



Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2022

Gdańsk, 26 April 2023

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1. SUMMARY

ENERGA GROUP IN 2022



One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 29% share of RES in own production.

Financial data

Revenues	EBITDA	EBITDA margin
PLN 20,444 m	PLN 2,573 m	12.6%

Renewable energy sources

Installed capacity	RES production	
563 MWe	1,324 GWh	



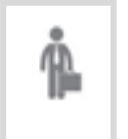

Operating data

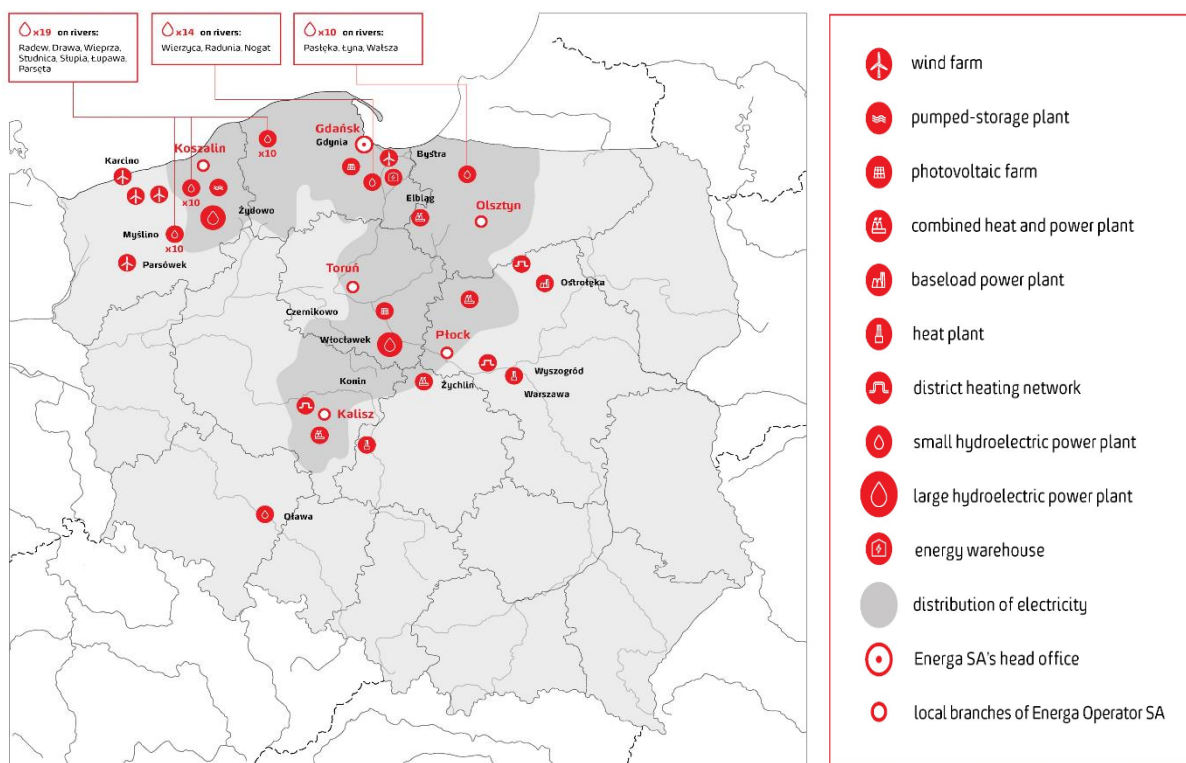
Volume of electricity supplied	Gross electricity production	Retail sales of electricity
23.2 TWh	4.5 TWh	18.0 TWh

Investor's guide*

Capitalization	Share price	Fitch rating	Moody's rating
PLN 2.92 billion	PLN 7.04	BBB+	Baa2

* As at 30 December 2022

Key resources			
Distribution grid	Installed capacity	Number of clients	Number of employees
195 k km 	1.41 GWe of which 40% are RES 	Distribution: 3.3 m Sales: 3.2 m 	8.8 k 



Key Business Lines		
Distribution	Generation	Sales
Energa Operator	Energa Wytwarzanie	Energa Obrót
EBITDA: PLN 2,045 m	EBITDA: PLN 837 m	EBITDA: PLN (317) m

Investments			
PLN 3,260 m	New customer connections	Modernization of HV, MV and LV lines	New RES*
Of which Distribution: PLN 1,648 m	72 k	2,791 km	1,164 MW

*connected to the distribution grid



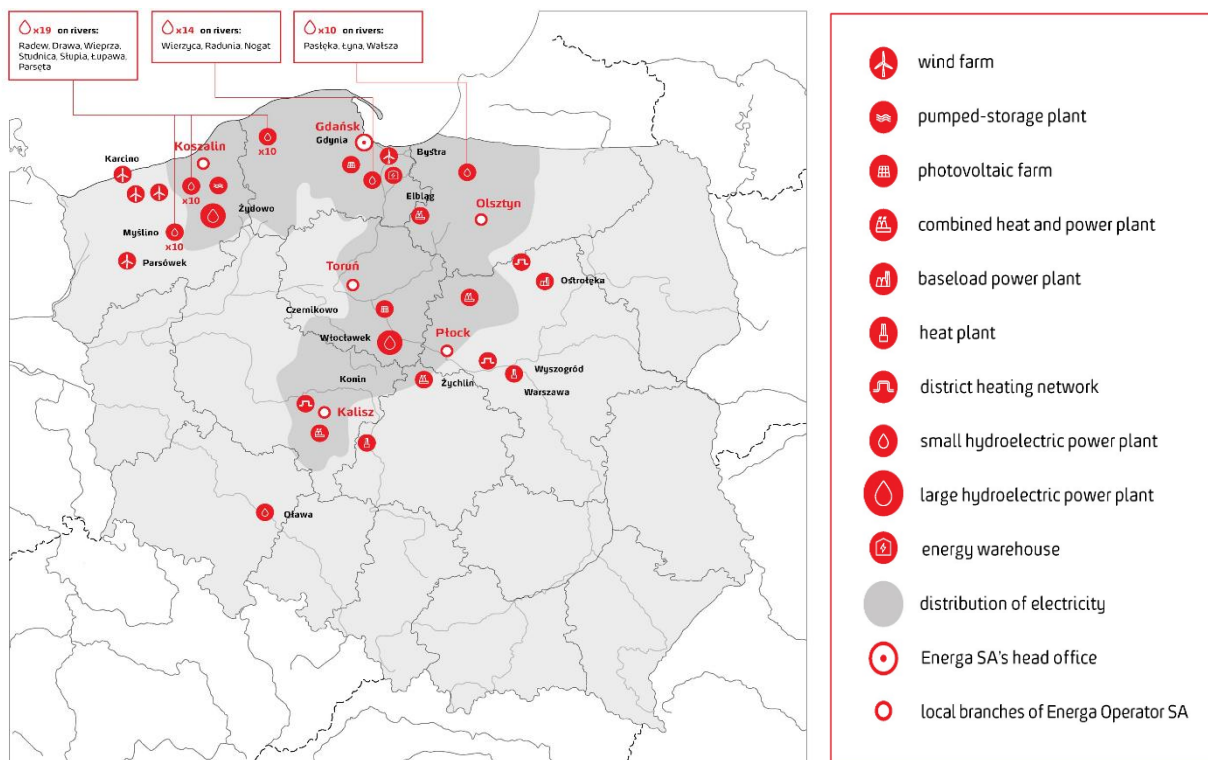
Straszyn hydro plant

Key information on the Energa Group

2. KEY INFORMATION ON THE ENERGA GROUP

2.1. Description of activities of the Group

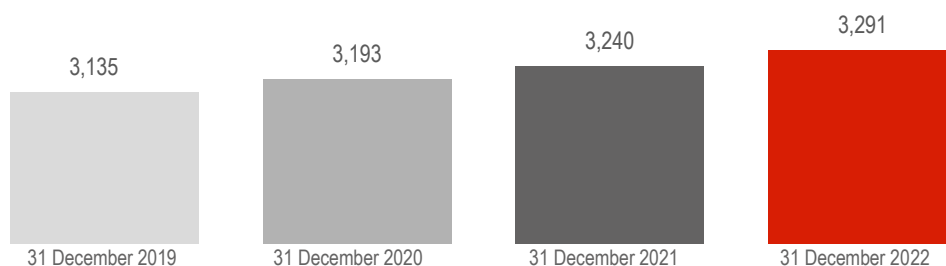
Figure 1: Business locations and main assets of the Group



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 3.1 million of whom are customers with universal agreements and 174 thousand are TPA (Third Party Access) customers. At the end of 2022, the total length of the power lines operated by the Group was over 195 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 2019-2022 (000s)

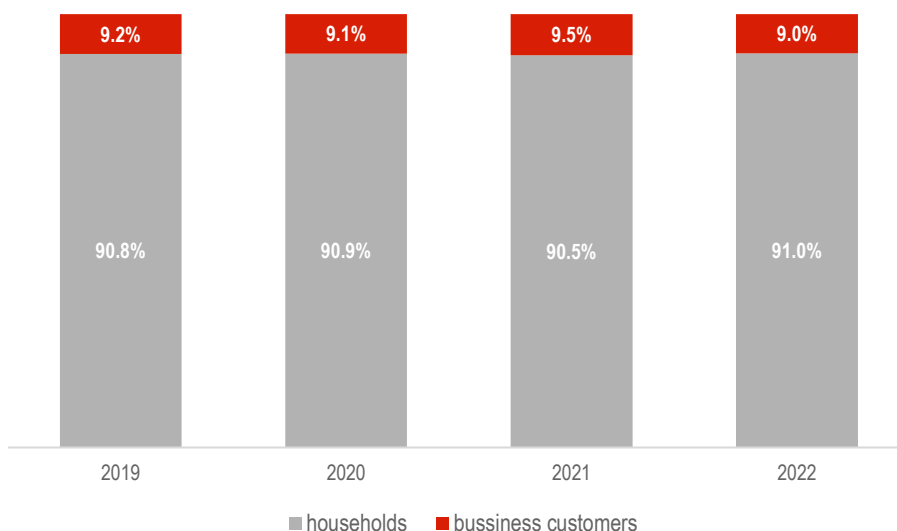


Generation Business Line operates on the basis of four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of 2022, the total installed generation capacity in the Group’s power plants was approx. 1.4 GW. The leading entity in this Business Line is Energa Wytwarzanie SA (“Energa Wytwarzanie”). In 2022 the Group generated approx. 4.5 TWh of gross electricity, of which 69% originated from coal, 19% from hydro, 11% from wind, 2% from biomass and 1% 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 46 hydro power plants, 6 wind farms, as well as biomass-fired installations (i.a. in Energa Kogeneracja entity) and photovoltaic installations owned by the Group. As at the end of 2022, the Group had c.a. 0.6 GW of renewable capacity, with a gross production of electricity totalling 1.3 TWh throughout the entire 2022.

Sales Business Line. Its leading entity is Energa Obrót SA ("Energa Obrót", "EOB"). It sells electricity, gas and additional services (e.g. photovoltaic installations, charging stations for electric vehicles) 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 2022, the Energa Group had approximately 3.2 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.

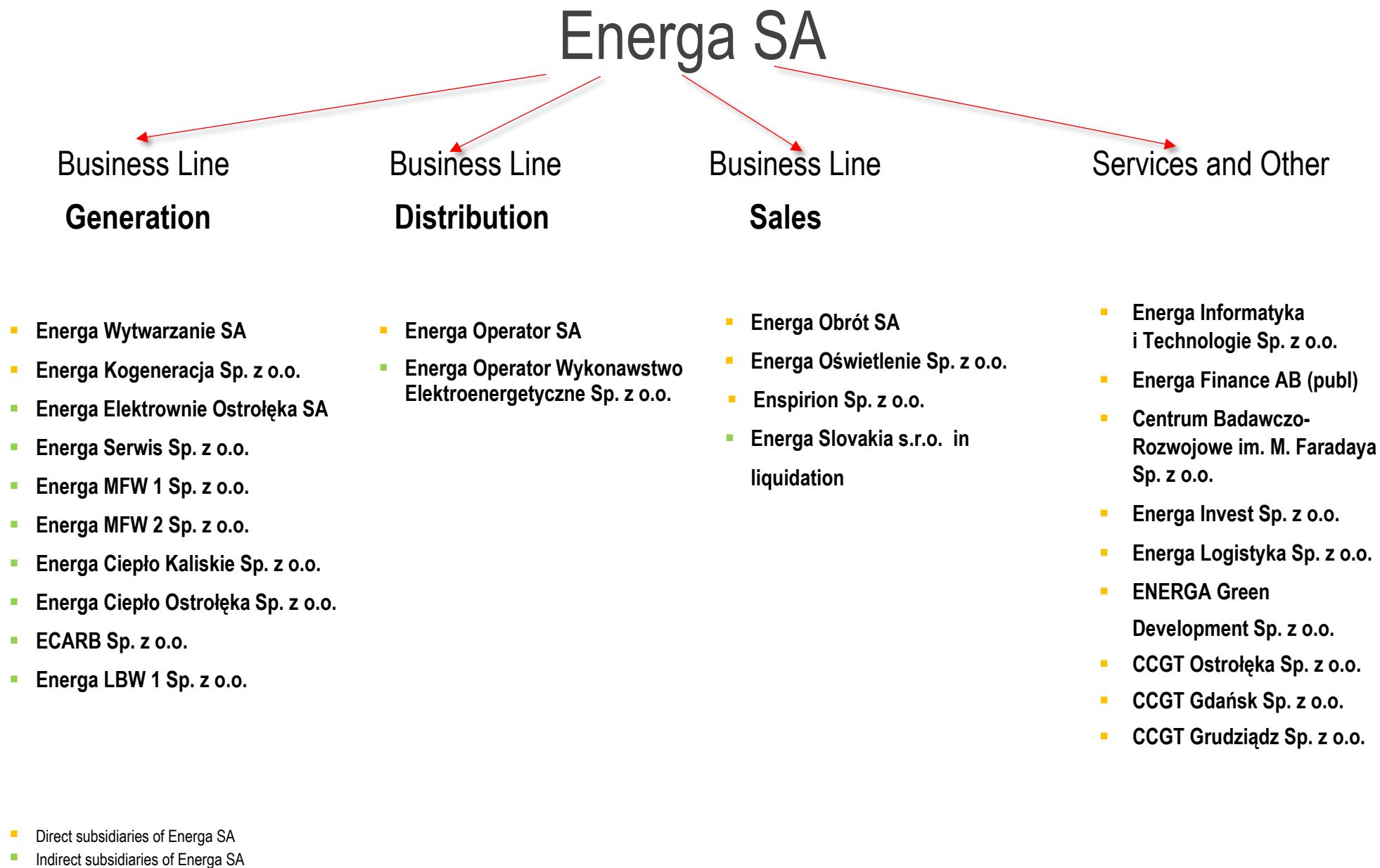
Figure 3: Structure of Energa Obrót's end customers by customer type



2.2. Group's structure and governance model

As at 31 December 2022, 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 2022



As at 31 December 2022 the Group held shares in a joint venture Polska Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in an associate Polimex-Mostostal S.A. ("Polimex"). For ElectroMobility Poland S.A., the company was reclassified from an associate accounted for with equity method to shares measured in the financial statements at fair value through profit or loss.

Key changes in the Group's structure and organisation

Accession of PKN ORLEN S.A. to CCGT Ostrołęka Sp. z o.o.

On 18 March 2022, the Extraordinary General Meeting of CCGT Ostrołęka Sp. z o.o. adopted a resolution on a share capital increase. All newly created shares in the increased share capital were taken up by PKN ORLEN S.A. ("PKN ORLEN") as a new shareholder. As a result of the capital increase, which was registered with the National Court Register on 27 April 2022, ENERGA SA holds 50.0001% of the share capital of CCGT Ostrołęka Sp. z o.o., and PKN ORLEN holds the remaining 49.9999%.

Change of subsidiary's name

Following the registration with KRS on 25 May 2022, the leading entity of the Generation Business Line changed its name from Energa OZE SA to Energa Wytwarzanie SA.

Establishment of Energa LBW 1 Sp. z o.o.

The company was created on 27 May 2022 by Energa Wytwarzanie, which acquired 100% of its shares. The company was registered with KRS on 20 June 2022. LBW 1 Sp. z o.o. is to be used to implement investment activities as part of the development of RES projects.

Restructuring measures in the preparation of selected Energa Group companies for inclusion into the National Agency for Energy Security

On 1 March 2022, the Council of Ministers adopted the document "Transformation of the power sector in Poland. Spin-off of coal assets from companies with a State Treasury shareholding" ("Transformation"). According to the assumptions of this document, the process of spinning off coal assets will take place through the acquisition by the State Treasury from Energa, PGE S.A., ENEA S.A. and TAURON Polska Energia S.A. assets associated with the generation of electricity in conventional coal-fired units. The assumptions of the Transformation envisage, among others, the integration of the coal assets within a single entity, specifically PGE Górnictwo i Energetyka Konwencjonalna S.A. - a subsidiary of PGE S.A., which will ultimately operate as Narodowa Agencja Bezpieczeństwa Energetycznego (National Energy Security Agency ("NABE")). The role of NABE will be to secure energy security through stable deliveries of power produced from coal. The spin-off of coal assets will allow energy concerns to focus on accelerating investments in low- and zero-carbon energy sources and transmission infrastructure.

Currently in the Energa Group, there is a work in progress related to the finalization of the due diligence process, valuation of the spin-off assets and determination of other key parameters of the future sale transaction. In 2022, in the process of preparing selected Energa Group companies for inclusion into the National Agency for Energy Security, the following ownership changes were introduced:

- On 13 April 2022, Energa Elektrownie Ostrołęka SA sold the only share it held in Zakłady Pomiarowo-Badawcze Energetyki "ENERGOPOMIAR" Sp. z o.o. to Energa Ciepło Ostrołęka Sp. z o.o.,
- On 12 May 2022, Energa sold its entire shareholding in ECARB Sp. z o.o. ("ECARB") to Energa Wytwarzanie, and subsequently, on 16 September 2022, Energa Wytwarzanie sold its entire shareholding in ECARB to Energa Elektrownie Ostrołęka SA, which thus became the sole shareholder of ECARB,
- On 28 June 2022, Energa Elektrownie Ostrołęka SA sold its entire shareholding in Energa Ciepło Ostrołęka Sp. z o.o. to Energa Kogeneracja Sp. z o.o., which thus became the sole shareholder of that company,
- On 29 June 2022, Energa Ciepło Ostrołęka Sp. z o.o. sold its entire shareholding in Energa Serwis Sp. z o.o. to Energa Elektrownie Ostrołęka SA, which thus became the sole shareholder of that company.

Changes in the allocation of the Energa Group companies to Business Lines

On 3 June 2022, the Management Board of Energa decided to move ECARB from the Service and Other Business Line to the Generation Business Line.

Sale of shares in Polska Grupa Górnicza S.A.

On 3 August 2022, a conditional agreement was signed for the sale of shares of Polska Grupa Górnicza S.A. ("PGG") in which the sellers were ECARB Sp. z o.o., PGNiG Termika S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA S.A.,

Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. and WĘGLOKOKS S.A., and the purchaser was the State Treasury of Republic of Poland ("State Treasury"). According to the agreement, ECARB Sp. z o.o. was to sell to the State Treasury all possessed shares in PGG, i.e. 6 000 000 ordinary registered shares (representing 15.32% in the PGG's share capital), for the amount of PLN 1 for all possessed shares. The transfer of the ownership of shares was to take place provided that the National Support Centre for Agriculture ("KOWR") will not exercise the pre-emption right. KOWR did not use the above-mentioned right and consequently on 25 October 2022 the sale of PGG shares to the State Treasury took place. The value of the investment in PGG in the Energa Group's consolidated financial statements as at 30 June 2022 amounted to PLN 0, therefore the sale of PGG shares did not have a significant impact on the net result of the Issuer and of the Energa Group. As a result of the sale of shares in PGG, the Energa Group ceased to be the owner of the hard coal mining sector assets, what is consistent with the implementation of its strategic goals in the field of decarbonization.

Change in share capital of ElectroMobility Poland S.A.

On 28 December 2022, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted resolutions to reduce the share capital of that company by reducing the face value of shares, and subsequently to increase the share capital by issuing new shares, which were taken up by the State Treasury. The changes were registered by the National Court Register on 16 January 2023, and as a result, the share of Energa in the share capital of ElectroMobility Poland S.A. decreased from 4.325% to 2.30%.

Change in share capital of Polimex Mostostal S.A.

Following the sale of further tranches of shares in Polimex Mostostal S.A. by Energa and increases in the share capital of Polimex Mostostal S.A. (in which Energa did not take up any new shares), Energa had a 16.26% in the share capital of that company as at 31 December 2022.

The Group Governance Model

The Energa Group Cooperation Agreement, signed on 20 December 2017 by 31 Energa Group companies (as at the date of these statements, 22 Energa Group companies, 4 of whom acceded to the Agreement in 2021, remain parties to the 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 Energa Group defining the general principles of its governance.

The Energa Group Cooperation Agreement (the "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 Energa Group Cooperation Agreement took into consideration the need to define the rights and obligations of Energa SA as the Energa Group's Parent Company 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 Agreement. The 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 Agreement, while taking into consideration the interests of the Energa Group. As at the date of its signing, the 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 PKN ORLEN S.A. ("PKN ORLEN") and the ORLEN Group and their transformation pursued in 2022 necessitated amendments to the Agreement ensuring: (i) implementation of the standards in force at PKN ORLEN and the ORLEN Group and (ii) continued reliance by the Energa Group companies, in the first place on the support services structures, that were part of the capital structure of the ORLEN Group.

In 2022, 15 annexes to the Agreement were signed. Following consultations, the annexes introduced amendments to the regulations already in force or introduced new regulations, implementing the provisions of the Standards and Policies of PKN ORLEN SA and the ORLEN Group. As at the end of 2022, the Agreement included 66 regulations in force.

The changes in the regulatory environment of the Energa Group introduced under the Agreement focused in particular on:

- 1) ESG – through the adoption of new regulations, such as: (1) the Energa Group ESG Code, (2) the Energa Group Charitable Giving Policy, (3) Rules of application of the ORLEN Group organisational standard on membership of

- the ORLEN companies in external organisations, (4) Rules of application of the ORLEN Group organisational standard on the oversight of foundations which have PKN ORLEN or the ORLEN Group companies as a benefactor, or introduction of the updated (5) Energa Group Sustainable Development Strategy 2021-2023;
- 2) safety and security in the broad sense – through the adoption of new regulations, such as: (1) the Energa Group physical security policy, or changes to such regulations as: (2) the Energa Group Information Security and Cybersecurity Management Policy, (3) the Energa Group Data Privacy Policy, or (4) the Energa Group Occupational Health and Safety Policy.
 - 3) Marketing – defined in revised regulations as the Energa Group Marketing Policy;
 - 4) HR – through the adoption of new regulations, such as: (1) Employee onboarding rules for Energa Group companies, (2) Energa Group Wellbeing Policy, (3) Policy laying down the principles and conditions of work for people with disabilities at the Energa Group, (4) Energa Group Diversity Policy, (5) Rules of Implementation and Delivery of the ORLEN Group Competency Model at the Energa Group Companies, (6) Rules of Implementation and Delivery of the ORLEN Group Competency Model at the Energa Group Companies;

as well as in the areas of corporate governance, ethics, finance and R&D projects.

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 PKN ORLEN SA in April 2020 (PKN ORLEN 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. PKN ORLEN and Energa SA as well as 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 coordination, 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 Group,
- integrate the activities of the Group,
- develop a single decision-making model for the Group,
- keep the division of tasks and responsibilities between the Parties, as the parent company (PKN ORLEN) and subsidiary (Energa as a parent company in the Energa Group),
- ensure the availability and exchange of information between the Parties.

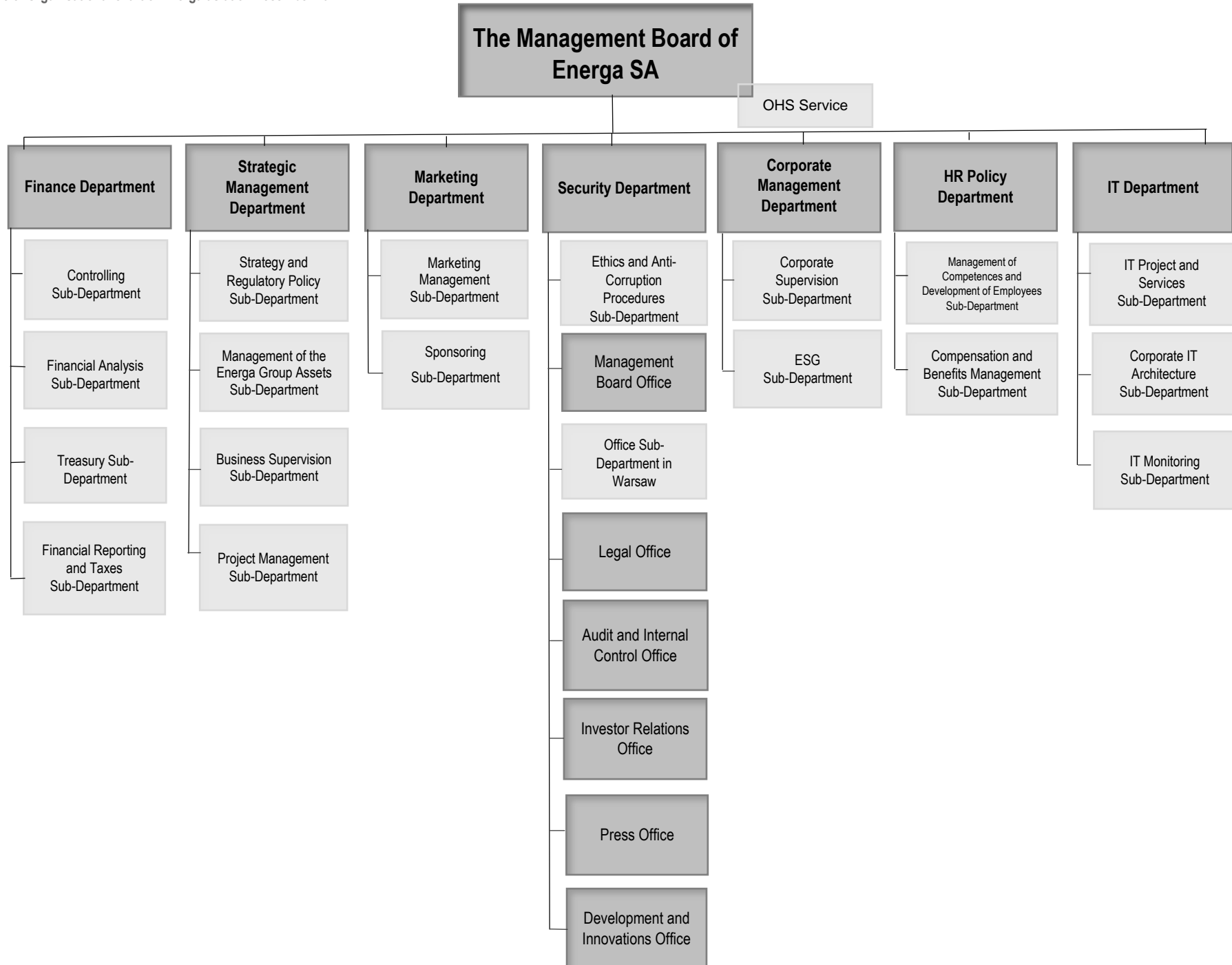
The Agreement establishes foundations for the centralization of organisational, planning and analytical processes which contribute to the development of the Energa Group and the ORLEN Group, as well as decision-making rules at the Energa Group companies, by defining collaboration in the areas such as:

- 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 PKN ORLEN Committees, consulting of "Group resolutions" and collaboration between the relevant areas of Energa SA and the relevant areas of PKN 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 2022.

Figure 5: Organisational chart of Energa as at 31 December 2022



2.3. Key events in 2022 and after the balance sheet date

2.3.1. Material events in the reporting period

Maintaining the rating of Energa SA by the Fitch Ratings

On 20 January 2022 Fitch Ratings ("Fitch") maintained the Company's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' with a Rating Watch Positive, rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) at 'BBB-', and rating for Energa SA's hybrid bonds at 'BB' (for more information see chapter 8.4. *Ratings*).

Changes in the composition of the Supervisory Board of Energa SA

On 20 January 2022 the majority shareholder of the Company, PKN ORLEN, submitted a statement on the appointment as of 1 February 2022 of Mr. Jarosław Piotr Dybowski to the Company's Supervisory Board of the 6th joint term of office.

On 24 February 2022 PKN ORLEN submitted a statement on the appointment as of 1 March 2022 of Ms. Barbara Hajdas to the Company's Supervisory Board of the 6th joint term of office. Ms. Barbara Hajdas submitted a statement of resignation as of 27 March 2022 from the position of Member of the Supervisory Board of the Company.

On 19 April 2022 PKN ORLEN submitted a statement informing that as of 20 April 2022 it appointed Mr. Daniel Obajtek to the Company's Supervisory Board of the 6th joint term of office. On 21 December 2022 Mr. Daniel Obajtek submitted a statement of resignation effective as of the same day from the position of Member of the Supervisory Board of the Company. Mr. Daniel Obajtek performed a function in the Company's Supervisory Board without remuneration.

On 20 April 2022 Ms. Agnieszka Żyro submitted a statement of resignation from the position of Member of the Supervisory Board of the Company, effective as of the end of 21 April 2022.

On 22 April 2022 PKN ORLEN submitted a statement informing that as of 26 April 2022 it appointed Ms. Iwona Waksmundzka-Olejniczak to the Company's Supervisory Board of the 6th joint term of office. On 12 July 2022 Ms. Iwona Waksmundzka-Olejniczak submitted a statement of resignation effective as of the same day from the position of Member of the Supervisory Board of the Company.

