpose of securing evidence. So far, the opinion has not been drawn up because none of the institutes which the court asked about the possibility of drawing up an opinion has confirmed such a possibility (both in Poland and abroad). Currently, the parties are waiting for a response from institutes in Stockholm, Hamburg and Vienna. In a letter dated 9 December 2022, Energa Kogeneracja Sp. z o.o. named the Military University of Technology as the entity to provide opinion on the case. By decision of 6 December 2023, the Regional Court in Gdańsk (Sąd Okręgowy w Gdańsku), pursuant to Article 177 §1 point 4 of the Code of Civil Procedure decided to stay the proceedings until the final termination of the case pending before the Regional Prosecutor's Office in Gdańsk (case file ref. RP I Ds. 39/2016). The Company decided to request the Court for a written statement of grounds for the decision.

Mostostal Warszawa SA
(plaintiff)

Claim for payment of remuneration

Regional Court in Gdańsk, file No. IX Gc 190/18; currently the Court of Appeals in Gdańsk, file No. AGa 165/22

Energa Kogeneracja Sp. z o.o.
(defendant)

Litigated value: approx. PLN 26.3 million

Mostostal Warszawa SA filed for awarding the amount of approx. PLN 26.3 m from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 20 m in remuneration (in part) and approx. PLN 6.3 m in capitalised interest. Initially a writ of payment in writ-of-payment proceedings was issued, but following an objection by Energa Kogeneracja Sp. z o.o. the case was referred to regular proceedings. There were 7 hearings in the case and all witnesses were heard. The Court allowed evidence from an opinion prepared by an expert in construction industry. In the course of preparing his opinion, the expert requested the parties to provide additional documents, an obligation which both parties complied with. The opinion of an expert was delivered to the parties together with an obligation to express their opinion. The expert's opinion confirms the circumstances favorable to Mostostal Warszawa S.A. The parties responded to the expert's opinion. On the hearing of 28 January 2022 the expert upheld the opinion in full and the court dismissed the motion of Energa Kogeneracja Sp. z o.o. for exclusion the expert, did not admit the request of Energa Kogeneracja Sp. z o.o. for granting a deadline to comment on the supplementary expert's opinion and closed the hearing. The court set the date for sentencing on 28 February 2022. On this date the court opened the hearing because it did not rule on all requests for evidence and set the next date of hearing on 27 April 2022. At the hearing on 27 April 2022 the Court ended the hearing and set the date for the announcement of the judgment on 9 May 2022. The judgment was passed on 9 May 2022. The Regional Court in Gdańsk awarded from the defendant, Energa Kogeneracja Sp. z o.o., PLN 26,274,037.16 including statutory interest for delay from 26 January 2018 to the date of payment, refund of the litigation cost of PLN 186,517.00, and refund to the State Treasury of PLN 5,487.75 as expenditures temporarily paid by the Treasury as the fee to the expert. On 18 July 2022, the company lodged an appeal. The case was handed over to the Court of Appeals in Gdańsk under file No. I AGa 165/22. Mostostal Warszawa move that the appeal be dismissed. Mostostal Warszawa moved that the appeal be dismissed. The date of the appeal hearing was set for 17 April 2023. At the appeal hearing on 17 April 2023, the parties upheld their current position. The Court of Appeal in Gdańsk decided to dismiss the motion of Energa Kogeneracja included in the appeal for taking evidence from an expert opinion and referred the case to a closed session in order to close it and issue a judgment in closed session, obliging the parties' attorneys to present a final concise position

in writing within 30 days. The court indicated that the judgment in the case will most likely be issued in mid-July 2023. The parties submitted pleadings. The Court of Appeal in Gdańsk informed that the hearing in the case would be rescheduled and asked the expert to provide explanations. The expert provided explanations in accordance with the Court's obligation. In a letter of 4 December 2023, Mostostal Warszawa S.A. asked the Court for the Court's consent to submit a pleading in order to present its position on the issues that are the subject of the expert's explanations. At the hearing on 15 January 2024, in case no. file I AGa 165/22, the Court of Appeal in Gdańsk dismissed the appeal of Energa Kogeneracja Sp. z o. o. from the judgment of the District Court in Gdańsk of 9 May 2022, IX Gc 190/18, and ordered Energa Kogeneracja Sp. z o. o. for Mostostal Warszawa S.A. the amount of PLN 18,750.00 for the costs of the process along with statutory interest for delay in payment. Therefore, the judgment of the District Court in Gdańsk issued on 9 May 2022, IX Gc 190/18, is final and enforceable on 15 January 2024.

**Energa Wytwarzanie SA
(Plaintiff)**

Claim for payment of redress for loss

Regional Court in Warsaw

**PricewaterhouseCoopers
Polska spółka z o.o. sp. k.
(Defendant)**

Claim value: approx. PLN 10.3 million

On 20 September 2023, EWYT filed a statement of claim for payment together with a petition for the issue of a writ of payment under the writ-of-payment procedure against PricewaterhouseCoopers Polska spółka z o.o. sp.k. The essence of the litigation is a demand for redress of the loss suffered by EWYT as a result of the Defendant's improper performance of the contract entered into in December 2016 for the provision of support in the implementation of new real estate tax regulations for wind farms, by requiring the defendant to pay EWYT approx. PLN 10.3 million in total. As the statement of claim comprises a petition for the issue of a writ of payment, the case is now being heard under the writ-of-payment procedure. On 14 November 2023, the District Court in Warsaw issued a payment order in writ proceedings. On 12 February 2024, the writ of payment was delivered to PwC. Currently, EWYT is waiting for PwC to comply with the above writ of payment, and possibly for an objection (the deadline for filing an objection elapsed on 26 February 2024).

**shareholders of the Company
(plaintiffs)**

Appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020

Energa SA (defendant)

Regional Court in Gdańsk, file No. IX GC 1158/20, currently the Court of Appeals in Gdańsk, file No. V AGa 136/22

The claim is financial and non-pecuniary.

On 9 December 2020, the Management Board of Energa SA learned of the issuance on 7 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution. The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 21 January 2021 and 7 January 2021 respectively). The Chairman of the Polish Financial Supervision Authority joined the case. On 24 February 2021, Plaintiffs filed a reply to the statement of defence. By way of an order of 21 September 2021, the Court obliged the Company's attorney to submit a pleading addressing the claims made in the reply. In a letter dated 25 October 2021, a reply was submitted on behalf of the Company to the reply to the statement of defence (a rejoinder). On 21 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 7 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in the amount of PLN 1,360,326.23. The security deposit has not been paid. On 11 March 2022, the Chairperson of the Polish Financial Supervision Authority (KNF) presented their position on the subject ruling that the view whereby the price in the call had to be determined at fair value in the situation where it can be determined in accordance with its pricing history breaches the regulations of the Act on Public Offerings and Conditions governing the Introduction of Financial Instruments to Organized Trading, and on Listed Companies. On 22 March 2022, the Company's legal representative filed a motion to examine evidence. A hearing was held on 11 April 2022 in the course of which, among other things, the Court decided to dismiss evidence in the form of an expert opinion, ended the hearing and postponed the delivery of the judgment until 11 May 2022. On 11 May 2022, the Regional Court delivered its judgment, dismissing the petition in full and awarding the costs of the proceedings from the Plaintiffs in favour of the Company. On 1 July 2022, the statement of reasons for the judgment was prepared. On 26 September 2022, the

Company's attorneys were served with a copy of the Plaintiffs' appeal dated 8 August 2022. The Company's response to the appeal was lodged on 10 October 2022.

On 27 March 2023, the law firm received a letter from the Plaintiffs' attorney informing the Court about the judgment of the District Court in Gdańsk of 30 November 2022 in case No. IX GC 1164/20. On 13 April 2023, an application was submitted on behalf of the Company for the obligation to submit a preparatory letter. On 26 April 2023, the Company's attorneys submitted a preparatory letter to the Defendant. In accordance with the letter of 16 May 2023, the case files were loaned to the District Prosecutor's Office in Gdańsk (the case files were returned on 22 May 2023).

On 6 December 2023, a procedural letter was sent on behalf of the Company informing about the Supreme Court's judgment in the case with reference number No. II CSKP 1365/22, in which the Court interpreted the concept of fair value from the Public Offering Act. On 29 February 2024, a notice setting the hearing date for 6 September 2024 appeared on the Information Portal of Common Courts.

shareholders of the Company
(plaintiffs)

Energa SA (defendant)

Appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020

Regional Court in Gdańsk, file No. IX GC 1164/20, currently the Court of Appeal in Gdańsk, reference number I AGa 52/23

The claim is financial and non-pecuniary.

On 16 December 2020, the Management Board of Energa SA learned of the issuance on 10 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution. The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing or annulling the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 12 January 2021 and 25 February 2021, respectively). On June 8, 2021, the Court received Plaintiffs' reply to the statement of defence. By order of 16 November 2021, the Court obligated the Company to address the claims made in the reply and obligated the parties' attorneys to submit a list of questions to witnesses requested in the statement of claim. On 13 December 2021, the Company filed a reply to the statement of defence (a rejoinder). On the same day, a list of questions to specific witnesses was submitted on behalf of the Company in response to the Court's requirement. On 14 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. With its decision of 12 April 2021 the Court changed to decision to grant a security of 10 December 2020 by conditioning performance of the decision on the Plaintiffs submitting a deposit of PLN 1,360,326.23. The deposit of PLN 1,360,326.23 to secure claims of the Company resulting from complying with the injunction order was paid by one of the Plaintiffs to the account of the Circuit Court in Gdańsk. On 29 December 2021, the Company's attorneys received a request for a reduction of the security deposit dated 20 December 2021. In an order of 24 January 2022, the Court set a time limit for the Company to respond to the request. On 1 February 2022, a response to the Plaintiffs' request for the reduction of the security deposit was submitted on behalf of the Company. By way of a decision of 24 January 2022, the Company was obligated to submit documents within 14 days. On 8 February 2022, a response to the Court's requirement was submitted on behalf of the Company. By decision of 25 April 2022, the Court reduced the deposit to secure the Company's claims from PLN 1,360,326.23 to PLN 500,000.00. The hearing was held on 13 May 2022. According to the Court's order, it was an in-camera session. The hearing was postponed until 1 July 2022. On 1 July 2022, another hearing was held, in which the Court decided, among others, not to examine the motion for admission of an expert's opinion as evidence. The court decided to postpone the examination of the case to a date set under the applicable regulations. On 6 July 2022, the Company's attorneys received the Plaintiffs' motion for evidence. On 7 September 2022, the Company's attorneys received a decision closing the hearing, which obligated the Company to take a final position on the case within 21 days. On 28 September 2022, the final position on the case was submitted on behalf of the Company. On 4 October 2022, the final position of the Plaintiffs on the case was delivered to the address of the Company's attorneys. In a judgment of 30 November 2022, the District Court in Gdańsk dismissed the claim for annulment of the Resolution and repealed the Resolution and ordered the defendant to pay court costs to the plaintiffs. On 13 December 2022, the Company's attorneys applied for the preparation and delivery of justification for the entire judgment issued on 30 November 2022. On 31 January 2023, the justification for the judgment was prepared. The court also ordered the extension of the deadline for lodging an appeal in this case to three weeks from the date of delivery of a copy of the judgment with the justification to the defendant. On 9 March 2023, the Company's attorneys

sent an appeal against the Court's judgment of 30 November 2022. The case files were transferred to the Court of Appeal in Gdańsk, the case is pending under reference number I AGa 52/23. The Company's attorneys received a copy of the response to the appeal on 23 June 2023. On 28 June 2023, an application was sent to the Court on behalf of the Company for consent to submit a preparatory letter (reply to the response to the appeal). On 27 September 2023, a procedural letter was sent on behalf of the Company - a request to accelerate the examination of the application of 28 June 2023 for consent to submit a preparatory letter (reply to the response to the appeal). On 8 November 2023, a letter from the Court of Appeals in Gdańsk was delivered to the address of the Company's attorneys, whereby the Company was allowed to file a reply to the response to the appeal and to letters from the auxiliary intervener dated 21 March 2023 and 4 October 2023. On 29 November 2023, a reply to the response to the appeal was sent on behalf of the Company. On 8 December 2023, a notice was published on the Information Portal of Common Courts setting the date for a remote hearing for 29 February 2024. A hearing was held on 29 February 2024. The court postponed the delivery of the judgment until 21 March 2024. On 21 March 2024 the Court of Appeal in Gdańsk issued a judgement, in which fully dismissed the appeal of the Company and awarded the costs of the appeal proceedings, including the costs of legal representation from the Company in favour of plaintiffs. The judgment is final on the day of its issuance.

**Company shareholders
(plaintiffs)**

Energa SA (defendant)

Lawsuit to repeal Resolution No. 5 of the Ordinary General Meeting of the Company of 20 May 2022

Regional Court in Gdańsk; file No. IX GC 578/22

The nature of the claim is financial and pecuniary, but any potential adverse outcome of the dispute will not result in the Company having to pay any money, other than costs of litigation.

On 20 May 2022, the Ordinary General Meeting of Energa SA passed a resolution on the distribution of net profit for fiscal year 2021 and on the allocation of all net profit earned for fiscal year 2021 to reserve capital (the "Resolution"). The Company's shareholders complained against the Resolution, filing a statement of claim to repeal it. The application, dated 20 June 2022, was served on Energa SA on 5 August 2022. The statement of defence was filed on behalf of the Company on 5 September 2022. In response to the court's order, in a letter dated 7 October 2022, the Plaintiffs filed a reply to the statement of defence. By way of an order of 24 October 2022, the Court ordered the Company's attorney to submit a pleading addressing the motions and claims in the Plaintiffs' reply. On 6 December 2022, a pleading was submitted on behalf of the Company (a reply to the reply to the statement of defence – a rejoinder), which addressed the motions and claims in the Plaintiffs' reply. By way of an order of 11 January 2023, the Court announced its decision to set the date for the hearing on 3 April 2023. The Court additionally ordered the Plaintiffs' attorney to file a statement of security account to confirm the Plaintiffs' transactions involving Company shares. The Court additionally ordered the Plaintiffs' attorney to submit minutes of the Company's General Meeting of 20 May 2022, together with the attendance list and a video and audio recording of the GM proceedings. On 7 February 2023, the Court order was fulfilled on behalf of the Company. On 22 February 2023, a letter from the Plaintiffs was delivered to the address of the Company's attorneys – fulfilment of Court order. On 3 April 2023, the first hearing in the case was held, during which two witnesses were questioned. At the hearing, a decision was also issued to hear the case behind closed doors. The hearing was adjourned until 27 July 2023. One witness was summoned for the date. The next hearing was scheduled for 16 November 2023. On 16 September 2023, a notice appeared on the Information Portal of Common Courts about the cancellation of the hearing scheduled for 16 November 2023, as well as a request for the person authorized to represent the Company to appear in person for a hearing as a party under penalty of omitting evidence at the hearing, which would take place on 9 January 2024. A hearing was held on 9 January 2024, the court rescheduled the delivery of the judgment to 23 January 2024. By judgment of 23 January 2024, the Regional Court in Gdańsk dismissed the lawsuit and ordered the plaintiffs to reimburse the defendant for the judicial costs. Both the plaintiffs and the Company filed motions for the Court to issue the statement of grounds for the judgment. On 9 February 2024, the judgment and statement of grounds were sent to the address of the Company's legal representatives. On 28 February 2024, the plaintiffs' appeal against the judgment of 23 January 2024 was filed with the Regional Court in Gdańsk. On 29 February 2024, the case file was transferred to the Court of Appeals in Gdańsk for it to hear the appeal. At this stage, it is difficult to tell how the case will develop. In the statement of claim, the plaintiffs specified PLN 210 m as the value of the claim (the Company's net profit earned in 2021). The value of the claim is not taken into consideration, as despite the claim being financial and pecuniary, within the meaning of the Code of Civil Procedure, any potential adverse outcome of the dispute will not result in the Company having to pay any money, other than costs of litigation (court fees and attorney's fees). Any potential adverse consequences for the Company could only result from further (litigation and corporate) action taken by shareholders that would not be directly related to the subject matter of the proceedings, the risk (and financial consequences) of which are difficult to predict at this time.