On 13 May 2022 Mr. Trajan Szuladziński submitted a statement of resignation from the position of Member of the Supervisory Board of the Company.

On 20 May 2022 the General Meeting of the Company adopted a resolution on appointment of Ms. Barbara Hajdas to the Company's Supervisory Board of the 6th joint term of office.

On 21 December 2022 PKN ORLEN submitted a statement informing that as of 22 December 2022 it appointed Ms. Agnieszka Żyro and Mr. Paweł Koszyła to the Company's Supervisory Board.

Termination of the capacity contract entered into by Elektrownia Ostrołęka Sp. z o.o.

On 31 January 2022 the Issuer received the information from Elektrownia Ostrołęka Sp. z o.o. ("subsidiary Company") about the termination by the subsidiary Company, as of the same day, of the contract to fulfil the capacity obligation contracted by the subsidiary Company as a result of the outcome of the capacity market auction for 2023. Under Article 47b(3) of the Capacity Market Act of 8 December 2017 ("Act"), a capacity contract is terminated upon identifying capacity contracts which meet the criteria laid down in the Act to the operator, Polskie Sieci Elektroenergetyczne S.A. ("PSE"). The subsidiary Company has identified to PSE two capacity contracts meeting the criteria laid down in the Act, entered into by CCGT Ostrołęka Sp. z o.o. and CCGT Grudziądz Sp. z o.o., as contracts referred to in Article 47b(3)(1) and (2) of the Act. As a result of the identification of the above-mentioned capacity contracts, the financial security provided by the subsidiary Company in the amount of PLN 36.6 million was released and contractual penalties, if any, were forgiven. As at the date of termination of the above mentioned capacity contract no contractual penalties had been charged on its basis and the Issuer had not recognized any provisions for such potential penalties. The termination of the capacity contract is the consequence of changing the power source from coal to gas in the project to build and operate a new power plant in Ostrołęka.

Issue of a notice to proceed related to the construction of CCGT power plant in Ostrołęka

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 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka for the general contractor - GE Power Sp. z o.o. with its registered office in Warsaw together with General Electric Global Services, GmbH with its registered office in Baden, Switzerland (operating through a branch in Poland).

Changes in the Management Board of Energa SA

On 30 March 2022 the Supervisory Board of the Company adopted a resolution on appointment the following persons to the Company's Management Board for the new common 7th term of office:

- Ms. Iwona Waksmundzka-Olejniczak to the position of the President of the Management Board,
- Mr. Michał Perlik to the position of the Vice-President of the Management Board for Finance,
- Ms. Adrianna Sikorska to the position of the Vice-President of the Management Board for Communication,
- Mr. Janusz Szurski to the position of the Vice-President of the Management Board for Corporate Affairs,
- Mr. Dominik Wadecki to the position of the Vice-President of the Management Board for Operations.

The appointment of the above mentioned persons to the Management Board of the Company of the 7th term of office became effective on the day following the day the General Meeting of the Company approving the Company's financial statements for the financial year 2021, that is 21 May 2022.

On 7 April 2022, Ms. Iwona Waksmundzka-Olejniczak submitted her resignation form the functions of the President of the Company's Management Board and the Member of the Company's Management Board, effective as of the end of 8 April 2022.

On 19 April 2022 Mr. Marek Kasicki submitted his resignation form the functions of the Vice-President of the Company's Management Board for Finance and the Member of the Company's Management Board, effective as of the end of 22 April 2022.

On 21 April 2022 and 19 July 2022 the Company's Supervisory Board adopted resolutions to delegate a Member of the Supervisory Board of the Company, Mr. Daniel Obajtek, to temporarily perform the duties of the President of the Management Board for the periods respectively: from 21 April 2022 to 21 July 2022 and from 22 July 2022 to 31 August 2022. Mr. Daniel Obajtek performed the duties of the Company's Management Board President without remuneration.

On 25 April 2022 the Supervisory Board of the Company adopted the resolution to appoint as of 26 April 2022 Mr. Michał Perlik to the Management Board of the current 6th term of office for the function of Vice-President of the Management Board for Finance.

On 22 August 2022 the Supervisory Board of the Company appointed Ms. Zofia Paryła to hold as of 1 September 2022 the position of the President of the Company's Management Board of the 7th term of office.

Completion of the settlement process of the Coal Project with the general contractor under the contract for the construction of the Ostrołęka "C" Power Plant

On 1 April 2022 the Management Board of Energa SA received the information from the company Elektrownia Ostrołęka Sp. z o.o. ('EO') on the completion of the settlement on 31 March 2022, in accordance with the concluded agreement of the Coal Project under the contract for the construction of the Ostrołęka "C" Power Plant with the general contractor - consortium GE Power sp. z o. o based in Warsaw and GE Steam Power Systems S.A.S. based in Boulogne-Billancourt, France. The final value of the receivables resulting from the settlement was PLN 958 million net and therefore the amount due to the general contractor, resulting from the difference between the above value and the total amounts already paid, was already paid in full by EO. Thus, the process of settlement of the Coal Project with the general contractor was completed. The costs incurred by the Issuer in connection with the settlement of the works of the general contractor amounted to 50% of the above mentioned amount, i.e. PLN 479 million net (the same amount of costs was incurred by Enea S.A.). In relation to the above the Issuer identified the possibility of total release of the provision created initially in 2020 in the amount of PLN 218 million to finance EO for the purposes of the settlement of the Coal Project. The impact of the above event on the consolidated net result of the Energa Group and standalone net result of Energa SA for 2022 amounted to approx. PLN 46 million (as a result of decreasing of the above mentioned provision from this level at the end of 2021). The event was of a non-cash nature increasing the net result without affecting the EBITDA.

Energa SA Management Board's recommendation on distribution of the Company's net profit for 2021

On 8 April 2022 the Management Board of Company decided to recommend to the General Meeting of Energa SA ('GM') to transfer the entire Company's net profit for 2021 in the amount of PLN 210 m to the reserve capital. On 21 April 2022 the Supervisory Board of Company positively assessed the Company Management Board's motion to the GM on transferring the entire Company's net profit for 2021 to the reserve capital. The Management Board's motion along with the assessment of the Supervisory Board was submitted to the GM, which made the final decision on distribution of the Company's net profit for 2021 in accordance with the recommendation of the Company's Management Board.

Dismissal of legal action to repeal the resolution of the Energa SA's Extraordinary General Meeting on the withdrawal of the Company's shares from trading on the regulated market

On 11 May 2022 the Company received information that the same day the Regional Court in Gdańsk, 9th Commercial Division issued a judgement dismissing the legal action brought by the shareholders of the Company (about which the Company informed in current report No. 82/2020 of 9 December 2020) to repeal the 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 the Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 269,139,114 series AA ordinary bearer shares of the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code. The judgment is not final non-appealable.

Signing of agreement with the General Contractor for the construction of the CCGT power plant in Grudziądz

On 18 May 2022 CCGT Grudziądz Sp. z o.o. had signed the agreement with the general contractor - consortium of Siemens Energy Global GmbH & Co KG, Siemens Energy Sp. z o.o. and Mytilineos S.A. - for the design and construction of a 563 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Grudziądz for an estimated amount of approx. PLN 2 billion.

The planned power plant will be designed and constructed by the general contractor as a single-shaft unit: with one gas turbine, a recovery boiler, a condensing steam turbine unit and a wet fan cooler. The project will be performed on a 'turnkey' basis, covering the performance of all works including, but not limited to, design, obtaining selected administrative decisions on behalf of the contracting party, deliveries, civil works, assembly, staff training, trial run, test run, commissioning of the power plant and provision of warranty services in the period following commissioning of the power plant. The schedule for the implementation of the project provides for the commencement of construction works in 2022, and the commissioning of the power plant in 2025.

At the same time, CCGT Grudziądz Sp. z o.o. informed that in connection with the above-mentioned agreement it had concluded the long-term contract with Siemens Energy Sp. z o.o. for the provision of maintenance services for the CCGT power plant in Grudziądz (up to a maximum of 20 years from the date of commissioning the power plant).

Bringing a statement of claim for the repeal of the resolution of Energa SA's General Meeting

On 5 August 2022 the Company received the shareholders' statement of claim for the repeal of 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. The statement of claim was sent by the Regional Court in Gdańsk, 9th Commercial Division. The Company does not agree with the statement of claim and submitted a statement a response to it.

Agreement between Energa SA and PKN ORLEN S.A. on financing of CCGT power plant construction in Gdańsk

On 16 September 2022 the Issuer concluded with PKN ORLEN, the Issuer's strategic shareholder, an agreement regarding the financing of the construction of a gas and steam power plant (CCGT) in Gdańsk.

In case of the investment decision regarding the project, PKN ORLEN committed in the agreement to finance the entire capital expenditures related to the implementation of the project, but not more than PLN 2.5 billion, while the financing provided by PKN ORLEN will take place after the financing provided by the Issuer. PKN ORLEN may withdraw from the agreement if a capacity contract is not concluded by the company CCGT Gdańsk Sp. z o.o. (special purpose vehicle implementing the project, 100% subsidiary of the Issuer). The indicated capital expenditures will be covered by providing cash to the Issuer or to the CCGT Gdańsk Sp. z o.o. for equity or on a debt financing basis. The agreement also defines the rules of supervision over the company CCGT Gdańsk Sp. z o.o. and the project management. The agreement fully replaces the letter of intent about which the Issuer informed in current reports No. 42/2021 of 29 December 2021 and No. 75/2020 of 2 November 2020.

Sale of shares in PGG

On 25 October 2022 ECARB sold PGG shares held by this entity to the State Treasury. The value of the investment in PGG in the Energa Group's consolidated financial statements as at 30 June 2022 amounted to PLN 0, therefore the sale of PGG shares did not have a significant impact on the net result of the Issuer and of the Energa Group. As a result of the sale of shares in PGG, the Energa Group ceased to be the owner of the hard coal mining sector assets, what is consistent with the implementation of its strategic goals in the field of decarbonization (for more information see chapter 2.2. *Group's structure and governance model*).

Affirmation of Energa SA's rating by Moody's

On 31 October 2022 the rating agency Moody's affirmed the Company's Long-Term Issuer Ratings - Domestic Currency at "Baa2". Simultaneously, the agency has affirmed the "Baa2" backed senior unsecured ratings and the "Baa2" guaranteed senior unsecured EMTN program of Energa Finance AB (publ) - the Company's subsidiary. The outlook on all ratings has been changed to positive from stable (for more details, see section 8.4. *Ratings*).

Upgrading of Energa SA's rating by Fitch

On 17 November 2022, Fitch Ratings upgraded the Company's long-term foreign currency issuer debt rating (IDR) from 'BBB-' to 'BBB+' with a stable outlook. At the same time, the Company's rating was removed from Rating Watch Positive. Fitch affirmed the rating on 21 December 2022 (for more details, see section 8.4. *Ratings*).

The judgment of the court on statement of claim for annulling or repealing the resolution of the Extraordinary General Meeting of Energa SA

On 30 November 2022 the Regional Court in Gdańsk, 9th Commercial Division, issued a judgement (in the case of which the Company informed in current reports No. 82/2020 of 16 December 2020 and No. 7/2021 of 14 April 2021) in which the court ruled on:

1) dismissal of statement of claim for annulling 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;

2) repealing this resolution;

3) awarding the court costs from the Company in favour of Plaintiffs.

The judgment was issued in an in-camera session and reasons for the decision are unknown. The judgment is not final non-appealable.

The Company does not agree with above judgment in the part in which it repeals the Resolution, applied for the statement of reasons for the judgment and filled an appeal.

Financial effects of extraordinary regulations of the energy market and the tariff approved by the President of the Energy Regulatory Office for the G tariff group

In view of the crisis situation in the electricity market in 2022, with an observable significant increase in the price of electricity in SPOT and futures contracts, mainly on the back of rising prices of conventional fuels as a result of the war in Ukraine, the regulatory authority has decided to introduce new legislation to regulate the market and protect consumers:

- 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 (concerning a price freeze for tariff G up to consumption caps),
- Act of 27 October 2022 on urgent measures to cap electricity prices and support certain consumers in 2023,
- Regulation of 8 November 2022 laying down the rules for calculating the price cap.

The act concerning a price freeze for tariff G up to consumption caps essentially sets a maximum level of prices of electricity and distribution services sold in 2023 to group G customers. The act on urgent measures introduces solutions to regulate energy prices in the wholesale as well as retail markets. The regulation, on the other hand, has been adopted based on a delegation in the aforesaid act and specifies how to calculate the price for electricity sold by producers and other sales by trading companies that are not mentioned in the aforesaid acts.

On 17 December 2022 by the President of the Energy Regulatory Office approved the Energa Obrót's electricity tariff for the G tariff group (households) for the period from 1 January 2023 to 31 December 2023 ("Tariff"), on the basis of which compensations resulting from the above mentioned acts will be set.

Energa Obrót evaluated the impact of the above mentioned acts and the amount of the approved Tariff on its operations and identified a potential loss due to the performance of contracts with customers from the G tariff groups in 2023, which as at the date of this Report is estimated at approx. PLN 1,068 million. This resulted in the creation of a provision in the financial statements for 2022, which translated directly into a decrease by this amount in the consolidated EBITDA of the Energa Group. From the perspective of 2022, the above event was of a non-cash nature.

Results of the capacity market main auction for 2027

On 20 December 2022, Polskie Sieci Elektroenergetyczne S.A. published preliminary results of the capacity market main auction for 2027 (they were in line with the final results announced by the President of the Energy Regulatory Office on 9 January 2023), including the closing price for the capacity auction which is 406.35 PLN/kW/year.

The Energa Group companies concluded the following capacity agreements:

- 1) 736.513 MW for existing units and Demand Side Response (with a 1 year capacity contract),
- 2) 154.158 MW for units being modernized (including 135.390 MW with a 5 years capacity contract and 18.768 with a 7 years capacity contract),
- 3) 3.790 MW for new units (with a 7 years capacity contract).

The total revenues of the Energa Group in the year 2027 from the above-mentioned contracts may amount to ca. PLN 363.46 million.

With regard to the long-term contracts, the Issuer informs that the expected annual revenues, starting from year 2027, may amount to ca. PLN 9.16 million (total revenues over the period of 7 years may amount to ca. PLN 64.12 million) for Energa Wytwarzanie SA and ca. PLN 55.01 million (total revenues over the period of 5 years may amount to ca. PLN 275.05 million) for Energa Elektrownie Ostrołęka SA, whereas the price of the capacity obligation for long-term capacity contracts will be subject to an annual indexation of the average annual consumer price index.

The total value of the Energa Group capacity obligations for 2027 delivery resulting from the above-mentioned contracts and long term contracts from previous auctions is 2,108.782 MW.

Other

Additional information is provided in the Consolidated financial statements in Note 40 *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

Changes in the Supervisory Board and the Management 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.

The situation in Ukraine and its impact on the Energa Group's performance

Russia's attack on Ukraine shall undoubtedly have a significant impact on the domestic and international economy.

The Group monitors the situation in Ukraine 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 on Russia and Belarus 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 or Ukraine. 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 network.
- 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.

On the other hand, the Group has not identified any direct negative impact of the war in Ukraine on its financial performance in 2022.

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

2.4. Research, Development and Innovation activities

In 2022, the Energa Group companies implemented 20 projects in the field of Research, Development and Innovation (RDI), of which 16 were continued from previous years and 4 were completed. The Energa Group companies spent more than PLN 5.3 million net of VAT to implement the 20 projects. Descriptions of selected RDI projects are provided in point 2.4.1. below.

2.4.1. Key projects pursued in 2022 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 started in August 2019 and is scheduled for completion by the end of May 2025. In 2022, the project included an information campaign on project activities, official launch of public transport services using electric buses in Przywidz, a meeting with the inhabitants of the Przywidz Municipality called Safe Energy Land (*Bezpieczna Kraina Energii*) and start-up of metering data transmission to the IT systems of the Institute of Fluid-Flow Machinery.

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 networks. The project is being implemented by an European consortium and is supported under the Horizon 2020 programme. The project started in November 2019 and is scheduled for completion in December 2023. Project activities in 2022 included the selection of HV, MV and LV network areas to be tested as part of the Polish demonstration exercise, confirmation of the scope of flexibility services and products for the demonstration exercise, sandbox tests of network decongestion and voltage regulation services to verify the performance of business processes on the market platform, launch of a market platform in the production

environment and development a new version of the testing plan for the Polish demonstration exercise, as well as development of MV network models for the Puck and Przywidz areas.

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. The project started in June 2018 and is scheduled for completion by the end of September 2023. Project activities in 2022 included obtaining consents from the residents of Mława to participate in the project, erection of all field power supply stations, start-up of the primary circuits of power supply stations and continuation of work to prepare for testing of flexibility services.

rSOC

Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o. is implementing rSOC, a research project aimed at developing and building a power-to-gas system based on a stack of reversible solid oxide electrochemical cells operating in the electrolyser mode, which can also be operated in a reversible mode. The project is being implemented by a consortium and is co-financed under the Fast Track (*Szybka ścieżka*) programme of the National Centre for Research and Development. The project started in January 2020 and is scheduled for completion by the end of March 2023. Project activities in 2022 included testing of a process installation in laboratory settings and start up of the installation at the Elbląg CHP plant, where testing of the complete installation and investigation of output levels began on 31 December 2022.

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 March 2023. Project activities in 2022 included completion of initial testing of the first thermal energy storage facility, confirmation of performance of the test system for the first thermal energy storage facility connected to a district heating substation and connection of the second thermal energy storage facility to a district heating substation, which is now being tested.

Innovative special-purpose structures of single- and double-circuit transmission towers for high voltage lines equipped with a communication system supplied directly from high voltage line

Energa Invest Sp. z o.o. is implementing a research project aimed at developing innovative special-purpose structures of single- and double-circuit transmission towers for high voltage lines equipped with a communication system supplied directly from high voltage line. 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 May 2020 and is scheduled for completion by the end of December 2023. Project activities in 2022 included strength testing of high voltage line towers, developing a concept of tower footing for a high voltage line from Szczytno to Nida and preparation of detailed designs of a high voltage line tower prototype.

2.5. Capital expenditures and execution of key projects

In 2022, capital expenditures of the Energa Group totalled PLN 3,260 million, of which the most capital intensive investments were made in the Distribution Business Line, totalling PLN 1,648 million.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers 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, capital expenditures totalled PLN 433 million, a significant portion of which were tasks associated with development of a gas-fired power plant in Grudziądz and expansion of district heating assets in Elbląg, as well as new photovoltaic capacities within the Group.

In the Sales Business Line, on the other hand, most money was spent on works involving lighting assets.

In the Other Business Line, expenditure was made on the CCGT Ostrołęka project.

Table 1: Status of implementation of the investment programme in 2022

Project description	Capital expenditure in 2022 (PLN m)
Distribution Business Line	1,648
Connection of electricity consumers and sources and the related construction of new networks	869
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	482
Other capital expenditures, collisions and corrections	297
Generation Business Line	443
CCGT Grudziądz Construction of a gas power plant	329
Energa Wytwarzanie New PV generation capacity	36
Energa Kogeneracja KRS boilers 2x20MWt + 1x10MWt + SUW (Kalisz)	22
Other investments	56
Sales Business Line	77
Capital expenditures for lighting assets	52
Other capital expenditures	25
Other companies, projects and corrections	1,092
CCGT Ostrołęka	1,059
Other expenditures	33
Total	3,260

Investment programme in the area of heat assets

The construction of a 3x38 MWt peak-load/reserve boiler house was completed at the Elbląg site. The facility was put into service on 20 April 2022. Preparations are also under way for a task involving the construction of 3xSG10 gas engines – a contract was signed for the design and execution of demolition works for future engine footings.

A contract for the construction of a peak-load/reserve boiler house and a water treatment plant is being executed at the Kalisz site. Boilers, fittings and electrical apparatus are stored on the premises of the Kalisz CHP plant. A contractor was selected for a cogeneration plant based on 2xSG10 gas engines. The site was handed over to the contractor on 21 September 2022.

At the Ostrołęka site, work was carried out to develop a concept for a new source of heat (CHP plant Ostrołęka). Work is under way to prepare submissions for administrative decisions and documentation for a contract award procedure to select a general contractor.

In 2022, development and upgrade investments were also made in the area of district heating networks.

CCGT Ostrołęka power plant development project

The schedule of the project stipulates handing over for operation of the CCGT unit in 2025, and the launch of the power service on 1 January 2026. 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, CCGT Ostrołęka Sp. z o.o. issued a notice to proceed (NTP) to the general contractor of this project (a consortium of General Electric group companies) for the construction of a 745 MWe net gas-fired power plant in Ostrołęka. Construction is currently underway.

CCGT Grudziądz power plant development project

The project schedule assumes that the CCGT unit will be handed over for operation in 2025 and that the provision of power service will commence from 1 January 2026. 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 18 May 2022, CCGT Grudziądz sp. z o.o. signed a contract with the general contractor - consortium of Siemens Group companies and Mytilineos. On 24 June 2022, the company gave possession of the site to the general contractor (for more information see chapter 2.3.1. *Material events in the reporting period*).

CCGT Gdańsk project

On 16 September 2022, Energa and PKN ORLEN signed an agreement regarding the financing of the construction of a CCGT plant in Gdańsk. On 20 September 2022, an invitation to tender was published to select the general contractor (EPC) and maintenance service provider (LTSA) for a CCGT unit in Gdańsk with a capacity of up to 456 Mwe (for more information see chapter 2.3.1. *Material events in the reporting period*).

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. As part of the project, a fault localisation module will be added to a SCADA power grid control system to shorten the duration of power outages. The project also includes 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. In September 2022, an opening ceremony of the energy storage facility in Czerników took place.

PV Gryf 1 and PV Gryf 2 project

The goal of the project is to build a photovoltaic farm of approx. 25 MW. In accordance with the renewable energy auction results published in December 2020, Energa Wytwarzanie won the regular auction for the installation. The farm is being built in Przykona on a redeveloped brownfield site, formerly the Adamów open-cast lignite mine. On 30 June 2022, final acceptance of PV Gryf (approximately 20 MW) was completed and activities were initiated to expand the farm by approx. 5.25 MW (PV Gryf 2) – on 29 July 2022, the company issued the notice to proceed (NTP).

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, 23 30/0.8kV substations, a 110 kV high voltage power connection with an optical fibre link, a 110/30 kV wind farm substation, 30 kV medium voltage and telecommunication cable lines, an earthing system and an internal road system with complete associated infrastructure. A building law permit for a plant with installed capacity of up to 65 MW was issued on 17 December 2021. Connection approval terms were obtained for the installation. In December 2022, building law permits were obtained for power offtake.

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. Work is under way to power up 4 farms, while the 5th one will be put into operation in 2023. The development of new capacities will increase the share of renewable electricity in the total generation mix of the Energa Group.

2.6. Strategy and directions of development of the Energa Group

2.6.1. Energa Group's development strategy

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

SDP describes the contribution of the Energa Group to the implementation of the above-mentioned Strategy of the ORLEN Group. Furthermore, it takes 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:

- a) 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,
- b) 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,
- c) in the area of sales: carrying out an in-depth digitization program and cost reduction.

As part of SDP, the Energa Group plans to achieve:

- 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,

- participation in the implementation of investments in gas installations (CCGT) with a capacity of approx. 1.3 GWe,
- reduction of CO₂/MWh emissions by 33% in comparison to 2019, and
- increasing the share of remote reading meters (AMI) installed at customers to 100% by 2026.

It is planned that the realisation of the above-mentioned Strategic Development Plan's goals will translate into an increase in the consolidated EBITDA result (operating profit before amortization and impairment of non-financial non-current assets) in 2030 by over 60% compared to 2020.

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

The Distribution Business Line within the Energa Group is consistently seeking to become a leading Distribution System Operator (DSO) by improving its grid performance and liability, and providing top quality customer service. The value of the baseline investment plan of Energa Operator for 2023 is more than 12% higher than its capital expenditures in 2022. The capital expenditures of Energa Operator SA account for almost 96% of total investment expenditures of the Distribution Business Line.

Energa Operator's key investment focus in 2023 includes:

- further connections of new customers and new sources, as well as the resulting 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:
 - redevelopment of overhead MV power lines running through forest and wooded land with 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 charging stations and charging infrastructure for the public road transport,
- grid connection of energy storage facilities,
- purchase and assembly of smart metering infrastructure which must be implemented pursuant to amendments to the Energy Law, Journal of Laws of 2021, item 1093, in accordance with Article 11t, and to the Capacity Market Act introducing the requirement for all customers, except for public housing tenants, to take readings of energy consumption every hour and make capacity charge settlements based on such readings starting from January 2021. Moreover, Article 4.2a of the Act on Renewable Energy Sources obligates the DSOs to take hourly readings of energy withdrawn from and fed into the grid for all producers and prosumers. Since 1 April 2022, these customers must be billed according to metered hourly profiles,
- adjusting the grid of Energa Operator to the requirements defined in Commission Regulation (EU) 2017/2196 of 24 November 2017 which established the Grid Code relating to the network code on electricity emergency and restoration (the NC ER code). The purpose of these investments is to ensure that designated facilities are capable of operating for 24 hours in the event of loss of a primary energy supply and to achieve the required functionality as defined in the National Electricity System Reconstruction Plan.

In 2023, EOP intends to intensify investments in the high voltage grid (design activities or work based on existing design documentation) provided for in the investment plan, which are aimed at developing the network in order to prepare for a strong growth of renewable energy generation, increasing the capability of connecting customers with a high connection capacity, and developing electromobility, mainly by increasing the capacity of the high voltage grid, building power new lines and building new or expanding existing 110/15 kV substations. Additionally, some investments in linear HV assets, by reason of the meshed network nature of EHV and high voltage grids, are necessary in order to ensure full power offtake from offshore wind farms which will be connected to the transmission grid. High voltage grid investments provide added value by reducing technical grid losses.

In March 2022, Energa Operator submitted a draft update of the Development Plan for Meeting Current and Future Electricity Demand 2023-2028 for consultation to the President of ERO, discharging its responsibility as a distribution system operator pursuant to Article 16(14) of the Energy Law Act. In December 2022, the President of ERO reported that he considered the submitted draft Development Plan to have been approved for 2023. The President of ERO will present the approval for 2024-2028 in the first half of 2023.

On 7 November 2022, the President of ERO and CEOs of top five electricity distributors in Poland (including Energa Operator) signed the Charter for the Efficient Transformation of Poland's Power Distribution Networks. To fulfil the provisions of this document, as a next step, proposals for necessary changes of the DSO regulatory model will have to be developed, and investment programmes will have to be implemented consistently.

Since 2016, the Distribution Business Line of the Energa Group has been promoting and pursuing a strategy adopted by the European Union that involves energy decarbonisation and reduction of emissions from transport, especially in urban areas. The main step in that direction is the construction by Energa Operator of 279 electric vehicle charging stations in 8 cities: Gdańsk, Gdynia, Koszalin, Elbląg, Olsztyn, Płock, Toruń and Włocławek. In 2022, all charging stations were completed and transferred to the public charging station operator. In 2023, all 279 completed charging stations, in accordance with the revised provisions of the Act on Electromobility and Alternative Fuels, will have to be sold.

In 2023, Energa Operator will continue the development of the Sales Support System, a billing system with CRM features, which already covers 100% of LV customers. Two migration windows for MV and HV customers are scheduled for this year. Pre-planned functionalities will be developed to allow supporting points with non-standard settlement arrangements. Additionally, changes will be introduced in the system to allow the DSOs to adjust to the changing legislative requirements, for instance with respect to energy storage facilities, energy cooperatives, virtual prosumers, collective prosumer service, publication of prosumer data with respect to the new aggregate hourly data balancing requirement, or providing services to energy cooperatives. This development is also associated with the adjustment of IT systems of Energa Operator to the Central System of Energy Market Information (CSIRE), which is to be implemented by the TSO. CSIRE will serve as a platform for the exchange of data on supply points, customers, contracts, as well as metering and billing data between DSOs, sellers, producers and trade balancing providers on the retail energy market in Poland. In 2023, project efforts in the implementation of CSIRE are expected to intensify, including data preparation and migration tasks, establishing business requirements for the adjustment of contracting processes, implementing changes and testing new solutions.

A government-run programme My Electricity (*Mój Prąd*), in which a budget of PLN 855 million has been allocated for co-funding of microgeneration installation connections in 2021-2023, encourages the connection of renewable energy sources in 2023. At the end of 2022, 228,779 microgeneration installations with a total installed capacity of 1,897 MW were connected to EOP's grid. 63,810 new microgeneration installations were connected in 2022, of which 99.75% are photovoltaic installations using solar energy. The total installed capacity of microgeneration installations in 2022 was 593 MW. In connection with the above, Energa Operator in 2023 will face a key challenge of keeping the operation of the power supply grid safe at low voltage in spite of the increasing generating capacity of prosumers.

The year 2022 saw the implementation of strategic market developments, such as collective prosumer service, publication of prosumer data on an aggregate hourly balancing basis, or processing of declarations submitted by customers eligible for the Solidarity Shield subsidy. The year 2022 was also marked by intensive preparations for integration with CSIRE, which was being rolled out by all DSOs.

A strong increase in interest in the construction and connection of new renewable energy facilities is still observed. As at 31 December 2022, the connection process (without microgeneration installations) to the grid of Energa Operator covered 1,511 producers with a total capacity of more than 5,025 MW.

Connecting renewable sources to the grid will continue to be one of the key challenges faced by Energa Operator in 2023 and beyond.

In 2023, a new model of qualitative regulation for 2018-2025 introduced in 2019 by the President of the Energy Regulatory Office (ERO) and described in the document entitled "Qualitative Regulation in the years 2018-2025 for Distribution System Operators", version dated 29 May 2019, will continue to apply. This Regulation has introduced far-reaching changes, for instance in the division and calculation of power supply reliability indicators, ROE calculation, level of operating expenses reflected in the tariff, and quality regulation. The President of ERO set very ambitious objectives for the improvement of key performance indicators, the delivery of which (mostly of regulatory area-based power supply reliability indicators: CTP and CP as well as connection time indicators CRP) will have a direct impact on the regulated revenue of Energa Operator SA as regards return on equity – performance in 2023 will be reflected in the tariff for 2025.