<p>Company shareholders (plaintiffs) Energa SA (defendant)</p>	<p>Lawsuit to repeal Resolution No. 5 of the Ordinary General Meeting of the Company of 15 June 2023 <i>Regional Court in Gdańsk; file No. IX GC 797/23</i></p> <p><i>The nature of the claim is financial and pecuniary, but any potential adverse outcome of the dispute will not result in the Company having to pay any money, other than costs of litigation.</i></p> <p>On 15 June 2023, the Ordinary General Meeting of Energa SA passed a resolution on the distribution of net profit for fiscal year 2022 and on the allocation of all net profit earned for fiscal year 2022 to supplementary capital (the "Resolution"). The Company's shareholders complained against the Resolution, filing a statement of claim to repeal it. The application, dated 20 July 2023, was served on Energa SA on 17 August 2023. The statement of defence was filed on behalf of the Company on 18 September 2023. On 7 November 2023, the Company's attorneys received a pre-trial pleading (also known as preparatory pleading – pismo przygotowawcze) from the plaintiffs dated 31 October 2023 (reply to the statement of defence against the lawsuit). On 9 November 2023, the defendant's motion for consent to file a pre-trial pleading was sent on behalf of the Company. On 16 November 2023, the scheduled hearing date (5 January 2024) was announced on the Information Portal of Common Courts. On 14 December 2023, a pleading responding to the reply to the statement of defence against the lawsuit was sent on behalf of the Company. The hearing was held on 5 January 2024. By decision of 23 January 2024 the Court dismissed the evidentiary requests. On 25 March the court issued a judgement dismissing the statement of claim and awarding the court costs from the plaintiffs in favour of the Company. The judgement was passed in a closed session. The judgment is not final. At this stage, it is difficult to tell how the case will develop. In the statement of claim, the plaintiffs specified ca. PLN 49.9 m as the value of the claim (the Company's net profit earned in 2022). The value of the claim is not taken into consideration, as despite the claim being financial and pecuniary, within the meaning of the Code of Civil Procedure, any potential adverse outcome of the dispute will not result in the Company having to pay any money, other than costs of litigation (court fees and attorney's fees). Any potential adverse consequences for the Company could only result from further (litigation and corporate) action taken by shareholders that would not be directly related to the subject matter of the proceedings, the risk (and financial consequences) of which are difficult to predict at this time.</p>
<p>Energa SA (applicant)</p>	<p>Komisja Nadzoru Finansowego (<i>Polish Financial Supervision Authority</i>)</p> <p>On 30 October 2020 the Company applied to the Polish Financial Supervision Authority for withdrawal of Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).</p> <p>On 19 January 2021 the Company learned that on 15 January 2021 the Polish Financial Supervision Authority decided to stay the procedure. The proceedings before the Polish Financial Supervision Authority were stayed due to proceedings pending before the Regional Court in Gdańsk concerning a demand to repeal Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020, case numbers: IX GC 1158/20 ((the proceedings are currently pending before the Court of Appeals in Gdańsk, 5th Civil Division, file No.: V AGa 136/22) and IX GC 1164/20. In the explanatory memorandum to its decision dated 19 January 2021, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the stay of the proceedings, and indicated that review of the case and issue of the decision depends on the prior resolution of the preliminary issue by the court.</p>
<p>Eco dla Firm (plaintiff) Energa Obrót SA (defendant)</p>	<p>Action for payment of remuneration in connection with Agency Agreement No. 1/2012, concerning the sale of electricity and gas products to Energa Obrót SA. <i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 319/21</i></p> <p><i>The value of the claim is approx: PLN 5.4 million</i></p> <p>On 30 June 30 2021 Energa Obrót SA was served with a suit for the payment of PLN 5,440,904.06 with interest on account of remuneration in connection with the concluded Agency Agreement No. 1/2012 for the sale of energy and gas products to Energa Obrót SA. Energa Obrót SA prepared responses to the claim within the required deadline. Subsequently, pleadings were exchanged. In August 2021, the claimant received a letter requesting the suspension of the proceedings. The case has been suspended until the case brought by Energa Obrót SA against Eco dla Firm has been examined (case file IX GC 10/21).</p>
<p>Eco dla Firm (plaintiff) Energa Obrót SA (defendant)</p>	<p>Compensation claims related to termination without notice of Agency Agreement No. 1/2012 <i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 1066/21</i></p> <p><i>The value of the claim is approx: PLN 117.3 million</i></p> <p>In the lawsuit of 4 December 2022, Eco dla Firm sp. z o.o. demands that Energa Obrót SA pays the amount of approx. PLN 117.3, together with statutory interest for the delay, as compensation for individual losses that were allegedly caused by Energa Obrót SA terminating the Agency Agreement without observing the notice period. On 14 June 2023, Energa Obrót SA filed a response to the lawsuit. On 7 July 2023, the Law Firm was served with a copy of the reply to the lawsuit. On 21 July 2023, Energa Obrót filed a rejoinder in response to the lawsuit. Pleadings were exchanged. A</p>

hearing was scheduled for 5 January 2024. The hearing was held on 5 January 2024. The court heard witnesses. The next hearing was scheduled for 14 June 2024.

<p>Energa Obrót SA (plaintiff) Eco dla Firm (defendant)</p>	<p>Claim for payment under the agency agreement for the sale of electricity <i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 10/21</i> <i>Claim value: approx. PLN 17.4 million</i> A claim for payment was filed concerning an adjustment of the commission under the agency agreement for the sale of electricity. Eco dla firm filed a statement of defence, wherein it requested dismissal of the claim and award of the costs of the proceedings. It invoked time-barring of some of the claims (2015, 2016, 2017) and set off, and argued that the claim was not proven in principle and in terms of its value. Hearings were held on 19 and 23 May 2022. All witnesses reported for the case testified at the hearing. The court was postponed to a date set under the applicable regulations. The court is to decide, in an in-camera session, whether to admit the expert's opinion as evidence. There was an exchange of pleadings of the parties regarding the indication of the DSO to the list of customers.</p>
<p>Jeżyczki Wind Invest ("JWI"), Wind Invest ("WI"), Stary Jarosław Wind Invest ("SJWI"), Krupy Wind Invest ("Krupy Wind Invest"), Boryszewo Wind Invest ("BWI") (plaintiffs), Energa Obrót SA (defendant)</p>	<p>Claim for payment of damages on account of Energa Obrót SA failure to perform the contracts for the sale of property rights derived from certificates of origin ("CPA") <i>Regional Court in Gdańsk, 9th Commercial Department</i> <i>Case reference no. IX GC 1263/20</i> <i>Value of the object of litigation: approx. PLN 56.6 million</i> Statement of claim was filed on 30 December 2020. Statement of defence was issued in time, i.e. on 13 April 2021. On 16 June 2021, Plaintiffs filed a reply to the statement of defence. On 31 May 2021 and then again on 25 June 2021 Energa Obrót SA filed a motion regarding an obligation to submit a preparatory writ. On 6 August 2021 a decision on referring the case for mediation was received, along with a court writ stating that the decision regarding the motion by Energa Obrót SA to grant a consent to submit a preparatory writ would be taken after the mediation proceedings end. On 12 August 2021 a pleading from plaintiffs was received refusing the consent to mediation. A hearing was held on 7 February 2022, and the next one is scheduled for 6 June 2022. On 30 November 2021, a decision was received via an information portal which permitted Energa Obrót SA (after it had submitted a relevant request) to file a preparatory document in which Energa Obrót SA would address the reply to the statement of defence. On 1 December 2021, a letter from the Plaintiffs was delivered in which they objected against Energa Obrót SA's request for a permission to file a preparatory document. On 30 December 2021, Energa Obrót SA filed a preparatory document constituting a reply to the response to the statement of defence. On 7 February 2022 and 6 June 2022 hearings were held in this case and the next hearing date was set on 6 June 2022. The witness' testimony was taken as evidence. The judgment will be delivered in an in-camera session. On 27 June 2022, Energa Obrót SA filed its final position, and the Plaintiffs' final position was served on 30 June 2022. On 28 September 2022, a judgment of the court of first instance dated 21 September 2022 and issued in closed session was delivered, awarding from Energa Obrót SA a total of PLN 56,619,947.09 with statutory late interest on each individual amount, as well as a total of PLN 1,175,051 in reimbursement. On 29 September 2022, Energa Obrót SA applied for a written reasoning of the judgment of 21 September 2022 and for the delivery of a copy of the judgment with reasoning. On 12 January 2023, the law firm was served with a copy of the judgment of 21 September 2022, together with the justification. On 1 February 2023, Energa Obrót SA filed an appeal. On 3 April 2023, the response to the appeal was delivered. On 26 September 2023, Energa Obrót submitted an application to take the necessary steps to appoint a panel of three judges to hear the appeal. Energa Obrót SA has filed further pleadings.</p>
<p>Elektrownia Wiatrowa Zonda sp. z o.o. (plaintiff), Energa Obrót SA (defendant).</p>	<p>Claim for payment of damages on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin ("CPA") <i>Regional Court in Gdańsk, 9th Commercial Division</i> <i>File number IX GC 1057/21.</i> <i>Litigated value: PLN 1,5 million</i> The case is now pending in the first instance. On 17 December 2021, Zonda filed a statement of claim, which was delivered to Energa Obrót SA on 26 January 2022. On 25 February 2022 Energa Obrót SA filed the reply to the statement of claim. On 15 March 2022, Zonda filed a writ containing the motion to obligate the other party to submit a procedural writ and motions to examine evidence. The case was referred to mediation in April 2022. On 13 April 2022, Energa Obrót SA filed a pleading with a statement of no consent to mediation, and on 14 April 2022 the attorney for Zonda notified the mediator by e-mail of consent to mediation. On 10 May 2022, Zonda filed a reply to the statement of defence. On 30 May 2022, Energa Obrót SA filed a preparatory writ. On 20 June 2022, the court set 23 November 2022 as the hearing date. On the same day, the following were delivered: (i) an</p>

obligation to file a preparatory document addressing the reply to the statement of defence and a notice recognising the submission from Energa Obrót S.A. dated 30 May 2022 as filed, (ii) a decision denying Energa Obrót S.A.'s motion to request Energa S.A. to send a document – issued as a result of Energa Obrót S.A.'s withdrawal of the motion. On 23 November 2022, a hearing was held, during which evidence from the testimonies of witnesses was taken. The date of the next hearing was set for 13 January 2023, at which the Court took further evidence from the witness's testimony and issued decisions on formal issues. After the parties presented their final positions and submitted annexes to the minutes, the court closed the hearing and postponed the announcement of the judgment until 23 January 2023. On 23 January 2023, the Court issued a judgment granting the claim, ordering Energa Obrót: (1) a total of PLN 1,468,944.58 with statutory interest for delay on individual partial amounts; (2) PLN 284,265 as reimbursement of legal costs. On 27 January 2023, Energa Obrót filed a request for a written justification of the judgment and delivery of the judgment with justification. On 2 June 2023, Energa Obrót filed an appeal against the abovementioned judgment. On 26 September 2023, Zonda's response to the appeal was delivered. The hearing scheduled for 5 March 2024 has been cancelled.

AKKA Aneta Kwaśniewska
(plaintiff)

Energa Obrót SA

**P. Dorawa, A. Czarnecki, E.
Bugaj, M. Piątek**
(defendants)

The claim for compensation for lost profit as a result of termination of franchises by Energa Obrót SA.

Regional Court in Gdańsk, 9th Commercial Division

File number IX GNc 747/21

Litigated value: PLN 8,5 million

The case is now pending in the first instance. On 30 November 2021, Energa Obrót SA filed a statement of defence on behalf of Energa Obrót SA and the other defendants. On 16 December 2021, the plaintiff was obligated to file a reply to the statement of defence. On 24 January 2022 the plaintiff's reply to the statement of defence was received. On 21 February 2022 (in response to the Court's commitment of 1 February 2022), a pleading was submitted on behalf of Energa Obrót and Members of the Management Board with a response to the Plaintiff's reply to the statement of claim. Hearings were held in the case, and pleadings were exchanged. The next hearing date was set for 6 December 2022, at which the Defendants' attorney submitted a pleading containing a response to the Plaintiff's pleadings of 18 August 2022 and 23 November 2022. On the above mentioned hearing and at the hearings on 28 February 2023 and 22 June 2023, witnesses were questioned. The next hearing date was set for 9 November 2023. Subsequent hearings took place on 9 November 2023 and 27 February 2024. The next hearing date will be set ex officio.

**Wind Invest Group companies:
Boryszewo Wind Invest,
Dobiesław Wind Invest,
Gorzycza Wind Invest, Krupy
Wind Invest, Nowy Jarosław
Wind Invest, Pękanino Wind
Invest (plaintiffs)**

Energa Obrót SA (defendant)

Actions for payment of damages for the loss incurred by the companies due to Energa Obrót SA's failure to conclude contracts for the sale of electricity generated by plaintiff companies and consequently sale of energy to other companies at prices lower than the prices which Energa Obrót SA was obliged to pay.

Regional Court in Gdańsk, 9th Civil Law Department

Case reference no. IX GC 1/21

Value of the object of litigation: approx. PLN 6.9 million in total

On 13 April 2021, a statement of defence to the action of 30 December 2020 (delivered to the Company on 11 February 2021) was filed together with a request for a stay of proceedings. On 24 May 2021, the Plaintiffs filed a preparatory writ upholding their position. On 11 March 2022 the hearing was held. The parties took a stand – the plaintiff maintains the claim. The company maintained the caveat, in particular pointing on allowing the cassation appeal (the plaintiff appealed for dismissal of this motion). The parties also took a stand on an expert who is to calculate the damage. The hearing was held on 11 March 2022, and on 6 April 2022 attorneys for the plaintiff filed a procedural writ, being a motion for admission of documentary evidence. By a decision of 1 August 2022, the Regional Court admitted evidence in the form of an opinion of the Institute of Economic Analysis and Opinion. A response to the expert's opinion was submitted. On 21 March 2023, a response to the claimant's opinion was received. On 25 October 2023, the expert witness' opinion was responded to. The final pleading in the case was submitted.

**Elektrownia Wiatrowa Zonda
sp. z o.o (plaintiff),
Energa Obrót SA (defendant)**

Action for payment of compensation due to Energa Obrót SA's failure to perform the contract for the sale of property rights resulting from the certificates of origin (CPA)

Regional Court in Gdańsk, file No. IX GC 735/19, file No. in the second instance: I AGa 202/20

Litigated value: approx. PLN 2.1 million

On 19 August 2019, Elektrownia Wiatrowa Zonda Sp. z o.o. filed a statement of claim. Energa Obrót SA filed a statement of defence. On 17 August 2020, the court delivered a judgment granting the claim of Elektrownia Wiatrowa Zonda Sp. z o.o. Energa Obrót SA appealed against this judgment. On 17 May 2021, the court of second instance issued a judgment dismissing Energa Obrót SA's appeal. Energa Obrót SA filed a cassation appeal on 30 August 2021. On 11 October 2021, Elektrownia Wiatrowa Zonda Sp. z o.o. filed a response to the cassation appeal. On 12 July 2022,

a decision was received allowing the cassation appeal of Energa Obrót to proceed. The website of the Supreme Court published information about the date of a closed session for 16 November 2023. On 22 September 2023, a notice of the panel hearing the case was delivered. On 16 November 2023, the Supreme Court heard the case in camera. On 21 November 2023, the legal representative of Energa Obrót SA was served with Decision of the Supreme Court of 16 November 2023 on a stay of proceedings until the Court of Justice of the European Union resolved questions referred to the CJEU for a preliminary ruling in Case II CSKP 1588/22.

Elektrownia Wiatrowa EOL sp. z o.o. (plaintiff), Energa Obrót SA (defendant)

Action for payment of contractual penalties for Energa Obrót SA's failure to perform the framework agreement for the sale of property rights under the certificates of origin (CPA)

Regional Court in Gdańsk, file No. IX GC 740/19

Litigated value: approx. PLN 14 million

On 20 August 2019, Elektrownia Wiatrowa EOL filed a statement of claim for payment by Energa Obrót SA of contractual penalties on account of Energa Obrót SA's failure to perform the Agreement for the Sale of Property Rights under Certificates of Origin (CPA). The case is now pending in the first instance. Energa Obrót SA filed a statement of defence. The proceedings were stayed. Subsequently, on 20 September 2021, a court decision was received via an information portal which: (1) resumed the stayed proceedings, (2) granted EW EOL the permission to file a preparatory document, (3) obligated Energa Obrót SA to file a preparatory document, (4) obligated EW EOL and Energa Obrót SA to file preparatory documents presenting their position concerning the appropriateness of referring the parties to mediation and nominating the mediator.

On 27 September 2021, Energa Obrót SA filed a letter stating that the referral to mediation was not appropriate. A hearing date was set for 27 January 2022. On 15 December 2021, EW EOL extended its claims to new contractual penalties totalling PLN 7,211,809.42, including statutory late payment interest accrued from 15 December 2021 to payment date, due to Energa Obrót SA's failure to acquire rights in property in later periods. On 12 January 2022, Energa Obrót SA filed a response to the extended lawsuit. On 17 March the hearing was held, during which the parties filed a number of formal motions, and the evidence from witnesses testimony was taken. The hearing set for 29 June 2022 was cancelled. The next hearing was held on 30 March 2023. The court took evidence from EW's cross-examination. The parties presented their final positions and submitted attachments to the minutes of the hearing. The court closed the hearing and announced the verdict on 24 April 2023. On 24 April 2023, the judgment was announced, in which the court: (1) awarded Energa Obrót PLN 6,798,863.69 with statutory interest for delay on the amounts PLN 4,126,785.44 from September 14, 2019 to the date of payment and PLN 2,672,078.25 from January 6, 2022 to the date of payment; (2) dismissed the claim in the remaining scope; (3) awarded Energa Obrót PLN 108,045 as reimbursement of legal costs. On 25 April 2023, Energa Obrót filed an application for delivery of the judgment with justification. On 28 April 2023, the law firm received an application from EW EOL for service of the judgment with justification. On 21 June 2023, Energa Obrót appealed against the verdict. On 7 August 2023, a copy of the EW EOL appeal was delivered. On 21 August 2023, Energa Obrót submitted a response to the appeal of EW EOL. On 24 August 2023, EW EOL's response to Energa Obrót's appeal was delivered.