The year 2023 will also mark the final year of efforts to bring the infrastructure of Energa Operator, necessary for the restoration of the National Power System, in line with the requirements of Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration.

The transition of the energy market poses new challenges also to the DSO, whose power grid connects the energy market participants. 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 implementation of innovative solutions and to cooperate in that respect with other European countries. Energa Operator implements innovative solutions in such areas as smart grid, smart metering, advanced network asset management and cable diagnostics systems as well as smart energy storage and vendor and customer support system. The DSO's activities additionally involve cooperation with DSOs on international research and development projects. The goal of the 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.

A modernisation of access routes with an installation of a drainage system is planned for 2023 in EOP's Training Range in Bąkowo in order to improve safety for participants of practical training exercises.

Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. (EOWE) provides a strategic reserve of labour resources for the Distribution Business Line in the event of massive failures in the electricity network of Energa Operator.

Generation Business Line

The development focus of Energa Wytwarzanie is aligned with the strategic documents of the Energa Group and ORLEN Group. The tasks carried out in 2023 will primarily involve activities associated with launching of new renewable capacities:

- 1) Construction and commissioning of PV Wielbark photovoltaic farm with a total capacity of 62 MW (of which 50 MW in 2023)
- 2) Construction and commissioning of PV Gryf photovoltaic farm with a capacity of 25 MW,
- 3) Construction and commissioning of five PV projects with a capacity of approx. 4.2 MW,
- 4) Development work is planned with a view to modifying the connection of the battery energy storage facility to the electricity network by making a direct connection to the 110 kV network and bypassing the connection to the Bystra wind farm,
- 5) Energa Wytwarzanie will continue working on the Offshore Wind Farms project, including specifically offshore wind farm maintenance capabilities and R&D projects in this area. Applications for permits to build and use artificial islands, structures and equipment with the necessary associated infrastructure for offshore wind farms (called *PSzW* in Polish) have been submitted jointly with and under the supervision of PKN ORLEN. The outcome of the permit proceedings will be announced in 2023.

In 2023, 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 PKN ORLEN. Innovation plans will also be developed and initiated to reinforce the Group's market position in the coming years.

Sales Business Line

Energa Obrót is the leading entity in the Sales Business Line, engaged in the core activities relating to trading in electricity and gas and customer service. Energa Obrót trades in electricity on the wholesale market and sells electricity, gas and additional services to retail, business and institutional customers. It offers innovative pro-environmental technologies and a range of services, including energy efficiency, EV charging or PV installation services, and sells electricity to ca. 3.2 million customers, of whom ca. 3.0 million are covered by tariff G. The company is one of five leading suppliers on the Polish energy market and focuses its selling market activities on developing its services and offers. Energa Obrót attaches importance to the optimisation of customer service processes, development of electronic channels and provision of 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. – the main service provided to customers is lighting for roads, streets and other open spaces. The company also sells advertising space on lighting poles, provides building illumination services and offers seasonal festive decorations. The company provides lighting maintenance services.

According to the Strategic Development Plan of the Energa Group for 2021-2030, the objectives of the Sales Business Line include primarily effective digitalisation and reduction of core business expenses.

To improve business process efficiency at Energa Obrót, automation and efforts to eliminate non-value-adding steps were continued in line with the Lean Management methodology. Optimisation activities enabled system and organisational changes that significantly reduced the time to complete each individual task. Owing to observations, analysis and practical workshops, the effectiveness of the company's operations increased, including in the sales support and debt collection areas. Numerous training courses on Lean Management tools were also delivered in 2022. Among the educational initiatives, the Lean Week learning initiative should be highlighted, with 253 employees from four locations attending 27 training sessions and workshops on work performance and process improvement. Leveraging their newly acquired knowledge, the employees actively participated in the new edition of the Employee Ideas Programme. 121 ideas for organisational and system improvements were submitted as part of the programme's third edition, which started in 2020. 37 ideas were implemented, generating substantial savings. 136 employees across 24 different units have participated in the Programme so far. New initiatives promoting the Lean culture as well as implementation of optimisation activities across EOB's new business processes are scheduled for 2023.

Furthermore, Energa Obrót, in line with the objectives of the "ORLEN Group strategy by 2030", carries out two innovative projects:

- EnerEFEKT Integrated Energy Management System (IEMS) – the objective of the project is to grow the company's Consumption Profile Visualisation revenue,
- Expanding energy efficiency services by energy storage components – the objective of the project is to develop a recommendation for the implementation of a portfolio of energy storage products and services for the business market.

Furthermore, Energa Obrót already managed 333 EV charging stations in 2022.

In 2023, Energa Obrót SA will continue the implementation of selected initiatives and focus on organic growth of the unit 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 2022

no.	Award/distinction name/title	Description – what was rewarded	When was the award/distinction received	Company
1.	Patron of Sport in Toruń 2022	It was the 9th edition of an event organised since 2013 on the initiative of the Mayor of the City of Toruń to honour those who support the local government in providing funds for sports in Toruń. During the Patron of Sport in Toruń Gala, Energa collected an award for supporting sports teams from Toruń, including Energa Krajowa Grupa Spożywcza Toruń, KH Energa Toruń and Energa KTS Toruń.	Q1 2023	Energa
2.	Green Creator (<i>Twórca Zieleni</i>) – Global Green Business for 2022	A distinction for companies whose activities have contributed to planting at least 1,000 trees in a year. Companies engaged in the creation of new green spaces set a great example and inspire others to take action.	Q1 2023	Energa
3.	CSR Silver Leaf of the Polityka weekly for 2022	CSR Leaves (<i>Listki CSR</i>) from the Polityka weekly for companies which are guided by the principles of sustainable development in their operations	Q2 2022	Energa
4.	Oliva Prize 2021 in the pro bono category	for the project Breasts win! (<i>Pier(w)si wygrywają!</i>) A volunteering project aimed at encouraging employees to take preventive examinations and at demystifying breast cancer.	Q2 2022	Energa
5.	Energa dubbed an Employer with a Heart (<i>Pracodawca z sercem</i>)	Certificates for companies employing people with disabilities.	Q2 2022	Energa
6.	3rd place in the Best Volunteering Project 2021/2022 poll at the ORLEN Group	for the project Breasts win! (<i>Pier(w)si wygrywają!</i>) A volunteering project aimed at encouraging employees to take preventive examinations and at demystifying breast cancer.	Q4 2022	Energa
7.	ESG Innovator 2022 (<i>Innowator ESG 2022</i>) – Category S distinction – social innovation	Distinction for the Good Energy Homes (<i>Domy Dobrej Energii</i>) project, in which photovoltaic panels from Energa Obrót SA are installed on the roofs of childcare centres. The project is also supported by the ORLEN Foundation.	Q4 2022	Energa
8.	ESG Innovator 2022 (<i>Innowator ESG 2022</i>) – Category S distinction – social innovation	Distinction for the Planet of Energy (<i>Planeta Energii</i>) project, which focused on biodiversity in 2022. This is Energa's proprietary educational programme for the youngest children, established in 2010. The competition promotes best practices in ESG, CSR and sustainable development. Its objective is to recognise projects which have a positive impact on the environment, employee and community wellbeing, and improve transparency and corporate governance in organisations.	Q4 2022	Energa

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

Sustainable development and climate action are among the most important major business areas of the Energa Group. Energa manages the Environmental, Social & Governance (ESG) area consciously, consistently rolling out ESG processes throughout the Group. The year 2022 was marked by continuous improvement and development in this area. The measures taken were largely attributable to growing expectations of the macro- and micro-environment such as:

- growing importance of ESG indicators in assessing goodwill and corporate credibility by global rating agencies;
- recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), implementation of the objectives of the Paris Agreement and approaching the GHG protocol carbon neutral standards as well as calculation of scope 1, 2 and 3 emissions;
- objectives of the EU Taxonomy;
- objectives of Agenda 2030 and sustainable development goals (SDGs);
- preparing the Group for reporting according to the new GRI standards and CSRD directive, including ESRS;
- growing expectations of financial and insurance sector companies;
- expectations of investors and customers.



The Energa Group's development focus was once again validated by Moody's ESG Solutions, which awarded Energa a score of 47 in the annual ESG rating, the best score in the Company's history. Since 2018, each subsequent rating score was higher than the previous one: 33 in 2018, 42 in 2020, 46 in 2021 and 47 in 2022. In order to improve the Group's ESG performance, Energa continuously expands the range of tools used for internal analysis of indicators. In 2022, the Energa Group adopted the ESG Code, a comprehensive document facilitating the process of aggregation of data of interest to domestic and international stakeholders. Furthermore, with a view to diversifying ratings from rating agencies, the ESG Unit of Energa entered into negotiations with Sustainable Fitch and EcoVadis in 2022 in order to initiate a value chain audit in accordance with the requirements of the Directive CSDD.

In January 2021, Energa obtained the Supporter status for TCFD initiatives. TCFD was established by the Financial Stability Board (FSB) to develop recommendations on more effective disclosure of climate-related information. In 2022, the Company evaluated the Energa Group's climate disclosures against TCFD recommendations in the Energa Group's Non-Financial Report for 2021 and the CDP Climate Change questionnaire submitted in 2021. This marked the beginning of implementation of TCFD recommendations. In 2022, efforts were undertaken to adapt the Energa Group to climate disclosures aligned with the new reporting standards of the CSRD Directive. In June 2022, Energa set up a Working Team for the development and implementation of the climate risk management process architecture and identification of climate scenarios. A schedule was drawn up of steps to be taken to bring the Energa Group's operations in line with the TCFD recommendations. Climate risks (physical and transition) and climate opportunities were identified for the Energa Group in the short-, medium- and long-term perspective. The potential impacts of climate risks were identified and mitigating measures were undertaken in relation to developments resulting from climate change. As a result, a register of key climate risks and a register of key climate

opportunities were prepared for the Energa Group. In September and October 2022, Climate Risk Owners were appointed within subsidiaries. The CROs cooperate directly with the Energa Audit and Internal Control Office on periodic reviews of climate risk sheets. Furthermore, in order to align corporate governance with TCFD recommendations, the responsibilities and management competence of Vice President for Operations and the Head of ESG Unit were expanded to include climate considerations.

In line with the guidance of the GHG Protocol, the Energa Group Decarbonisation Strategy was adopted in July 2022.

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. The goal of the project is to develop and implement a methodology for CO₂ emission measurements across the Group companies, and subsequently to submit the necessary data for carbon footprint (scope 3) reporting in the Energa Group to PKN ORLEN. As a first step towards this goal, training was provided in Q2 2022 by Buerau Veritas on the use of tools and the measurement method. Subsequently, 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 and 2020. Scope 3 emissions had not been measured so far. They are indirect emissions along the entire value chain of the organisation, which are mostly beyond the control of the Energa Group. They include emissions generated by subcontractors, suppliers of Energa Group companies and energy customers, as well as emissions from raw material deliveries, including fuels, and emissions from mining and transport of coal purchased for energy purposes of the Group's generating units. They also include emissions from business travel of Energa Group employees, other than from company cars. In Q3 2022, in order to continue this task, the ESG Unit of the Energa Corporate Management Department again coordinated the activities of all Energa Group companies to aggregate the data required to calculate scope 1, 2 and 3 GHG emissions for 2021. Work is under way to calculate scope 1, 2 and 3 emissions for 2022, which are to be reported in the Energa Group's Non-Financial Report for 2022.

An external audit was completed in September 2022 in the framework of the Eco-Management and Audit Scheme of the Energa Group and ISO standards: 14001 and 50001. The audit report did not identify any non-compliances. 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. Furthermore, no non-compliances were identified in the Energa Group Annual Compliance Report 2022, which included a subsection on environmental protection.

The environmental protection expenditure of the Energa Group in 2022 exceeded PLN 1,563 million (ca. PLN 457 million in 2021), of which approx. PLN 93 million was capital expenditure on environmental impact minimisation efforts (vs. ca. PLN 197 million in 2021).

In 2022, work was initiated within the Energa Group to report taxonomy data for 2021 in line with 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. In cooperation with an external advisor and in consultation with PKN ORLEN, activities qualifying for the Taxonomy were identified within the Energa Group in respect of the first two objectives: climate change mitigation and adaptation. If an activity was qualified for the EU Taxonomy, respective KPIs were calculated (revenue, CAPEX, OPEX). The data collected in the process were reflected in the Energa Group's Non-Financial Report for 2021 (section 1.3.).

In the next stage, steps were taken to align investment processes with the requirements of the EU Taxonomy. To this end, a new chapter was added to the Energa Group Asset Management Policy (the "Policy"), entitled "Taxonomy in investment processes". In accordance with the updated Policy, investment projects must meet certain Taxonomy requirements. In order to specify these requirements, the Policy makes a direct reference to the ESG Code. In line with the EU Taxonomy, the following will need to be done in the process of investment project approval:

- analysis of the investment against the technical screening criteria of the Taxonomy,
- analysis of the impact of the investment on climate change and vice versa in the short-, medium- and long-term perspective,
- analysis of the impact on biodiversity,
- strategy for the management of end-of-life assets created by the investment.

Detailed criteria specifying which investment projects must be evaluated against the EU Taxonomy and the list of requirements and analyses to be prepared in order for the project to meet the requirements of the new EU Taxonomy are provided in Attachment No. 1 to the ESG Code, which was adopted by Energa in July 2022.

Another stage of alignment of activities with the requirements of the Taxonomy is currently underway for Taxonomy disclosures in non-financial reporting for 2022. The efforts involve:

- qualification of Energa Group's operations in terms of the Taxonomy (for the first two environmental objectives),
- assessment of compliance of the operations with minimum safeguards,
- analysing whether the requirements for contribution to one environmental objective are met,
- doing no harm with respect to the other 5 environmental objectives.

It is particularly important to report the requirements in relation to minimum safeguards. The Taxonomy requires reporting which procedures followed by the Company ensure compliance with:

- OECD Guidelines for Multinational Enterprises,
- UN Guiding Principles on Business and Human Rights,
- principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work,
- principles and rights set out in the International Bill of Human Rights.

The assessment process of compliance of the activities of the Energa Group with the minimum safeguards includes a review of the applicable regulations in terms of compliance with the requirements referred to above and potential updates and adoption of compliant regulations (including regulations on human rights).

In 2022, activities geared towards the achievement the sustainable development goals (SDGs) were carried out. Special attention was given to initiatives focusing on SDG 7 "Affordable and clean energy", the best example being the second edition of the Good Energy Homes (*Domy Dobrej Energii*) project, with its main objective being to install PV panels on the roofs of childcare centres owned by selected children's homes. The children's homes participating in the project produce green energy for their own purposes. In this way, the costs of operation of the facilities are reduced, and the institutions minimise their direct environmental impact. In 2022, the project covered 10 institutions: 8 children's homes, Home for the Homeless and Needy of the St. Brother Albert Aid Society in Gdańsk and a school in Yirol, Lakes State, South Sudan.

Measures aimed at achieving SDG 13 "Climate Action" were also stepped up by implementing such projects as: Caring for the Earth (*Dbamy o Ziemię*), Radunia River Clean-up (*Sprzątanie rzeki Raduni*), a project dedicated to storks (*bociany.pl*), Flower Meadows in Ostrołęka (*Łąki Kwietne w Ostrołęce*). Those projects support biodiversity and ecosystem protection action under the CSRD Directive, UE Taxonomy and new GRI standards. In December 2022, the Group reported on its Agenda 2030 implementation activities to the Ministry of Development and Technology.

The report "Responsible business in Poland. Good practice" included 9 good practices adopted by the Company. The report is the most important cyclical publication of the Responsible Business Forum that presents the best organisational practices in the context of the UN Sustainable Development Goals 2015, i.e., in line with Agenda 2030 and the core subjects of the ISO 26000 international standard. Good practices – Good Energy Homes (*Domy Dobrej Energii*) and Planet of Energy (*Planeta Energii*) were also recognised in ESG Innovator 2022 (*Innowator ESG 2022*) – Category S distinction – social innovation. In 2022, once again, we won the CSR Silver Leaf (*Srebrny Listek CSR*). At the same time, Energa remains a member of key organisations promoting the development of corporate social responsibility and implementation of Agenda 2030: UN Global Compact and the Responsible Business Forum (in the latter as a strategic partner).

In 2022, 51 CSR projects were implemented, addressing social needs with respect to:

- education and counteracting social exclusion,
- health protection,
- natural environment,
- sports for children and youth.

Examples of projects from these areas:

"Supporting the communication process in children with disabilities attending the "Ja Sam" Therapeutic Day Care Facility." The "Ja Sam" Therapeutic Day Care Facility of the Polish Society for Persons with Cognitive Disabilities Koło in Gdynia implemented a project aimed at supporting children with established disabilities on the tough journey towards interpersonal communication. The project envisages the purchase of specialist electronic equipment and implementation of innovative solutions to improve communication with children.

Energy of Integration (*Energia integracji*). The project consists in developing an integration model (understood as getting to know one another and establishing relationships) for two age groups within independent separate spaces, i.e., senior citizens of Toruń (above 60 years of age) and children who do not live in their family homes and stay in childcare centres, including psychological support.

Flower Meadows (*Łąki Kwietne*) for the development of biodiversity. The project consists in establishing complete flower meadows on a furnace waste storage site owned by Energa Elektrownie Ostrołęka SA. The project beneficiaries are Energa

Group's stakeholders, in particular the local community in Ostrołęka. Flower Meadows is an environmental education programme that involves the creation of flower meadows and therefore restoration of meadow ecosystems to boost biodiversity. Flower meadows help save forgotten plant and animal species and provide food for wild bees, giving them space to live and shelter in winter. Flower meadows stabilise the furnace waste, making it resilient to strong winds and contribute to securing the waste for potential future use as feedstock for new products (such as building materials).

LEGO-ECO-RALLY with ENERGA (Z ENERGA NA EKO-LEGO-RAJD) for young constructors and software developers. Students of the Elementary School in Bierków designed, built and programmed brick-built toy vehicle models, and used them for educational purposes. Cameras were installed on the models to enable the students to explore a meadow and observe insects in an ecosystem of a 'flower meadow'. The students prepared a lexicon of insects with descriptions in Polish and English and an exhibition of insect models with a macrophotography contest "The world of insects of a flower meadow". The project builds on "Let's Lego with Energa" (*Kurs na Lego z Energa*), a project implemented in 2021.

Breath Full of Energy II (Oddech pełen energii) is the second edition of a project offering rehabilitation and dietary prophylaxis for children with cystic fibrosis. In the framework of the project, a group of 30 to 70 children are given the opportunity to consult physiotherapists, dieticians and pursue sports activities. The #PrzeskoczMukowiscydozę (Jump Over Cystic Fibrosis) campaign on the occasion of the Worldwide Cystic Fibrosis Day was carried out as part of the project to raise the social awareness of the disease.

Full Parcels of Good Energy (Paczki pełne dobrej energii) This is the second edition of a project providing Christmas presents for 11 institutions promoting social equity (children's homes, a homeless shelter, hospital wards), in which purchases are made from community organisations engaged in public interest activities. Owing to Energa's involvement in "Become a Santa Claus assistant. Make Dreams Come True" (*Zostań pomocnikiem św. Mikołaja. Spełniaj marzenia*), a campaign by the ORLEN Foundation, an employee volunteering project "Good Energy Parcels" (*Paczki dobrej energii*) was carried out. Communication and organisational efforts were undertaken to organise an employee gift drive. A total of 140 children's dreams were fulfilled (100 dreams in 5 children's homes in Elbląg, Kalisz, Czarnowiec, Góra and Grudziądz; 40 dreams in Kindergarten No. 77 for children with cerebral palsy in Gdańsk), arts & crafts workshops and activities for children and youth were provided in two institutions: in Czarnowiec near Ostrołęka and in Elbląg. As part of the Good Energy Parcels project, Energa provided funding to fulfil the dreams shared by the charges of the two institutions (PLN 1,000 per institution) and handed over sweet gift baskets made by senior citizens from the Active Senior Citizens Association.

Good Energy Angels (Anioły Dobrej Energii) is the second edition of a charity campaign launched by the Gdańsk Children's Hospice called Hospicjum Pomorze Dzieciom. Owing to the commitment of its employees, the Energa Group supported the delivery of specialist medical care to terminally ill children. The project aimed to assure palliative care for terminally ill children at their own homes. In 2022, all children additionally got sweets collected by the employees and fresh Christmas garlands handmade by the employees.

Breasts win! (Pier(w)si wygrywają!) was the second edition of a grassroots employee initiative organised in cooperation with Olivia Centre, the ORLEN Foundation and Stowarzyszenie Różowy Motyl (Pink Butterfly Association) to promote breast cancer prevention. Project activities resulted in almost 200 runners participating in the Pink Ribbon Run, more than 160 medical examinations and 150 handsewn heart-shaped cushions.

Planet of Energy (Planeta Energii) is Energa's proprietary educational programme for the youngest children, established in 2010. The main objective of the programme is to improve children's knowledge of electricity and its responsible and rational use as well as the topics of environmental protection and sustainable development. In the 11th edition of the project, teachers and students from primary grades 0 to 3 were encouraged to take action for biodiversity. The participants were taught about various plant and animal species and learnt how to protect them. The project fostered attitudes in teachers, children and parents that will contribute to preserving biodiversity around us, for instance by building nesting boxes, feeders or 'hibernacula' for animals. 331 institutions from all over Poland took part in the programme. 100 schools and kindergartens which delivered biodiversity classes (based on provided lesson plans) received 'Biopackages', i.e., sets that included bug hotels, bird nesting boxes, seeds and other items. Furthermore, three schools whose classes were the most engaging received vouchers worth PLN 10,000 each to create their own biodiversity zones.

Team Energy (Drużyna Energii). As children are less and less physically active and obesity is on the rise, Energa is using the authority of athletes to encourage young people across Poland to exercise together. The fifth edition featured, among others, the Polish national basketball team and their coach Piotr Renkiel, Agnieszka Skrzypulec – Olympic medal winner in sailing, Jakub Zawistowski – award-winning obstacle course racer, Paweł Wiesiołek – decathlon athlete and Przemysław Świercz – captain of the Polish national amputee football team. Obviously, Team Energy rewards teamwork – all students are invited to take part, regardless of their gender or athletic ability. 312 schools enrolled in 2022, and approx. 50,000 students from 191 institutions competed against one another. 100 new teams received sport clothing for students and coaches. Top five school teams met in a tournament in Gdańsk, and all finalists received funds to buy sports equipment for their schools. The winner was Primary School in Stanowice (Silesia).

Christmas with Good Energy (*Święta z dobrą energią*) was a countrywide information campaign carried out in late 2022 / early 2023 and a grant project providing funding for ideas to support senior citizens, e.g. by replacing lighting and home appliances with more energy-efficient ones. This group deserves particular attention and assistance to better cope with the increasing cost of living due to the war in Ukraine and prices of energy commodities. Daily papers of Grupa Polska Press, together with Energa, published a series of articles emphasising the need to save electricity, heat and other utilities and to support senior citizens. In February 2023, 48 grants totalling PLN 200,000 were allocated to institutions which had submitted their projects. Good practices of 16 local authorities running local energy efficiency programmes were also recognised. The most interesting energy-saving solutions were described in regional daily papers. The authorities of Rypino, which stands out in this context, will be additionally rewarded by an energy efficiency audit performed in cooperation with Energa Oświecenie.

Employee volunteering. Employees of the Energa Group come up with proposals of their own initiatives every year. In 2022, they organised 28 volunteering campaigns, dedicating 1,789 hours and reaching 8,057 beneficiaries. Among the volunteering campaigns, there were 13 projects focused on providing aid to Ukrainian refugees under a project by the ORLEN Foundation "Standing in Solidarity with Ukraine" (*Solidarni z Ukrainą*), 8 Christmas campaigns in the framework of the ORLEN Foundation project "Become a Santa Claus assistant. Make Dreams Come True" (*Zostań pomocnikiem świętego Mikołaja – spełnij marzenia!*), 2 environmental initiatives: Caring for the Earth (*Dbamy o Ziemię*), Radunia River Clean-up (*Sprzątanie rzeki Raduni*), and 5 other campaigns.

The activities of the Energa Foundation support the implementation of Agenda 2030 objectives.

In 2022, the Energa Foundation provided more than PLN 9.8 million in support to 697 beneficiaries: 491 individuals and 206 legal entities. One-fourth of the funds (almost PLN 2 million) was spent on treatments, surgeries and rehabilitation. The year before, support totalling ca. PLN 738,000 was provided to 70 Energa Group employees.

In 2022, faced with the war in Ukraine, the Energa Foundation launched "Energa Foundation for Ukraine", a programme granting about PLN 733,000 for activities aimed at providing a place to live for Ukrainian refugees in Poland. The Energa Foundation purchased 2,000 power banks worth almost PLN 50,000. They were given away to individuals and legal entities in order to be sent to Ukraine.

The Energa Foundation donated almost PLN 2 million in support to public benefit organisations and providers of healthcare, property security and medical emergency services. The beneficiaries included:

- the Provincial Police Headquarters in Gdańsk (purchase of materials and prizes in Learning About Safety (*Uczę się bezpieczeństwa*) – a provincial educational programme);
- The Kropelka Energii Foundation (for blood donation drives);
- Voluntary Fire-Fighting Services (purchase of fire-fighting equipment);
- Children's hospice in Gdańsk called Hospicjum Pomorze Dzieciom (support for medical and nursing care and purchase of a portable ultrasound machine for the patients of the hospice);
- Samodzielny Publiczny Zakład Opieki Zdrowotnej (autonomous public health care facility) in Krotoszyn (support for the purchase of medical equipment for ambulances: transport ventilators and disinfection equipment);
- The University Clinical Centre in Gdańsk (establishment of the Robotics Centre of Excellence, called RAS);
- Congregation of the Comboni Missionaries of the Heart of Jesus in South Sudan (to purchase photovoltaic panels for a Training Centre building in Yirol);
- Volunteer Water Rescue Service of the Greater Poland province in Gołuchów (support for the modernisation of water rescue services);
- Sons of Divine Providence Hospice in Wołomin (support for fitout works).

Furthermore, the Energa Foundation and the ORLEN Foundation as the organiser took part in the Movember campaign aimed at encouraging Energa Group employees to take preventive examinations and raising social awareness of cancer prevention in men.

In 2022, the Energa Foundation donated PLN 462,722.99 to the beneficiaries of the Good Energy Homes (*Domy Dobrej Energii*) project.

The Energa Foundation continued its cooperation with Energa Obrót. The latter launched a new electricity offering for retail customers called Happy to Help (*Radość pomagania*). Every EOB customer who chose this offer, aside from buying electricity, could support the Energa Foundation and help children in need. In line with the terms and conditions, Energa Obrót transferred PLN 100 from each contract concluded and active on the transfer date to the Energa Foundation, while the latter donated the money to help children in need from 9 selected children's homes. Those 9 facilities were located in close vicinity to EOB's own points of sale, i.e. in the area of Gdańsk, Gdynia, Koszalin, Słupsk, Elbląg, Olsztyn, Toruń, Płock and Kalisz.

On 27 May 2022, the Management Board of the Energa Foundation signed a cooperation agreement for a charitable campaign "E-invoice for Charity" (*Dobroczytna eFaktura*). The Foundation received more than PLN 3,000 as a donation from EOB, which

was handed over, as previously agreed, to selected beneficiaries. The purpose of the donation agreements was to meet the current operational needs of the institutions. The amount of support depended on the customers who ordered the electricity e-invoicing service and donated a symbolic amount of PLN 10 to an institution of their choice.

The 9th edition of the Charity Activists Campaign (*Aktywni Charytatywni ACHA*) started in 2022. Its motto was "Cycling for Ukraine" (*Kręćmy kilometry dla Ukrainy*). The Foundation earmarked PLN 200,000 to donate to selected establishments and organisations providing aid to Ukrainian refugees.

All these efforts are aimed at preparing the Energa Group for non-financial reporting in accordance with the CSRD directive and ESRS and presenting the initiatives supporting the achievement of sustainable development goals. So far, the Group has reported according to the GRI standard, which is a common non-financial reporting standard nowadays. When new GRI indicators came into effect (GRI Standards 2021), the employees of the Energa ESG Unit completed training on new detailed reporting principles. Disclosure of non-financial information in accordance with GRI Standards 2021 also serves as preparation for ESRS reporting. The ESG Unit stays abreast of current knowledge owing to continuous subject-matter training, postgraduate programmes and webinars. The Head of the ESG Unit was appointed in expert capacity to two working groups and actively participates in their proceedings: the non-financial reporting for Polish enterprises working group of the Ministry of Finance and the ESG Committee of the Polish Chamber of Commerce.

Measures geared towards informed management of ESG processes, or sustainable development, are consistent with the Energa Group's Sustainable Development Strategy 2021-2023.

Detailed non-financial information pursuant to Article 49b of the Accounting Act can be found in the Energa Group's Non-Financial Report for 2022, published on the Company's website on 28 April 2023.



Pieniężno hydro plant

Regulatory and business environment

3. REGULATORY AND BUSINESS ENVIRONMENT

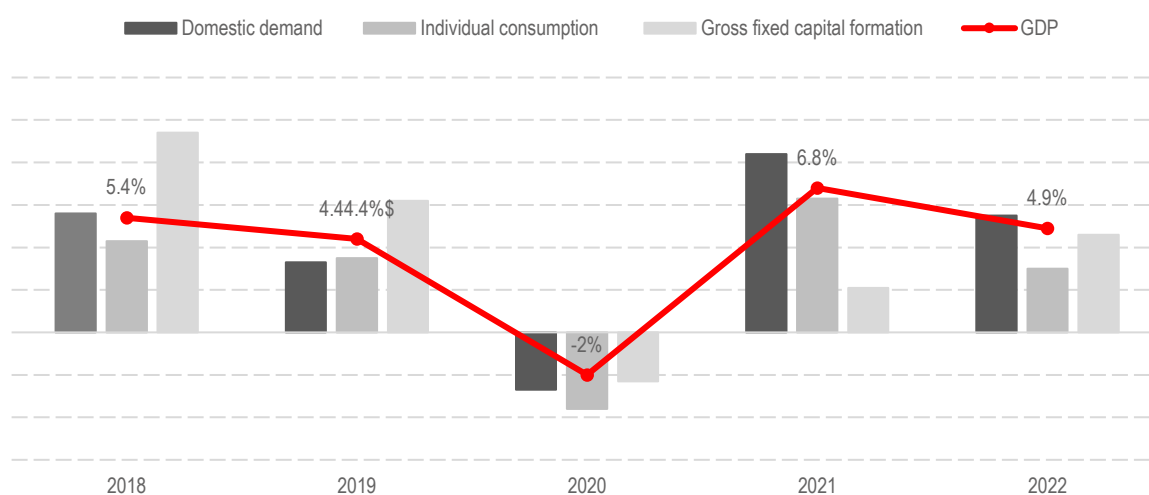
3.1. Macroeconomic situation

The primary market for the entities comprising the Energa Group is the domestic market. Hence, economic fluctuations, expressed in terms of the rate of change of the gross domestic product (GDP), inflation or the unemployment rate, are reflected in the prices of electricity, gas and heat and in the shaping of the demand for products supplied to customers.

According to tentative estimates of Statistics Poland (GUS), Poland's GDP in 2022 increased by 4.9% yoy in real terms (vs. 6.8% in 2021). Accumulation of stocks resulting from the post-pandemic rebound in economic activity, as well as investment (gross capital expenditure on non-current assets rose by 4.9% compared to the preceding year), were the main drivers of economic growth. Consumption made a minor contribution to GDP growth, rising by 2.1% yoy, while household consumption increased by 3.0% yoy. The year 2022 was marked by stalling consumption demand, caused by soaring inflation rates and tighter monetary policy, as well as by the accumulation of stocks due to persistent uncertainty, shrinking demand and still recovering investments.

Russia's aggression against Ukraine and the ensuing war were among the main economic risk factors, driving up the prices of energy carriers and food products. Meanwhile, inflation and weakened purchasing power of disposable incomes are limiting consumption. GDP growth may also be adversely affected by the stalling of global demand, further coronavirus transmissions in the context of low herd immunity and delays in the inflow of EU funding, especially the monies from the Recovery Fund.

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



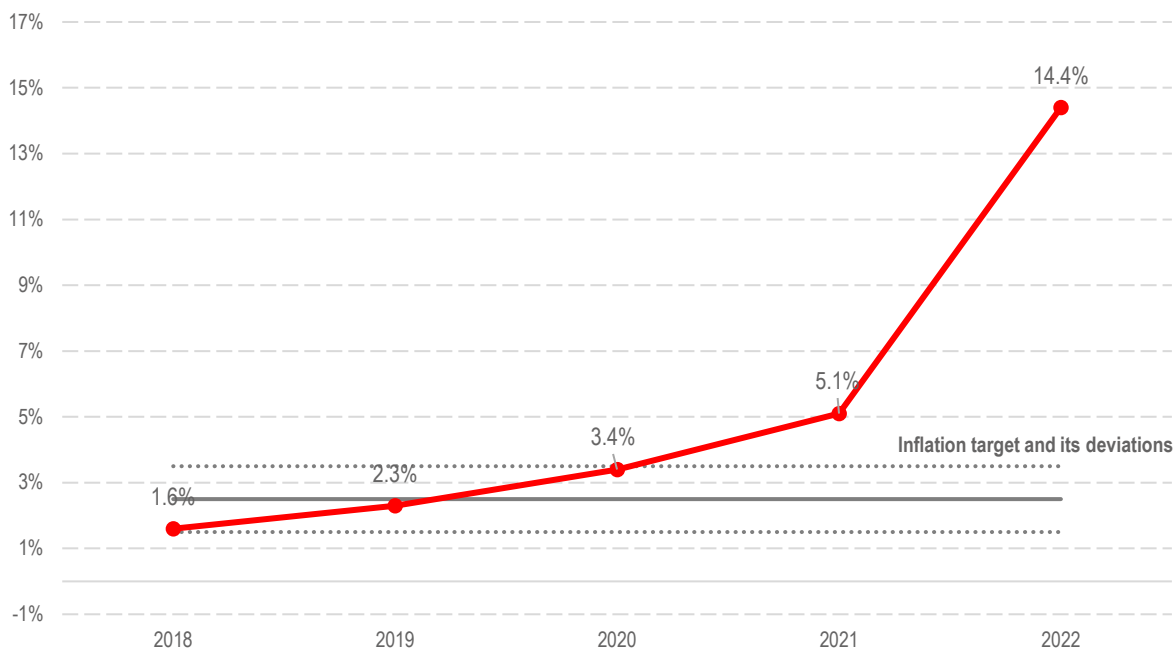
Source: Data from the GUS (February 2023)

The PMI metric (a leading indicator of the Polish industry) dropped from 54.5 to 40.9 points between January 2022 and August 2022. This was mainly driven by mounting geopolitical tension and rising inflation rates, limiting new business and curbing industrial manufacturing volumes. Between September 2022 and March 2023 the metric rebounded (growing to 48.3 points), but it remained below 50.0 points throughout the period. A score below 50.0 suggests that the surveyed managers do not anticipate any improvement in the situation in the sector. This results from the negative market conditions related to uncertainty and budget pressures brought about by high inflation rates. The same factors contributed to ailing exports – demand for Polish goods dropped mainly in Germany. The war in Ukraine had a destabilizing effect on the Polish industry sector. Production and new business volumes shrank and trade with Poland's eastern neighbours was severely limited. This negative situation in the Polish industry was also compounded by growing fuel and energy prices, negative foreign exchange rate fluctuations and cost-push inflation.

According to GUS, the situation in the labor market in 2022 improved compared to the preceding year. Average employment in the enterprise sector rose to unprecedented levels. The unemployment rate recorded at the end of 2022 was 5.2%, which means that it was 0.6 percentage point lower compared to the end of 2021. In 2022, the labour market was becoming increasingly more limited, causing enterprises to find it difficult to hire new talent in the face of the persistent strong labour demand. Average employment in the enterprise sector stood at 6.5 million people in December 2022, i.e. it rose by 2.2% as compared to December 2021. Meanwhile, the average monthly (gross) salary in the enterprise sector in December 2022 amounted to PLN 7,329.96.39, which represents a 10.3% yoy growth. This increase was mainly driven by the double-digit inflation rates, which exceeded the inflation rate target of the National Bank of Poland.

The average annual consumer price index in 2022 rose to 14.4%, as compared to 5.1% in 2021. Such a high inflation rate mainly stemmed from the war in Ukraine and continuing post-pandemic revival of global demand (which, however, progressively decreased during the year). The general global trends of greater risk aversion and limited supply of energy resources from Russia were reflected in the elevated prices of energy carriers and fuels. Food prices also rose significantly (on average by ca. 16% in 2022), driven by high prices of gas, translating into more expensive fertilizers and limited supply of food products from the east.

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



Source: Data from the GUS (January 2023)

In an attempt to reduce inflation down to the set target over the medium term, the Monetary Policy Council (RPP) continued to raise interest rates in 2022 (most recently in September 2022). In total, interest rates were increased by 500 basis points in 2022 – the reference rate of the National Bank of Poland grew to 6.75, the highest level since 2004. The lombard rate was also increased to 7.25%, the deposit rate to 6.25%, the rediscount rate for bills of exchange to 6.8% and the discount rate for bills of exchange to 6.85%.

In February 2023, the European Commission (EC) reviewed its GDP growth forecast for Poland. According to the EC, Poland will avoid recession in 2023 with a GDP growth of 0.4, which is set to increase to 2.5% in 2024. The EC indicated that the elevated inflation rate and a relatively poor assessment of the economic outlook for consumers and businesses will have a negative impact on the dynamics of business activity in the coming quarters. The reduced real income at the disposal of Polish households, coupled with a low saving rate will also affect the dynamics of individual consumption, which will see a slight decrease. Private investment will continue to be shaped by high interest rates and greater uncertainty, yet total investment should continue to grow due to the significant influx of direct investment and the anticipated growth in public investment. The EC forecasts that inflation rates will begin to decrease markedly starting from the 2nd quarter of 2023, reaching single-digit values (7.5%) in the fourth quarter. According to the EC, the average inflation rate in 2023 will drop to 11.7%, only to further decrease sharply to 4.4% in 2024. Despite the government's efforts to limit energy and gas price increases, the dynamics of energy prices in 2023 will remain quite significant. According to the EC, the core inflation rate will still be shaped by the high salary dynamics and expansive fiscal policy, although a drop in wholesale energy prices and some deterioration in the labor market will gradually dampen inflationary pressures.

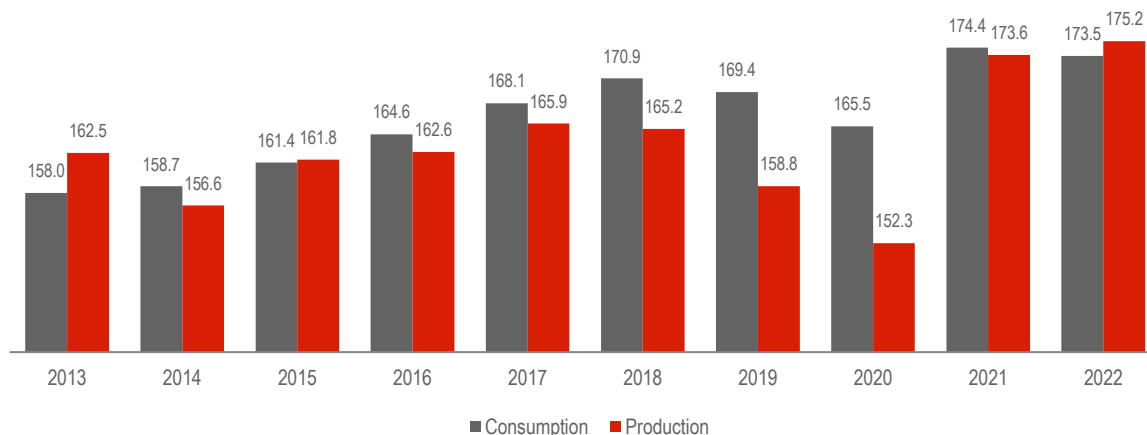
3.2. Electricity market in Poland

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 (as a basic fuel for production in the Polish electricity system). 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 Russia's aggression against Ukraine, supported by sanctions on imports of energy commodities from Russia to the EU, which fuel price increases in gas, coal and other markets.

Domestic production and consumption of electricity

According to data published by PSE, electricity consumption in Poland in 2022 decreased by 0.9 TWh (0.5% y/y) compared to 2021, to 173.5 TWh. Production did not match the decline in consumption and increased by 1.6 TWh in relation to 2021, to 175.2 TWh.

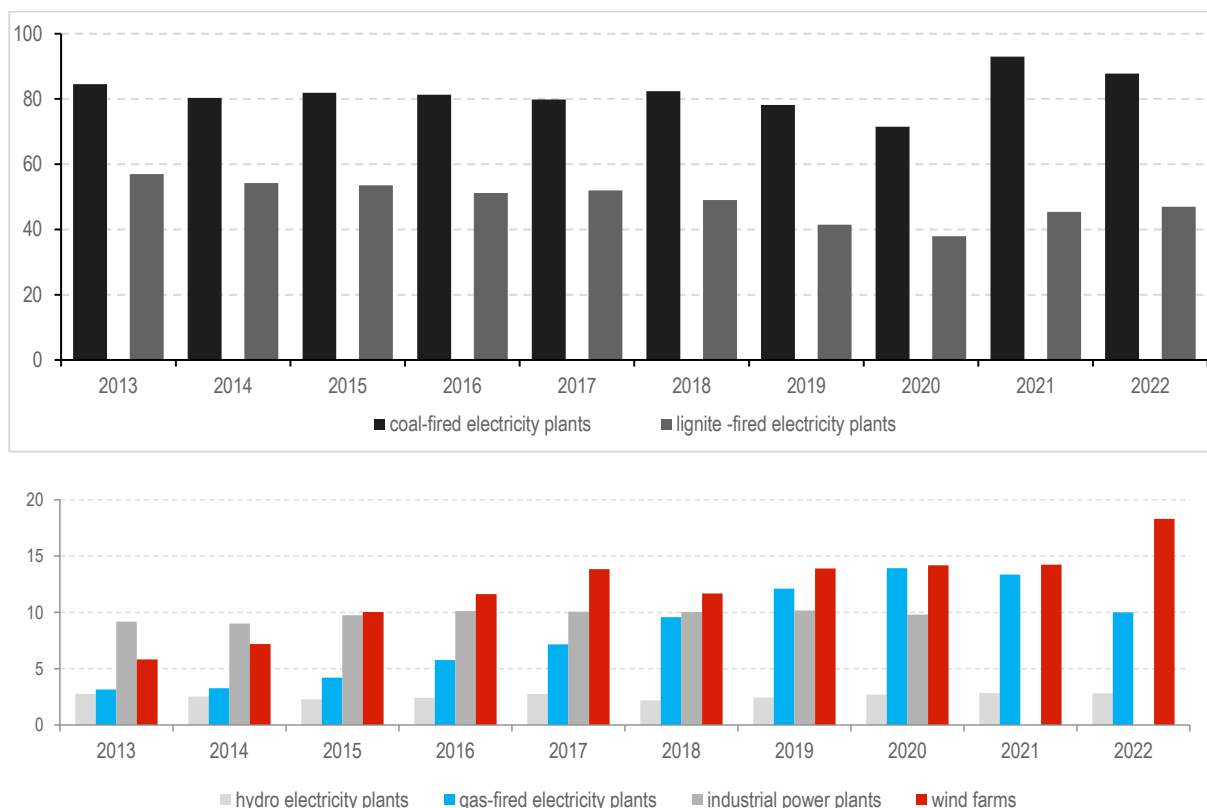
Figure 8: Production and consumption of electricity in Poland in 2013-2022 (TWh)



Source: PSE

In 2022, the production of energy in wind power plants continued to increase. The share of wind energy in the generation mix was almost 10.5%, and the production of electricity by wind farms increased by approx. 28.6% in relation to 2021.

Figure 9: Power generation mix in Poland in 2013-2022 (TWh)



Source: PSE

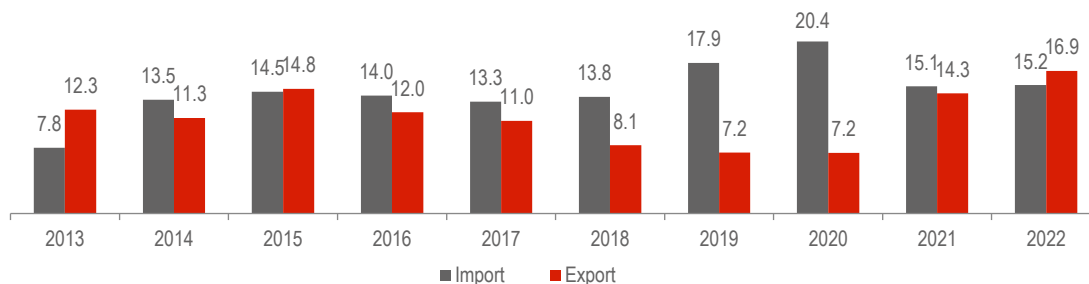
Coal-fired main activity producer electricity plants had the highest share in the power generation mix last year. They accounted for 55.0% of the total production, while the share of lignite-fired main activity producer electricity plants was 26.9%. The highest increase in production in percentage terms in 2022 was recorded in other renewable sources, except wind farms and baseload hydropower plants, where generation increased by almost 96% y/y to 9.3 TWh. This growth was achieved mainly due to an

increase in the installed capacity of photovoltaic sources in the national energy mix thanks to renewable energy auctions and successive editions of the government's My Electricity (*Mój prąd*) programme.

Poland's cross-border power exchange

In 2022, electricity imports slightly increased y/y by more than 0.1 TWh, while exports increased by almost 2.6 TWh in relation to 2021, which can be explained by a surge in prices in Western Europe due to a supply shock following Russia's aggression against Ukraine and sanctions on imports of energy commodities from Russia to the EU. The above factors driving exports growth in relation to 2021 contributed to increases in power flow volumes along parallel exchange lines.

Figure 10: Annual cross-border power exchange volumes in Poland 2013-2022 (TWh)

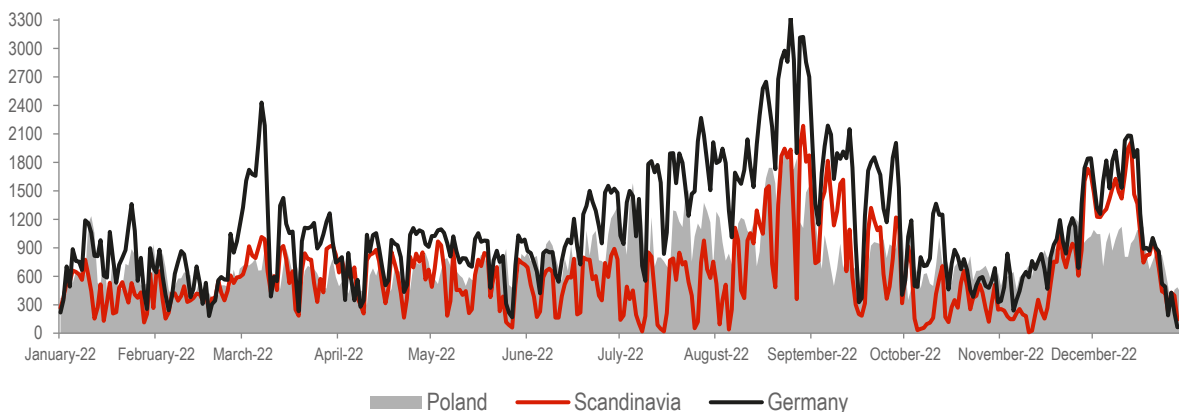


Source: PSE

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 a reference product. The price level in Poland was not substantially higher than in the neighbouring countries compared to previous years. The highest price deviations were observed in relation to the German market (-28.79%, or -318.44 PLN/MWh), while lower deviations were observed in comparison with prices in the Scandinavian market (+23.73%, or 151.05 PLN/MWh). It is noteworthy that Poland's western neighbours had higher prices than in the Polish market, which was particularly prominent in the summer season. The contributing factors included declining renewable energy production in Western Europe, supply shock and surging prices of energy commodities, uncertainty as to the possibility of refilling gas storage facilities in Europe before the winter season, consistently high demand for energy and rising prices of emission allowances.

Figure 11: Prices of energy in the SPOT market in Poland and in neighbouring countries in 2022 (PLN/MWh)



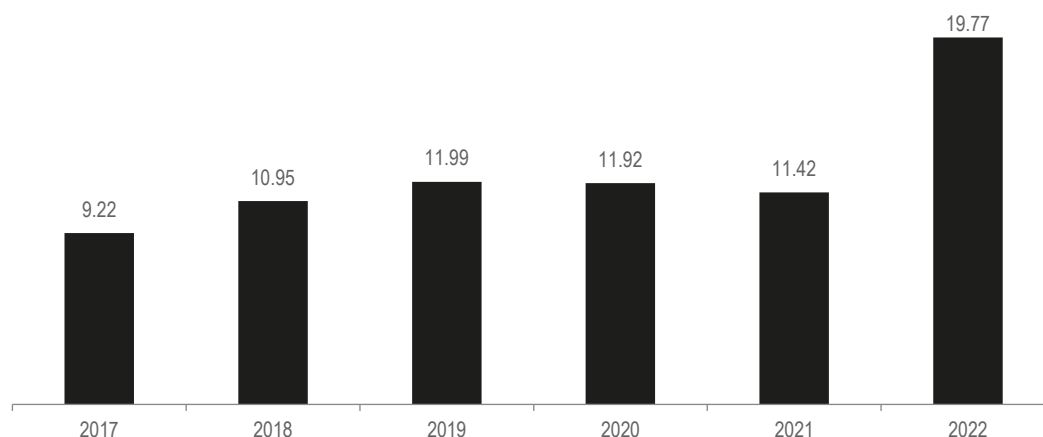
Source: Bloomberg, TGE

Coal prices in Poland

Over the recent years, a consistent decline in coal prices has been observed in Poland, driven by a global factor – the global decline in the price of this commodity and the oversupply of coal in Poland. Because of the promotion of low- and zero-carbon energy, especially in Europe, the demand for coal was declining, displaced from the energy mix mainly by wind, photovoltaic and gas-fired power stations. In 2022, and in particular during the first three quarters, coal prices at main trans-shipment ports (ARA, Newcastle, Richards Bay) rose substantially, only to fall again before the end of the year. The increased consumption of coal in the power sector was driven by the Russian aggression against Ukraine and sanctions imposed on energy commodity imports from Russia to the EU. Rising prices, particularly those of gas, amidst concerns about meeting the demand, fuelled a

hike in coal prices. In the Polish market, the selling price of coal for main activity producer and autoproducer power plants significantly increased, reaching new all-time highs.

Figure 12: Prices of coal including cost of transport for coal-fired power plants at year-end in 2017-2022 (PLN/GJ)

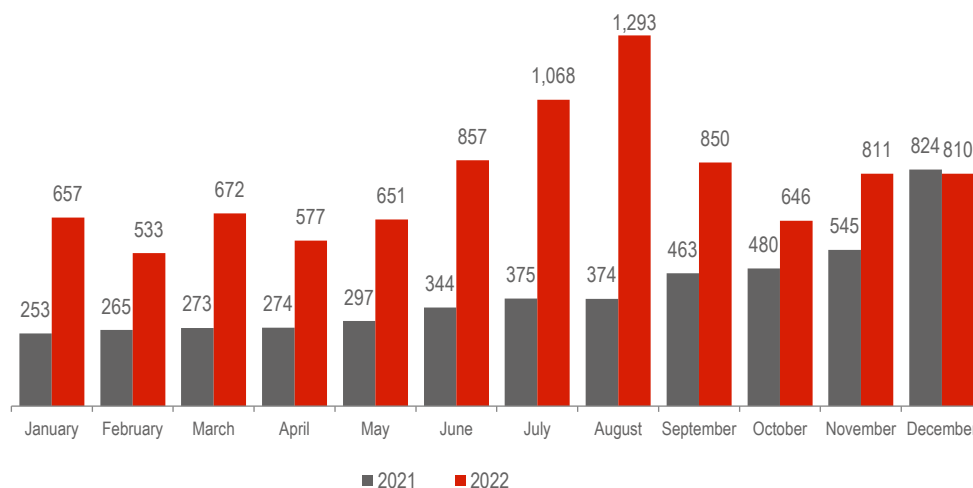


Source: Polski Rynek Węgla

Day-Ahead Market of electricity in Poland

The average TGeBase index for 2022 was 787.62 PLN/MWh, 389.39 PLN/MWh higher than in 2021 (398.23 PLN/MWh). High demand for energy, and in particular substantial price rises in Western Europe were the key price drivers relative to 2021. Furthermore, increased geopolitical tensions drove up the prices of CO₂ emission allowances and coal, which, along with high system losses, supported price growth in 2022.

Figure 13: Prices of the TGeBase index from 2021 to 2022 (PLN/MWh)



Source: TGE

The highest average monthly price for electricity on the commodity market was recorded in August last year, when the average TGeBase index stood at 1,282.93 PLN/MWh. The minimum was observed in February 2022 at 533.41 PLN/MWh.

Electricity futures market in Poland

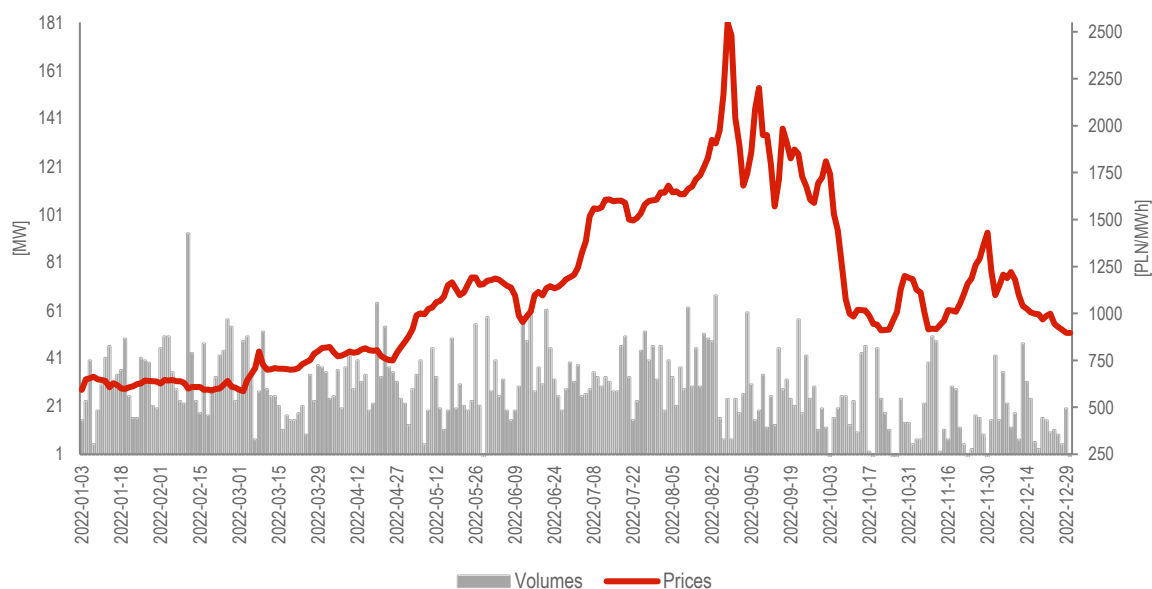
In order to assess the futures market in Poland, a one-year base-load future contract for 2023 (BASE 2023) has been selected as a reference product. In 2022, price levels showed an upward trend, reaching a peak of 2,547.10 PLN/MWh in August and subsequently returning below 1,000.00 PLN/MWh. Due to filling up of gas storage facilities before the winter period in Europe and securing coal supplies, supported in Q4 by regulatory solutions on the Polish market which introduced a ceiling price on the electricity balancing market and removed the power exchange obligation, as well as increased production of renewable energy (due to good wind conditions) and temperatures above the long-term average, the year closed at 895.90 PLN/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:

- easing of concerns about the energy security of European countries ahead of the winter season,
- decline in SPOT market prices,
- lower system losses,
- new regulatory solutions, such as a ceiling price on the electricity balancing market and removal of the power exchange obligation.

Figure 14: Base-load electricity futures price with delivery in 2023



Source: TGE

Emission allowance market

On 12 May 2022, the European Commission announced that there had been more than 1,449 million allowances in circulation at the end of 2021 (the decline in the number of allowances by almost 14% year on year was caused by the onset of a pandemic recovery period in 2021 and the resulting increase in emissions). This value formed a baseline for the determination of the EU Emissions Trading System (EU ETS) Market Stability Reserve (MSR), which was launched in January 2019. In accordance with the rules of the Market Stability Reserve, almost 348 million allowances in total will be allocated to the Market Stability Reserve over a 12-month period from 1 September 2022 to 31 August 2023. Over the initial 5 years of the MSR, the number of allowances is to be reduced annually by 24% of the total number of allowances in the auction pool (as long as the total number of allowances in circulation exceeds the threshold of 833 million). Rising prices of coal and gas were a key driver of EUA prices in the first three quarters. This increase was mainly due to increasing geopolitical risks, including sanctions imposed on imports of energy commodities from Russia to the EU, and legislative work on the Fit for 55 package. Despite increased geopolitical tensions in 2022, the EU not only did not abandon its climate course, as demonstrated by the continued work on the Fit for 55 package, but also decided to implement the strategy presented in May to diversify energy supply and make Europe less dependent on fossil fuels (REPowerEU). As a result of a consistently high EUA rate in Q4 2022, the average price for 2022 increased considerably to 81.09 EUR/t in relation to the average price in 2021 (52.85 EUR/t), i.e., by 53.44% y/y.

Figure 15: Prices for emission allowances (EUA DEC 2021) in 2022



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)
	2021 (PLN/MWh) index	2022 (PLN/MWh) index		
OZEX_A (green)	191.27	188.17	19.0*	300.03*

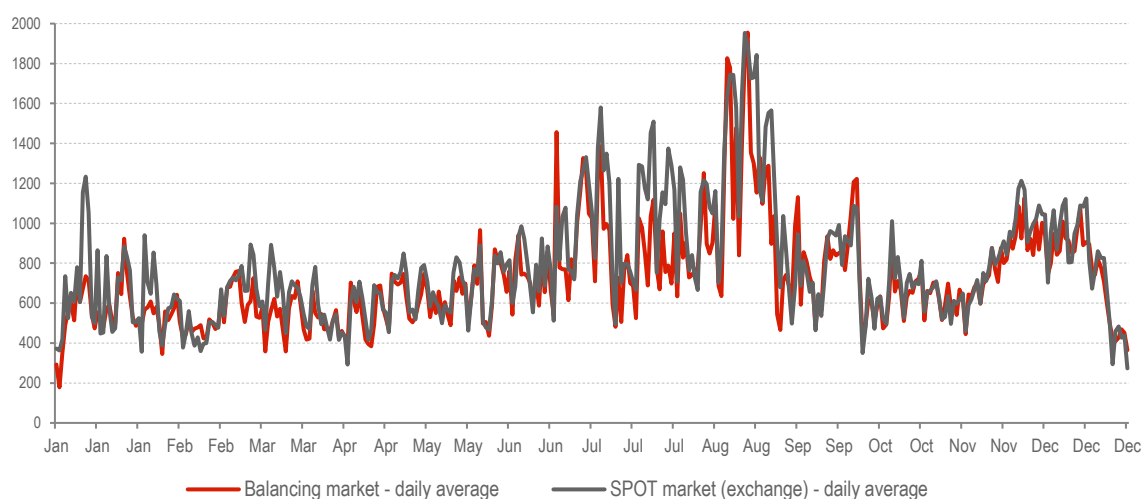
* value of the substitution fee and redemption obligation for 2022.