Actions for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (CPA)

**Energa Obrót SA (plaintiff)
WIND INVEST sp. z o.o.
(defendant 1),
mBank SA (defendant 2)**

Regional Court in Warsaw, file No. XVI GC 798/17; Second instance file No. VII AGa 1004/19

Litigated value: approx. PLN 15.2 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 19 September 2019 the court dismissed the statement of claim filed by Energa Obrót SA. On 27 November 2019 Energa Obrót SA submitted an appeal, which was subsequently dismissed with judgment of the court of the second instance. On 22 March 2021, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 25 August 2021 the cassation appeal brought by Energa Obrót SA was accepted for review. On 27 December 2021, a copy of a letter from Wind Invest was delivered, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżyczki Wind Invest and mBank. On 22 March 2022, Energa Obrót filed a procedural writ with its position on the letter by Wind Invest. The court issued a decision allowing the Parties to file procedural writs. On 22 August 2022, a motion from Wind Invest and mBank dated 16 August 2022 to schedule a hearing was delivered. On 9 June 2023, Energa Obrót submitted a letter concerning a request to the CJEU for a preliminary ruling. On 12 June 2023, the Law Firm received a letter from Wind Invest and mBank regarding the preliminary questions. On 6 July 2023, the decision of the Supreme Court of 28 June 2023 on suspending the proceedings until the CJEU resolved the questions for a preliminary ruling regarding cases II CSKP 496/22 and II CSKP 501/22, as well as a letter informing about permission to submit the letter from Wind Invest (and mBank) of 5 June 2023

	<p>and the letter from Energa Obrót of 9 June 2023, were delivered. On 28 June 2023, the Supreme Court held a closed session. The Supreme Court issued a decision on a stay of proceedings pending the resolution by the Court of Justice of the European Union of questions for a preliminary ruling referred by the Supreme Court in Cases II CSPK 496/22 and II CSKP 501/22.</p>
<p>Energa Obrót SA (plaintiff) STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 802/17; Second instance file No. VII AGa 61/20</i> <i>Litigated value: approx. PLN 13.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 17 November 2017, the defendants filed statements of defence. With its judgment of 24 September 2019, the Court dismissed the action for declaration. On 17 December 2019, Energa Obrót SA filed an appeal against the judgment. On 15 April 2021, the Court of second instance issued a verdict dismissing the appeal filed by Energa Obrót SA. Energa Obrót SA filed an application for the delivery of the verdict together with the statement of grounds. The verdict with justification was delivered on 12 October 2021. On 13 December 2021, Energa Obrót SA filed a cassation appeal. On 8 February 2022, mBank filed its response to the cassation appeal and Stary Jarosław Wind Invest filed its response to the cassation appeal on 22 February 2022. On 26 May 2022, Energa Obrót SA learned about acceptance for examination of its cassation appeal. On 5 July 2022, a decision was received allowing the cassation appeal of Energa Obrót SA to proceed. On 22 August 2022, a motion from Stary Jarosław Wind Invest and mBank dated 16 August 2022 to schedule a hearing was delivered. On 10 July 2023, a letter was delivered informing about the termination of the power of attorney by one of mBank's representatives. On 10 August 2023, letters regarding the participation of mBank's representatives in the proceedings were delivered.</p>
<p>Energa Obrót SA (plaintiff) KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 803/17; Second instance file No. VII AGa 572/19</i> <i>Litigated value: approx. PLN 5.6 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded by the court of first instance with a judgment dismissing the Company's action. Energa Obrót SA appealed on 2 July 2019. On 15 September 2020, the Court dismissed the appeal of Energa Obrót SA. On 30 December 2020, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 27 December 2021, a copy of a letter from Krupy Wind Invest was delivered to Energa Obrót SA, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżycski Wind Invest and mBank. Krupy Wind Invest presented that decision along with its letter. On 14 January 2022, Energa Obrót SA filed a pleading in response to the letter from Krupy Wind Invest which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżycski Wind Invest and mBank. On 28 February 2022 the order of the Supreme Court of 28 January 2022 on the consent to the permission to file above mentioned pleadings by Krupy Wind Invest and Energa Obrót SA was delivered. On 16 May 2022, a decision of the Supreme Court allowing the cassation appeal of Energa Obrót SA to proceed was delivered. On 9 June 2023, the Law Firm was served with a letter informing about the consent to Energa Obrót submitting a letter of 23 May 2023 regarding the request to the CJEU for a preliminary question. On 19 June 2023, the Law Firm received a letter informing about the permission of Krupa Wind Invest and mBank to submit a letter of 5 June 2023 regarding questions for a preliminary ruling. On 20 June 2023, despite the appointment of a hearing for that day, no ruling was issued. The next meeting date has not yet been set. On 10 July 2023, a letter was delivered informing about the termination of the power of attorney by one of mBank's representatives. On 10 August 2023, letters regarding the participation of mBank's representatives in the proceedings were delivered. On 21 December 2023, the Supreme Court issued a decision for the case to be heard and joined with the case against EW Koźmin and BNP Paribas Bank Polska.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) EW CZYŻEWO sp. z o.o. (defendant 1/counter-plaintiff), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p><i>Regional Court in Gdańsk, file No. IX GC 736/17</i> <i>Second instance file No. I AGa 56/19</i> <i>Litigated value: approx. PLN 3.9 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW CZYŻEWO sp. z o.o. also submitted a counterclaim for payment of contractual penalties. The Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. The court of second instance dismissed the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. Energa Obrót SA filed a cassation appeal. On 16 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót S.A. was accepted for review. On 8 November 2021, a decision of the Supreme Court allowing the cassation appeal of Energa Obrót SA to proceed was delivered. On 21 April 2023, a secret session of the Supreme Court was held. The Supreme Court issued a decision on the suspension of the proceedings until the Court of Justice</p>

of the European Union resolves the questions for a preliminary ruling submitted, inter alia, by in the case against Wielkopolskie Elektrownie Wiatrowe and BNP Paribas Bank Polska.

**Energa Obrót SA (plaintiff),
ELEKTROWNIA WIATROWA
EOL sp. z o.o. (defendant 1),
BANK ZACHODNI WBK SA
(defendant 2)**

*Regional Court in Warsaw, file No. XXVI GC 712/17; Second instance file No. VII AGa 704/20
Litigated value: approx. PLN 3 million*

On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded in the first instance by dismissal of the action. On 7 July 2020 Energa Obrót SA submitted an appeal, which on 25 June 2021 was dismissed with judgment of the Appeal Court of the second instance. On 6 July 2021 Energa Obrót SA submitted a pleading in response to a motion from defendants received on 1 July 2021 regarding a decision to be issued by the court clerk stating procedural costs in accordance with judgment of the Court of the first instance and adjudicating the triple rate of the costs of court representation. On 30 September 2021 Energa Obrót SA received the judgment with the reasons for judgment. On 30 November 2021, Energa Obrót SA filed a cassation appeal. On 9 February 2022, Elektrownia Wiatrowa EOL and Santander Bank Polska filed a response to the cassation appeal. On 29 September 2022, a notice was published on the Supreme Court's website stating that Energa Obrót SA's cassation appeal had been allowed to proceed (a decision in this regard has not been received yet). On 21 September 2023, a notice of the panel hearing the case was delivered. A hearing was held on 14 December 2023. The Supreme Court admitted the case for hearing and ruled on joining it to the case against EW Koźmin and BNP Paribas Bank Polska.

**Energa Obrót SA (plaintiff),
WIELKOPOLSKIE
ELEKTROWNIE WIATROWE
sp. z o.o. (defendant 1),
BANK BGŻ BNP PARIBAS SA
(defendant 2)**

*Regional Court in Gdańsk, file No. IX GC 735/17; Second instance file No. I AGa 74/19
Litigated value: approx. PLN 3 million*

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 15 and 19 December 2017 statements of defence were filed. On 6 December 2018 judgment dismissing the action was submitted. On 12 February 2019, Energa Obrót SA filed an appeal. On 13 August 2019 judgment dismissing the appeal was issued. Energa Obrót SA filed a cassation appeal on 5 August 2020. In September 2020, Wielkopolskie Elektrownie Wiatrowe and BNP Paribas filed a response to the cassation appeal. According to the information received by Energa Obrót SA, on 27 May 2022, the Supreme Court accepted the cassation appeal for examination. Service of that decision is currently pending. On 5 July 2022, a decision was received allowing the cassation appeal of Energa Obrót SA to proceed. On 13 March 2023, a notification about the composition of the Supreme Court examining the case was delivered. On the website of the Supreme Court, there was information that a closed-door hearing was scheduled for 21 April 2023. On 21 April 2023, a closed-door hearing of the Supreme Court was held. The Supreme Court issued a decision to refer questions to the Court of Justice of the European Union for a preliminary ruling and a decision to suspend the proceedings until the end of the proceedings before the CJEU. On 10 May 2023, Energa Obrót submitted a letter containing a request to correct the provision referred to above and describing a possible way of a broader correction of the questions referred for a preliminary ruling. On 6 June 2023, (i) the decision of 26 May 2023 regarding the correction of typographical errors in the decision of 21 April 2023 regarding the referral to the CJEU with questions for a preliminary ruling was served; (ii) the decision of 21 April 2023 regarding the request to the CJEU for a preliminary ruling, together with the justification. On 12 October 2023, correspondence was received from the CJEU regarding the request for a preliminary ruling that had been referred by the Supreme Court. The case was joined with four other cases concerning question referred by the Supreme Court to the CJEU for a preliminary ruling. On 21 December 2023, Energa Obrót SA submitted comments on the requests for a preliminary ruling

**Energa Obrót SA (plaintiff)
EW KOŹMIN sp. z o.o.
(defendant 1),
BANK BGŻ BNP PARIBAS SA
(defendant 2)**

*Regional Court in Gdańsk, file No. IX GC 738/17; Second instance file No. I AGa 21/19
Litigated value: approx. PLN 2.8 million*

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW KOŹMIN sp. z o.o. also submitted a counterclaim for payment of contractual penalties. On 30 August 2018, the Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. On 24 June 2020, the court of second instance delivered a judgment dismissing the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. The judgment with reasoning was served on 10 August 2020. On 12 October 2020, Energa Obrót SA filed a cassation appeal. . On 22 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót SA was accepted for review. On 8 October 2021, a decision allowing the cassation appeal to proceed was delivered. On 10 March 2023, a notification about the composition of the Supreme Court examining the case was delivered. On the website of the Supreme Court, there was information about the appointment of a closed session for 28 April 2023. On 26 April 2023 Energa Obrót applied for a stay of proceedings. On 28 April 2023, a closed session of the Supreme Court was held. On 8 May 2023, the Law Firm was served with the decision of the Supreme Court of 28 April 2023 on the suspension of the proceedings pending resolution of the preliminary ruling

questions submitted, among others, by in the case against Wielkopolskie Elektrownie Wiatrowe and BNP Paribas Bank Polska.

Administrative proceedings

<p>Appellant: Energa Obrót SA Authority: President of the Energy Regulatory Office</p>	<p><i>Regional Court in Warsaw, Court for the Protection of Competition and Consumers</i> <i>Appeal against a fine imposed by the President of ERO</i> <i>Amount of fine: approx. PLN 193.7 million</i></p> <p>On 18 December 2023, Energa Obrót SA received a decision of the President of ERO imposing a fine for failure to comply with the obligations referred to in Article 6(1) and (2) of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts. On 29 December 2023, an appeal was filed in the case.</p>
<p>Appellant: Energa Obrót SA Authority: President of the Energy Regulatory Office</p>	<p><i>Regional Court in Warsaw, Court for the Protection of Competition and Consumers</i> <i>Appeal against a fine imposed by the President of ERO</i> <i>Amount of fine: approx. PLN 60.7 million</i></p> <p>On 18 December 2023, Energa Obrót SA received a decision of the President of ERO imposing a fine for failure to comply with the obligations referred to in Article 47(2) and Article 56(1) of the RES Act. On 29 December 2023, an appeal was filed in the case.</p>

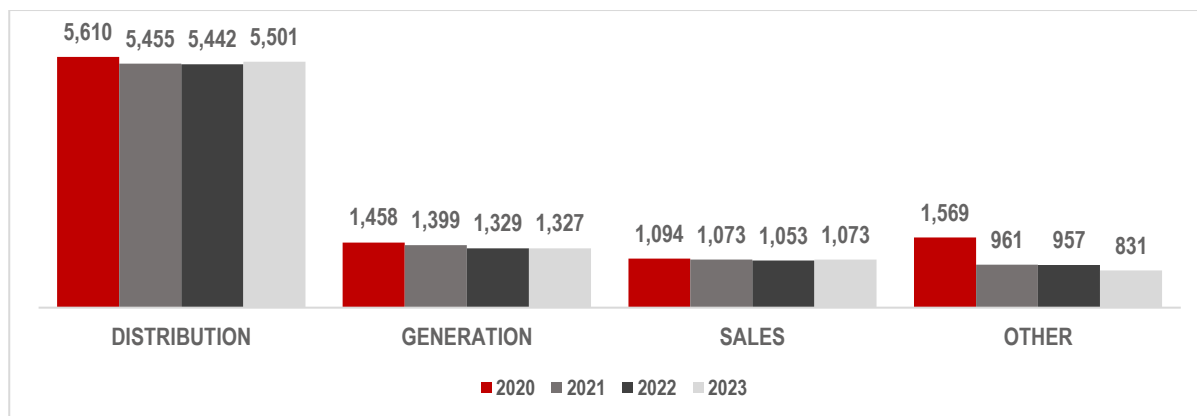
9.3. HR and payroll situation

9.3.1. The Energa Group

Employment

At the end of 2023, the Energa Group employed 8,732 people (total headcount including active and inactive persons). The year 2023 is another period of the stabilisation of employment, with the difference in headcount resulting mainly the sale of Energa Invest Sp. z o.o. (staffing change discernible in the area: "Services and other"), as well as from natural turnover and employee mobility. Cooperation between companies in the field of employee exchange, specified in the mobility policy, serves to support the implementation of key business goals, effective use of employee competences and potential, and enables quick response to changes taking place in the organization.

Figure 33: Energa Group's headcount as at 31 December in 2020-2023*

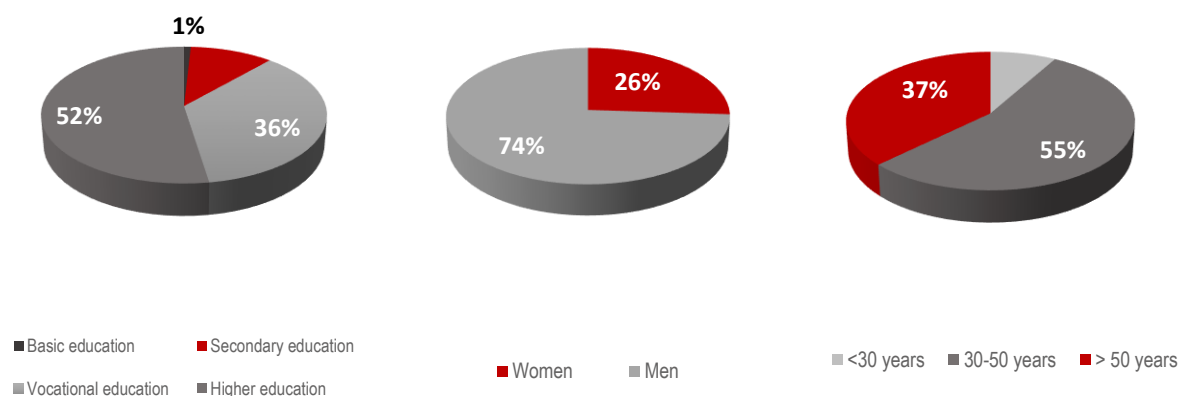


* data for 2020, 2021, and 2022 regarding the assignment of companies to Business Lines have been adjusted to the structure applicable in 2023

By reason of its business profile and the specific nature of the industry, the Energa Group has a particular structure where as many as 74% of all employees are male. More than a half of the Energa Group employees have university education, and the second largest group are specialist technical staff with secondary education.

The Energa Group employs as many as 92% of people on permanent employment contracts and almost 99.5% of them are employed full-time, which guarantees a stable job and room to grow. Detailed workforce structure figures by gender, age and education are presented in the following charts.

Figure 34: Structure of employment in the Energa Group in 2023 by sex, education and age



Compensation plans

The compensation plans at the Energa Group are decentralised and differentiated. They are governed by the Company Collective Bargaining Agreements, Compensation Policies, the Labour Code and collective agreements with trade union organisations.

Changes in the remuneration system in 2023

On 21 September 2020 employer Energa Operator SA Branch in Płock submitted a termination notice to trade unions regarding the Company Collective Bargaining Agreement ("ZUZP"). Together with the declaration of termination of this agreement, the employer called on the trade unions to start negotiations on a new collective bargaining agreement and for this purpose submitted its proposal based on solutions applied in the ORLEN Group. In 2023, an additional protocol to the Collective Bargaining Agreement was signed and registered in the National Labor Inspectorate on 3 August 2023.

On 21 September 2020 employer Energa Logistyka sp. z o.o. in Płock submitted a notice of partial termination to trade unions regarding the Company Collective Bargaining Agreement ("Agreement"). The termination was made within the scope of the remuneration system in force. Only the current ranges of basic salaries assigned to individual pay grades remain in force. Together with the declaration of partial termination of the Agreement, the employer called on the trade unions to start negotiations on the additional protocol to the Agreement. For this purpose, the employer submitted its proposal for an additional protocol comprehensively governing the new system of remuneration based on solutions applied in the ORLEN Group. In 2023, an Additional Protocol to the Collective Bargaining Agreement was signed and registered with the National Labour Inspectorate on 7 November 2023.