From the perspective of the Group's generation mix (its high share of renewable energy sources), the prices of green property rights are of key importance. PM OZE (green certificate) prices followed a downward trend from the beginning of 2022, to reach a minimum of 88.19 PLN/MWh in mid-September. Subsequently there was a rebound, prices peaked at 198.98 PLN/MWh, and 2022 closed at 192.15 PLN/MWh. The volume of PM OZE certificates issued increased to 19.4 TWh from 19.21 TWh in 2021.

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 2022 (PLN/MWh)



Source: PSE

In 2022, 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 2022, differences between prices on the electricity balancing market and prices of SPOT market instruments were mostly attributable to concerns about meeting the demand for commodities in Europe once

sanctions had been imposed on imports of energy commodities Russia to the EU, strong variations in wind generation output and a ceiling price introduced on the electricity balancing market by modifying the bidding process and removing the power exchange obligation. The average price level in 2022 on the electricity balancing market was 718.08 PLN/MWh vs. 374.54 PLN/MWh in 2021.

3.3. Regulatory environment

Legislative processes ended in 2022

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

Legal act	Description and purpose of the regulations
<p>Act of 27 January 2022 Amending the Act on Renewable Energy Sources and Certain Other Acts</p> <p>Journal of Laws of 2022, item 467</p>	<ul style="list-style-type: none"> • The revision implements solutions allowing a person who, by 31 March 2022: <ul style="list-style-type: none"> ✓ enters into an agreement for the purchase, installation or co-financing of a renewable microgeneration installation with a local authority which implements an 'umbrella' project funded from a Regional Operational Programme, ✓ and, by the end of December 2023, files a correct application for connection of the microgeneration installation (Article 40 sec. 1a of the Act of 20 February 2015), to remain billed on the same terms, i.e. on net metering basis, for 15 years after the connection of the installation to the grid and provision of the prosumer service. • The Act was published in Journal of Laws on 25 February 2022 and came into force on 26 February 2022, except Article 1, which will come into force on 1 April 2022.
<p>Concept for an update of the Energy Policy of Poland until 2040 (PEP2040) – reinforcing energy security and independence</p>	<ul style="list-style-type: none"> • On 29 March 2022, the Council of Ministers adopted an outline for the update of Poland's Energy Policy until 2040 (PEP2040). The government is updating PEP2040 to neutralise or mitigate the risks of potential crisis situations in Poland and internationally. This is in line with pursuing the main goal of the energy policy, i.e. ensuring energy security while keeping the economy competitive and minimising the environmental impact of the energy sector. • The key planned changes to the Energy Policy of Poland until 2040 include: <ul style="list-style-type: none"> ✓ increasing the diversity of technologies and expanding capacities based on domestic sources, ✓ continuing to develop renewable energy sources, ✓ improving energy efficiency, ✓ continuing the diversification of supply and offering alternatives to hydrocarbons, ✓ adapting investment decisions relating to gas-fired generating capacities to fuel availability, ✓ continuing the use of coal-fired units, ✓ launching nuclear power generation capacities (conventional reactors and SMRs), ✓ developing the networks and energy storage, ✓ negotiating changes to EU regulations (transition without excessive costs).
<p>EC delegated act (to EC implementing regulation) covering specific nuclear and gas energy activities C(2022) 631/3</p> <p>COMMISSION DELEGATED REGULATION (EU) of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities</p>	<ul style="list-style-type: none"> • On 6 July 2022, a Commission Delegated Regulation was adopted, amending the Regulation of 9 March 2022 (EU 2021/2139), concerning the inclusion, under certain conditions, of specific nuclear and gas energy activities in the list of environmentally sustainable economic activities covered by the EU taxonomy. • The purpose of this instrument is to temporarily qualify certain categories of activity (in accordance with the nomenclature of the EU taxonomy), including nuclear and gas energy generation, as investments satisfying the EU investment financing rules. It means that funds for such projects can be awarded if certain technical conditions are met, and the projects can also be funded, for instance, from the EU budget. • This document specifies the following requirements for investments in generation of electricity using fossil gaseous fuels: <ul style="list-style-type: none"> ✓ facilities for which the construction permit is granted by 31 December 2030 comply with all of the following: <ul style="list-style-type: none"> ✓ direct GHG emissions of the activity are lower than 270 g CO_{2e}/kWh of the output energy, or annual direct GHG emissions of the activity do not exceed an average of 550 kgCO_{2e}/kW of the facility's capacity over 20 years; ✓ the power to be replaced cannot be generated from renewable energy sources, based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified; the result of this comparative assessment is published and is subject to a stakeholder consultation; ✓ the activity replaces an existing high emitting electricity generation activity that uses solid or liquid fossil fuels; ✓ the newly installed production capacity does not exceed the capacity of the replaced facility by more than 15%; ✓ the facility has been designed and constructed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low-carbon gaseous fuels takes place by 31 December 2035; ✓ the replacement leads to a reduction in emissions of at least 55% GHG over the lifetime of the newly installed production capacity; ✓ where the activity takes place on the territory of a Member State in which coal is used for energy generation, that Member State has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan.

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<p>Regulation of the Minister of Climate and Environment of 10 August 2022 on the main auction parameters for the delivery year 2027 and additional auction parameters for the delivery year 2024</p> <p>Journal of Laws of 2022, item 1690</p>	<ul style="list-style-type: none"> • On 11 August 2022, a new Regulation laying down the technical parameters for capacity market auctions was published. Key technical parameters for the main auction for the 2027 delivery year required by the Regulation: <ul style="list-style-type: none"> ✓ the projected auction demand was set separately for each quarter of the delivery year. The total main auction demand for the 2027 delivery year is 6,237 MW; ✓ the entry price (CeWe) for the delivery period falling in 2027, taking into account the price escalation factor (1.05), is 40,635 PLN/kW/year; ✓ additional auction demand for the delivery period falling in 2024 is: (1) 3,209 MW – for Q1; (2) 1,160 MW – for Q2; (3) 1,186 MW – for Q3; (4) 4,185 MW – for Q4. ✓ the entry price of a new generating unit, reflecting the opportunity cost to the operator of securing capacity by building a generating unit with minimum operating cost and fixed capital expenditure, taking into account the potential margin on electricity sales and provision of system services, in additional auctions for the delivery period falling in 2024, is PLN 387 per kW for all quarters (a price escalation factor of 1.05 was set in the Regulation); ✓ a price of PLN 187 per kW was set for 'price takers'. • The Regulation was published in Journal of Laws and entered into force on 12 August 2022.
<p>Act of 19 September 2022 on Specific Solutions for Certain Heat Sources in Connection with the Situation in the Fuel Market</p> <p>Journal of Laws of 2022, item 1967</p>	<ul style="list-style-type: none"> • On 19 September 2022, the Act on Specific Solutions for Certain Heat Sources in Connection with the Situation in the Fuel Market was published in the Journal of Laws. • The Act regulates, <i>inter alia</i>, how the generator is expected to set a specific level of average heat generation price for household and public service customers in the period from 1 October 2022 to 30 April 2023 and is paid for each calendar month of application of the average heat generation price with compensation. It also specifies the manner of calculating the average heat generation price and sets it at the level of: <ul style="list-style-type: none"> ✓ 150.95 PLN/GJ net of VAT for natural gas- or heating oil-fired heat sources; ✓ 103.82 PLN/GJ net of VAT for remaining heat sources, while for mixed sources the price is set in proportion to the respective shares of these sources in the mix. • The average heat generation price applies, <i>inter alia</i>, to: <ul style="list-style-type: none"> ✓ households ✓ homeowners communities ✓ suppliers of heat to households or other entities such as hospitals, schools, kindergartens, churches etc.; • Heat customers, in order to make it possible to apply the average heat generation price with compensation, submit a statement to the heat supplier, which includes (i) a declaration that they meet the conditions qualifying them as customers eligible for compensation, (ii) provision of data to determine the estimated heat consumption; • In accordance with the regulations, suppliers are obliged to provide generators, within 30 days of the entry into force of the Act, with information on the estimated amount of heat to be consumed by customers eligible for the price with compensation; • The compensation is to be calculated by the generator on the basis of the difference between the approved tariff and the price with compensation. Generators will submit the applications for compensation to the Settlement Manager by the 25th day of every month following a given monthly billing period; • By 31 August 2023, generators will submit an application for settlement of the compensation to the Settlement Manager based on the actual figures. • The Act entered into force on 20 September 2023.
<p>Regulation of the Minister of Climate and Environment of 27 September 2022 amending the Regulation laying down the specific conditions of functioning of the electricity system</p> <p>Journal of Laws of 2022, item 2007</p>	<ul style="list-style-type: none"> • The revision (which enters into force 3 days after its publication in the Journal of Laws, if not otherwise indicated) introduces a number of changes, such as: <ul style="list-style-type: none"> ✓ a monthly (instead of quarterly) revision cycle for the cost of primary fuel taken into account in the determination of the Must-Run Supply Price (MRSP) and Must-Run Offtake Price (MROP) of electricity for generating units using a primary fuel other than natural gas or lignite; ✓ the use of MRSP and MROP prices determined on the basis of the actual cost of primary fuel for the billing of must-run operation units. The envisaged legislative change should considerably limit the risk of losses of Energa Ostrołęka B when given a must-run status by the TSO. ✓ repeal of price arbitration provisions for settlements between TSOs and commercial balancing entities for the difference in the amount of electricity in the case of over-contracting and under-contracting.
<p>Act of 29 September 2022 Amending the Energy Law Act and the Act on Renewable Energy Sources (removal of the power exchange obligation)</p> <p>Journal of Laws of 2022, item 2370</p>	<ul style="list-style-type: none"> • The new Act introduces a number of changes to the existing legal status, such as: <ul style="list-style-type: none"> ✓ removing the obligation to sell electricity through the power exchange (the 'power exchange obligation'). This obligation currently applies to electricity generators, subject to a number of exceptions (such as energy from renewable sources and CHP plants); ✓ specifying that the existing provisions will apply to electricity covered by agreements concluded before the date of entry into force of the Act; ✓ introducing a sanction for market manipulations, i.e.: a fine up to 5,000 daily rates and a term of imprisonment from 1 to 10 years or both. Identical sanctions may be imposed for using inside information to trade energy products in the wholesale market. A fine of up to 2,500 daily rates and a term of imprisonment from 3 months to 5 years may be imposed for disclosing inside information or recommending the purchase or sale of products on its basis. • The revision was published in the Journal of Laws on 21 November 2022 and it will take effect 14 days thereafter, i.e., on 6 December 2023.

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<p>Act of 7 October 2022 Amending the Act on Corporate Income Tax and Certain Other Acts</p> <p>Journal of Laws of 2022, item 2180</p>	<ul style="list-style-type: none"> • On 25 October 2022, the Act amending the Act on Corporate Income Tax and Certain Other Acts was published in the Journal of Laws. • The Act introduces amendments concerning, <i>inter alia</i>, the extension of the anti-inflation programme (anti-inflation shield) from 31 October 2022 to 31 December 2022 and maintaining the temporarily reduced VAT rates for natural gas, electricity and heat, among other things. The following VAT rates have been maintained: <ul style="list-style-type: none"> ✓ 0% for natural gas; (2) 5% for electricity and heat, and the following changes have been extended: <ul style="list-style-type: none"> ✓ excise tax exemption for electricity sold to household customers; ✓ reduced excise tax on electricity sold to other customers at PLN 4.6 per MWh. • The Act entered into force on 1 January 2023 (except for certain provisions relating to reduced tax and excise duty rates for electricity, heat and gas, which entered into force on 31 October 2022).
<p>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> <p>Journal of Laws of 2022, item 2127</p>	<ul style="list-style-type: none"> • On 17 November 2022, the Act on Specific Solutions for the Protection of Electricity Customers in 2023 in Connection with the Situation in the Electricity Market was published in the Journal of Laws. The Act introduces: <ul style="list-style-type: none"> A freeze of electricity prices. <ul style="list-style-type: none"> ✓ A guaranteed price of electricity will apply: <ul style="list-style-type: none"> (1) up to 2,000 kWh per year – to all households; (2) up to 2,600 kWh per year – to households with people with disabilities; (3) up to 3,000 kWh per year – to 'three-plus' families – that is, families having a Large Family Card and farmers. ✓ Once they exceed the consumption threshold of 2,000, 2,600 and 3,000 kWh, respectively, households will be billed for each additional kWh consumed using the prices and rates envisaged in the 2023 tariff of the respective company, or, in the case of free market offers, using the prices set in the contract with the seller; ✓ The electricity price freeze in 2023 will benefit nearly 17 million households (customers from tariff group G); ✓ The government will allocate approx. PLN 23 billion to the new instrument; ✓ As an amendment introduced by the Senate, the protection will extend to customers who turn to a supplier of last resort after their contract is terminated. Electricity allowance. <ul style="list-style-type: none"> ✓ A one-time electricity allowance will be introduced for households that use electricity for heating, including those that use heat pumps; ✓ The allowance will amount to PLN 1,000, but it will be increased to PLN 1,500 if annual electricity consumption exceeds 5 MWh; ✓ As a prerequisite, registration must be obtained or the source of heat must be notified to the Central Emission Register of Buildings; ✓ Prosumers are not eligible for the allowance; ✓ The expectation is that the solution will be available to ca. 800,000 households, for which the government will allocate approx. PLN 1 billion. Electricity-saving incentive. <ul style="list-style-type: none"> ✓ Households will receive a special discount if they reduce their electricity consumption; ✓ The solution will apply starting from 1 October 2022; ✓ The discount will be 10% of the total cost of electricity; ✓ Electricity companies are to be compensated for the electricity price freezes and discounts. The source of funding is to be the Covid-19 Response Fund; the electricity allowance will also be financed out of it. The spending cap for the Fund in 2023-2025 is set at PLN 26.8 billion, including PLN 23 billion for compensation payments in 2023 and PLN 1 billion for the electricity allowance. The remaining PLN 2.8 billion is earmarked for compensating companies for the discounts in 2024-2025. • The Act entered into force on 18 November 2022, with the exception of: <ul style="list-style-type: none"> ✓ Article 36(1), which entered into force on 1 December 2022; ✓ Article 36(3), which will enter into force on 1 January 2023.

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<p>Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023</p> <p>Journal of Laws of 2022, item 2243</p>	<ul style="list-style-type: none"> • On 3 November 2022, the Act on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023 was published in the Journal of Laws. • This new Act defines the following new mechanisms for prices and billing of electricity: <ul style="list-style-type: none"> ✓ a ceiling price mechanism has been introduced for electricity. The new solutions envisage that despite rising electricity prices on the wholesale market in 2023, prices for trading in electricity are to be applied in customer billings, i.e., a 'ceiling price' at the level of: <ul style="list-style-type: none"> ✓ 785 PLN/MWh – for public service customers and SMEs; ✓ 693 PLN/MWh – for household customers. ✓ billings for eligible customers and compensation for energy suppliers have been regulated, in particular: <ul style="list-style-type: none"> ✓ the obligation to apply a ceiling price in the period from 1 December 2022 to 31 December 2023 for the total consumption of electricity at a supply point in billings for eligible customers; ✓ introduction of a compensation scheme for trading companies and electricity generators, with Zarządca Rozliczeń S.A. (Billing Manager) as the entity responsible for compensation payments; ✓ the Act additionally obligates trading companies to apply a discount in 2024 for energy savings by SMEs in 2023 equivalent to 10% of the total amount billed for 2023 if the amount consumed in 2023 does not exceed 90% of the average consumption in 2018-2022. The trading company is entitled to a full compensation for the discount. ✓ with respect to intervention on the wholesale market for electricity: <ul style="list-style-type: none"> ✓ a mechanism was introduced to reduce the revenue of certain electricity generators and trading companies; ✓ for electricity generators using wind energy, solar energy, geothermal energy, hydropower, biomass and bioliquids, waste, lignite, liquid fuels, coal, gaseous fuels excluding biogas and agricultural biogas for the production of electricity, as well as for energy companies trading in electricity, an obligation has been imposed to contribute excess revenue to the Price Difference Payout Fund using a calculation method laid down in the Act. • The Act entered into force on 4 November 2022.
<p>Regulation of the Council of Ministers of 8 November 2022 laying down the rules for calculating the price cap</p> <p>Journal of Laws of 2022, item 2284</p>	<ul style="list-style-type: none"> • On 9 November 2022, a Regulation was published in the Journal of Laws based on a delegation in the Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023 (Journal of Laws of 2022, item 2243). • Based on the provisions of the aforesaid Act, electricity generators and suppliers will have to contribute excess revenue to the Price Difference Payout Fund, using a calculation method laid down in the Act. • The Regulation governs how the following obligations arising from the aforesaid Act should be met: <ul style="list-style-type: none"> ✓ the method of calculating price caps for individual entities subject to the obligation to make contributions to the Price Difference Payout Fund, i.e.: (1) Electricity generators by generation technologies as specified in Article 21 sec. 1 of the Act; (2) Energy companies trading in electricity. ✓ the method of price calculation, which may include, without limitation: (1) the cost of fuel consumption, (2) the net efficiency of the generating unit, (3) a certain margin level. ✓ the way in which the price cap is to be set separately for energy sold to final customers and separately for energy trading, excluding sale to final customers. • The Regulation entered into force on 10 November 2022.
<p>Act of 15 December 2022 on Specific Protection for Certain Gaseous Fuel Customers in 2023 in Connection with the Situation in the Gas Market.</p> <p>Journal of Laws of 2022, item 2687</p>	<ul style="list-style-type: none"> • The Act was published in the Journal of Laws on 20 December 2022 (its provisions come into effect on 21 December 2022, unless otherwise specified), introducing, among other things, the following mechanisms to reduce the prices of natural gas in customer billings: <ul style="list-style-type: none"> ✓ ceiling price for gaseous fuels at approx. 200 PLN/MWh; ✓ freeze of distribution rates; ✓ introduction of an additional VAT refund mechanism for the most vulnerable gaseous fuel customers who use gaseous fuels for heating purposes; ✓ it also introduces amendments to grid connection regulations, <i>inter alia</i>, by facilitating the process. • In the context of the Energy Law Act, a new information obligation was imposed on electricity generators. It was necessitated by the repeal of Article 49a of the Act, which envisaged the 'power exchange obligation'. Currently, generators are obligated to inform the President of the ERO about any electricity purchase contracts they conclude. • With respect to changes in the Act on Renewable Energy Sources, the provisions on cooperation between microgeneration installations and electricity storage facilities were further specified, and the time limit for the first sale of energy from PV installations in an auction system or FIT/FIP was extended. • The main changes introduced by the Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023 include, without limitation: <ul style="list-style-type: none"> ✓ extending the obligation to apply a ceiling price of 785 PLN/MWh to new categories of eligible customers: homeowners communities and entities obligated to provide electricity to premises used by other entities (re-invoicing), which are covered by the ceiling price of 785 PLN/MWh under statutory law (such as, without limitation, SMEs, local authorities, public benefit entities). Such entities may submit declarations on their status as an eligible customer by 31 January 2023; ✓ the application of the ceiling price (785 PLN/MWh) to eligible customers who must make a declaration (the whole list from Article 2 sec. 2 b-f) was modified by ✓ making this price obligatory only in respect of customers whose contracts were concluded, amended or the price was set after 23 February 2022. A requirement was introduced to respect already submitted declarations even if they were incomplete or contained formal errors. ✓ the provisions were clarified by stating that the ceiling price was the only component of the charges used in electricity trading settlements.

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<p>Regulation of the Minister of Climate and Environment of 21 November 2022 setting the cogeneration rate for 2023</p> <p>Journal of Laws of 2022, item 2420</p>	<ul style="list-style-type: none"> The Regulation was published in the Journal of Laws on 24 November 2022 and the new provisions will take effect from the beginning of 2023. Pursuant to Article 64 sec. 4 of the Act of 14 December 2018 on the Promotion of Electricity from High-Efficiency Cogeneration, the Regulation set the cogeneration rate for 2023 at 4.96 PLN/MWh.
<p>Regulation of the Minister of Climate and Environment of 23 November 2022 amending the Regulation laying down specific rules of structuring and calculating tariffs and billings for heat supply</p> <p>Journal of Laws of 2022, item 2437</p>	<ul style="list-style-type: none"> The Regulation was published in the Journal of Laws on 25 November 2022, introducing amendments to price and rate calculations for energy undertakings using a simplified calculation method. The changes introduced by the amendment will allow for a significant change in the calculation of the costs of economic activity for heat production in cogeneration. At the same time, a modification was also made to allow for a reduction in heat rates in the event of a decrease in average heat selling prices. The Regulation entered into force on 26 November 2022, except for specific provisions introducing new terms and nomenclature in §1 point 1 g), which will enter into force on 1 January 2028.
<p>Regulation of the Council of Ministers of 9 December 2022 amending the Regulation laying down the rules for calculating the price cap</p> <p>Journal of Laws of 2022, item 2631</p>	<ul style="list-style-type: none"> On 15 December 2022, a revision of the Regulation laying down the rules for calculating the price cap was published in the Journal of Laws (the amendments enter into force on 16 December 2022), modifying the existing text of §2 of the Regulation, including: <ul style="list-style-type: none"> ✓ a modification of the formula for the calculation of the price cap for selected renewable energy generators, including clarifications with respect to contracts concluded between a renewable energy generator and a final customer covering financial instruments and introduction of editorial corrections – amendment to §2 sec. 1 point 1 b) and c); ✓ a modification of the cost components of price cap calculation for electricity generators using lignite as fuel – amendment to §2 sec. 1 point 4 a), including the inclusion of an indexation rate based on the monthly consumer price index, calculated according to the principle of compound interest as from 30 September 2022 to the month preceding the period of settlement of the contribution to the Price Difference Payout Fund (the Fund). The adoption on 30 September 2022 is due to the fact that on that day, the accounts determining the level of costs subject to indexation (i.e. fixed costs and capital expenditure) will be closed; ✓ adding costs of purchase and redemption of certificates of origin to the list of price components – amendment to §2 by adding sec. 2; ✓ additionally, §3 of the Regulation was amended by providing clarification on the electricity pricing used in the calculation of the price cap for energy companies trading in electricity.

Regulatory issues handled in 2022 and before (EU regulations) and continuing in 2023

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

Legal act	Description and purpose of the regulations
<p>Proposal for an Act amending the Act on Wind Farm Investments and Certain Other Acts</p> <p>RCL number: UD207</p>	<ul style="list-style-type: none"> Highlights of the proposal submitted to the Sejm on 5 July 2022: <ul style="list-style-type: none"> ✓ local communities will be able to decide on the possibility of locating new onshore wind farm projects. This also extends to the possibility of residential development in the neighbourhood of wind farms, as well as existing installations; ✓ the fundamental rule for the location of new wind farms will be upheld, which is that a wind farm can only be established on the basis of a local zoning plan (MPZP); ✓ the obligation to develop or modify an MPZP for project purposes will apply to the projected impact area of the wind farm, instead of an area designated according to the 10H rule (a minimum setback distance less than 10 times the tip height of a turbine) for an area within a radius defined by a distance equal to 10 times the total height of the proposed wind farm to residential buildings; ✓ The setback obligation was maintained for national parks (10H) and nature reserves (500 metres); ✓ For wind farm locations, the required distance from extra high voltage electricity networks is no less than three times the diameter of the turbine rotor including blades or twice the maximum height of the turbines, whichever is greater. On 19 December 2022, a governmental self-correction to the proposal was published. To justify the self-correction, the government highlighted that solutions enabling local community participation in benefits from wind farm construction in the area concerned were added to the proposal. The first proposed modification is the addition of another point in the amended Article 1 stating that the material scope of the Act includes the principles of participation of municipality inhabitants in benefits from the construction of wind farms. Another proposed change (point 1 c) involves the addition of a new Article 6h, which provides that an investor carrying out a project involving the construction of a wind farm shall allocate at least 10% of the installed capacity of the wind farm to the inhabitants of the municipality, so that they could obtain the virtual prosumer status. As at 31 December 2022, the proposal was still being processed by the Sejm.
<p>Proposal for an Act on the Preparation and Execution of Pumped Storage Investment Projects and Associated Investments</p> <p>RCL number: 453</p>	<ul style="list-style-type: none"> On 3 October 2022, the Ministry of Climate and Environment published in the RPL register a proposal for an Act on the Preparation and Execution of Pumped Storage Investment Projects and Associated Investments. The main objective of the proposal for the Act is to simplify and shorten administrative procedures by using an instrument for deciding on locations of pumped storage projects. The proposed regulations include: <ul style="list-style-type: none"> ✓ qualifying pumped storage projects as public investment projects; ✓ shortening the time limits for appeals under the Code of Administrative Procedure; ✓ regulating the issue of acquiring legal title to real property; ✓ a corresponding reduction in the time limits for administrative decisions in relation to those in force; ✓ making decisions issued in the investment process immediately enforceable;

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	<ul style="list-style-type: none"> ✓ introducing fines to be imposed on the decision-making authorities if the time limits are exceeded; (7) ✓ making the issuance of a water permit independent of a prior decision on the location of a pumped storage project (to enable the processes to run independently); (8) ✓ administrative decisions will be immediately enforceable. Short time limits (usually seven days) were envisaged for province governors (<i>wojewoda</i>) for performance of statutory obligations; (9) ✓ the investments necessary to launch a pumped storage power plant are to be subject to the same rules as the main investment (an associated investment is understood as an investment in the construction or expansion of a transmission network). <ul style="list-style-type: none"> • As at 31 December 2022, the proposal was still at the stage of the governmental legislative process.
<p>Proposal for a COUNCIL REGULATION on an emergency intervention to address high energy prices</p> <p>COM/2022/473 final</p>	<ul style="list-style-type: none"> • On 15 September 2022, the European Commission published and submitted for consultation a proposal for a Council Regulation on an emergency intervention to address high energy prices. The Council formally adopted the Regulation on 6 October 2022. The EU has experienced an unusual increase in energy prices that has been further aggravated by the military aggression by Russia against Ukraine. EU countries are united and closely coordinating their efforts in a spirit of solidarity to secure the EU's energy supply and mitigate the impact of high energy prices on consumers and the economy. The adoption of the Regulation in writing follows from a political agreement reached by EU energy ministers in the Extraordinary Energy Council on 30 September 2022. • The mechanisms introduced by the Regulation include, without limitation: <ul style="list-style-type: none"> ✓ Electricity demand reduction: The Council Regulation sets a voluntary overall reduction target of 10% of gross electricity consumption and a mandatory reduction target of 5% of the electricity consumption in peak hours; ✓ Cap on market revenues for inframarginals: The Council agreed to cap the market revenues at 180 euros/MWh for electricity generators, including intermediaries, that use so-called inframarginal technologies to produce electricity, such as renewables, nuclear and lignite. Such operators have made unexpectedly large financial gains over the past months, without their operational costs increasing. This is because of the role of coal and gas as price-setting marginal sources that currently inflate the final price of electricity; ✓ Solidarity levy for fossil fuel sector The Council Regulation sets a mandatory temporary solidarity contribution on the profits of businesses active in the crude petroleum, natural gas, coal, and refinery sectors. The solidarity contribution would be calculated on taxable profits, as determined under national tax rules in the fiscal year starting in 2022 and/or in 2023, which are above a 20% increase of the average yearly taxable profits since 2018. ✓ Retail measures for SMEs The Council agreed that member states may temporarily set a price for the supply of electricity to small and medium-sized enterprises to further support SMEs struggling with high energy prices. Member states also agreed they may exceptionally and temporarily set a price for the supply of electricity which is below cost. • The measures resulting from the Regulation are temporary and extraordinary in nature. They will apply from 1 December 2022 to 31 December 2023. The reduction targets of energy consumption shall apply until 31 March 2023. The mandatory cap on market revenues shall apply until 30 June 2023. • As at 31 December 2023, some requirements of the European Council had been transposed into the Polish legislation, including through acts regulating the maximum levels of electricity, natural gas and heat prices for customers.
<p>Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Fit for 55': Delivering the EU's 2030 Climate Target on the way to climate neutrality</p> <p>COM/2021/550 final</p>	<p>State of work as at 31 December 2022 with respect to the implementation of the 'Fit for 55' package</p> <ul style="list-style-type: none"> • EU ETS / CO₂ Emissions Allocation and Trading System / Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757. On 17 December 2022, the Parliament and Council agreed on a reform of the emissions trading system to further reduce industrial emissions and invest more in climate-friendly technologies. <p>The context and scenarios:</p> <ul style="list-style-type: none"> ✓ Emissions in the ETS sectors must be cut by 62% by 2030. ✓ Free allowances to industries will be phased out from 2026 and disappear by 2034. ✓ An ETS II for fuel emissions from the building and road transport sectors as of 2027. <p>Increased ambitions for 2030:</p> <ul style="list-style-type: none"> ✓ Emissions in the ETS sectors must be cut by 62% by 2030, compared to 2005, which is one percentage point more than proposed by the Commission. ✓ In order to reach this reduction, there will be a one-off reduction to the EU-wide quantity of allowances of 90 Mt CO₂ equivalents in 2024 and 27 Mt in 2026 in combination with an annual reduction of allowances by 4.3% from 2024-27 and 4.4% from 2028-30.

Legal act	Description and purpose of the regulations
	<ul style="list-style-type: none"> ✓ Phasing out free allowances to companies. The free allowances to industries in the ETS will be phased out as follows: 2026: 2.5%; 2027: 5%; 2028: 10%; 2029: 22.5%; 2030: 48.5%; 2031: 61%; 2032: 73.5%; 2033: 86%; 2034: 100%. <p>In addition, a separate new emissions trading system for fuel for road transport and buildings that will put a price on emissions from these sectors will be established by 2027.</p> <ul style="list-style-type: none"> • CBAM / Carbon Border Adjustment Mechanism (CBAM); / Proposal for a Regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism. <ul style="list-style-type: none"> ✓ On 13 December 2022, Parliament and Council negotiators reached a temporary and conditional agreement on the Carbon Border Adjustment Mechanism (CBAM). The agreement must be approved by the ambassadors of the EU member states and by the European Parliament and adopted by both institutions before it becomes final. ✓ CBAM will be phased in at the same speed that the free allowances in the ETS will be phased out, in line with a timeline following from the agreed version of the EU ETS reform. The CBAM will therefore start in 2026 and be fully phased in by 2034. By 2025, the Commission shall assess the risk of carbon leakage for goods produced in the EU intended for export to non-EU countries and, if needed, present a WTO-compliant legislative proposal to address this risk. In addition, an estimated 47.5 million allowances will be used to raise new and additional financing to address any risk of export-related carbon leakage. • ETD / taxation of energy products and electricity / Proposal for a Council Directive restructuring the Community framework for the taxation of energy products and electricity (recast). <ul style="list-style-type: none"> ✓ Proceedings in 2022 at the level of document exchange between the Commission and national governments. Occasionally industries are being consulted / their opinion is sought (fuel, energy, environmental and consumer communities) before a publicly consulted version of the document is produced. • AFIR / deployment of alternative fuels infrastructure / Proposal for a Regulation of the European Parliament and of the Council on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU of the European Parliament and of the Council. <ul style="list-style-type: none"> ✓ On 21 April 2022, a compromise of the French Presidency was presented: <ul style="list-style-type: none"> ✓ a compromise proposal of the French Presidency at the EU Council concerning the proposed regulation reduces the requirements for the installation of hydrogen refuelling points by member states. The proposal of the Council envisages that the provisions are only applicable to the basic trans-European transport network and suggest a maximum distance of 200 kilometres between refuelling points; ✓ an enhanced revision clause would require the Commission to review the infrastructure targets by the end of 2024 and assess the need for the determination of minimum station capacity and the "fitness and timing of extension of requirements" for the distribution of hydrogen refuelling stations on the trans-European transport network; ✓ the compromise also gives the member states more leeway with respect to vehicle charging infrastructure targets to prevent discouraging private investments. Member states would also have the option to halve the total capacity of charging stations on roads with an average daily traffic volume of less than 10,000 cars. • EED / energy efficiency / Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast). <ul style="list-style-type: none"> ✓ On 19 December 2022, the Commission informed member states about the outcome of a trilogue on the revision of the energy efficiency directive from 14 December 2022: <ul style="list-style-type: none"> ✓ It is highly likely that the final agreement on key matters will be postponed to next year (Swedish Presidency); ✓ Agreement was reached on heating and cooling considerations addressed in the proposal (Articles 23 and 24); ✓ The overall target remains a major issue: The Parliament wants the EU member states to reduce energy consumption by 14.5% to 2030 compared to the 2020 baseline, while the Commission proposed 13%, and member states firmly uphold a 9% target. The Parliament calls for countries to reduce energy consumption by 2 per cent per year, which is also in dispute.

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



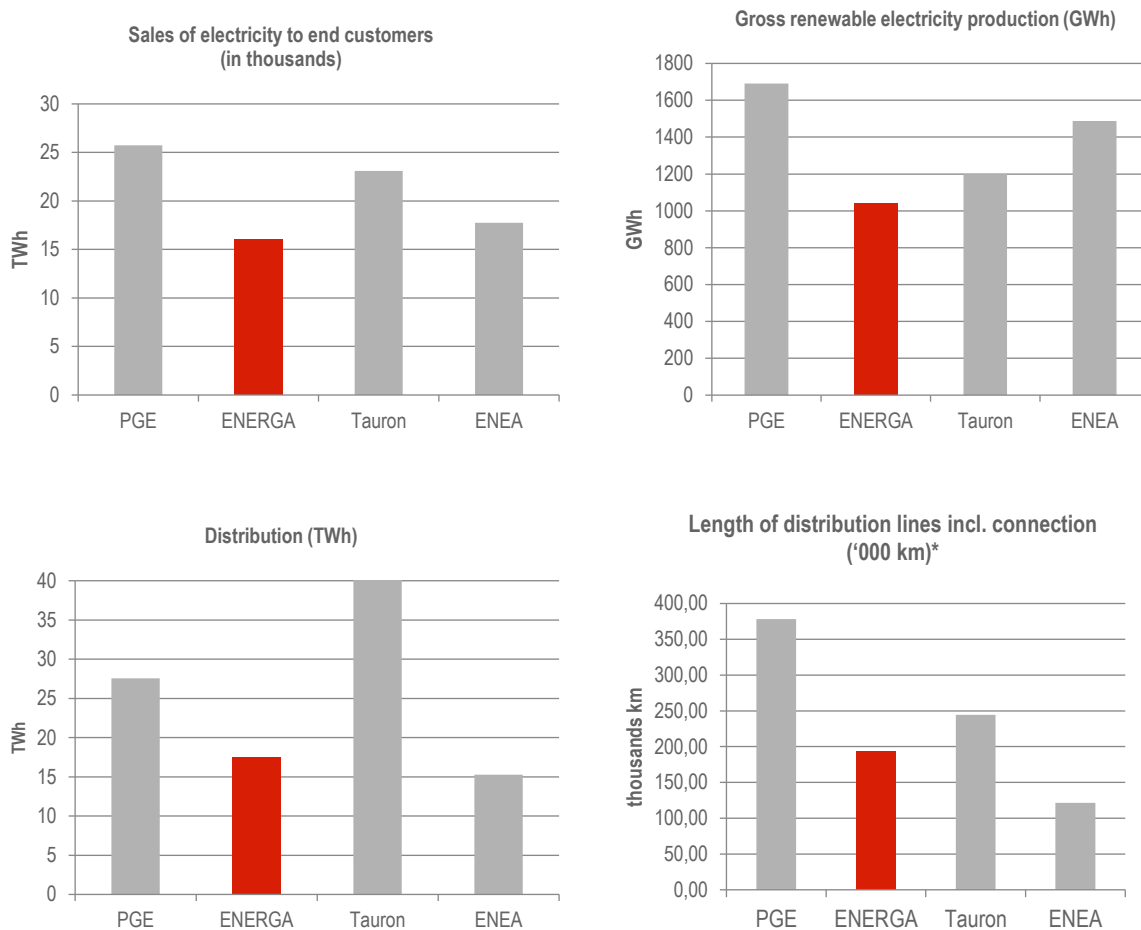
In the Distribution Segment, the Energa Group ranks third after the PGE Group and the Tauron Group in terms of the volume of electricity supplied, network length and number of customers. Owing to intensive upgrading efforts, the Energa Group's network quality indicators are among the best in Poland and are consistently improving. There was an increase in the volume of distributed energy in the first three quarters of 2022 compared to the same period of the preceding year in all energy groups covered by the survey except PGE during the first three quarters of the previous year.

For historic reasons, the coverage of the distribution networks is correlated with the number of customers in the Sales Segment. In this respect, the Energa Group ranks fourth. 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

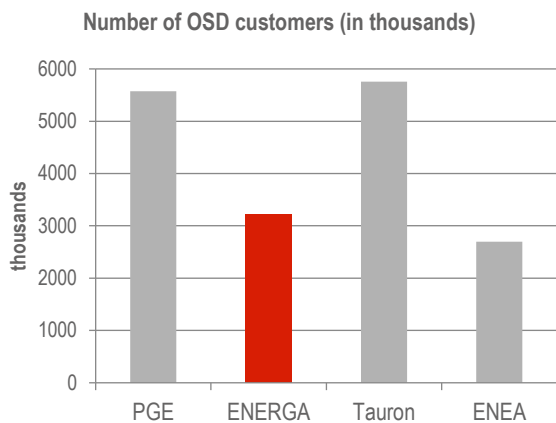
quarters of 2022, the Energa Group ranked fourth in terms of sales volume, outperformed by PGE, Tauron and Enea.

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, more than 40%.

Figure 18: Comparison of operating data for the ENERGA Group and the other energy groups (data from Q1 to Q3 2022) ¹



¹ Data on sales of electricity to end customers for ENEA also include sales of natural gas.

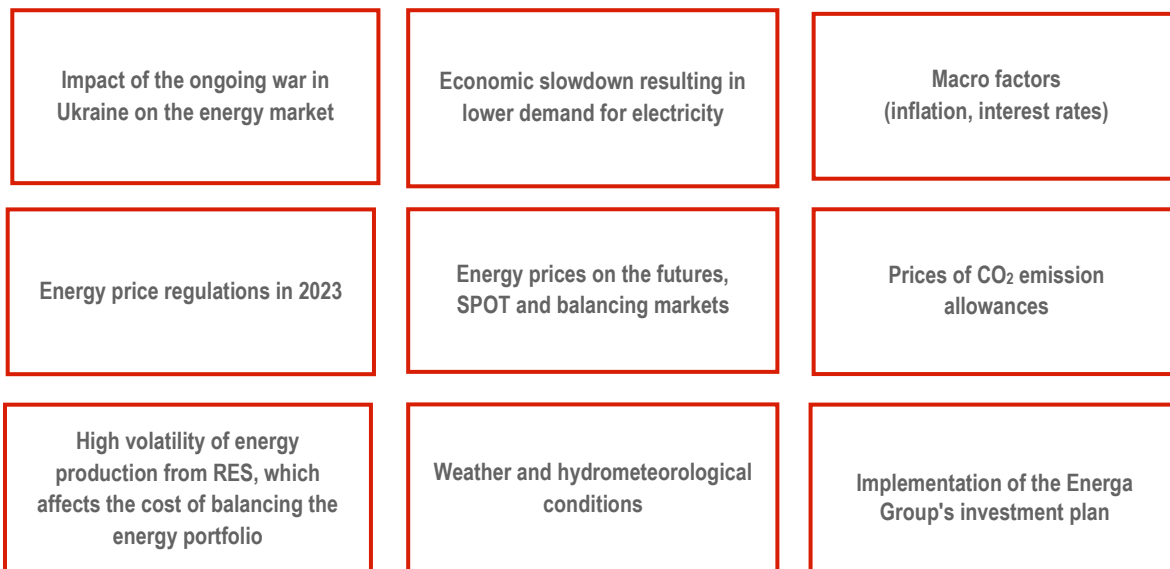


*PTPIREE data, end of 2022

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 2023:

Figure 19: Factors relevant to the development of the Energa Group at least throughout 2023





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 2022 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 2022. 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 2022.

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)

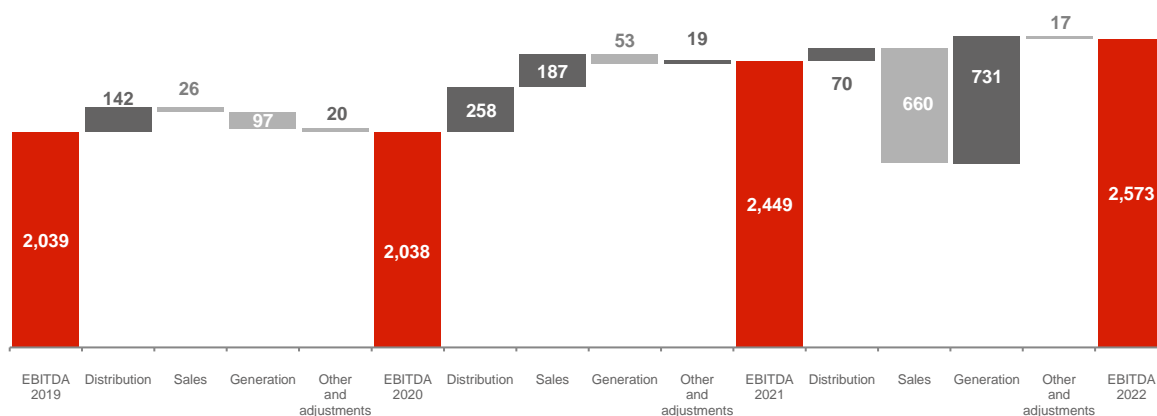
PLN m	2019*	2020*	2021*	2022	Change 2022/2021	Change 2022/2021 (%)
Sales revenues	11,381	12,401	13,791	20,095	6,304	46%
Revenue from the Price Difference Payment Fund	693	57	-	349	349	-
Cost of sales	(10,038)	(10,233)	(10,971)	(17,798)	(6,827)	62%
Gross profit	2,036	2,225	2,820	2,646	(174)	-6%
Other operating income	311	509	214	945	731	> 100%
Selling and distribution expenses	(641)	(954)	(953)	(983)	(30)	3%
General and administrative expenses	(364)	(377)	(325)	(397)	(72)	22%
Other operating expenses	(883)	(739)	(478)	(844)	(366)	77%
Operating profit	459	664	1,278	1,367	89	7%
Result on financial activity	(722)	(619)	(194)	(261)	(67)	35%
Share in profit/(loss) of entities measured by the equity method	(496)	(264)	185	71	(114)	-62%
Profit or loss before tax	(759)	(219)	1,269	1,177	(92)	-7%
Income tax	(242)	(225)	(332)	(168)	164	-49%
Net profit or loss for the period	(1,001)	(444)	937	1,009	72	8%
EBITDA	2,039	2,038	2,449	2,573	124	5%

*restated

PLN m	Q4 2021*	Q4 2022	Change	Change (%)
Sales revenues	3,805	5,071	1,266	33%
Revenue from the Price Difference Payment Fund	-	349	349	-
Cost of sales	(3,226)	(5,966)	(2,740)	85%
Gross profit	579	(546)	(1,125)	< -100%
Other operating income	69	292	223	> 100%
Selling and distribution expenses	(283)	(259)	24	-8%
General and administrative expenses	(84)	(121)	(37)	44%
Other operating expenses	(240)	(183)	57	-24%
Operating profit	41	(817)	(858)	< -100%
Result on financial activity	(78)	3	81	< -100%
Share in profit/(loss) of entities measured by the equity method	64	9	(55)	-86%
Profit or loss before tax	27	(805)	(832)	< -100%
Income tax	(53)	221	274	< -100%
Net profit or loss for the period	(26)	(584)	(558)	> 100%
EBITDA	340	(525)	(865)	< -100%

*restated

Figure 20: EBITDA bridge by Business Lines (PLN m) in 2019-2022



The Group's EBITDA in 2022 was PLN 2,573 m vs. PLN 2,449 m in 2021. A strong increase in EBITDA, by PLN 731 m to PLN 843 m, was seen by the Generation Business Line. This was mostly driven by high electricity prices in the market, as well as a solid valuation of electricity sales positions by Energa Elektrownie Ostrołęka. A major decline in EBITDA, by PLN 660 m to PLN -317 m, was reported by the Sales Business Line, with a key contribution from the recognition of a provision (of PLN 1,068 m) for onerous contracts as a result of implementing legal regulations on selling prices for electricity for final customers in 2023. The EBITDA of the Distribution Business Line, on the other hand, went up by PLN 70 m y/y. The EBITDA of this Line was positively impacted by an increase in distribution margin (including grid losses), driven mostly by a higher distribution service sales volume and higher average distribution service rate y/y. On the other hand, higher OPEX y/y made a negative contribution to EBITDA of the Distribution Business Line (mostly because of unfavourable valuation of actuarial reserves y/y, as well as an increase in minimum wages and the resulting wage pressure). A decrease in revenue from connections y/y was also observed, an increase in property taxes and an unfavourable balance of other operating activities (due to a high base effect).

The Distribution Business Line had the highest share in the Group's EBITDA in 2022 (82%), while the Generation Business Line had a 33% share. The other Business Lines did not make any positive contributions to the Group's result.

The Group's EBIT in 2022 amounted to PLN 1,367 m compared to PLN 1,278 m in 2021. The y/y change in EBIT, aside from the EBITDA contributors referred to above, was caused mainly by a higher depreciation expense due to expenditures on new non-current assets.

In 2021, a PLN 185 m share of the profit or loss of associates and joint ventures was recognised, mainly as a result of a partial release of a provision for the settlement of the Ostrołęka Power Plant C coal project (as an annex to the agreement containing arrangements for project settlement had been signed). In 2022, the provision was fully released, the release totalling PLN 46 m.

The result from financial operations in 2022 decreased by PLN 67 m y/y. The lower balance was mainly due to higher cost of debt servicing driven by a substantial increase in loan interest rates, which, in turn, was caused by an increase in floating WIBOR benchmarks. The debt stock was also higher y/y.

As a result, the Group's net income/loss in 2022 closed at PLN 1,009 m vs. PLN 937 m in 2021.

In 2022, the Group generated PLN 20,444 m in sales revenues, 48% or PLN 6,653 m more than in 2021. The primary factor contributing to the improved revenues y/y were increased revenues in the Sales and Generation Business Lines which, in turn, resulted from higher selling prices of electricity and gas, reflecting their strong growth in the market.

Energa Group's revenue from the Capacity Market in 2022 totalled PLN 257 m (PLN 63 m in Q4 2022 alone) vs. PLN 237 m in 2021 (PLN 60 m in Q4 2021).

The Group's EBITDA in Q4 2022 was PLN -525 m vs. PLN 340 m in the same period last year. The result was negatively affected by the Sales Business Line, with its EBITDA decreasing by PLN 866 m, mainly as a result of the recognition of the aforesaid provision for onerous contracts. Meanwhile, the Distribution Business Line's EBITDA decreased by PLN 78 y/y, driven down by high costs of network losses and higher OPEX y/y. An increase of PLN 78 m y/y was recorded by the Generation Business Line, mostly driven by high electricity prices in the market, as stated above, as well a solid valuation of electricity sales positions by Energa Elektrownie Ostrołęka.

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

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

EBITDA (PLN m)	
12 months of 2022	
EBITDA	2,573
Adjusted EBITDA	3,630
<i>including:</i>	
<i>Provision for onerous contracts</i>	<i>1,068</i>
12 months of 2021	
EBITDA	2,449
Adjusted EBITDA	2,387
<i>including:</i>	
<i>Actuarial reserves</i>	<i>(57)</i>
EBITDA (PLN m)	
Q4 2022	
EBITDA	(525)
Adjusted EBITDA	554
<i>including:</i>	
<i>Provision for onerous contracts</i>	<i>1,068</i>

EBITDA (PLN m)	
Q4 2021	
EBITDA	340
Adjusted EBITDA	323

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

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

	As at 31 December 2019*	As at 31 December 2020*	As at 31 December 2021*	As at 31 December 2022	Change 2022/2021	Change 2022/2021 (%)
ASSETS						
Non-current assets						
Property, plant and equipment	14,262	14,565	15,281	17,386	2,105	14%
Intangible assets	814	926	974	1 487	513	53%
Right-of-use assets	847	907	1 063	1 050	(13)	-1%
Goodwill	11	11	-	-	-	-
Investments in associates and joint ventures measured by the equity method	336	105	128	153	25	20%
Deferred tax assets	262	207	237	418	181	76%
Other non-current financial assets	190	77	254	190	(64)	-25%
Other non-current assets	144	141	289	702	413	> 100%
	16,866	16,939	18,226	21,386	3,160	17%
Current assets						
Inventories	165	140	111	346	235	> 100%
Current tax receivables	61	30	102	399	297	> 100%
Trade receivables	1,802	1,941	2,074	3,271	1,197	58%
Other current financial assets	203	60	105	210	105	100%
Cash and cash equivalents	1,461	221	340	1,100	760	> 100%
Other current assets	409	337	231	478	247	> 100%
	4,101	2,729	2,963	5,804	2,841	96%
Assets classified as held for sale	-	-	49	58	9	18%
TOTAL ASSETS	20,967	19,668	21,238	27,248	6,010	28%
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	20%
Reserve capital	1,018	1,018	821	1,031	210	26%
Supplementary capital	2,035	1,661	1,661	1,661	-	-
Cash flow hedge reserve	(52)	(96)	87	55	(32)	-37%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2022**

Retained earnings	1,730	1,669	2,912	3,706	794	27%
Equity attributable to equity holders of the Parent	9,253	8,779	10,008	10,981	973	10%
Non-controlling interests	11	(36)	(66)	559	625	> 100%
	9,264	8,743	9,942	11,540	1,598	16%
Non-current liabilities						
Loans and borrowings	2,047	1,690	1,309	1,531	222	17%
Liabilities for debt securities issued	2,326	2,520	2,501	1,965	(536)	-21%
Non-current provisions	786	923	734	696	(38)	-5%
Deferred tax liabilities	738	777	910	931	21	2%
Deferred income and non-current grants	284	214	301	326	25	8%
Lease liabilities	637	704	838	817	(21)	-3%
Other non-current financial liabilities	82	22	9	5	(4)	-44%
Contract liabilities	12	11	9	9	-	-
	6,912	6,861	6,611	6,280	(331)	-5%
Current liabilities						
Trade liabilities	941	792	1 067	2 388	1 321	> 100%
Contract liabilities	88	131	297	314	17	6%
Current portion of loans and borrowings	393	1 742	1 395	2 537	1 142	82%
Liabilities for debt securities issued	2 219	41	31	609	578	> 100%
Current income tax liability	-	-	13	3	(10)	-77%
Deferred income and grants	186	187	180	202	22	12%
Short-term provisions	583	763	1 073	2 496	1 423	> 100%
Other financial liabilities	235	249	448	609	161	36%
Other current liabilities	146	159	161	245	84	52%
	4,791	4,064	4,665	9,403	4,738	> 100%
Liabilities directly related to assets classified as held for sale	-	-	20	25	5	25%
Total liabilities	11,703	10,925	11,296	15,708	4,412	39%
TOTAL EQUITY AND LIABILITIES	20,967	19,668	21,238	27,248	6,010	28%

*restated

As at 31 December 2022, the balance sheet total of the Energa Group was PLN 27,248 m, up by PLN 6,010 m compared to the year-end figure for 2021.

The most significant change in assets was recorded under non-current assets, specifically property, plant and equipment. The increase was mainly in expenditure less depreciation in the Distribution Business Line (expenditure for grid expansion and upgrades; connection of consumers and sources of electricity) and in other activities (provision of general contractor services in the Ostrołęka CCGT plant construction project). The most important change in intangible assets involved the value of certificates of origin.

A substantial change was also observed in other non-current assets (the growth was mainly on the back of prepayments related to the development process of a CCGT plant in Grudziądz and a PV farm in Wielbark).

In current assets, the most important change, except for the change in cash, was recorded in trade receivables, notably for Energa Obrót. The increase in receivables resulted from an increase in the value of electricity sales to final customers as a result of a strong growth in energy prices. The increase in current assets was also fuelled by an increase in other current assets (in particular the recognition of compensation estimates at Energa Obrót).

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

The Energa Group's equity as at 31 December 2022 was PLN 11,540 m and covered 42% of the Group's financing needs.

In 2022, financing was disbursed by PKN ORLEN for general corporate purposes and by the European Investment Bank for the investment programme of Energa Operator. Moreover, indebtedness increased under a syndicated loan and a credit facility from Bank Gospodarstwa Krajowego.

On the liability side, material changes were also observed in trade payables (the increase relative to the end of 2021 was due to higher prices of energy purchased) and short-term provisions (the increase was due, in particular, to the recognition of provisions for the act setting a cap on electricity prices).

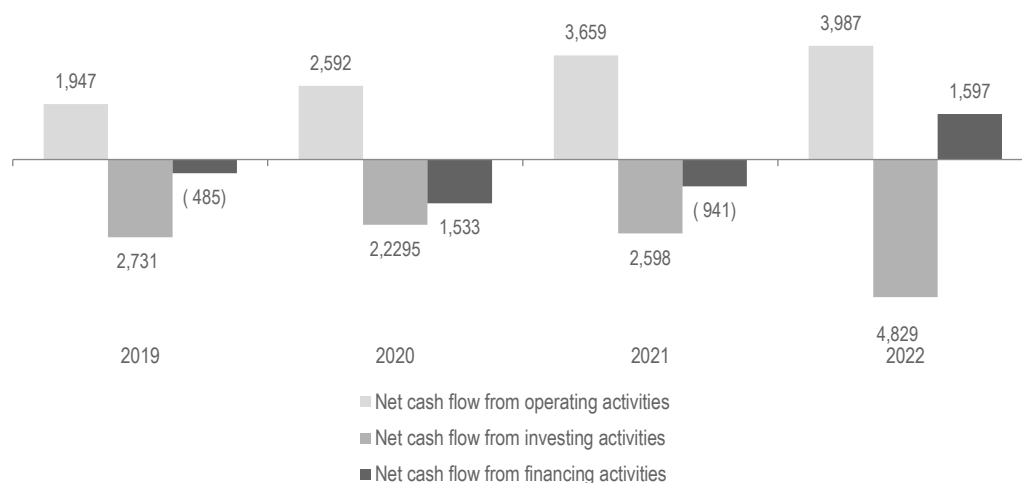
As at 31 December 2022, the consolidated statement of financial position included assets classified as held for sale and liability directly associated with assets classified as held for sale, in view of efforts undertaken by the Group to sell shares in its subsidiary, Energa Invest Sp. z o.o.

Table 9: Consolidated cash flow statement (PLN m)

PLN m	2019*	2020*	2021*	2022	Change 2022/2021	Change 2022/2021 (%)
Net cash flow from operating activities	1,947	2,592	3,659	3,987	328	9%
Net cash flows from investment activities	(2,731)	(2,295)	(2,598)	(4,829)	(2,231)	-86%
Net cash flows from financial activities	(485)	(1,533)	(941)	1,597	2,538	> 100%
Net increase / (decrease) in cash	(1,269)	(1,236)	120	755	635	> 100%

*restated

Figure 21: Cash flows of the Group in 2019-2022 (PLN m)



Total net cash flows from operating, investment and financing activities of the Group in 2022 were positive at PLN 755 m, compared to PLN 120 m in 2021.

Positive cash flows from operating activities were mainly due to a profit before tax of PLN 1,177 m compared to PLN 1,269 m in 2021 and a change in provisions (an increase of PLN 2,640 m), in particular due to the recognition of provisions for CO₂ emissions and property rights and recognition of provisions for the act setting a cap on electricity prices. A negative change in working capital of PLN (194) m was mostly due to an increase in current receivables and current prepayments and accrued income totalling PLN (1,120) m and an increase in inventories by PLN (235) m, partially offset by an increased change in current liability items except loans and borrowings and current accrued expenses by PLN 1,161 m.

Net cash flow from investing activities in 2022 totalled PLN (4,829) m vs. PLN (2,598) m in 2021. The main contributor was expenditure on property, plant and equipment and intangible assets, which totalled PLN (4,992) m in 2022 vs. PLN (2,673) m in 2021.

In 2022, cash flow from financing activities amounted to PLN 1,597 m and was generated mainly by new financial liabilities of PLN 3,980 m, taking up shares issued by CCGT Ostrołęka Sp. z o.o., PLN 586 m in capital infusions from PKN ORLEN, and PLN 43 m in grants received. On the other hand, financing outflows in 2022 resulted from scheduled repayments of current loans and borrowings totalling PLN (2,606) m, PLN (71) m in lease repayments, PLN (321) m in current interest payments and PLN (13) m in commission expenses. In 2021, cash flows from financing activities were negative at PLN (941) m, mostly

as a result of the fact that disbursements under new financial liabilities totalling PLN 2,718 m were not offset by debt repayments amounting to PLN (3,458) m.

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

Figure 22: Structure of assets and liabilities from 2019 to 2022

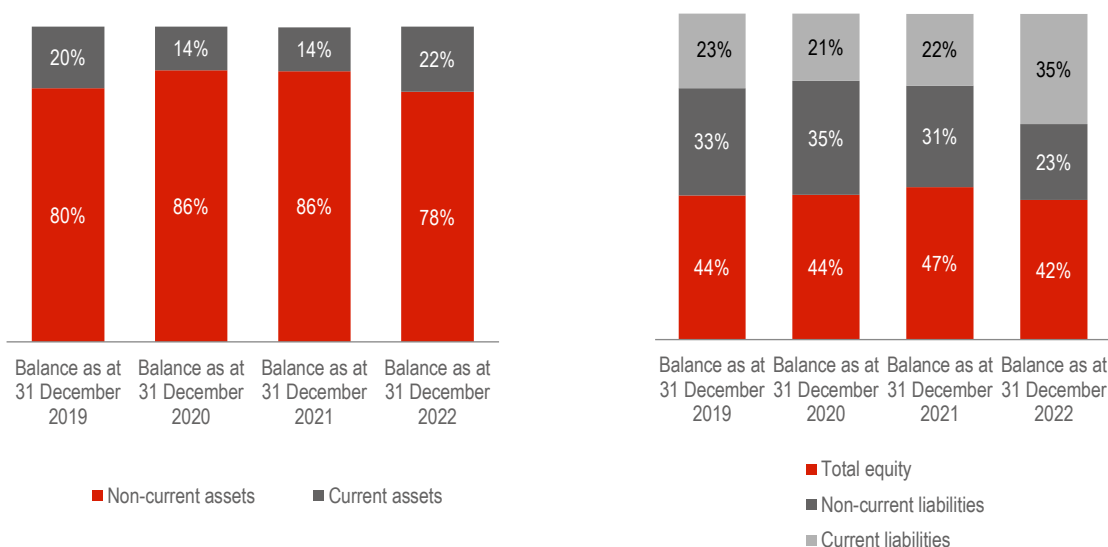


Table 10: Financial ratios of the Energa Group

Ratio	Definition	2019	2020	2021	2022
Profitability					
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets/ sales revenues (taking into account the result on financial instruments measured at fair value through profit or loss and the revenue from the Price Difference Payout Fund)	16.9%	16.4%	17.8%	12.6%
return on equity (ROE)	net profit for the period / total equity at the end of period	-10.8%	-5.1%	9.4%	8.7%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the result on financial instruments measured at fair value through profit or loss and the revenue from the Price Difference Payout Fund)	-8.3%	-3.6%	6.8%	4.9%
return on assets (ROA)	net profit for the period / total assets at the end of the period	-4.8%	-2.3%	4.4%	3.7%
Liquidity					
current liquidity ratio	current assets/current liabilities	0.9	0.7	0.6	0.6
Debt					
financial liabilities (PLN m)*	total liabilities due to loans and borrowings, debt securities and leases (both long- and short-term)	7,661	6,736	6,113	7,504
net financial liabilities (PLN m)	financial liabilities – cash and cash equivalents	6,200	6,515	5,773	6,404
net debt**/ EBITDA ratio	net financial liabilities/EBITDA	2.2	2.3	1.6	1.8

* 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 2022 compared to the same period of 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 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 2022 relative to 31 December 2021.