Additionally, in 2023 the following were effected:

- ✓ The Collective Labour Agreement for Energa Obrót SA,
- ✓ amendments to the Collective Labour Agreement for the Toruń Branch of Energa Operator,
- ✓ Payroll Regulations of Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Słupsk Branch,
- ✓ Payroll Regulations of Energa Wind Serwis Sp. z o.o.

In 2023, negotiations were under way with trade unions on the implementation of:

- ✓ a new Collective Labour Agreement for Employers of Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.,
- ✓ revisions to the Collective Labour Agreements for Employers of Energa Operator SA,
- ✓ amendments to the Collective Labour Agreement for Energa Oświetlenie Sp. z o.o.
- ✓ amendments to the Collective Labour Agreement for Energa Wytwarzanie S.A.,
- ✓ amendments to the Pay Rules for Energa SA,
- ✓ amendments to the Pay Rules for Energa Informatyka i Technologie Sp. z o.o.

Material information relevant to the HR and payroll situation

Principles of setting and monitoring the objectives

The bonus targets are set on the basis of the current Energa Group Strategy, the Multi-Annual Plan of Strategic Investments and in the light of the internal and external challenges faced by the Energa Group. Additionally, targets are set through a consultation process and in accordance with a cascading model that incentivises and integrates the executives and managers

around the targets, and encourages their co-ownership and solidarity towards achieving them. The system design allows both a focus on activities that are important from the perspective of the Energa Group and the fulfilment of the Group's ambitions. It also offers value for the Company's shareholders by building sustainable value for Energa and ensures stable business operations.

Standardisation of HR processes

In 2023, the transformation and business integration with the ORLEN Group continued to play a key role in the delivery of the HR strategy across the Energa Group. A breadth of HR activities were standardised across the organisation, which afforded a level playing field for employees, ensuring fair and secure working environment throughout the ORLEN Group. Priorities and key tasks related to personnel policy are pursued on a day-to-day basis based on best market practices.

The key HR documents implemented and furthered in 2023 included:

- with regard to the Group's ethics:
 - ✓ Human Rights Protection Policy in the ORLEN Capital Group,
- employee development:
 - ✓ Direction ORLEN Trainee Programme,
 - ✓ Engaging leadership,
 - ✓ Development interview, feedback culture,
 - ✓ E-learning platform in Energa Group companies,
- employee welfare:
 - ✓ vision-correcting glasses/contact lenses refunding rules,
 - ✓ the MyCar benefit,
 - ✓ Energa Group's 'Passion' Programme, under which employees' receive financing support for pursuing their sports, cultural and artistic activities,
 - ✓ MyBenefit – benefits management platform,
 - ✓ Apartment rental subsidising rules,
- other:
 - ✓ ORLEN's Intra-Group Employee Migration Policy,
 - ✓ Rules for applying the Organisational Standard for employee transfer processes within the ORLEN Capital Group,
 - ✓ TRS (Total Reward Statement) – a personalised report on the total rewards from work,
 - ✓ E-Recruiter in Energa Group companies,
 - ✓ Employee Referral Programme,
 - ✓ Employer Brand Ambassador Programme,
 - ✓ Employee Meetings Organisation Policy,
 - ✓ Foreigner Employment Rules,
 - ✓ Standard mandate contract and contract for specific work.

Internal harmonisation of sources of labour law

Given the need to harmonise the standards, including updates of the provisions of work regulations within the Energa Group companies, which are an internal source of labour law for the employer, roll-out of new work regulations conforming to the ORLEN Group's standards was started in 2021.

The content of work regulations of the individual Energa Group companies is being brought in line with the provisions applicable within the company concerned, in particular with respect to work organisation (systems, working schedules) as well as OHS rules and principles. It is also consulted with relevant trade union organisations as envisaged by the law. As at 31 December 2023, the work regulations standard was in place at Energa Serwis Sp. z o.o., Energa Obrót SA, Energa Oświetlenie Sp. z o.o., Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Centrala, Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. O/Słupsk, Energa Operator Wykonawstwo Elektroenergetyczne O/Elbląg, Energa Operator Wykonawstwo Elektroenergetyczne O/Kalisz, Energa Operator Wykonawstwo Elektroenergetyczne O/Koszalin, Energa Informatyka i Technologie Sp. z o.o., Energa Ciepło Ostrołęka Sp. z o.o., CCGT Grudziądz Sp. z o.o., Energa Green Development Sp. z o.o., CCGT Ostrołęka Sp. z o.o., Energa SA, Enspirion Sp. z o.o., Energa Ciepło Kaliskie Sp. z o.o., Energa Elektrownie Ostrołęka S.A., Energa Operator SA O/Toruń, Energa Operator SA O/Kalisz. Other employers are currently negotiating the wording of pay rules with trade unions.

Employee benefits

In 2023, the system of additional employee benefits at the Energa Group included, among others:

1. The 'employee tariff' for electricity offered once an employee reaches 1 year of service in the power industry,
2. Benefits granted under the Company Social Benefit Fund,

3. Benefits granted to employees for the Easter, the Power Engineers' Day and the Christmas,
4. Employee Pension Plans within the Group companies funded by employers at the rate of 7% of employee remuneration,
5. Employee Capital Plans within the Group companies funded by employers at the rate of 1.5% of employee remuneration,
6. The Additional Medical Services Plan,
7. ORLEN Shopping Cards,
8. Life insurance policies on preferential terms and with Employer co-payment.
9. Subsidising eyeglasses and contact lenses,
10. Childbirth gifts,
11. Apartment rental allowance.

Employees with employment contracts, whether full-time or part-time, are entitled to a range of benefits from the Company Social Benefits Fund, including the following:

- a holiday benefit,
- a housing loan,
- an emergency allowance,
- Christmas gift cards for children,
- subsidised Multisport cards.

Furthermore, retiring former employees of the Energa Group can receive support from the Company Social Benefits Fund. They also get Christmas gift cards, and there are meetings and excursions for senior citizens.

The Energa Group offers a range of fringe benefits available to employees and their families, such as:

- an additional day off on the Power Engineer's Day,
- the MyCar benefit,
- the 'Passion' Programme,
- discount benefits-based (discounts on eyeglasses and ophthalmological services, discounts on subscription-based rental of new and used cars, discounts on telephones and computers, discounts and promotions for participants of Employee Capital Plans, discounts and promotions for employees covered by group life insurance, special offer for telephone subscriptions).

Parenting-related benefits that are part of the Family-Friendly Employer program include:

- additional two days off to care for a child under three years of age,
- additional two days off to care for a disabled child between 4 and 24 years of age,
- an additional hour's break for nursing mothers,
- participation in the countrywide campaign "Two Hours for the Family",
- two additional days of day care per parent/parent in law.

An additional day off for people who implement ORLEN Group employee volunteering projects – an employee taking part in a voluntary work project organised by the ORLEN Foundation can take one additional day off per calendar year.

The employees exercise additional powers derived from the Agreement securing employee, social and trade union rights for the Employees of the Energa Group of 18 September 2017.

The Energa Group offers training and other forms of personal development to its employees to maintain high level competence, to expand knowledge and to make a valuable contribution to the Group's activity.

Changes in wage conditions

Pursuant to an agreement on the 2023 rise in Energa Group employees' salaries, which was signed on 12 December 2022, employees of Group companies that signed as employers the Agreement of 18 September 2017 on safeguards for Energa Group employees' labour, welfare, and trade-union rights, as amended, have benefited from a mandatory rise in their pay since 1 January 2023. In addition, since 1 July 2023, employees with outstanding performance have received an extra rise from the employers.

Pursuing the policy of annual improvement of employees' remuneration and striving to maximise salary growth in 2023, the Management Board of Energa SA decided to increase the one-off Christmas benefit to gross PLN 6,000 for Energa Group employees.

Collective dismissals

No collective dismissals occurred within the Group companies in 2023.

Unionization

At the end of 2023, there were 34 trade union organisations in the Energa Group companies. As at 31 December 2023 unionization at Energa Group reached 64.5%. Approx. 5,500 employees were members of trade unions.

Collective disputes

In 2023, the following collective disputes occurred in the Energa Group:

1. two labour disputes at Energa Operator SA Oddział w Płocku Sp. z o.o., initiated by demands to bargain filed by trade union organisations on 30 September 2020 and 9 November 2020, which sought amendments to the Company Collective Bargaining Agreement and revision of employee benefits. Both were ended by arrangements made on 29 June 2023, the resolution of the disputes took effect on the day the State Labour Inspectorate (Państwowa Inspekcja Pracy – PIP) registered the new Collective Bargaining Agreement for the Plock Branch of EOP on 3 August 2023,
2. Two labour disputes at Energa Logistyka Sp. z o.o. initiated by demands to bargain made by trade union organisations on 24 and 30 September 2020, which sought amendments to the Collective Bargaining Agreement; the resolution of the dispute took effect on 7 November 2023, when the State Labour Inspectorate registered a new bargaining agreement for the company,
3. Twenty-three employers which have signed the Agreement on safeguards for Energa Group employees' labour, welfare, and trade-union rights were engaged in a labour dispute concerning pay rises for employees in 2023. The disputes were resolved through mediation and ended with an agreement.
4. One collective dispute at Energa Kogeneracja Sp. z o.o. initiated by trade union's demands to bargain of 1 June 2023 concerning the enforcement of Article 47 of the collective bargaining agreement, is at the negotiation stage.
5. One collective dispute at Energa Operator S.A., Branch in Koszalin, initiated by a demand to bargain filed on 21 December 2023, which sought a rise of base pay for dispatchers at Energa Operator SA Branch in Koszalin of PLN gross 2,000.00, along with a retroactive pay increase from June 2023; the dispute was notified to the National Labour Inspectorate on 28 December 2023 and is being negotiated.

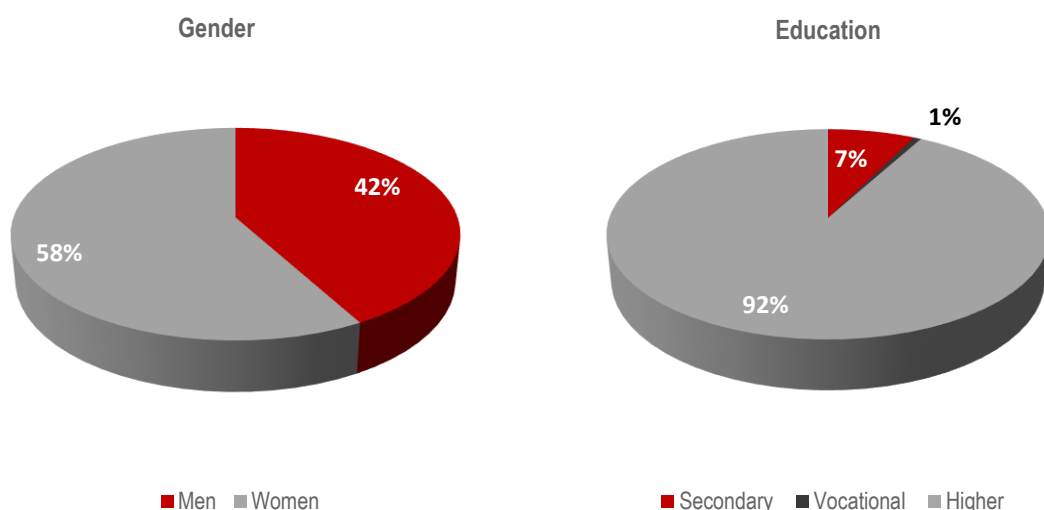
9.3.2. Energa SA

Employment

Table 40: Energa's headcount as at 31 December 2020- 2023 in person

2020	2021	2022	2023
172	158	153	162

Figure 35: Employment structure at Energa SA as at 31 December 2023



Compensation plans

The Company's compensation system is defined in the Energa SA Employee Compensation Policy approved by way of Resolution No. 46/II/2007 of the Energa SA Management Board on 25 July 2007, Annex No. 7 of 5 December 2017 which introduced, as an attachment to the Employee Compensation Policy, the Rules of Energa SA Employee Prize Fund, Annex No. 8 to the Energa SA Employee Compensation Policy of 28 August 2019 introducing a new grading table of positions and

monthly remuneration rates at Energa SA and the Agreement securing the employee, social and trade union rights for the Employees of the Energa Group, dated 18 September 2017, as amended.

As at 31 December 2023, 36 managers were employed under a contract for the provision of management, coordination and consulting services, including 4 people on the Company's Management Board. The costs of these services are not charged to the personal payroll fund.

Material information relevant to the HR and payroll situation

Employee benefits

In 2023, the system of additional employee benefits at the Company included, among others:

1. The 'employee rates' for electricity offered after one year of employment in the power industry,
2. Holiday benefits paid to employees for Easter, the Power Engineers' Day and Christmas,
3. The Employee Pension Plan funded by the employer at the rate of 7% of employee remuneration,
4. Employee Capital Plans within the Group companies funded by employers at the rate of 1.5% of employee remuneration,
5. The Additional Medical Services Plan. All employees are entitled to additional medical services under the Guaranteed Package, which is funded by the employer,
6. The Company Social Benefits Fund permitting contributions equal to twice the annual basic contribution set out in the Act on the Company Social Benefits Fund (CSFB),
7. Life insurance policies on preferential terms and with Employer co-payment,
8. Subsidising eyeglasses and contact lenses,
9. Childbirth gifts,
10. Apartment rental allowance.

Employees can also benefit from a number of benefits, including:

- an additional day off on the Power Engineer's Day,
- the MyCar benefit,
- the 'Passion' Programme,
- discount benefits-based (discounts on eyeglasses and ophthalmological services, discounts on subscription-based rental of new and used cars, discounts on telephones and computers, discounts and promotions for participants of Employee Capital Plans, discounts and promotions for employees covered by group life insurance, special offer for telephone subscriptions).

The employees benefit from the rights defined in the Agreement securing employee, social and trade union rights for the Employees of the Energa Group of 18 September 2017, as amended.

On 11 May 2023, the Agreement on safeguards for Energa Group employees' labour, welfare, and trade-union rights of 18 September 2017 was amended whereby the term of the agreement was extended until 31 December 2027.

On 29 June 2023, the Agreement on safeguards for Energa Group employees' labour, welfare, and trade-union rights of 18 September 2017 was amended whereby some of its provisions were revised.

Additionally, under the Collective Agreement of 17 March 2023 on the allocation of funds intended for wage increases in 2023, employees, in addition to the increase in base pay, received an additional benefit in the form of an ORLEN Shopping Card.

The Company offers training and other forms of personal development to its employees to maintain high level competence, to expand knowledge and to make a valuable contribution to the Group's activity.

Changes in wage conditions

Based on the Agreement of 12 December 2022 on the determination of the Energa Group Employees' salary increase in 2022 and the Agreement of 17 March 2023 on the allocation of monies earmarked for pay increases in 2023, the Company's employees benefited from an obligatory salary increase as of 1 January 2021. In addition, since 1 July 2023, employees with outstanding performance have received an extra rise from the employers.

In pursuance of its policy of annual improvement of staff remuneration and aiming to maximise remuneration growth in 2023, the Management Board of Energa SA decided to grant an additional one-time Christmas benefit of PLN 6,000 before tax to Energa Group employees.

Collective dismissals

In 2023, there were no lay-offs at the Company.

Collective disputes

In 2023, the Company did not engage in any labour disputes.

9.4. Information on the statutory audit firm

Consult Spółka z ograniczoną odpowiedzialnością Sp. k. (PKF) is the authorised auditor of the financial statements of Energa SA and of the Energa Capital Group (Chartered Auditor).

The agreement concluded between Energa SA and PKF on 20 December 2023 provides inter alia for the audit of standalone and consolidated financial statements of the Company and of the Group for 2023 and 2024 and a review of the accounts for H1 2024.

Deloitte Audyt sp. z o.o. sp.k. (Deloitte) is the firm authorised to audit the financial statements of Energa SA and of the Energa Capital Group for 2022. On 28 September 2023, the Management Board of Energa SA and Deloitte terminated the agreement for the audit and review of financial statements for 2022-2023, which had been concluded on 12 July 2022, due to the inability for Deloitte to perform the agreement (temporary ban on the provision of services subject to the national professional standards issued by the Polish Audit Oversight Agency – Polska Agencja Nadzoru Audytowego).

The fee costs for 2023 presented in the table below pertain to audits and reviews of the consolidated statements of the Group and of individual Group companies, as they have been audited by both the Chartered Auditor and other authorised entities.

Table 41: Remuneration of the auditor for services provided to the Group ('000 PLN)*

	Year ended 31 December 2022	Year ended 31 December 2023
Audit of annual statements	903	1,460
Other assurance services, including review of financial statements	290	601
Other services		
TOTAL	1,193	2,061



Młynów Szczepanki photovoltaic farm

Corporate Governance Statement

10. CORPORATE GOVERNANCE STATEMENT

In 2023, the Company and its corporate bodies followed the corporate governance principles set out in Best Practice for WSE listed companies 2021 (hereinafter: "Good Practice 2021") adopted by Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange of 29 March 2021. The document is available on the WSE website.