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 38 to the consolidated financial statements: *Contingent assets and liabilities*.

4.5. Projected financial results

The Management Board of Energa has not yet published projections for separate and consolidated financial results for the financial year of 2022.



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	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
DISTRIBUTION	1,648	1,790	2,048	2,118	70	3%
GENERATION	262	165	112	843	731	> 100%
SALES	182	156	343	(317)	(660)	< -100%
OTHER and consolidation eliminations and adjustments	(53)	(73)	(54)	(71)	(17)	-31%
Total EBITDA	2,039	2,038	2,449	2,573	124	5%

EBITDA in PLN m	Q4 2021	Q4 2022	Change	Change (%)
DISTRIBUTION	545	467	(78)	-14%
GENERATION	(51)	27	78	> 100%
SALES	(131)	(997)	(866)	< -100%
OTHER and consolidation eliminations and adjustments	(23)	(22)	1	4%
Total EBITDA	340	(525)	(865)	< -100%

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	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Tariff group A (HV)	3,274	3,187	3,512	3,743	232	7%
Tariff group B (MV)	8,818	8,558	9,129	9,258	129	1%
Tariff group C (LV)	4,397	4,129	4,289	4,206	(83)	-2%
Tariff group G (LV)	5,666	5,889	6,143	6,026	(117)	-2%
Total distribution of electricity	22,155	21,763	23,074	23,233	160	1%

Distribution of electricity by tariff groups (billed sales) in GWh	Q4 2021	Q4 2022	Change	Change (%)
Tariff group A (HV)	882	949	67	8%
Tariff group B (MV)	2,363	2,288	(75)	-3%
Tariff group C (LV)	1,121	1,005	(116)	-10%
Tariff group G (LV)	1,513	1,508	(5)	-0%
Total distribution of electricity	5,880	5,751	(129)	-2%

In 2022, the volume of electricity supplied was on average 1% higher than in the previous year. The strongest growth in volume was seen in group A. Slight declines, on the other hand, were observed in groups C and G. The year-on-year volume growth in 2022 across tariff groups A and B was primarily driven by COVID-19 pandemic restrictions in H1 2021 – a partial lockdown

of the economy and increased extent of remote work and education in households. The restrictions in 2022 were much less severe. In addition, the number of customers increased across all tariff groups, except group C. Volume declines in groups C and G are the outcome of a tough economic situation in Q3 and Q4 2022.

In Q4 2022, the volume of energy supplied was lower than in the same period of the previous year. Declines in electricity supplies in tariff groups B, C and G were caused by savings schemes introduced by customers and cost cuts due to the increasing inflation and regulations obligating public entities to reduce their electricity consumption.

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 2021	48.8	6.2	55.0	0.7	0.0	0.8
Q4 2022	14.6	7.0	21.6	0.3	0.0	0.3
Change	(34.2)	0.8	(33,3)	(0.4)	0.0	(0.4)
Change (%)	-70%	14%	-61%	-61%	4%	-57%
2019	98.2	28.7	126.9	1.8	0.2	2.0
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
Change 2022/2021	198.6	3.7	202.3	0.7	0.0	0.7
Change 2022/2021 (%)	> 100%	17%	97%	32%	11%	31%

In 2022, the Energa Group's SAIDI (planned and unplanned incl. catastrophic) was 410.5 minutes per customer compared to 208.1 minutes per customer in 2021. SAIFI deteriorated as well.

The years 2021 and 2022 were marked by a considerable rise in adverse weather conditions, such as hurricane winds and lightning strikes. Unprecedented, more intense and frequent, changeable and adverse meteorological conditions resulted in more frequent and extensive failures, including major outages in the Energa Operator's power grid.

The most damaging anomalies occurred in the first months of 2022. Hurricane winds up to 120 km/h caused, *inter alia*, by Nadia, Xandria, Ylenia (Dudley), Eunice and Antonia (Franklin) low-pressure systems, caused heavy damage in the power grid of Energa Operator at all voltage levels.

The extreme weather conditions in 2022, resulting in major outages in Energa Operator's grid, had a significant impact on supply reliability indices. SAIDI for major outages in 2022 was a whopping 285.8 min/cust., that is almost 70% of overall SAIDI, while SAIFI for major outages was 1.20 interruptions per customer, or 38% of overall SAIFI.

The Energa Group's SAIDI and SAIFI for high and medium voltage (HV and MV) excluding major outages were as follows:

- SAIDI (minutes per customer) – 97.7 in 2022 (106.9 in 2021) and 17.6 in Q4 2022 (32.6 in Q4 2021),
- SAIFI (interruptions per customer) – 1.9 in 2022 (2.0 in 2021) and 0.3 in Q4 2022 (0.6 in Q4 2021).

Table 14: Number of customers of Energa Operator SA in 2019-2022 (by tariff groups)

Tariff groups at Energa Operator [units]	As at 31 December				Change 2022/2021	Change 2022/2021 (%)
	2019	2020	2021	2022		
Tariff group A	108	129	174	211	37	21%
Tariff group B	8 056	8 433	8 983	9 487	504	6%
Tariff group C	290 080	292 926	295 591	293 871	(1 720)	-1%
Tariff group G	2 836 927	2 891 025	2 934 776	2 987 538	52 762	2%
TOTAL	3 135 171	3 192 513	3 239 524	3 291 107	51 583	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 2022, 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 2022.

5.1.2. Financial results

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

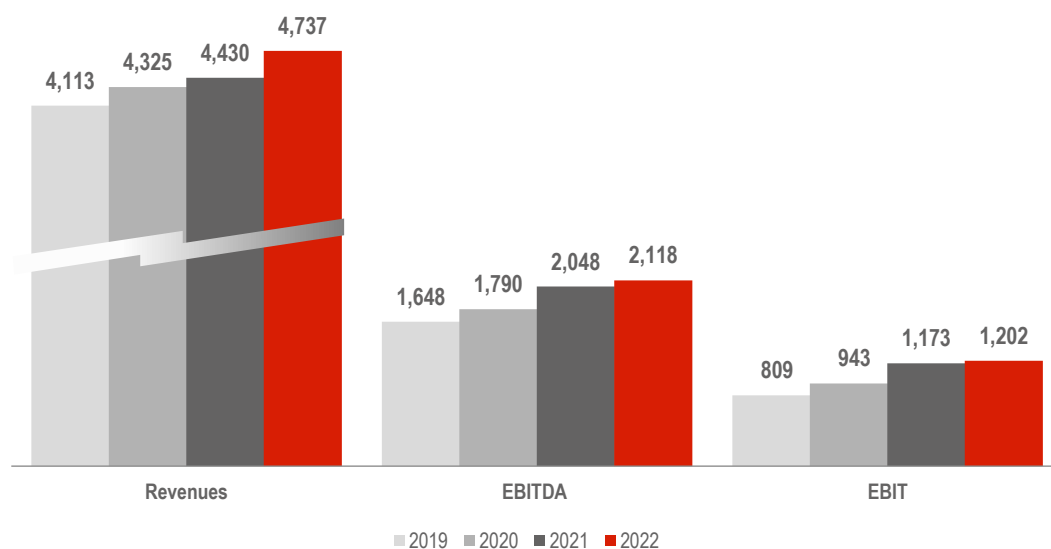
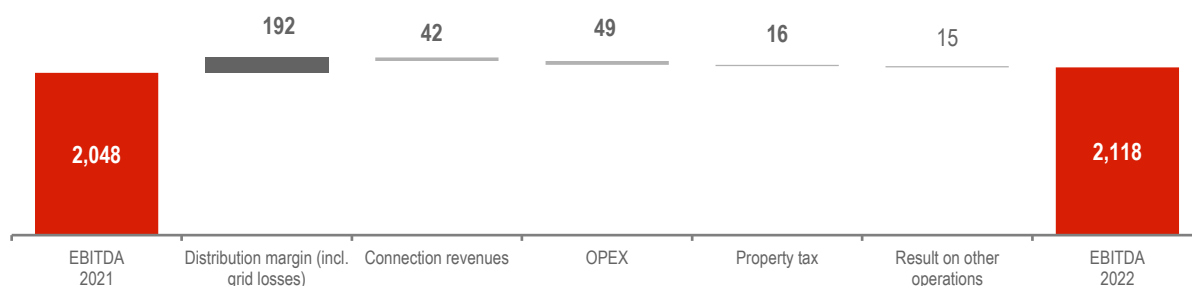


Table 15: Results of the Distribution Business Line (PLN m)

PLN m	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	4,113	4,325	4,430	4,737	307	7%
EBITDA	1,648	1,790	2,048	2,118	70	3%
amortization and depreciation	839	847	875	916	41	5%
impairment of non-financial non-current assets	-	-	-	-	-	0%
EBIT	809	943	1,173	1,202	29	2%
Net result	547	614	780	752	(28)	-4%
CAPEX	1,334	1,350	1,526	1,648	122	8%

PLN m	Q4 2021	Q4 2022	Change	Change (%)
Revenues	1,145	1,314	169	15%
EBITDA	545	467	(78)	-14%
amortization and depreciation	225	240	15	7%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	320	227	(93)	-29%
Net result	227	129	(98)	-43%
CAPEX	504	538	34	7%

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



Throughout 2022, the Distribution Business Line generated 82% of the EBITDA for the Energa Group (vs. nearly 84% in 2021).

The Distribution Business Line's sales revenues in 2022 were PLN 4,737 m, up 7% y/y. The increase in revenues was driven mostly by revenues from sales of distribution services, which rose on the back of a 1% increase in the sales volume of distribution services and 5% higher average distribution service rate (paid to the DSO). This was offset by a decline in revenue from connections.

The Line's EBITDA was PLN 2,118 m, up PLN 70 m y/y. It was positively impacted by a PLN 192 m increase in the distribution margin (including grid losses), driven mostly by higher sales volumes of the distribution service and a higher average distribution service rate y/y. On the other hand, a PLN 49 m increase in OPEX y/y was a negative contribution to the EBITDA (mostly because of higher employee benefit expenses due to an unfavourable valuation of actuarial reserves y/y, as well as an increase in minimum wages and the resulting wage pressure). Moreover, revenue from connections decreased y/y, property taxes rose, and the balance of other operating activities was unfavourable (due to a high base effect).

In 2022, the Distribution Business Line reported a net profit of PLN 752 m, which was 4% lower y/y. The deterioration was attributable mainly to an unfavourable balance on financing activities (higher debt servicing costs).

Capital expenditure of that Line totalled PLN 1,648 m and was 8% higher than in 2021.

The EBITDA of the Distribution Business Line in Q4 2022 alone totalled PLN 467 m, having decreased by 14%, or PLN 78 m, relative to the same period of the previous year, pressed down by a lower margin on distribution with grid losses attributable to higher costs of electricity needed to cover network losses (the effect of a higher purchase price y/y and unfavourable volume). OPEX costs were also higher, this being the effect of unfavourable valuation of actuarial reserves, as mentioned above, as well as wage pressure and persistently high inflation.

5.2. Generation Business Line

5.2.1. Business and operating activities

Table 16: Gross electricity production (GWh)

Gross electricity production (GWh)	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Power plants – coal-fired	2,054	1,609	2,599	3,093	494	19%
Power plants - biomass co-fired	57	156	-	-	-	-
CHP plants - coal-fired	106	78	31	22	(9)	-29%
CHP plants - biomass-fired	150	45	83	73	(10)	-12%
Power plants – hydro	707	740	894	744	(149)	-17%
Pumped storage plant	54	62	67	94	27	40%
Power plants – wind	446	488	458	481	24	5%
Power plants - photovoltaics	5	5	5	26	21	> 100%
Total production of electricity	3,578	3,184	4,136	4,533	397	10%
<i>including from RES</i>	1,365	1,434	1,439	1,324	(115)	-8%

Gross electricity production (GWh)	Q4 2021	Q4 2022	Change	Change (%)
Power plants – coal-fired	799	811	11	1%
Power plants - biomass co-fired	-	-	-	-
CHP plants - coal-fired	8	8	(1)	-10%
CHP plants - biomass-fired	23	21	(2)	-7%
Power plants – hydro	172	150	(23)	-13%
Pumped storage plant	22	26	4	19%
Power plants – wind	146	107	(39)	-27%
Power plants - photovoltaics	1	3	2	> 100%
Total production of electricity	1,172	1,126	(46)	-4%
<i>including from RES</i>	<i>342</i>	<i>281</i>	<i>(61)</i>	<i>-18%</i>

The generating assets of the Energa Group produced 4.5 TWh of electricity in 2022, compared to 4.1 TWh in 2021, or 10% more y/y, mostly as a result of a higher output from the power plant in Ostrołęka. In 2022, 69% of the Group's gross electricity production originated from coal, 19% from hydro, 11% from wind, 2% from biomass and 1% from PV generation.

The production level at the Ostrołęka power plant was determined by must-run operation for the Transmission System Operator in Poland, the availability of the units and the existing market contracts. 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 is determined by the production of heat, which depended mostly on the demand for heat from local customers of the Group, availability of the Group's cogeneration units and availability of production inputs (including biomass).

When comparing the gross electricity production volume in Q4 2022 vs. Q4 2021, the renewable output is clearly lower (by 18%), especially from wind power generation.

Table 17: Gross heat production (TJ)

Gross heat production in TJ	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
ENERGA Kogeneracja Sp. z o.o.	2,326	2,160	2,281	2,087	(194)	-8%
ENERGA Elektrownie Ostrołęka S.A.	1,258	1,161	1,263	1,193	(70)	-6%
ENERGA Ciepło Kaliskie Sp. z o.o.	266	272	312	293	(19)	-6%
Total gross heat production	3,850	3,593	3,856	3,573	(283)	-7%

Gross heat production in TJ	Q4 2021	Q4 2022	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	654	700	45	7%
ENERGA Elektrownie Ostrołęka S.A.	405	388	(17)	-4%
ENERGA Ciepło Kaliskie Sp. z o.o.	117	110	(7)	-6%
Total gross heat production	1,176	1,198	21	2%

In 2022, the Group produced 3,573 TJ of heat energy, down 7% on the previous year, which was due to a range of factors, including air temperatures determining the demand for heat from the Group's local customers in Ostrołęka, Elbląg and Kalisz.

In Q4 2022, the production of heat increased by approx. 21 TJ y/y (or 2%) due to the same factor.

Table 18: Volume and cost of consumption of key fuels

Consumption of fuels*	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Hard coal						
Quantity (thous. of tonnes)	1,059	826	1,259	1,444	185	15%
Cost (PLN m)	319	248	357	1,018	661	> 100%
Biomass						
Quantity (thous. of tonnes)	148	147	85	72	(14)	-16%
Cost (PLN m)	84	73	40	97	57	> 100%
Total fuel consumption (PLN m)	402	321	398	1,116	718	> 100%

Consumption of fuels*	Q4 2021	Q4 2022	Change	Change (%)
Hard coal				
Quantity (thous. of tonnes)	384	377	(7)	-2%
Cost (PLN m)	111	422	311	> 100%
Biomass				
Quantity (thous. of tonnes)	22	22	0	0%
Cost (PLN m)	13	37	24	> 100%
Total fuel consumption (PLN m)	124	459	335	> 100%

* including the cost of transport

In 2022, the Group's producers consumed 185,000 tonnes more coal and 14,000 tonnes less biomass compared to 2021. The coal consumption was higher due to an increased electricity production, mainly by the Ostrołęka power plant. The decline in the use of biomass is mainly due to the market availability of the raw material and the availability of the biomass unit in Elbląg. At the same time, significantly higher unit costs of coal and biomass purchases were recorded.

While analysing the data for Q4 2022 compared to the same period of the previous year, one can see an increase in unit prices of coal (by 306%) and biomass (by 183%). 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)

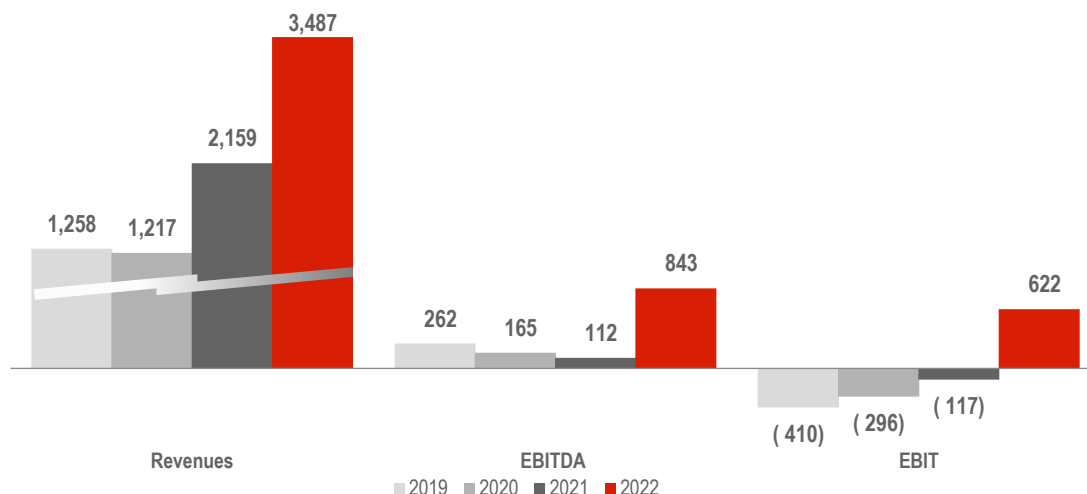


Table 19: Result of the Generation Business Line (PLN m)

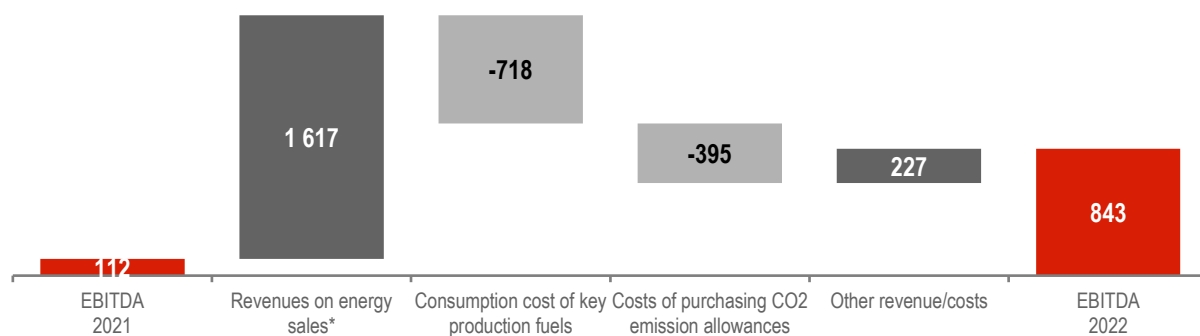
PLN m	2019*	2020*	2021*	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	1,258	1,217	2,159	3,487	1,328	62%
EBITDA	262	165	112	843	731	> 100%
amortization and depreciation	176	131	139	149	10	7%
impairment of non-financial non-current assets	496	330	90	72	(18)	-20%
EBIT	(410)	(296)	(117)	622	739	> 100%
Net result	(477)	(391)	(216)	509	725	> 100%
CAPEX	175	274	233	443	210	90%

* restated

PLN m	Q4 2021*	Q4 2022	Change	Change (%)
Revenues	597	893	296	50%
EBITDA	(51)	27	78	> 100%
amortization and depreciation	35	36	1	3%
impairment of non-financial non-current assets	24	(1)	(25)	< -100%
EBIT	(110)	(8)	102	93%
Net result	(155)	12	167	> 100%
CAPEX	113	168	55	49%

* restated

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



* includes net electricity trading (revenue less cost).

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	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Water	123	114	205	307	102	50%
Wind	110	106	146	205	59	41%
Ostrołęka power plant	39	(37)	(207)	540	747	> 100%
Other and adjustments	(10)	(17)	(32)	(210)	(178)	< -100%
Generation total	262	165	112	843	731	> 100%

EBITDA in PLN m	Q4 2021	Q4 2022	Change	Change (%)
Water	50	50	1	1%
Wind	58	35	(24)	-41%
Ostrołęka power plant	(134)	105	239	> 100%
Other and adjustments	(25)	(162)	(137)	< -100%
Generation total	(51)	27	78	> 100%

The EBITDA of the Generation Business Line in 2022 was PLN 843 m (>100% up y/y), accounting for 33% of the Group's total EBITDA (vs. 5% in 2021). The Line's EBITDA in 2022 was driven by a range of factors, mainly revenue from the sale of electricity, cost of consumption of key fuels for production and cost of purchase of emission allowances. Additionally, the result in 2022 was under a positive influence of the valuation of electricity sales position, which, in accordance with the existing policy, was partially recognised in other operating activities of the Line by Energa Elektrownie Ostrołęka (i.e., PLN 247 m throughout 2022 and PLN 126 m in Q4 2022 alone). It should be emphasised that the aforesaid impact of valuation of open futures contracts in electricity trades concluded by the Ostrołęka power plant was caused by a change in the methodology of accounting for the valuation of those contracts, introduced in late 2021.

Higher revenues from electricity sales are mainly the result of higher energy production by the Ostrołęka power plant and higher selling prices for electricity, which were under the influence of the macroeconomic and geopolitical situation in 2022, including embargoes on coal and gas supplies from Russia.

Sources of revenue of the Generation Business Line include revenues from system services which result from the introduction of the Capacity Market in early 2021, a clearing mechanism used by the Group's generating sources. Their level in 2022 (on y/y basis) was more or less unchanged. Total revenues from system services in 2022 amounted to PLN 211 m (of which PLN 182 m were revenues from the Capacity Market) vs. PLN 198 m in the previous year (of which PLN 178 m were revenues from the Capacity Market).

The cost of key fuels for production was mainly determined by a higher volume of electricity production at the Ostrołęka power plant, higher unit cost of fuel and efficiency of generation facilities.

Higher costs of purchase of CO₂ emission allowances were driven by market prices of emission allowances and higher production from conventional sources (mainly the Ostrołęka power plant).

Within the Generation Business Line, the result of the Ostrołęka Power Plant and Other and Adjustments was determined by an inter-company transaction involving the sale of district heating assets by the Ostrołęka Power Plant to Energa Ciepło Ostrołęka (Generation Division) in preparation for the carve-out of the Ostrołęka Power Plant into NABE (the National Agency for Energy Security).

The capital expenditures of the Generation Business Line in 2022 decreased by PLN 210 m y/y, and most of them were attributable to the development of a gas-fired power plant in Grudziądz and expansion of district heating assets in Elbląg, as well as new photovoltaic capacities within the Group.

Higher revenues from sales of electricity (mostly due to the selling price) were the main positive contributor to performance in Q4 2022. They were partially offset by a higher cost of use of fuels for production (mostly as a result of higher unit costs) and higher cost of purchase of emission allowances (higher prices). However, the key factor was the valuation of an open selling position on electricity at Energa Elektrownie Ostrołęka recorded in other operating activities of the Line.

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

PLN m	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	226	222	318	475	156	49%
EBITDA	123	114	205	307	102	50%
EBIT	90	80	170	271	101	60%
CAPEX	16	22	13	9	(4)	-29%

PLN m	Q4 2021	Q4 2022	Change	Change (%)
Revenues	86	99	13	15%
EBITDA	50	50	1	1%
EBIT	41	41	0	1%
CAPEX	7	3	(4)	-53%

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

PLN m	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	154	144	97	269	172	> 100%
EBITDA	110	106	146	205	59	41%
EBIT	69	59	80	140	60	75%
CAPEX	21	130	4	4	(0)	-10%

PLN m	Q4 2021	Q4 2022	Change	Change (%)
Revenues	30	47	17	57%
EBITDA	58	35	(24)	-41%
EBIT	42	18	(24)	-57%
CAPEX	1	2	1	> 100%

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

PLN m	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	762	766	1,515	2,508	993	66%
EBITDA	39	(37)	(207)	540	747	> 100%
EBIT	(450)	(473)	(265)	546	811	> 100%
CAPEX	109	83	16	5	(10)	-67%

PLN m	Q4 2021	Q4 2022	Change	Change (%)
Revenues	410	659	249	61%
EBITDA	(134)	105	239	> 100%
EBIT	(139)	105	244	> 100%
CAPEX	3	0	(3)	-86%

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

PLN m	2019*	2020*	2021*	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	116	84	229	235	7	3%
EBITDA	(10)	(17)	(32)	(210)	(178)	< -100%
EBIT	(119)	39	(102)	(334)	(232)	< -100%
CAPEX	29	38	200	425	225	> 100%

PLN m	Q4 2021*	Q4 2022	Change	Change (%)
Revenues	70	88	18	26%
EBITDA	(25)	(162)	(137)	< -100%
EBIT	(54)	(172)	(118)	< -100%
CAPEX	102	162	61	60%

* restated

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	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Retail sales of electricity	19,681	18,782	18,578	17,992	(586)	-3%
Sales of electricity in the wholesale market, including:	4,508	4,058	2,915	3,235	320	11%
<i>Sales of energy to the balancing market</i>	943	1,254	1,318	968	(350)	-27%
<i>Sales of energy to cover grid losses to Energa Operator</i>	1,000	-	-	-	-	-
<i>Other wholesale</i>	2,565	2,804	1,597	2,267	670	42%
Total sales of electricity	24,188	22,841	21,493	21,227	(266)	-1%

Sales of electricity by the Sales Business Line in GWh	Q4 2021	Q4 2022	Change	Change (%)
Retail sales of electricity	4,855	4,679	(176)	-4%
Sales of electricity in the wholesale market, including:	719	499	(220)	-31%
<i>Sales of energy to the balancing market</i>	221	177	(44)	-20%
<i>Sales of energy to cover network losses to Energa-Operator</i>	-	-	-	-
<i>Other wholesale</i>	498	322	(175)	-35%
Total sales of electricity	5,574	5,178	(396)	-7%

In 2022, the total volume of electricity sold by the Sales Business Line was slightly lower (by 1%, or 0.3 TWh) than in 2021 as a result of a 0.6 TWh (3%) decline in retail sales.

In retail sales, the volume of sales to business customers declined by 3% and the volume of sales to households declined by 2%. The decline in sales to business customers is due to a lower volume in contracts for 2022 relative to the previous year. In 2022, lifting of the COVID-19 restrictions triggered a partial return to the pre-pandemic consumption structure, resulting in lower electricity consumption by households (end of remote education and less remote work). Moreover, the lower consumption of energy by households results from a range of factors, including the growth of the prosumer base, which is particularly evident in the decline in consumption in Q2 and Q3 2022 relative to corresponding periods of the previous year.

As at the end of 2022, the Sales Business Line had 3.2 million final customers (energy supply points), which means an increase of approx. 50,000 customers y/y. The customer base expanded mainly in tariff group G (households).

Meanwhile, electricity sales to the wholesale market in 2022 increased by 0.3 TWh (or 11%) compared to 2021. The increase in the wholesale market volume is attributable to a larger scale of sale of surplus renewable electricity on the wholesale market, including from wind farms (whose output was significantly higher in 2022 vs. 2021) and from prosumers (strong growth in prosumer base).

In Q4 2022, the total sales volume of electricity was 0.4 TWh (7%) lower y/y. The retail sales volume was lower, similarly to a year-on-year basis (by 0.2 TWh, or 4%), compared to Q4 2021. The wholesale energy sales volume, on the other hand, behaved differently than it did throughout the year and declined by 0.2 TWh (31%) y/y. This unusual situation in the wholesale market was mostly attributable to a high base effect – a large scale of sale of surplus energy from the local market (mostly from renewable energy sources) in Q4 2021, which did not recur in Q4 2022.

Customer service

Product offering for retail customers

In 2022, sales of selected offers which had been most frequently purchased by customers and had generated the highest sales and those that were dedicated to specific customer groups continued. During 2022, the pricing parameters of the offers and their validity periods were updated, and new versions were generated as a result. The updates were necessitated by the need to adjust the offers on an ongoing basis to changing cost parameters of electricity purchases.

On 4 November 2022, new versions were introduced for the five most popular offers in view of the implementation of the Solidarity Shield subsidy. These offers are based on energy rates indexed to the rates in the standard price list for consumers. It means that the price of electricity varies during the term of validity of an offer and is specified as a discount on the standard price list for consumers. These offers were created to allow customers to benefit from the provisions of both Solidarity Shield subsidy acts, which include an electricity price freeze in 2023 up to statutory electricity consumption limits and introduction of a ceiling price above these limits.

The products offered in 2022 by category are as follows:

Products with Home Assistance (Handyman):

- Basic Offer (*Oferta Podstawowa*) – includes the Premium Home Assistance insurance package,
- Savings Package (*Pakiet Oszczędności*) – includes the Premium Home Assistance insurance package and a discount card for ORLEN and BLISKA petrol stations,
- Happy to Help (*Radość pomagania*) – includes PLN 100 in cash support to children in need from the area of operation of Energa Obrót SA and the Standard Home Assistance insurance package,

Offers without Home Assistance (without Handyman):

- Basic Offer (*Pakiet Podstawowy*) – includes a PLN 100 credit in the Energa billing account and a discount card for ORLEN and BLISKA petrol stations,
- Green Energy Package (*Pakiet zielonej energii*) – includes a renewable energy guarantee of origin, 5 energy-saving LED bulbs and planting a tree seedling.