10.1. Application of rules of corporate governance

As at 31 December 2023, the Company failed to apply 11 rules, namely:

- 1.4.2. - as part of the ongoing integration of the Energa Group with the Orlen Group, the process of unification of the methodology for calculating remuneration-related ratios is under way; therefore, the ratio mentioned in this rule is not published on the corporate website. The Company complies with the applicable national laws and regulations, including the Labour Code; moreover, the Company has taken measures and implemented good practices by applying internal policies to ensure the application of the principles of equality, respect and prevention, among others: Policy Against Mobbing and Discrimination in the Energa Group, Code of Ethics of the ORLEN Group, Policy for Compliance Management in the Energa Group, Policy for the Management of Employee Potential of the ORLEN Group. Furthermore, regular audits and improvement and remedial actions are carried out at the company.
- 1.5. - the non-application of the rule stems from the fact that the Company classifies the data indicated as sensitive information constituting trade secrets and does not publish separate statements in this respect.
- 1.6. - in connection with: (i) resolution of the Extraordinary Meeting of Energa SA of 29 October 2020 to withdraw the Company's shares from trading on the regulated market operated by the WSE, (ii) reduction on 30 November 2020 of the number of the Company's freely floated shares below 10% and (iii) WSE's decision to remove the Company's shares from all stock indices, effective after the session held on 3 December 2020, the decision was made to renounce from organisation of a conference for the investors;
- 2.1., 2.2 and 2.11.6.- the Company's employee diversity policy is presented in several internal documents. However, it has not been adopted in a document form by the Supervisory Board or the General Meeting. Despite that, gender diversity has been ensured at an appropriate level in the Company's bodies: as at 31 December 2023, there were two women and two men on the Management Board, and six women and two men on the Supervisory Board. The Company seeks to ensure diversity on its bodies through the selection of diverse and professional managerial and supervisory team. Moreover, the Company respects the dignity of every person regardless of race, nationality, religion, gender, age, education, professional position, sexual orientation, degree of disability or political affiliation, and does not accept any form of discrimination.
- 2.11.5. - an assessment of reasonableness of the expenditure referred to in Rule 1.5. is carried out by the Company's Supervisory Board. However, due to the non-application by the Company of Rule 1.5. (as explained above), the annual report of the Company's Supervisory Board, presented to the Company's Ordinary General Meeting, does not contain the above assessment.
- 4.1. - The Company in 2021 made it possible for shareholders to participate General Meetings by means of electronic communication (e-meeting), which was caused by the restrictions on holding meetings introduced in connection with the SARS-CoV-2 epidemic. However, due to: (i) the abolition of the above-mentioned limitations, (ii) the existence of various types of risk related to the organization of e-meeting, such as the risk of transmission disruptions, the risk of communication take-over or the risk of technical problems, (iii) the fact that the vast majority of the share capital is present directly at the General Meeting, (iv) additional costs of organizing the e-meeting, the Company decided not to apply this principle. It should be noted that failure to apply the above-mentioned principle does not pose a risk of limiting or hindering shareholders from direct participation in General Meetings and exercising voting rights, as these meetings are held at convenient hours at the Company's seat.,
- 4.9.2. - as provided for in the Company's Articles of Association, a candidate member of the Supervisory Board intending to perform a function on the Audit Committee submits to the Company, before their appointment to the Supervisory Board, a written declaration of fulfilment of the statutory conditions listed in that rule. A candidate is not required to submit a declaration as to the existence of any actual and significant relationship of the candidate with a shareholder holding at least 5% of the total number of votes in the Company.
- 4.11. - Members of the Company's Management Board take part in General Meetings and provide expert answers to the questions asked at the General Meeting. At an Ordinary General Meeting ("OGM"), the Company's Management Board answers questions concerning the financial results and other significant information contained in the financial statements and the report on activities for the past financial year, which is subject to approval by the OGM. The Company's Management Board does not present financial or non-financial data at the OGM,
- 6.4 - The guideline rules of remuneration of the Supervisory Board members are laid down in the Remuneration Policy for Members of the Management Board and Supervisory Board of Energa SA adopted by the Company's Ordinary General Meeting. The remuneration of the Members of the Company's Supervisory Board does not depend

on the number of meetings held. The remuneration is fixed and paid on a monthly basis. Whereas the Members of the Supervisory Board Committees are not paid any additional remuneration.

In addition to applying the rules set out in the 2021 Best Practices, Energa strives to communicate with equity market participants and take into account the investors' needs, among others, by publishing on the Company's website materials such as output presentations, key facts sheets or files with multi-annual quarterly data of the Group.

10.2. Significant shareholders

For information on the shareholding structure, please see Section 8.1. Energa's shareholding structure

10.3. Holders of stock with special control rights and a description of special control rights

ORLEN SA with its registered office in Płock owns the majority block of the Company's shares, including 144,928,000 series BB shares, preferred in terms of voting at the General Meeting, where one series BB share carries two votes at the General Meeting.

In accordance with § 17.3 and § 18.1 of Articles of Association, ORLEN has the personal right to appoint and dismiss, by means of a written statement, some members of the Supervisory Board of the Company, as well as the right to appoint the Chairman of the Supervisory Board, on the terms specified in the Company's Articles of Association.

10.4. Restrictions on voting rights

As at the date of preparation of this Report, no restrictions on the exercise of voting rights exist.

10.5. Restrictions on transfer of ownership of securities

As at the date of this report, there are no restrictions on the transfer of ownership of the Company's securities.

10.6. Amendments to the Articles of Association

Amendments to the Articles of Association must be made in accordance with the provisions of the Code of Commercial Companies. In particular, an amendment to the Articles of Association requires a resolution of the General Meeting adopted by a three-quarters majority vote, and subsequently it has to be constitutively recorded in the register of entrepreneurs of the National Court Register. For matters listed in § 28.1 of the Company's Articles of Association (which also require amendments to the Articles of Association), a resolution of the General Meeting requires a qualified majority of 4/5 of the votes cast. According to § 16 section 1 item 15 of the Company's Articles of Association, formulation of the uniform wording of the Company's Articles of Association is the prerogative of the Supervisory Board.

10.7. Corporate bodies

The General Meeting

The rules of procedure of the Company's General Meeting are set out in the CCC and in the Articles of Association. Additional issues concerning the conduct of the General Meeting are governed by the Rules of Procedure of the General Meeting (available on the Company's corporate website).

Manner of convening the General Meeting

The General Meeting is convened by means of a notice published on the Company's website and in the manner prescribed for the provision of current information in the Act on Offering, i.e. in the form of current reports. The notice must be published at least 26 days before the date of the General Meeting, in accordance with the provisions of the CCC.

In line with the Articles of Association, the General Meeting is convened by the Management Board:

1. on its own initiative,
2. at the written request of the Supervisory Board,
3. at the written request of a shareholder or shareholders representing at least one-twentieth of the share capital.

As a general rule, a properly convened General Meeting is valid irrespective of the number of shares represented therein.

General Meetings can be held either at the Company's registered office in Gdańsk or in Warsaw.

Conduct of the Ordinary General Meeting

The General Meeting is opened by the Chairperson or Vice-Chairperson of the Supervisory Board, and in their absence – by the President of the Management Board or a person designated by the Management Board. Subsequently, the Chair of the

Meeting is elected from among the persons entitled to participate in the General Meeting, in accordance with the Rules of Procedure of the General Meeting.

Resolutions must not be passed on items not covered by the agenda of the General Meeting, unless the entire share capital is represented therein and no one of those present has objected as regards the adoption of such resolutions.

Voting is open. Voting by secret ballot is ordered in the case of elections and motions to dismiss members of the Company's governing bodies or liquidators, motions to hold them liable, as well as in personnel-related matters. Further, a secret ballot must be ordered at the request of at least one of the shareholders present or represented at the General Meeting.

Resolutions of the General Meeting are adopted by an absolute majority, unless the CCC or the Articles of Association provide otherwise.

The General Meeting may order adjournments (by a two-thirds majority), which may not last longer than 30 days altogether.

Powers and responsibilities of the General Meeting

Key powers and responsibilities of the General Meeting, as prescribed by the CCC and the Articles of Association, include in particular:

1. reviewing and approving the reports of the Management Board on the activities of the Company and the Energa Group, standalone financial statements of the Company and the consolidated financial statements of Energa Group for the previous financial year,
2. granting discharge to the members of the corporate bodies,
3. distribution of profit or coverage of loss,
4. changing the line of business of the Company,
5. amending the Articles of Association,
6. share capital increases or decreases,
7. merger, demerger or transformation of the Company,
8. dissolution or liquidation of the Company,
9. issue of convertible bonds or bonds with the right of priority and subscription warrants referred to in art. 453 § 2 of the Code of Commercial Companies,
10. disposal or lease of the enterprise or a branch of activities and creation of limited property rights thereon,
11. the establishment, use or dissolution of the capital accounts or funds referred to in § 31 section 1 item 5 and section 2 of the Company's Articles of Association, created by way of a General Meeting resolution,
12. appointment and dismissal of members of the Supervisory Board and determining the rules and level of their remuneration,
13. conclusion of the agreement referred to in art. 7 of the Code of Commercial Companies,
14. the Company's acquisition of its treasury stock in the situation referred to in Article 362 § 1 Item 2 of the Commercial Companies Code,
15. execution by the Company of a loan, advance or surety agreement or another similar agreement with a member of the Management Board, a member of the Supervisory Board, a commercial proxy or a liquidator, or in favour of any such person,
16. shifting of the dividend record date, indication of the dividend payable date or splitting of the dividend payment into instalments,
17. all decisions concerning claims for damage caused in the course of the formation of the Company or the exercise of management or supervision,
18. adopting a policy specifying the principles of remuneration for members of the Management Board and Supervisory Board of the Company,
19. establishing the rules for determining the remuneration of members of the Management Board.

The Company's Ordinary General Meeting was held on 15 June 2023. The content of the resolutions adopted by that Meeting was published in Current Report No. 16/2023 dated 15 June 2023.

The Supervisory Board

Composition

In FY 2023 and until the date of this Report, the composition of the Energa SA Supervisory Board has been as follows:

1. between 1 January 2023 and 22 February 2023:

- a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
- b) Jarosław Dybowski - Vice-Chairman of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
- d) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
- e) Michał Róg - Member of the Supervisory Board,
- f) Agata Piotrowska - Secretary of the Supervisory Board
- g) Barbara Hajdas - Member of the Supervisory Board,
- h) Agnieszka Żyro - Member of the Supervisory Board,
- i) Paweł Kosztyła - Member of the Supervisory Board.

2. between 23 February 2023 and 30 April 2023:

- a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
- b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
- d) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
- e) Agata Piotrowska - Secretary of the Supervisory Board,
- f) Barbara Hajdas - Member of the Supervisory Board,
- g) Agnieszka Żyro - Member of the Supervisory Board,
- h) Paweł Kosztyła - Member of the Supervisory Board.

3. between 1 May 2023 and 15 June 2023:

- a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
- b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
- d) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
- e) Agata Piotrowska - Secretary of the Supervisory Board,
- f) Barbara Hajdas - Member of the Supervisory Board,
- g) Agnieszka Żyro - Member of the Supervisory Board,
- h) Paweł Kosztyła - Member of the Supervisory Board,
- i) Artur Michalski - Member of the Supervisory Board.

4. between 16 June 2023 and 6 July 2023:

- a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
- b) Jarosław Dybowski - Member of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
- d) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
- e) Barbara Hajdas - Member of the Supervisory Board,
- f) Agnieszka Żyro - Member of the Supervisory Board,
- g) Artur Michalski - Member of the Supervisory Board,
- h) Anna Ziobroń - Member of the Supervisory Board.

5. between 6 July 2023 and 31 January 2024:

- a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
- b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza - Secretary of the Supervisory Board,
- d) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
- e) Barbara Hajdas - Member of the Supervisory Board,
- f) Agnieszka Żyro - Member of the Supervisory Board,
- g) Artur Michalski - Member of the Supervisory Board,
- h) Anna Ziobroń - Member of the Supervisory Board.

6. between 1 February 2024 and 1 March 2024:
 - a) Paula Ziemecka-Księżak – Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairperson of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza – Secretary of the Supervisory Board,
 - d) Barbara Hajdas – Member of the Supervisory Board,
 - e) Agnieszka Żyro – Member of the Supervisory Board,
 - f) Artur Michalski – Member of the Supervisory Board,
 - g) Anna Ziobroń – Member of the Supervisory Board.
7. between 2 March 2024 and 4 April 2024:
 - a) Paula Ziemecka-Księżak – Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairperson of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza – Secretary of the Supervisory Board,
 - d) Agnieszka Żyro – Member of the Supervisory Board,
 - e) Paweł Michalski – Member of the Supervisory Board,
 - f) Anna Ziobroń – Member of the Supervisory Board.
8. between 5 April 2024 and 16 April 2024:
 - a) Paula Ziemecka-Księżak – Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairperson of the Supervisory Board,
 - c) Dominika Lechowska – Member of the Supervisory Board,
 - d) Agata Piotrowska – Member of the Supervisory Board,
 - e) Zbigniew Lubośny – Member of the Supervisory Board,
 - f) Dariusz Trojanowski – Member of the Supervisory Board,
9. from 16 April 2024 until the date of preparation of the Report:
 - a) Paula Ziemecka-Księżak – Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairperson of the Supervisory Board,
 - c) Dominika Lechowska – Member of the Supervisory Board,
 - d) Agata Piotrowska – Secretary of the Supervisory Board,
 - e) Zbigniew Lubośny – Member of the Supervisory Board,
 - f) Dariusz Trojanowski – Member of the Supervisory Board,

Mr. Michał Róg tendered his resignation from the Supervisory Board on 22 February 2023.

On 27 April 2023 the majority shareholder of the Company, ORLEN, submitted a statement informing that as of 1 May 2023 it appointed, pursuant to Article 385 § 2 of the Commercial Companies Code and § 17(3) of the Company's Articles of Association, Mr. Artur Michalski to the Company's Supervisory Board of the 6th Term of Office.

Further to the expiry of the 6th Term of the Supervisory Board, on 15 June 2023, the Ordinary General Meeting of Energa SA determined the number of Members of the Board and appointed four Supervisory Board Members for the 7th Term: Ms. Agnieszka Terlikowska-Kulesza, Mr. Artur Michalski, Ms. Sylwia Kobyłkiewicz and Ms. Barbara Hajdas.

On 15 June 2023, the Company's majority shareholder, ORLEN, declared the appointment, pursuant to Article 385 § 2 of the Commercial Companies Code and § 17(3) of the Company's Articles of Association, for a new, joint 7th Term of the Supervisory Board, which began on the day following the date of the General Meeting of Shareholders which approved the financial statements of Energa SA for 2022, of the following persons: Ms. Paula Ziemecka-Księżak as the Chair of the Supervisory Board, Ms. Anna Ziobroń as a Board Member, Mr. Jarosław Dybowski as a Board Member, and Ms. Agnieszka Żyro as a Board Member.

On 6 July 2023, the Supervisory Board elected Mr. Jarosław Dybowski as Vice-Chair of the Supervisory Board of Energa SA for the 7th Term and Ms. Agnieszka Terlikowska-Kulesza as Secretary of the Supervisory Board of Energa SA for the 7th Term.

Ms. Sylwia Kobyłkiewicz resigned from the Supervisory Board at the end of 31 January 2024.

Ms. Barbara Hajdas tendered her resignation from the Supervisory Board as of the end of 1 March 2024.

On 4 April 2024 the Extraordinary General Meeting of the Company adopted resolutions on dismissal, as of the end of 4 April 2024, Ms. Agnieszka Terlikowska-Kulesza and Artur Michalski from the composition of the Company's Supervisory Board and from the functions held by these persons in the Company's Supervisory Board; appointment, with effect from the beginning of

5 April 2024, the following persons to the composition of the Supervisory Board of Energa SA: Ms. Dominika Martyna Lechowska for the function of the Member of the Supervisory Board, Ms. Agata Justyna Piotrowska for the function of the Member of the Supervisory Board, Mr. Zbigniew Tadeusz Lubośny for the function of the Member of the Supervisory Board and Mr. Dariusz Trojanowski for the function of the Member of the Supervisory Board.

On 4 April 2024 the majority shareholder of the Company, ORLEN S.A., submitted a statement informing that - pursuant to Article 385 § 2 of the Polish Code of Commercial Companies and § 17 section 3 of the Company's Articles of Association - it dismissed, as of the end of 4 April 2024, Ms. Anna Barbara Ziobroń and Ms. Agnieszka Sylwia Żyro from the composition of the Company's Supervisory Board as well as from the function of the Member of the Company's Supervisory Board.

On 16 April 2024, the Supervisory Board elected Ms. Agata Piotrowska as Secretary of the Supervisory Board of Energa SA for the 7th Term of Office.

Ms. Paula Ziemecka-Księżak, Ms. Dominika Lechowska, Mr. Zbigniew Lubośny and Mr. Dariusz Trojanowski satisfy the independence criteria for independent supervisory board members within the meaning of the Best Practices of WSE Listed Companies, and also for independent members of the Audit Committee, within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089).

The current term of office of the Company's Supervisory Board will end on the day of the General Meeting approving the Financial Statements for FY2025.

Paula Ziemecka-Księżak has sat on the Supervisory Board of Energa SA since 20 May 2014, and has chaired it since 12 November 2015. A graduate of the Leon Koźmiński University of Entrepreneurship and Management, she has over 20 years of professional experience, inter alia in corporate governance of capital companies and equity market transactions. Currently, she is the Head of the Corporate Governance Team in the Corporate Governance Office of the PZU Group; previously she was in charge of the Supervision Division of the Supervision Department of the Ministry of State Assets. From January 2016, she served as the Head of the Supervision Department at the Ministry of Energy. In 1996-2015, she worked at the Ministry of the Treasury, in departments responsible for corporate governance of State Treasury companies. She exercised supervision over energy and mining sector companies, including hard coal mining, motor transport, maritime shipping, and real estate companies. She has 22 years of experience on supervisory bodies of capital companies, which she has gained by serving on the corporate bodies of companies such as SIP-MOT SA in Zamość, PKS Ostrołęka SA, Opakomet SA seated in Kraków and PERN SA based in Płock.

Jarosław Dybowski is an experienced manager with more than 20 years of management experience in companies with Polish and foreign capital. Graduate of the Gdańsk University of Technology, majored in Power Engineering. Graduate of a Postgraduate Management Course at the Warsaw School of Economics and The Management Training Program for Eastern Europe at Lovanium International Management Center. Has been professionally involved in the power engineering sector since 1985. An active participant in strategic development processes of Polish and European energy. Co-author of Poland's first Power Engineering System Integrated Development Plan. Introduced new standards for trading in electricity based on EFET contracts. Negotiated long-term contracts for the modernization and development of manufacturing sources in Poland, including contracts in the Project Finance process. Has extensive expertise in the field of energy markets (electricity, gas, coal, certificates) in Poland and Central and Southern European countries. Co-developed and implemented strategies in the field of energy generation, trading and sales in many domestic and foreign companies.

Ms. Dominika Martyna Lechowska graduated from the Faculty of Law and Administration of the Jagiellonian University. She qualified as a legal adviser in 2014 after completing her legal adviser training. She completed her postgraduate studies at the Warsaw School of Economics: Operation of the electricity balancing market. She is a doctoral student. She has many years of experience in commercial law and governance of companies with Treasury shareholding, including companies of major importance to the national economy. As a legal adviser to the Ministry of State Assets, she is responsible for preparing legal opinions, preparing and reviewing corporate documentation of companies, ongoing consultation and legal advice. She participated in the consolidation processes of companies. She has been the Chair of General Meetings of companies, including, but not limited to, ENEA SA, GPW SA. Moreover, she gained experience in governance by serving on the supervisory bodies of companies such as Towarzystwo Finansowe "Silesia" sp. z o.o. (Chairperson of the Supervisory Board), Nadwiślańska Spółka Mieszkaniowa sp. z o.o. (Vice-Chairperson of the Supervisory Board), PPPP Naftoport sp. z o.o. (Member of the Supervisory Board), etc. She is a lecturer in bankruptcy and restructuring law.

Ms. Agata Justyna Piotrowska graduated from the Faculty of Management and Marketing of the Warsaw School of Economics. She completed postgraduate studies at the Company Academy at the College of Management and Finance of the Warsaw School of Economics. She has over 15 years of professional experience in corporate governance, coordination of management processes, supervision of processes and projects in the area of planning, optimization, restructuring, investments and divestments at ORLEN Group companies. From 2010 to 2024, she served as a Member of the Supervisory Board of ORLEN Group companies, including: ORLEN Medica Sp. z o.o., ORLEN Automatyka Sp. z o.o., ORLEN Budonaft Sp. z o.o., ORLEN Projekt S.A., ORLEN Eko Sp. z o.o., ORLEN Laboratorium S.A., Baltic Power sp. z o.o., ORLEN Wind 1 sp. z o.o.,

ORLEN Wind 2 sp. z o.o., ORLEN Wind 3 sp. z o.o., ENERGA S.A. She is currently a member of the Supervisory Boards of the following companies: ORLEN Energia sp. z o.o. and ORLEN Neptun sp. z o.o. She is currently Head of Corporate Governance Department 2 at the ORLEN Group Office, where she is responsible for the governance of ORLEN Group companies, including in particular companies in the Energy and Renewable Energy Sector (RES).

Mr. Zbigniew Tadeusz Lubośny is a professor of Technical Sciences (since 2005). He graduated from the Gdańsk University of Technology with degrees in two fields of study: electrical engineering (1985, Faculty of Electrical and Control Engineering) and industrial organization and management (1987, now Faculty of Economics). In 1991, he defended his doctoral thesis and eight years later obtained his postdoctoral degree at the same university. Currently employed at the Gdańsk University of Technology as a full professor. His areas of research interest are: mathematical modelling, power system stability, power system control, application of artificial intelligence to power system control, modelling and control of wind power plants. He served as Vice-Dean for Science and Head of the Department of Power Engineering at the Faculty of Electrical and Control Engineering of the Gdańsk University of Technology. In 2001 and 2002, he was employed at the Otto-von-Guericke Universität Magdeburg and in the years 2004 to 2006 at the University of Edinburgh (project: "Supergen: Future Network Technologies"). He was a member of the Scientific and Technical Council of ENERGA S.A.'s Research and Development Centre and the Scientific and Technical Council for Innovation of ENERGA S.A. He is a member of the Scientific Council of the Power Institute and Chairman of the Power Systems Section of the Committee on Electrical Engineering of the Polish Academy of Sciences. He chaired the Scientific Council of the *Automatyka elektroenergetyczna* (Power System Control Engineering) journal and served as Editor-in-Chief of the *Acta Energetica* quarterly published by ENERGA S.A. He has authored and co-authored more than 20 national and international monographs, more than 180 scientific articles, and more than 140 expert reports and analyses on the operation of power systems and their components. He has been working with transmission system operators (Polish, British, Icelandic, Colombian) and national distribution system operators.

Mr. Dariusz Trojanowski holds a post-doctoral degree in social sciences in the field of economics and finance from the University of Gdańsk. In 1996, he graduated from the University of Gdańsk with a degree in management in the field of business economics. He has also been a certified surveyor since 1995. Since 2004 employed at the University of Gdańsk in research and teaching positions, currently as a university professor with the Department of Investment and Real Estate at the Faculty of Management of the University of Gdańsk. He has been combining his academic work with business practice. From 1996 to 2004, he worked at NDI SA as an investment analyst and then as head of the analysis department. His duties included assessments of capital expenditure projects and roles as management board member and supervisory board member in various special purpose vehicles. Since 2004, he has been advising various entities, including local authorities, on management and finance.

None of the above members of the Supervisory Board are engaged in any activities competitive to the business of Energa SA, participate in any competitive company as a partner of a partnership or as a member of a body of a corporation, or participate in any other competitive legal person as a member of its corporate bodies, neither is any of them listed in the Registry of Insolvent Debtors maintained pursuant to the Act on the National Court Register.

Powers and responsibilities of the Supervisory Board

The powers and responsibilities of the Supervisory Board include, in particular:

1. assessing the Management Board's report on the Company's and Group's operations as well as the financial statements for the previous financial year and the consolidated financial statements of the Group in terms of their consistency with the records, relevant documents and the facts, assessing the Management Board's recommendations on allocation of profit or coverage of loss,
2. submitting annual written reports on the assessment results to the General Meeting, referred to in point 1,
3. preparation of reports in connection with oversight of the investments carried out by the Management Board and ensuring that investment spending is incurred in a correct and effective manner,
4. preparing, at least once per year, together with a report on the results of the assessment of the annual financial statements and the consolidated financial statements of the capital group, an opinion of the Supervisory Board on the economic viability of the Company's capital exposure to other commercial companies effected in the relevant financial year,
5. preparation and presentation, once a year, to the Annual General Meeting of a brief assessment of the Company's standing, including an evaluation of the internal control system and the system for managing the Company's material risks,
6. reviewing of and expressing opinion on issues which are to be the subject of resolutions of the General Meeting,
7. selecting the audit firm to examine the financial statements and the consolidated financial statements of the capital group,

8. specifying the scope and deadlines for submission of annual/long-term material and financial plans, other long-term plans and strategies for the Company and its capital group by the Management Board,
9. approving strategies for the Company and its capital group,
10. approving annual/long-term material and financial plans and investment plans for the Company and its capital group,
11. adopting rules of procedure detailing the procedures applicable to the activities of the Supervisory Board,
12. approving the rules of procedure of the Company's Management Board,
13. approving the Company's organisation policy,
14. approving the principles of the Company's sponsoring activity and assessing its effectiveness,
15. agreeing the consolidated text of the Company's Articles of Association,
16. granting consent to the Management Board to acquire and dispose of specific non-current assets as well as concluding specific contracts,
17. determining the individual conditions for the provision of services by members of the Management Board, as part of the resolution of the General Meeting of Shareholders as referred to in § 27 section 1 clause 8) of the Articles of Association,
18. determining the Rules of the Bonus System for members of the Management Board,
19. suspending, for major reasons, individual or all members of the Management Board, as well as delegating members of the Supervisory Board, for a period not exceeding three months, to perform temporarily the duties of Management Board members who are at the time unable to perform their duties and setting their remuneration, provided that the total remuneration received by the delegated person for his or her performance of the function of a Supervisory Board member and his or her temporary performance of the duties of a Management Board member does not exceed the salary set in respect of the Management Board member being filled in for by the delegated member of the Supervisory Board,
20. granting consent for the establishment of the Company's branches abroad,
21. authorizing Management Board members to assume positions in corporate bodies of other companies and collecting resulting remuneration,
22. authorizing the Management Board to subscribe to, sell or acquire shares, within the meaning of the Act on State Property Management of 16 December 2016, of another company,
23. defining the mode for exercising the voting right by the Company at the general meetings or shareholders' meetings of companies,
24. granting the consent to conclude a material transaction with an entity related to the Company within the meaning of the Act of 29 July 2005 on Public Offering and on the Terms of Introducing Financial Instruments into Organised Trading and on Public Companies,
25. developing a procedure for periodic assessment whether material transactions with a related party of the Company are concluded on an arm's length basis as part of the ordinary business of the Company or a subsidiary of the Company.

A detailed description of the powers and responsibilities of the Supervisory Board is provided in the Company's Articles of Association, published on the Company's website.

Method of operation of the Supervisory Board

The Supervisory Board consists of 5 to 9 members. The Supervisory Board is responsible for the permanent supervision of the operations of the Company, in accordance with the CCC and the Articles of Association. The detailed operating procedure is defined in the Rules of Procedure of the Supervisory Board, available on the corporate website.

The Supervisory Board carries out its activities as a body. Members of the Supervisory Board participate in meetings, exercise their rights and perform their obligations in person.

As a general rule, the Supervisory Board adopts its resolutions at meetings held at least once every two months.

Meetings of the Supervisory Board shall be convened by the Chairman or another authorised member of the Supervisory Board, presenting a detailed agenda. A meeting should also be convened at the request of any Supervisory Board member or of the Management Board.

Meetings of the Supervisory Board are chaired by the Chairperson, and in his or her absence – by the Vice-Chairperson.

Supervisory Board members may attend meetings and vote on resolutions adopted during such meetings by direct remote communication.

In accordance with the Articles of Association, the Supervisory Board may adopt resolutions if at least half of its members are present at the meeting and all Supervisory Board members have been invited to the meeting.

The Supervisory Board may adopt resolutions independently of its meetings, either by circulation or by means of distance communication, including in particular e-mail. Such resolution is valid if all members of the Supervisory Board have been notified of the wording of the draft resolution.

Supervisory Board resolutions are passed by an absolute majority of votes, and in the event of a tie vote, the Chairperson's vote is decisive.

The Supervisory Board adopts resolutions in an open ballot.

For important reasons, the Supervisory Board may delegate individual members to perform certain supervisory activities on their own.

The Supervisory Board may delegate its members, for no longer than three months, to perform temporarily the duties of Management Board members who are unable to perform their duties.

A detailed description of the activities of the Supervisory Board is contained in the Report on the activities of the Supervisory Board, submitted annually to the General Meeting and published on the corporate website of the Company.

The Supervisory Board appoints the Audit Committee and the Nomination and Compensation Committee.

From 1 January to 31 December 2023, the Supervisory Board of Energa SA held 10 meetings and adopted 165 resolutions. In 2023, eight meetings of the Supervisory Board took place without all members in attendance. Each time the Supervisory Board made a decision in the form of a resolution to excuse the absence of a given Supervisory Board member, based on the information provided by that member about reasons for the absence.

The Audit Committee

The operating principles of the Audit Committee are defined in the Articles of Association of Energa SA and the Rules of Procedure of the Supervisory Board, available on the Company's website.

The Audit Committee operates as a body and provides advice and opinion to the Supervisory Board.

The tasks of the Audit Committee shall in the first instance include:

- 1) monitoring of:
 - a) the financial reporting process,
 - b) the effectiveness of the internal control system and the risk management and internal audit systems, including in the area of financial reporting,
 - c) the performance of audit activities, in the first instance audits carried out by an audit firm, taking into account any conclusions and findings of the Audit Supervision Committee arising from the inspection conducted in the audit firm,
- 2) inspecting and monitoring the independence of the registered auditor and the audit firm,
- 3) communicating audit findings to the Company's Supervisory Board and explaining how the audit contributed to the reliability of financial reporting in the Company, and what the role of the Audit Committee was in the audit process,
- 4) assessing the independence of the registered auditor and giving consent to the provision of permitted non-audit services to the Company thereby,
- 5) developing a policy for the selection of an audit firm to carry out an audit,
- 6) developing a policy for the provision of permitted non-audit services by an audit firm carrying out an audit, by entities affiliated to the audit firm and by a member of the audit firm's network,
- 7) defining the procedure for the selection of an audit firm by the Company,
- 8) making recommendations to the Supervisory Board regarding the appointment of an audit firm, in accordance with the policies referred to in sub-paragraphs 5 and 6 above,
- 9) making recommendations intended to ensure the reliability of the financial reporting process in the Company,
- 10) monitoring the operation of the Compliance Management System at the Company and in Energa Group.

The Audit Committee includes at least three members of the Board, where at least one member of the Audit Committee should have knowledge and skills in the field of accounting or auditing of financial statements. In addition, the majority of members of the Audit Committee, including the chairman of the Committee, should be independent and meet the criteria listed in art. 129 (3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089). Members of the Audit Committee shall also have skills and knowledge relating to the industry in which the Company operates. This condition is considered to be fulfilled if at least one member of the Audit Committee has skills and knowledge of the industry or if individual members, to specific extent, have skills and knowledge of the industry.

In FY 2023 and to date, the composition of the Audit Committee has been as follows:

1. From 1 January 2023 to 15 June 2023:
 - a. Agnieszka Terlikowska-Kulesza – Chairperson of the Committee,
 - b. Paula Ziemiecka-Księżak,
 - c. Sylwia Kobyłkiewicz,
2. From 6 July 2023 to 21 August 2023:
 - a. Paula Ziemiecka-Księżak,
 - b. Sylwia Kobyłkiewicz,
 - c. Artur Michalski,
 - d. Agnieszka Terlikowska-Kulesza.
3. From 21 August 2023 to 31 January 2024:
 - a. Agnieszka Terlikowska-Kulesza – Chairperson of the Committee,
 - b. Paula Ziemiecka-Księżak,
 - c. Sylwia Kobyłkiewicz,
 - d. Artur Michalski,
4. From 1 February 2024 to 4 April 2024:
 - a. Agnieszka Terlikowska-Kulesza – Chairperson of the Committee,
 - b. Artur Michalski
 - c. Paula Ziemiecka-Księżak,
5. From 5 April 2024 to 15 April 2024:
 - a. Paula Ziemiecka-Księżak,
6. From 1 February 2024 to 4 April 2024:
 - a. Dariusz Trojanowski – Chairperson of the Committee,
 - b. Dominika Lechowska,
 - c. Zbigniew Lubośny,
 - d. Paula Ziemiecka-Księżak.

Following the expiry of the 6th Term of the Board on 15 June 2023, on 6 July 2023, the Company's Supervisory Board appointed Ms. Paula Ziemiecka-Księżak, Ms. Sylwia Kobyłkiewicz, Mr. Artur Michalski and Ms. Agnieszka Terlikowska-Kulesza to the Audit Committee of the Supervisory Board of Energa SA for the 7th Term.

At the meeting of the Audit Committee on 21 August 2023, Ms. Agnieszka Terlikowska-Kulesza was elected as the Chair of the Committee.

Ms. Sylwia Kobyłkiewicz resigned from the Supervisory Board at the end of 31 January 2024.

On 4 April 2024, the Extraordinary General Meeting of the Company adopted resolutions to dismiss, as of the end of 4 April 2024, Ms. Agnieszka Terlikowska-Kulesza and Mr. Artur Michalski from the Company's Supervisory Board and the positions held by these persons in the Company's Supervisory Board.

On 16 April 2024, the Company's Supervisory Board supplemented the composition of the Audit Committee by appointing Mr. Dariusz Trojanowski, Ms. Dominika Lechowska and Mr. Zbigniew Lubośny.

The Audit Committee's activities in the previous financial year, together with a detailed description of the activities undertaken by the Committee, are described in the Audit Committee Activity Report, which is attached to the Supervisory Board Activity Report, submitted annually to the General Meeting and published on the Company's corporate website.

In 2023, the Audit Committee held 7 meetings, of which 6 took place with all members in attendance.

The Nomination and Remuneration Committee

The scope of the Nomination and Compensation Committee's operations covers expressing opinions and conducting analyses to support the Supervisory Board in the performance of its duties defined by the Articles of Association in respect of the overall compensation policy for Management Board members, the Company's upper level management and in the other companies in Energa Group, and to articulate recommendations on appointing Management Board members.

The powers and responsibilities of the Nomination and Remuneration Committee shall in the first instance include:

1. conducting activities related to the recruitment of members of the Company's Management Board within the scope indicated by the Supervisory Board,
2. preparing draft contracts and templates of other documents in connection with serving as members of the Company's Management Board and supervising the performance of the contractual obligations assumed by the parties,
3. supervising the implementation of the Management Board's remuneration system, in the first instance preparing accounting documents concerning variable and bonus elements of remuneration,

4. monitoring and analysis of the compensation plan for the Management Boards and executives of Energa Group companies,
5. supervising the correct provision of contractual extra benefits to the Company's Management Board.

In FY 2023, the composition of the Nomination and Compensation Committee was as follows:

1. From 1 January 2023 roku 15 June 2023:
 - a. Agata Piotrowska – Chairperson of the Committee,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza,
2. From 6 July 2023 to 31 January 2024:
 - a. Sylwia Kobyłkiewicz,
 - b. Paula Ziemiecka-Księżak,
 - c. Agnieszka Żyro,
3. From 1 February 2024 to 3 March 2024:
 - a. Paula Ziemiecka-Księżak,
 - b. Agnieszka Żyro,
4. From 4 March 2024 o 6 March 2024:
 - a. Agnieszka Terlikowska-Kulesza,
 - b. Paula Ziemiecka-Księżak,
 - c. Agnieszka Żyro,
5. From 6 March 2024 to 4 April 2024:
 - a. Paula Ziemiecka-Księżak - Chairperson of the Committee,
 - b. Agnieszka Terlikowska-Kulesza,
 - c. Agnieszka Żyro,
6. From 5 April 2024 to 15 April 2024:
 - a. Paula Ziemiecka-Księżak - Chairperson of the Committee,
7. From 16 April 2024 until the date of the Report:
 - a. Paula Ziemiecka-Księżak - Chairperson of the Committee,
 - b. Dominika Lechowska,
 - c. Agata Piotrowska.

Following the expiry of the 6th Term of the Board on 15 June 2023, on 6 July 2023, the Company's Supervisory Board appointed Ms. Sylwia Kobyłkiewicz, Ms. Paula Ziemiecka-Księżak and Ms. Agnieszka Żyro to the Nomination and Remuneration Committee of the Supervisory Board of Energa SA for the 7th Term.

Ms. Sylwia Kobyłkiewicz resigned from the Supervisory Board at the end of 31 January 2024. On 4 March 2024, the Company's Supervisory Board supplemented the composition of the Nomination and Remuneration Committee by appointing Ms. Agnieszka Terlikowska-Kulesza. On 6 March 2024, Ms. Paula Ziemiecka-Księżak became the Chairperson of the Nomination and Remuneration Committee.

On 4 April 2024, the Extraordinary General Meeting of the Company adopted the resolution to dismiss, as of the end of 4 April 2024, Ms. Agnieszka Terlikowska-Kulesza from the composition of the Company's Supervisory Board.

On 4 April 2024 the majority shareholder of the Company, ORLEN, submitted a statement informing that - pursuant to Article 385 § 2 of the Polish Code of Commercial Companies and § 17 section 3 of the Company's Articles of Association - it dismissed, as of the end of 4 April 2024, Agnieszka Żyro from the composition of the Company's Supervisory Board.

On 16 April 2024, the Company's Supervisory Board supplemented the composition of the Nomination and Remuneration Committee by appointing Ms. Agata Piotrowska and Ms. Dominika Lechowska.

One meeting of the Nomination and Compensation Committee were held in 2023.

The Management Board

Rules of appointing and dismissing the members of the Management Board

The Management Board may consist of one to five persons, including the President and optionally one or more Vice-Presidents of the Management Board. The term of office of the Management Board is common and ends on the date of the General Meeting approving the financial statements for the second full financial year of the term of office.

In accordance with the Articles of Association, Management Board members are appointed and dismissed by the Supervisory Board, which appoints one member as the President and may appoint one or more members as the Vice-President.

A member of the Management Board can also be:

1. dismissed or suspended from duty by the General Meeting,
2. suspended from duty for important reasons by the Supervisory Board.

The Supervisory Board appoints members of the Management Board following a qualification procedure.

A Management Board member may submit his or her resignation to another member of the Management Board or to the commercial proxy. The resignation notice should be submitted in writing. The member of the Management Board must inform at least one member of the Supervisory Board of the resignation.

Composition

Throughout 2023 and until the date of this Report, the Management Board of the Company has had the following members:

1. in the period from 1 January 2023 to 16 February 2023:
 - a. Zofia Paryła - President of the Management Board,
 - b. Michał Perlik - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Janusz Szurski - Vice-President of the Management Board for Corporate Matters,
 - e. Dominik Wadecki - Vice-President of the Management Board for Operations and Climate.
2. in the period from 17 February 2023 to 27 March 2023:
 - a. Zofia Paryła - President of the Management Board,
 - b. Michał Perlik - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Janusz Szurski - Vice-President of the Management Board for Corporate Matters.
3. in the period from 27 March 2023 to 31 January 2024:
 - a. Zofia Paryła - President of the Management Board,
 - b. Michał Perlik - Vice-President of the Management Board for Finance and Climate,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Janusz Szurski - Vice-President of the Management Board for Corporate Matters.
4. in the period from 1 February 2024 to 25 March 2024:
 - a. Zofia Paryła - President of the Management Board,
 - b. Michał Perlik - Vice-President of the Management Board for Finance and Climate,
 - c. Janusz Szurski - Vice-President of the Management Board for Corporate Matters.
5. in the period from 26 March 2024 to 19 April 2024:
 - a. Michał Perlik - acting President of the Management Board,
Vice-President of the Management Board for Finance and Climate.
6. in the period from 20 April 2024 until the date of preparation of this Report:
 - a. Michał Perlik - acting President of the Management Board,
Vice-President of the Management Board for Finance and Climate,
 - b. Sławomir Staszak - Vice-President of the Management Board,
 - c. Roman Szyzsko - Vice-President of the Management Board

On 16 February 2023, the Supervisory Board of the Company adopted a resolution to dismiss, as of the same day, Mr. Dominik Wadecki, Vice-President of the Management Board for Operations and Climate, from the Management Board of the 7th term of office.

On 27 March 2023, the Company's Supervisory Board adopted a resolution to change the name of the function entrusted to Mr. Michał Perlik from Vice-President of the Management Board for Finance to Vice-President of the Management Board for Finance and Climate.

On 31 January 2024, the Company's Supervisory Board adopted a resolution to dismiss, as of the same day, Ms. Adrianna Sikorska, Vice-President of the Management Board for Communication, from the Company's Management Board of the 7th Term.

On 25 March 2024, the Company's Supervisory Board adopted resolutions to dismiss, as of 25 March 2024, Ms. Zofia Paryła, President of the Management Board of Energa SA, and Mr. Janusz Szurski, Vice-President of the Management Board of Energa SA for Corporate Matters, from the Company's Management Board of the 7th term. At the same time, the Supervisory Board of the Company adopted a resolution to entrust Mr. Michał Perlik, Vice-President of the Management Board of Energa

SA for Finance and Climate, with performing the duties of the President of the Management Board of Energa SA until a new President of the Management Board of the Company is appointed.

On 26 February 2024, the Company's Supervisory Board initiated qualification proceedings for the position of President of the Management Board of the 7th term, which ended on 6 March 2024 without selecting the best candidates.

On 2 April 2024, the Company's Supervisory Board initiated qualification proceedings for the positions of the President of the Management Board and Vice-Presidents of the Management Board of Energa SA for the 7th term, which ended on 19 April 2024.

The procedure for the position of President of the Management Board was completed without selecting the best candidates.

The procedure for the positions of Vice-Presidents of the Management Board ended with the appointment of Mr. Sławomir Staszak and Mr. Roman Szyszko to these positions, as of 20 April 2024.

The current 7th term of office of the Management Board of Energa SA will expire on the date of the General Meeting approving the financial statements for the financial year 2024.

Michał Perlik – acting President of the Management Board, Vice-President of the Management Board for Finance and Climate

Mr. Michał Perlik has a 20 years of experience in management of accounting, reporting, controlling, treasury, strategy, M&A and investor relations areas. He joined the ORLEN Group in March 2018. From February 2019 to April 2020, he held the position of Director of the Strategy Office at PKN ORLEN SA, where he coordinated strategic projects implemented in the Group. Since 2020, he has held the position of Executive Director of Financial Management at PKN ORLEN SA, and he is responsible for managing accounting and reporting, treasury, market risk and compliance in relation to financial regulations such as AML and sanctions. In addition, he is responsible for coordinating the process of integrating the finance areas of the Energa Group and the ORLEN Group. Prior to joining the ORLEN Group, he held managerial positions in many companies and financial institutions. From 2016 to 2018, as Director of Finance and Business Development at Cosmedica Sp. z o.o., he was responsible for, among others, the financial management of the group and the coordination and implementation of strategic projects. Being a director at PKO Bank Hipoteczny S.A. between 2015 and 2016, he managed the areas of controlling and investor relations. From 2008 to 2015, he worked at CEPD N.V. Holding, where he was responsible, inter alia, for the management of the holding's finances, coordination and active participation in M&A processes and carrying out projects in the field of sales efficiency growth. He was the head of investor relations teams in PZU SA (in 2002-2007) and ING Bank Śląski SA (in 2007-2008). He is a graduate of the University of Warsaw (Accounting and Finance and Postgraduate Studies in Insurance) and Łazarski University.

Mr. Sławomir Staszak – Vice-President of the Management Board of Energa SA

Mr. Sławomir Staszak has many years of experience in managing, developing and implementing complex ownership supervision systems in commercial companies and holding groups, as well as in broadly defined corporate and holding company law and capital market law. Since 2014, he has been the managing partner of law firm K&S Kancelaria Radców Prawnych Kardasz Staszak sp.k. In his career, he has participated in the implementation of numerous business projects for various entities, including co-founding internationally operating holding groups, among others for entities in the energy and port industries. He has managed international teams and participated in building strategies for multi-million dollar business projects. He has also provided business consulting services to domestic and foreign commercial law entities, among others those in the European Union, the United States and Asia, including managing the implementation of sales strategies for foreign markets, particularly in Asia. In addition to his extensive legal practice, his past professional experience has allowed him to hone his supervisory and management skills, including those related to managing complex teams. Mr. Sławomir Staszak has served on the management and supervisory boards of many companies and foundations, including Zarząd Morskiego Portu Gdynia S.A. He is a law graduate of the University of Gdańsk, and has been practicing as a legal counsel since 2014.

Mr. Roman Szyszko – Vice-President of the Management Board of Energa SA

Mr. Roman Szyszko specialises in organising and carrying out processes to increase efficiency and scale of operations. Between 2008 and 2015, he was responsible for transforming ENERGA Group's operations and structuring its long-term financing. He has gained professional experience in implementing organisational changes in entities seeking to overcome significant barriers to development. He has worked on operational development and ownership changes at Dexia Kommunalcredit Bank Polska, Nordea Bank Polska (formerly: Bank Komunalny), Bank Gdański and Bank Przemysłowo-Handlowy. He has participated in the processes of introducing new methods of operation of commercial and public utility organisations. He considers effective management of entities operating in a highly volatile environment to be a management priority. He graduated with a master's degree in management and psychology from the University of Gdańsk and has a diploma in finance from Strathclyde University.

None of the above member of the Management Board is engaged in any activities competitive to the business of Energa SA, does not participate in a company competitive to Energa SA as a partner of a civil law partnership, a partnership or as a member of a capital company body and does not participate in any other competitive legal person as a member of its corporate bodies as well as he is not listed in the Register of Insolvent Debtors maintained under the National Register Court Act.

Powers and responsibilities of the Management Board

The Management Board proceeds in compliance with the CCC and the Articles of Association. The organisation and operating principles of the Management Board, including the matters which require resolutions, are set out in the Rules of Procedure of the Management Board approved by the Supervisory Board, published on the corporate website of the Company.

The Management Board administers the Company's business and represents the Company outside. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised to make statements of will on behalf of the Company in the case of a multi-person Management Board. In the case of a single-person Management Board, only a member of the Management Board is authorised to make statements of will on behalf of the Company.

Members of the Management Board supervise the areas of activity assigned to them and are responsible for the independent management of the Company's affairs as part of ordinary management, within the scope resulting from the division of competences determined in the resolution of the Management Board. As at the date of this Report, members of the Management Board, in order to manage matters falling within their competence individually, have functionally divided specific areas of the Company's activities, delegating:

- 1) to the President of the Management Board – functional oversight of the following areas of activity:
 - a) organisational management,
 - b) audits and inspections,
 - c) safety and security,
 - d) HR policy of the Group, subject to point 2 c),
 - e) occupational health and safety service,
 - f) marketing and sponsoring,
 - g) internal and external communication,
 - h) CSR and relations with the environment,
 - i) press service,
 - j) ENERGA Foundation.
- 2) To the Vice-President of the Management Board for Corporate Matters – functional oversight of the following areas of activity:
 - a) legal services, compliance,
 - b) corporate governance within the Group,
 - c) HR policy of the Group's corporate bodies,
 - d) management of organisational/corporate governance within the Group,
 - e) IT,
 - f) social dialogue
- 3) To the Vice-President of the Management Board for Finance and Climate – functional oversight of the following areas of activity:
 - a) the Energa Group Strategy,
 - b) strategic risk management,
 - c) market analysis and Group development,
 - d) mergers and acquisitions,
 - e) planning and financial analysis,
 - f) financial reporting and consolidation,
 - g) financial policy,
 - h) financial risk management within the Group,
 - i) financial and business controlling,
 - j) investor relations,
 - k) stakeholder relations,
 - l) environmental policy, including climate,
 - m) regulatory policy,
 - n) operational business oversight,
 - o) operational assets oversight and management of strategic investments,
 - p) research, development and innovation area.

Method of operation of the Management Board

Resolutions of the Management Board, as a general rule, are adopted at meetings. Meetings are held as scheduled, when required, however no less frequently than once every month.

Meetings of the Management Board are convened by the President of the Management Board.

As a general rule, meetings of the Management Board are chaired by the President of the Management Board. The meeting venue is either the registered office or a different venue specified by the President of the Management Board. Rules of the Management Board allow members of the Management Board to participate in the meeting by means of direct remote communications.

Management Board resolutions are passed by an absolute majority of votes. In the event of a tie vote, the vote of the President of the Management Board is decisive. Resolutions of the Management Board are valid provided that all members of the Management Board have been properly notified of the planned meeting and at least half of the members of the Management Board are present at the meeting.

The Management Board may adopt resolutions in a circular procedure or by means of direct communication at a distance. The detailed procedure for adopting resolutions in this way is specified in the Management Board's By-laws. A resolution adopted outside the meeting is valid when all members of the Management Board are effectively notified of the content of the draft resolution in the manner specified in the Rules of the Management Board and when at least half of the members of the Management Board participated in voting on the resolution.

In 20223, the Management Board of Energa SA held 38 meetings and adopted 426 resolutions.

10.8. Salaries of executive and supervisory staff

The Management Board

On 29 June 2020, the Ordinary General Meeting adopted Resolution 33 on the adoption of the rules for setting the remuneration of Members of the Management Board of Energa Spółka Akcyjna and repealing resolution 20 of the Ordinary General Meeting of Shareholders of 25 June 2019. On the same day, under Resolution No 32 the Ordinary General Meeting adopted Remuneration Policy for Members of the Management Board and Supervisory Board of Energa SA. On 15 June 2023, the Ordinary General Meeting adopted Resolution No. 33 on changing the principles of shaping the remuneration of Members of the Management Board of Energa Spółka Akcyjna.

In accordance with the rules adopted by the General Meeting of Shareholders, remuneration of a Member of the Management Board shall consist of a fixed part (hereinafter: Fixed Remuneration) and a variable part, which is supplementary remuneration for the financial year of the Company (hereinafter: Variable Remuneration).

The amount of the monthly Fixed Remuneration of Members of the Management Board of the Company shall be determined as an amount and may not exceed 15 times the average remuneration in the enterprise sector without payment of awards from profit, as specified in the Act of 9 June 2016 on the Rules of Structuring Remunerations of Persons Managing Certain Companies. The amount of the Fixed Remuneration for individual Members of the Management Board of the Company shall be determined in a resolution of the Supervisory Board.

The Variable Remuneration shall depend on the level of achievement by the Member of the Management Board of managerial goals set by the Supervisory Board and shall not exceed 100% of the Fixed Remuneration.

Based on the adopted remuneration principles, contracts for the provision of management services are concluded with members of the Management Board, which provide, among others, that:

1. subject to exceptions, if the contract is terminated or withdrawn from by the Company, the Member of the Management Board may be granted a severance pay in the amount not higher than 3 times the Fixed Remuneration, provided that the Member performed the function for at least 12 (twelve) months before the Contract is terminated;
2. A non-competition agreement in force after termination of the function may be concluded with a Member of the Management Board, where such an agreement shall enter into force after at least 3 (three) months of performance of the function by a Member of the Management Board, and the amount of non-competition compensation may not exceed 100% of monthly Fixed Remuneration received by a Member of the Management Board before the termination of the function, for a period corresponding to the period of non-competition. The non-compete period shall not exceed 6 (six) months after the member of the Management Board ceased to perform their function.

The individual salaries of the members of the Company's Management Board for 2023 are presented in the table below.

Table 42: Salaries of members of the Management Board of Energa SA in the period from 1 January to 31 December 2023 (in PLN '000)

Name	Period in office	Wages and salaries	Other benefits*	Total
PARYŁA ZOFIA	from 1 January to 31 December 2023	840.00	342.02	1,182.02
PERLIK MICHAŁ	from 1 January to 31 December 2023	585.13	228.73	813.86
SIKORSKA ADRIANNA	from 1 January to 31 December 2023	763.26	520.92	1,284.19
SZURSKI JANUSZ	from 1 January to 31 December 2023	585.13	298.11	883.24
WADECKI DOMINIK	from 1 January to 16 February 2023	99.67	967.27	1,066.93
WAKSMUNDZKA OLEJNICZAK IWONA	-	0.00	60.42	60.42
KASICKI MAREK	-	0.00	140.17	140.17
TOTAL		2,873.19	2,557.64	5,430.84

*Payment of remuneration for the settlement of variable remuneration for 2022, severance pay for termination of the contract, non-competition, PPK employer, training, medical subscription, company apartment, free use of a car for private purposes

Members of the Management Board were additionally entitled to benefits in kind in 2023, including i.a.:

1. 100% coverage of the cost of VIP medical care package for the member of the Management Board and 50% of his or her immediate family
2. tied accommodation, in justified situations, or partial reimbursement of rental costs,
3. financing or reimbursement of individual training relating to the scope of activities performed for the Company,
4. use of the Company's assets that support performance of management operations.

The compensation plan for the members of the Management Board of Energa is based on management by objectives. Objectives are set on the basis of the current Energa Group Strategy, the Multi-Annual Plan of Strategic Investments and the internal and external challenges faced by the Energa Group. The payment of variable pay components to members of the Management Board of Energa SA depends on the degree and level of achievement of objectives. Additionally, the objectives of the Management Boards of Lead Entities of Business Lines and Company management are aligned with the objectives of the Management Board of Energa and cascaded in a top-down fashion. The existing model offers incentives and integrates the executives and managers around the objectives, encouraging co-ownership.

The system design allows both a focus on activities that are important from the perspective of the Energa Group and the fulfilment of the Group's ambitions. It is also important for the Company's shareholders, allowing to create long-term value for Energa and ensuring the stability of business operations.

The Supervisory Board

On 29 June 2020, the Ordinary General Meeting, pursuant to Resolution No. 32, adopted the Remuneration Policy for Members of the Management Board and Supervisory Board of Energa SA. On 20 May 2022, the Ordinary General Meeting adopted Resolution No. 26 determining the rules for setting the remuneration of the Members of the Supervisory Board of Energa and repealing Resolution No. 34 of the Ordinary General Meeting of 29 June 2020.

In accordance with the Articles of Association, members of the Supervisory Board are entitled to a monthly salary at a rate set by the General Meeting.

In accordance with the rules adopted by the General Meeting, members of the Supervisory Board are entitled to a monthly remuneration calculated by multiplying the average monthly salary in the enterprise sector excluding profit distributions for the fourth quarter of the previous year, as announced by the President of Statistics Poland, by a factor of 1.5. No remuneration is due for a month in which a member of the Supervisory Board did not attend any duly convened meetings of the Company's Supervisory Board, and his/her absence was not excused as provided for in the Rules of Procedure of the Company's Supervisory Board.

Salaries of the members of the Supervisory Board of Energa SA for 2023 are presented in the table below.

Table 43: Salaries of members of the Supervisory Board of Energa SA in the period from 1 January to 31 December 2023 (in PLN '000)

Name	Period in office	Wages and salaries	Other benefits*	Total
DYBOWSKI JAROSŁAW	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
HAJDAS BARBARA	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
KOBYŁKIEWICZ SYLWIA	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
KOSZTYŁA PAWEŁ	from 1 January 2023 to 15 June 2023	57.47	0.00	57.47
PIOTROWSKA AGATA	from 1 January 2023 to 15 June 2023	57.47	0.00	57.47
TERLIKOWSKA KULESZA AGNIESZKA	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
ZIEMIECKA KSIĘŻAK PAULA	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
ŻYRO AGNIESZKA	from 1 January 2023 to 15 June 2023 from 16 June 2023 to 31 December 2023	125.39	0.00	125.39
MICHALSKI ARTUR	from 1 May 2023 to 16 June 2023 from 16 June 2023 to 31 December 2023	83.59	0.78	84.37
ZIOBROŃ ANNA	from 16 June 2023 to 31 December 2023	67.92	0.00	67.92
RÓG MICHAŁ	from 1 January 2023 to 22 February 2023	0.00	0.00	0.00
TOTAL		1,018.75	0,78	1,019.54

* Employee Capital Plan employer

Number and par value of Company shares and shares in the Company's related entities held by management and supervisory staff

None of the members of the Management Board or Supervisory Board of Energa SA had any Company shares as at 31 December 2023.

10.9. Diversity policy

The Company's employee diversity policy is presented in several internal documents. However, it has not been adopted in a document form by the Supervisory Board or the General Meeting. Energa respects the dignity of every person regardless of race, nationality, religion, gender, education, professional position, sexual orientation, degree of disability or political affiliation, and does not accept any form of discrimination. The Company seeks to ensure diversity through the selection of diverse and professional managerial and supervisory talents. Furthermore, inspiring ideas put forward by employees encourage action, while stimulating the Company's development. This diverse human potential is a source of innovation.

Another cornerstone of diversity management at Energa involves ensuring equal access to professional development and promotions. Based on equal principles, rights and obligations, the Company ensures that everyone can be fairly and fully involved in the Energa Group's fields of activity.

10.10. Main features of internal control and risk management systems in relation to the financial reporting process

The Company runs an internal control system which ensures credibility and reliability of financial reporting and compliance with the laws and internal regulations. As regards preparation of financial statements, the system of internal control includes:

- control activities performed by employees in the scope of duties entrusted to them,
- functional control carried out as part of the supervision duties over reporting organisational units,
- audit of compliance of the Company's actions with the provisions of law and internal regulations.

The internal audit function is an important element of the internal control system. Internal auditing is an independent, objective activity designed to add value and improve an organisation's operations, bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It helps an organisation accomplish its objectives, giving assurance as to the effectiveness of these processes, also through consulting.

The Company has an internal audit unit. It performs audit functions in companies of the Energa Group in line with the Energa Group's Internal Audit Policy. As part of its tasks, the unit carries out an annual Assessment of the internal control, risk management and compliance system at the Company. The purpose of this Assessment is to strengthen the internal control system by identifying good practices, while identifying areas where the system should be strengthened. The area of financial reporting is part of the annual Appraisal of the Internal Control System, risk and compliance management in Energa SA.

The purpose of an effective internal control system in financial reporting is to ensure the adequacy and accuracy of the financial information disclosed in periodic reporting. For that purpose, the Company has designed, implemented and used financial reporting process control matrices.

Financial information used for financial reporting, Management Board reports and Energa's monthly management and operational reporting is derived from the Company's financial accounting system. Following the completion of all predefined end-of-month ledger closing processes, detailed management reports on finance and operations are prepared. The reports are drafted with the involvement of managers and executives from each organisational unit. For past reporting periods, the Company's financial performance is thoroughly analysed against budget estimates, and any identified deviations are properly clarified.

Both financial and management reporting of the Company and the Energa Group are based on the Accounting Policy (according to the International Financial Reporting Standards), which is updated as required and adopted for application by means of a resolution of the Company's Management Board.

The Company carries out annual reviews of strategies and economic and financial plans. Managers and executives are engaged in a detailed planning and budgeting process, which spans all areas of operation. When prepared, the economic and financial plan is adopted by the Management Board and approved by the Supervisory Board.

The selection of an audit firm to audit the separate and consolidated financial statements of the Company is the responsibility of the Supervisory Board.

The Company adopted a document entitled "Policy and procedure for the appointment of the auditor and policy of provision of additional services by the auditor, the entity related to the auditor and by a member of the network", the provisions of which meet requirements of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

In compliance with the Policy and § 33 of the Rules of Procedure of the Company's Supervisory Board, the Audit Committee evaluates the bids from audit firms and recommends an audit firm to the Supervisory Board. The Supervisory Board chooses the audit firm in accordance with § 16 of the Company's Articles of Association.

As a result of the procedure, on 3 November 2023, the Company's Supervisory Board selected the statutory audit firm PKF Consult Spółka z ograniczoną odpowiedzialnością sp.k. with registered office in Warsaw at al. Orzyckiej 6 ("PKF") as the statutory auditor to audit and review the separate and consolidated financial statements of Energa SA and the Energa Group for annual periods ended, respectively, 31 December 2023 and 31 December 2024.

The audit report is presented to the Management Board, Audit Committee and Supervisory Board. Following the annual audit, the audit firm submits an additional report to the Audit Committee, clarifying the findings of the audit.

Risk management in the process of preparing financial statements is based on the identification and assessment of risk along with the definition of further risk response and its ongoing monitoring. As part of the Energa Group Integrated Risk Management System, financial reporting risk relating to the timely and error-free preparation of the Company's and Group's financial statements, as well as reporting and management information risk involved, for instance, in obtaining and preparation of management, operating and financial information required for management decisions, are identified and managed. The control mechanisms for the above risks include, without limitation: The Accounting Policy of the Energa Group and Energa SA, ledger

accounting instructions, ongoing consultations with the auditor relating to interpretation of accounting regulations, automatic controls embedded in IT systems, manual controls, principles of drawing up financial plans, financial and management reporting calendar or hedge accounting principles.

The risk management process, which is described in more detail in a separate chapter herein, spans all business lines and corporate levels across the Group. It assumes ongoing and cyclical risk reviews and monitoring as well as an independent periodic assessment of effectiveness and efficiency of the system and its continuous improvement.

The findings of risk identification and assessment, including reporting risks, are adopted by the Company's Management Board in the form of a resolution of the Management Board, which additionally covers the definition of the risk appetite and management strategies for individual risks, while obligating Risk Owners to implement adopted action plans. Additionally, as part of the monitoring of the effectiveness of the Energa Group risk management system, a summary risk review report is submitted to the Audit Committee of the Energa Group's Supervisory Board.



Registered office of Energa SA in Gdańsk in al. Grunwaldzka

Management Board representation and information

11. MANAGEMENT BOARD REPRESENTATION AND INFORMATION

Gdańsk, 23 April 2024

The Management Board of Energa SA hereby informs and represents that:

- (1) to the best of its knowledge, the annual separate financial statements, the annual consolidated financial statements and reference data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear view of the assets and financial position of Energa SA and the Energa Group, and of their financial results. The Management Board's Report on the operations of the Energa Group and Energa SA gives a true view of the development, achievements and condition of the Energa Group and Energa SA, and includes a description of the key risks and threats;
- (2) PKF Consult Spółka z ograniczoną odpowiedzialnością sp. k., the entity authorized to examine financial statements, which audited the separate financial statements of Energa SA for the financial year ended 31 December 2023 and the consolidated financial statements of the Energa Group for the financial year ended 31 December 2023, was selected in accordance with the applicable laws and regulations. That entity and the auditors who audited the aforesaid statements met the conditions for expressing an impartial and independent opinion from the audit of the separate financial statements and the consolidated financial statements in accordance with the applicable laws and regulations and professional standards,
- (3) the selection of the audit firm examining the annual separate financial statements and the annual consolidated financial statements was compliant with legal provisions, including those governing the selection and the procedure for selecting audit firms, and states that:
 - a) the audit firm and the members of the audit team met the conditions required for preparing an impartial and independent auditor's report from the audit of the annual separate financial statements and the annual consolidated financial statements in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics,
 - b) the Group complies with the applicable legal provisions governing the rotation of audit firms and lead auditors as well as with the mandatory cooling-off periods,
 - c) the issuer has a policy in place governing the selection of audit firms and a policy on the provision of non-audit services by audit firms, their related parties or members of their service networks to the issuer, including services conditionally exempted from the prohibition on provision by audit firms.

Michał Perlik

Acting President of the Management Board of Energa SA
Vice-President of the Energa SA Management Board
for Finance and Climate

Sławomir Staszak

Vice-President of the Management Board of Energa SA

Roman Szyszko

Vice-President of the Management Board of Energa SA

Łukasz Minuth

Director of the Finance Department

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GLOSSARY OF TERMS AND ABBREVIATIONS

AMI (Advanced Metering Infrastructure)	An integrated set of smart electricity meters, modules and communication systems enabling the collection of data on energy consumption for specified users.
Billing	A detailed receipt, a statement of all charges for value-added services used by a subscriber in a billing period.
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials.
CAPEX (Capital Expenditures)	Capital expenditures.
CBRF	Centrum Badawczo-Rozwojowe im. M. Faradaya (Faraday Research and Development Centre), established for the purpose of implementation of Energa's Innovation Strategy for 2017-2020, with a perspective beyond 2025.
CO ₂	Carbon dioxide.
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets. Since the EBITDA definition changed in 2016, EBITDA for comparable periods (2013-2015) has been recalculated according to the new definition.
EBIT (earnings before interest and taxes)	Operating profit.
EBOR	European Bank for Reconstruction and Development
Issuer, issuer	Energa SA
EMTN	The Euro Medium Term Note (EMTN) programme
Energa SA, Energa, Energa SA	Parent company of the Energa Group.
Energa Operator, Energa Operator SA, EOP	Energa Operator SA, a subsidiary of Energa SA and the Lead Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, Energa Obrót SA, EOB	Energa Obrót SA, a subsidiary of Energa SA and the Lead Entity of the Sales Business Line in the Energa Group.
Energa OZE, Energa OZE SA	Energa OZE SA, a subsidiary of Energa SA and the Lead Entity of the Generation Business Line in the Energa Group. Energa Wytwarzanie SA was renamed Energa OZE SA on 3 September 2019.
	The Euro Medium Term Notes issuance programme.
ESG	Environmental, Social, Governance
EU	The European Union.
EUR	Euro, the currency used in European Union's eurozone countries.
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange)
The Energa Group, the Group, Energa	A group of companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialised transport, hotel and IT services.
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable.
GUS	Główny Urząd Statystyczny (the Central Statistical Office).
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W.
GWe	Gigawatt of electric power.
GWh	Gigawatt hour.
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate.
KNF	Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority).
Cogeneration, CHP	An engineering process of simultaneous production of heat and electric or mechanical energy in the course of the same engineering process.
Covenants	Contract clauses used as safeguards, especially in lending agreements.
KRS	Krajowy Rejestr Sądowy (the National Court Register).
NPS	National Power System
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ.
MEW	Small hydro power plant.
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ W.
MWe	Megawatt of electric power.
MWh	Megawatt hour.
MWt	Megawatt of electric power.
NBP	Narodowy Bank Polski (the National Bank of Poland), Poland's central bank.
NFOŚiGW	Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (the National Fund for Environmental Protection and Water Management).
NIB	Nordic Investment Bank
EGM	The Extraordinary General Meeting of Energa SA.
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity.
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems.
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in a gas or electricity transmission system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the transmission network, including connections to other gas or electricity systems.
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session.
PGE	PGE Polska Grupa Energetyczna SA.

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2023**

GDP	Gross Domestic Product.
PLN	Polish zloty; national currency.
PMI	Forward-looking index of the Polish industry
PMOZE_A	Property rights in certificates of origin for renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin.
p.p.	Percentage point.
ECP	Electricity connection point
GCP	Gas connection point
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from cogeneration.
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the electricity transmission system operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014.
yoy	Year on year.
DAM	Day-Ahead Market
SAIDI (System Average Interruption Duration Index)	System Average Interruption Duration Index.
SAIFI (System Average Interruption Frequency Index)	System Average Interruption Frequency Index.
Smart Grid	An electricity system that integrates in an intelligent way the behaviours of all participants of generation, transmission, distribution and use processes in order to supply electricity in an economic, sustainable and safe manner. Comprehensive power industry solutions allowing for linking, mutual communication and optimal control of previously dispersed elements of energy networks.
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D.
Certificate of origin	Certificate of origin from renewable energy sources, a green certificate, and a certificate of origin from cogeneration.
Certificate of origin from cogeneration	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a cogeneration unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a cogeneration unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another cogeneration unit (known as a red certificate).
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate).
Tariff G	A tariff group for individual customers – households.
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price of depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions.
TPA (Third Party Access)	A principle under which the owner or operator makes its network infrastructure available to third parties in order to provide services to customers. In the case of electricity, this means the possibility of using the network of a local energy distributor to deliver energy purchased from any seller to the indicated location.
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
EU	The European Union.
URE	The Energy Regulatory Office.
WACC	Weighted average cost of capital.
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate.
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner can be deemed to be energy generated in a renewable energy source.