Discount products:

- Discount Package (*Pakiet z rabatem*) – includes a discount card for ORLEN and BLISKA petrol stations.

Additional offers for specific customer groups:

- Standard Plus Handymen on Stand-By (*Fachowcy pod ręką Standard+*) – includes Standard Plus Home Assistance insurance package, an offer dedicated for garages and summer houses,
- Prepaid Handymen on Stand-By (*Fachowcy pod ręką Pre Paid*) – includes the Premium Home Assistance insurance package, an offer dedicated to customers with prepaid meters,

- Together Pays Off (*Wspólnie się opłaca*) – addressed to non-consumers, i.e. homeowners communities, housing cooperatives,
- Anti-Smog Offer with Handymen Package (*Oferta antysmogowa z pakietem fachowców*) – includes the Premium Home Assistance insurance package, dedicated to customers consuming electricity for household purposes who sign a contract with the intention to use electricity for heating,
- Package for Prosumers (*Pakiet dla prosumentów*) – combines an offer for electricity and PV installation insurance (from PZU).

Additionally, EOB introduced a new offer starting from 1 July 2022: Benefits Package (*Pakiet korzyści*), which includes the Premium Home Assistance insurance, PLN 50 credit in the Energa billing account and planting a tree seedling.

Product offering for SOHO customers (small enterprises)

Throughout 2022, 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.

Offers valid in 2022:

- 1) Standard Price List for Enterprises (*Cennik Standardowy dla Przedsiębiorstw*) – non-incentivised offer in line with the price list.
- 2) Basic Offer:
 - consumption up to 10 MWh – an offer with a guaranteed fixed commercial fee,
 - consumption >10 MWh – an offer with a permanent discount on electricity and a fixed commercial fee.
- 3) Incentivised product offerings:
 - Safe Company Package (*Pakiet Bezpieczna Firma*) – includes a fixed discount on the price list, a reduced commercial fee and a licence for a business antivirus service,
 - Eco-Company 2024 Package (*Pakiet Eko Firma 2024*) – includes a fixed discount on the price list, a fixed commercial fee and a certificate confirming that 100% of the volume contracted by the customer in the offer will originate from renewable energy sources,
 - Fixed and certain price (*Stać i pewna cena*) – introduced in response to consumer survey findings,
 - Basic Offer with Fuel Discount (*Oferta Podstawowa z rabatem na paliwo*) – includes a discount card for ORLEN and BLISKA petrol stations.

Energy efficiency

EOB acquired many customers in 2022 for its new energy efficiency products, which include solutions for the rational, informed and responsible use of existing energy resources and contribute to reducing the costs of business in the Business Market area – dedicated to business customers interested in improving energy efficiency. We tailor our approach to each and 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.

In view of the existing trends and market needs, Energa Obrót launched a new service – external financing consulting services.

Development of digital selling and customer service channels

The Upgrade of Digital Customer Interaction Channels (*Modernizacja cyfrowych kanałów kontaktu z klientem*) project in 2022 involved ongoing cooperation with Energa Informatyka i Technologie Sp. z o.o. to create a new self-care solution for the retail customers of Energa Obrót.

The year 2022 was also marked by positive decisions for the development of digital customer interaction channels at EOB, which related to:

- the launch of Energa's first mobile application working with the PKN Orlen application,
- upgrade of the self-care solution for business customers,

and the aforementioned tools are to be made available to customers in 2023.

Electromobility

Energa Obrót, as a provider of charging services at publicly accessible charging stations, makes consistent efforts to promote electromobility through presentations during events for customers and information published on the Energa's blog “Zielone

Pojęcie”. Furthermore, the company actively developed its EV charging stations in the northern and central part of Poland – 318 EV charging stations at the end of 2022 (636 charging points).

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

Energa Obrót offers the following public charging 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 2022, EOB launched the sale of charging stations for B2B customers on the PoC (Proof of Concept) basis. This end-to-end service covers all stages of an 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. Owing to its integration with the ORLEN Group, EOB 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, and secures maintenance services to ensure the continued and proper operation of a charging station.

5.3.2. Financial results

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

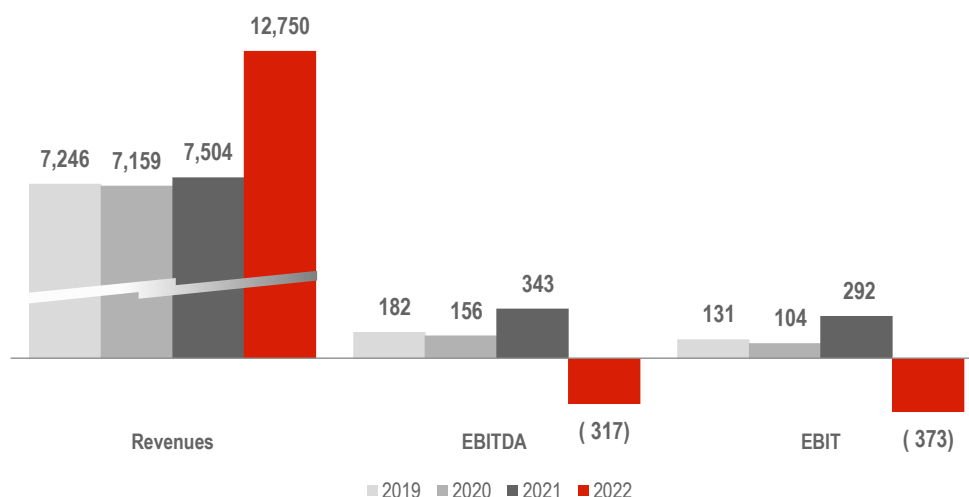
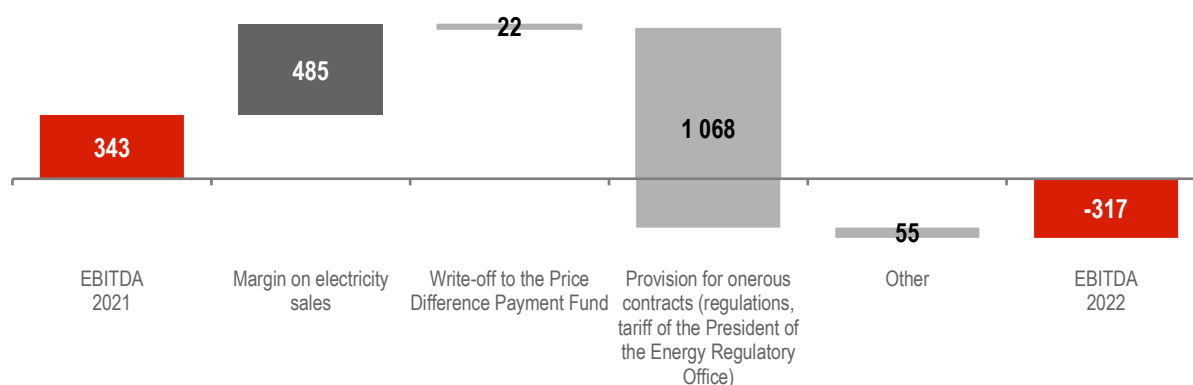


Table 26: Results of the Sales Business Line (PLN m)

PLN m	2019	2020	2021	2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	7,246	7,159	7,504	12,750	5,246	70%
EBITDA	182	156	343	(317)	(660)	< -100%
amortization and depreciation	52	52	49	56	7	14%
impairment of non-financial non-current assets	(1)	-	2	-	(2)	-100%
EBIT	131	104	292	(373)	(665)	< -100%
Net result	90	68	230	(317)	(547)	< -100%
CAPEX	44	66	64	77	13	20%

PLN m	Q4 2021	Q4 2022	Change	Change (%)
Revenues	2,139	3,339	1,200	56%
EBITDA	(131)	(997)	(866)	< -100%
amortization and depreciation	12	15	3	25%
impairment of non-financial non-current assets	2	-	(2)	-100%
EBIT	(145)	(1,012)	(867)	< -100%
Net result	(117)	(831)	(714)	< -100%
CAPEX	29	34	5	17%

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



The EBITDA of the Sales Business Line in 2022 totalled PLN -317 m, down by PLN 660 m (<-100%) compared to 2021 (EBITDA at PLN 343 m). The Line's EBITDA in 2022 did not contribute positively to the Group's result, while in 2021, it represented 14% of the Group's EBITDA.

Revenues of the Sales Business Line in 2022 totalled PLN 12,750 m, up PLN 5,246 m (70%) on 2021. The increase was driven by higher selling prices for electricity and gas, reflecting their strong growth in market prices.

The key contributor to the decline in the Sales Business Line's EBITDA y/y was a non-recurring item: a provision of PLN 1,068 m created for onerous contracts in tariff group G (households). The provision was created in connection with the adoption by the President of the Energy Regulatory Office on 17 December 2022 of a decision approving the electricity tariff for tariff group G customers for 2023 and the entry into force of 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 (concerning a price freeze for tariff G up to consumption caps) and the Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023.

In addition, in the Regulation of the Council of Ministers of 8 November 2022 laying down the rules for calculating the price cap, as amended (implementing regulation to the Act of 27 October 2022 referred to above), a mechanism was put in place to cut down excess profits of generators and trading companies. In view of the above, in December 2022, the Sales Business Line recognised PLN 22 m in allowance for the Price Difference Payout Fund, which lowered the EBITDA.

An increased margin on electricity sales (by PLN 485 m), on the other hand, made a positive contribution to EBITDA as a result of a higher average unit margin. Margins were also pushed up by a positive financial result of sale of surplus renewable electricity from the local market.

The EBITDA of the Sales Business Line in Q4 2022 totalled PLN -997 m, down PLN 866 m y/y. The y/y decline in EBITDA and its negative value in Q4 2022 were attributable to a non-recurring item: creation of a PLN 1,068 m provision for onerous contracts. The margin on electricity sales in Q4 2022 increased by PLN 239 m y/y, mainly as a result of a low base – in Q4 2021, the Sales Business Line recorded a negative margin on electricity sales due to the situation in the electricity market in December 2021. In that period of 2021, SPOT prices and balancing market prices were high, and electricity consumption by customers increased more than usual in relation to the volume contracted by the Sales Business Line, resulting in a substantial increase in the cost of balancing of the energy portfolio.



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 2022 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 8 to the annual separate financial statements of Energa SA for the twelve months ended 31 December 2022.

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)

	2021	2022	Change	Change (%)
Sales revenues	64	62	(2)	-3%
Cost of sales	(55)	(49)	6	-11%
Gross profit	9	13	4	44%
Other operating income	18	15	(3)	-17%
General and administrative expenses	(99)	(114)	(15)	15%
Other operating expenses	(9)	(10)	(1)	11%
Dividend income	201	201	-	-
Other financial income	375	403	28	7%
Impairment losses for shares	(59)	(168)	(109)	185%
Other financial costs	(250)	(295)	(45)	18%
Profit before tax	186	45	(141)	-76%
Income tax	24	5	(19)	-79%
Net profit	210	50	(160)	-76%

Revenue is generated mostly from services provided by the Company to other Group companies, mainly marketing, IT, finance services and lease of office space (based on re-invoicing). In 2022, this revenue category declined by 3%, mainly on the back of a loss of revenue from finance services due to the transfer of the guarantee business to PKN ORLEN.

The main source of the Company's financial income in 2022 was dividend income, which amounted to PLN 201 million (no change y/y). Interest income increased by PLN 123 million y/y, with a simultaneous increase in interest expense by PLN 77 million y/y (recognised as Other finance income and Other finance expenses, respectively).

In 2022, the Company generated non-interest finance income mainly as a result of a reversal of a provision for general contractor's claims in the coal-fired generation project in Ostrołęka (PLN 46 million). Remeasurement was also performed to the value of a loan granted to Elektrownia Ostrołęka Sp. z o.o. (PLN 42 million). Additional income is associated with the pricing of a call option (PLN 9 million).

The item Impairment losses on shares includes impairment losses on shares in Energa Kogeneracja Sp. z o.o., while the item Other finance expenses in 2022 includes the cost of equity infusion for Energa Kogeneracja Sp. z o.o. totalling PLN 16 million. Furthermore, this item includes the cost of revaluation of an investment in Polimex-Mostostal options (PLN 7 million), bank commissions (PLN 13 million) and foreign currency gains and losses (PLN 11 million).

The above factors affected Energa's net profit, which stood at PLN 50 million.

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

	As at 31 December 2021	As at 31 December 2022	Change	Change (%)
ASSETS				
Non-current assets				
Intangible assets	9	13	4	44%
Right-of-use assets	28	17	(11)	-39%
Shares in subsidiaries, associates and joint ventures	6 898	7 453	555	8%
Bonds	1 134	601	(533)	-47%
Other non-current financial receivables	2 964	2 748	(216)	-7%
Deferred tax assets	-	-	-	-
Derivative financial instruments	219	172	(47)	-21%
Other non-current assets	112	228	116	> 100%
	11 364	11 232	(132)	-1%
Current assets				
Cash pooling receivables	778	944	166	21%
Trade receivables and other current financial receivables	456	399	(57)	-13%
Bonds	26	557	531	> 100%
Current tax receivables	100	295	195	> 100%
Cash and cash equivalents	89	674	585	> 100%
Derivative financial instruments	52	102	50	96%
Other current assets	77	40	(37)	-48%
	1 578	3 011	1 433	91%
Non-current assets classified as held for sale	20	20	-	-
TOTAL ASSETS	12 962	14 263	1 301	10%
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Share capital	4 522	4 522	-	-
Reserve capital	821	1 031	210	26%
Supplementary capital	1 661	1 661	-	-
Cash flow hedge reserve	87	56	(31)	-36%
Retained earnings/(non-covered losses)	254	94	(160)	-63%
	7 345	7 364	19	0%
Non-current liabilities				
Loans and borrowings	1 857	1 481	(376)	-20%
Liabilities for debt securities issued	1 139	576	(563)	-49%
Non-current provisions	13	10	(3)	-23%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2022**

Deferred tax liabilities	3	1	(2)	
Non-current deferred income and grants	34	25	(9)	-26%
Non-current lease liabilities	20	6	(14)	-70%
	3 066	2 099	(967)	-32%
Current liabilities				
Cash pooling liabilities	512	861	349	68%
Current portion of loans and borrowings	1 815	3 017	1 202	66%
Current lease liabilities	14	15	1	7%
	19	22	3	16%
Trade liabilities and other financial liabilities	-	575	575	-
Liabilities for debt securities issued	49	3	(46)	-94%
Short-term provisions	9	9	-	-
Deferred income and grants	10	10	-	-
Accruals	123	288	165	> 100%
Other current liabilities	2 551	4 800	2 249	88%
Total liabilities	5 617	6 899	1 282	23%
TOTAL EQUITY AND LIABILITIES	12 962	14 263	1 301	10%

As at 31 December 2022, the balance sheet total of Energa was PLN 14,263 million, up by PLN 1,301 million or 10% from 31 December 2021.

The most significant change in non-current assets involved bonds, as 6-year hybrid bonds were excluded from this item and reclassified to current assets. Shares in subsidiaries, associates and joint ventures were also a significant item and included the acquisition of shares in CCGT Grudziądz Sp. z o.o. (PLN 689 million), CCGT Ostrołęka Sp. z o.o. (PLN 32 million) and RAFAKO (PLN 1.4 million). Additionally, this item included a write-down in Energa Kogeneracja Sp. z o.o. (PLN 168 million).

In current assets, apart from the aforementioned reclassification of 6-year hybrid bonds, the changes were due to an increase in cash balance.

Both in 2022 and in 2021, non-current assets classified as held for sale of PLN 20 million were recognised for Energa Invest Sp. z o.o.

A significant change in equity and liabilities was recorded under loans and borrowings (the short-term portion, due to a loan granted by PKN ORLEN). Similarly to assets, there were also changes in liabilities – 6-year hybrid bonds were reclassified from non-current to current liabilities.

Energa's result for 2021 totalling PLN 210 million was fully allocated to reserve capital, inflating this item of equity. As at 31 December 2022, the Company's equity to assets ratio was 52%, compared to 57% at the end of 2021.

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

	2021	2022	Change	Change (%)
Net cash flow from operating activities	(38)	(54)	(16)	-43%
Net cash flows from investment activities	237	(71)	(308)	> -100%
Net cash flows from financial activities	(199)	710	909	> 100%
Net decrease in cash and cash equivalents	-	585	585	100%
Cash and cash equivalents at the beginning of the reporting period	89	89	-	-
Cash and cash equivalents at the end of the reporting period	89	674	585	> 100%

Energa's cash position as at 31 December 2022 was PLN 674 million. Net cash flows from operating, investment and financial activities of the Company in 2022 totalled PLN 585 million.

Negative cash flows from operating activities in 2021 and 2022 were due mainly to a low operating result adjusted for non-cash items.

A negative flow was recorded in investing activities. This was mostly due to a purchase of shares in subsidiaries and equity infusions. Negative flows were partially offset by a dividend received from Energa Operator, interest income and repayment of loans by Energa Operator and Energa Wytwarzanie.

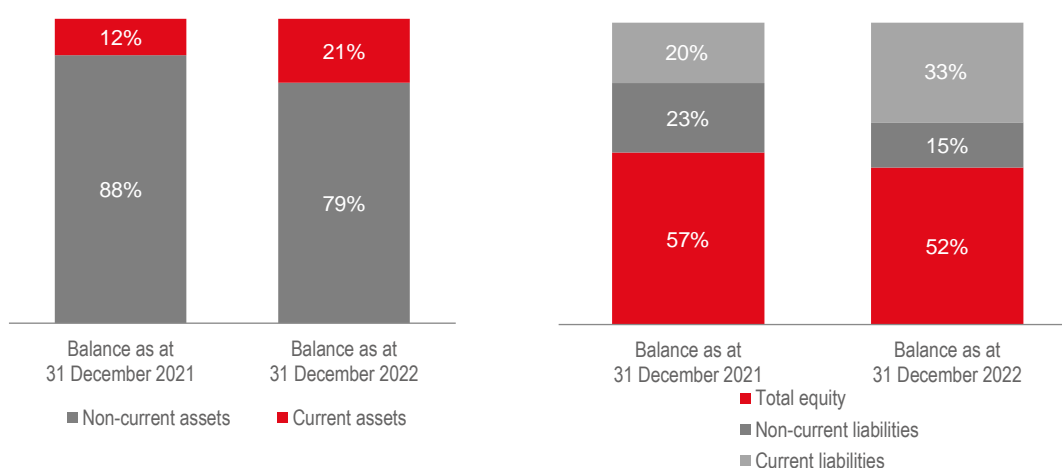
Positive net flows from financing activities were mainly due to receipts from and repayments of loans and borrowings (PLN 800 million by balance).

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 2021	As at 31 December 2022
ASSETS		
Non-current assets	88%	79%
Current assets	12%	21%
TOTAL ASSETS	100%	100%
EQUITY AND LIABILITIES		
Total equity	57%	52%
Non-current liabilities	23%	15%
Current liabilities	20%	33%
Total liabilities	43%	48%
TOTAL EQUITY AND LIABILITIES	100%	100%

Figure 29: Structure of assets and liabilities



As at 31 December 2022, non-current assets accounted for 79% of total assets, and current assets accounted for 21% of total assets. Equity accounted for 52% of equity and liabilities as at 31 December 2022. The most significant liability item were financial liabilities.

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 supervised centrally 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 (ISO 31000, COSO, FERMA) 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.

As part of the development of the IRMS in the Energa Group, training was provided in 2022 to familiarise the employees with the topic of risk management. Measures were also taken to initiate the rollout of a risk management system to other Group companies.

7.2. Description of major factors and risks

Key risks identified at the level of Energa SA and the Group companies for each of the 4 Risk Model areas are presented below, together with a description of key risk control measures.

Strategic area

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

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

Risks	Description of the risks and their 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 of and material deviations from the pre-defined goals set, among others, in the generation area, i.e., construction of new renewable capacities, optimisation of utilisation of Energa Elektrownie Ostrołęka SA after 2025, reduction of CO ₂ emission levels, investment in gas assets, in the area of distribution, i.e. development of the distribution grid, connection of new consumers to the grid, adjustment to renewable capacity growth, maintenance of quality of electricity supplies, and in the sales, i.e. improved performance in the core retail business, expansion of customer base and development of offered services and products. Materialisation 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 expenditure.	<ul style="list-style-type: none"> • Implementation of investment projects identified in the Multi-Annual Plan of Strategic Investments of the Energa Group for 2021-2030 – in line with the investment plans' criteria • Ongoing supervision of the implementation of the investment plan • Monitoring of the Group's objectives and capital expenditure 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.	<ul style="list-style-type: none"> • Energa SA's order concerning the implementation for use by the Company of a schedule of collecting information for the

The key risk factors are legislative changes relating to the operation of energy companies which affect their pricing policies and, together with price movements of raw materials for the production of electricity and heat, affecting the changeability and relevance of planning processes. Materialisation of the risk may lead to a failure to achieve the Group's strategic and financial plans and difficulties in or termination of advanced projects, loss of market share or the need to buy more energy.

- purposes of preparation of consolidated financial statements, consolidated economic and financial plans and operational and financial management information from the Group companies
- Principles of calculation of electricity and gas prices and margin management
- Quoting process manual and methodology for margin calculation from contracts with electricity generators
- Rolling projections for revenue and business expenses in a year
- Plan monitoring

Climate-related risks

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. Materialisation of the risk may involve mainly not meeting EU taxonomy targets, which will harm the image and competitive position of the Group companies. As a consequence of this risk, the ESG rating may be downgraded by a rating agency, which can make it difficult to obtain investment project funding or result in less favourable financing terms (increased financing margins and cost of insurance).

- Appointing a Member of the Management Board of Energa SA responsible for the management of climate-related matters
- Functioning of an integrated environmental and energy management system conforming to the EMAS Regulation and ISO 14001 and 50001 standards
- Consistent reduction of raw material, water and energy consumption to enhance value chain resilience to depleting natural resources
- Monitoring of climate action, e.g. by collecting comprehensive and detailed data on climate change risks and opportunities across the Energa Group business lines and ongoing supervision over energy, water and non-renewable materials consumption, increased share of renewable energy sources and distribution grid development
- Taking account of the TCFD guidelines in the operation of the Energa Group

Environmental risks

The risk is associated with the adverse environmental impact of the Energa Group companies, including their contribution to climate change. Materialisation 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.

- 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 50001 standards
- External audit of the environmental and energy management system

Information security risks

Risks arising from efforts aimed at ensuring the security of information and legally protected data, such as company secrecy, protection against competitive activity and requirements arising from legal provisions on the protection of classified information. Risks associated with loss of confidentiality, integrity and provision of access in the context of information processing methods (including in ICT systems). Materialisation of the risks may involve a disruption or interruption of business continuity of the companies, as well as criminal, administrative or functional liability. The risk may result in reputational damage due to data loss.

- Energa Group Information Security and Cybersecurity Management Policy
- ICT Security Policy
- Energa SA Information Protection Policy
- Energa SA Information Security Policy
- Security Centre operated within the ORLEN Group

Legal and regulatory area

Table 30: Key legal and regulatory risks identified at the level of Energa SA and Group companies

Risks	Description of the risks and their potential effects	Key controls
Legal risk	The risk is 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. Materialisation 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. Legal 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 to make energy supplies 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 for compliance • Agreements with obligatory effect or material law agreements establishing utility easements and land easements
Personal data protection risks	The risk is associated with ensuring the privacy and security of information of data subjects. Materialisation of the risk may hinder a company's operating activities and result in sanctions, including financial and administrative sanctions, inspections carried out by supervisory bodies, costs of proceedings and damages.	<ul style="list-style-type: none"> • Enforcement of internal personal data protection regulations, such as handling data breaches, obtaining data processing consents, discharge of disclosure obligations, exercise of data subjects' rights or management of personal data protection risks • Cyclical training and awareness activities on basic employee obligations • Recommendations of the Personal Data Protection Forum
Risk of fraud	The risk concerns situations and actions related to fraud, including potential conflicts of interest, corruption or misappropriation on the part of the employees/associates of the Energa Group companies. The risk involves the potential threat of fraud and corrupt practices in operating processes, as well as fraud in the implementation of EU-funded projects. Materialisation of the risk may lead to financial losses, loss of property, and may entail procedures conducted by law enforcement authorities against employees or bodies of the Group companies. The risk may have an adverse effect on the Energa Group's image and reputation, result in excluding from applying for public funds (EU or domestic), and undermine employees' trust in supervisors, colleagues and the organisation as a whole.	<ul style="list-style-type: none"> • Fraud and Conflict of Interest Policy • Internal regulations on fraud, creation and settlement of contracts for EU-funded projects and the procurement process • Training for employees (including, without limitation, anti-corruption) • A dedicated channel for reporting of symptoms and violations • The organisation's three lines of defence (internal control system, risk management system, internal audit) • Security units at key subsidiaries • Obligatory anti-corruption and conflict of interest clauses in agreements with business partners • Cooperation with the Legal Office with respect to compliance in the area of fraud and reporting suspected crimes.
Regulatory risks	The risk concerns legislative changes affecting the functioning of the Energa Group's individual Business Lines. Materialisation of the risk may lead to a modification 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.	<ul style="list-style-type: none"> • Monitoring of legal changes • Involvement in the legislative process, including monitoring and consulting of law-making initiatives • Cooperation within the ORLEN Group in the formulation of positions • Participation of the Group's representatives in the activities of trade associations

Contracting risks	The risks are associated with the conclusion by the Company of agreements on adverse terms, non-performance or improper performance of agreements and the potential resulting claims/complaints or sanctions. Materialisation 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 of service and delivery progress • Defining the principles of responsibility of Consortium Partners
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Operations area

Operational risks are associated with the ongoing activities undertaken by the companies to carry out strategic measures – their materialisation will affect the achievement of operational objectives of the Energa Group companies.

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

Risks	Description of the risks and their potential effects	Key controls
Project / investment risks	Risks associated with investments carried out within the Energa Group aimed at increasing the Energa Group's generation, distribution and sales potential, consisting in failures to meet the planned delivery dates, time schedules, budgets or scopes. Materialisation of risks may lead to non-achievement of the expected return on investment, a need to incur additional expenses or write off project costs, repayment of any financial support received, loss of potential revenue, escalation of claims pursued in court, sanctions or reputational damage.	<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) • A series of workshops on major CAPEX deviations • Contracts and agreements • Monitoring of the market environment of projects
Risks involving 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. The materialisation of 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.	<ul style="list-style-type: none"> • Periodic inspections according to manuals and existing technical expertise • 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
Risks to security of persons and property	Risks associated with unauthorised access to facilities, including power equipment. The risk additionally involves the safety and security of employees and third parties present on the premises of the Group's companies, as well as incidents related to terrorism and sabotage. Potential consequences of the risk may involve a threat to security of grid operation, disruption of ongoing operational processes, loss/destruction of property or interruption of business continuity.	<ul style="list-style-type: none"> • Ensuring the security of persons and company property through a dedicated Group company • Protection plans, including critical infrastructure security plans • Internal safety and security policies • Business Continuity Plans of the Group Companies • Property, third party liability and loss of revenue insurance • Physical and technical security systems for the Group's facilities • Security incident monitoring within the Group • Checks on physical and technical protection status

Business continuity risks	<p>Risks associated with loss of key process continuity at the Group companies or occurrence of unexpected disruptions in these processes. The risks include the issues of equipment availability, functionality and efficiency, as well as the impact of weather and water conditions and contingencies. Materialisation of risks may put human life and property in danger and lead to production disruptions, unavailability of critical process resources (sites, systems, employees) or failures or other technologically related equipment. The risks may also result in contractual penalties, and in an extreme scenario – loss of licence.</p>	<ul style="list-style-type: none"> • The Business Continuity Strategy • Emergency Procedures • The Critical Infrastructure Security Plan • Rules of proceeding in emergency • Backup sites • Periodic testing within the business continuity management system • Insurance • Provisions of agreements with contractors concerning failure response • Preventative measures, such as periodic infrastructure inspections, execution of scheduled repairs and investments
Social relations and trade unions risk	<p>The risks include dialogue with a social partner, in particular trade unions, relate to the process of maintaining employer-employee relations, as well as the process of communicating with employees. Materialisation of the risk may lead to claims, impediments to business, costs associated with possible downtimes (strikes, protests) or employee attrition, as well as reputational effects.</p>	<ul style="list-style-type: none"> • Engaging in social dialogue • Respecting collective bargaining agreements and collective agreements • Communicating with trade union organisations and informing employees of any planned changes • Engaging in negotiations
Customer billing risk	<p>The risk is associated with disruption of the invoicing process due to unavailability of billing systems, ongoing migrations, incorrect records of reading data, which may lead, among other things, to lower customer satisfaction (increased number of complaints, abandonment of the Group's products and services), deterioration of the Group's image, disruption of cash flows, distortion of financial and statistical data, additional costs of rectifying errors/irregularities, or proceedings before the Energy Regulatory Office and the Office for Competition and Consumer Protection.</p>	<ul style="list-style-type: none"> • Monitoring of the level of metering data provided / invoices issued • Service agreement with billing system providers enabling quick removal of critical faults • Internal manuals concerning, <i>inter alia</i>, corrections, interest, double invoicing control mechanism, sales, prosumer billing or month-end close process • System control mechanisms

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

Risks	Description of the risks and their potential effects	Key controls
Liquidity risk	<p>Risk associated with the ability to meet payment obligations in the short and long term, includes the ability to pay uncertain tax obligations. Materialisation of the risk may hinder the achievement of strategic objectives and organisational development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.</p>	<ul style="list-style-type: none"> • Financial policy, including the market risk management policy • Financial projections • Long-term financial model • A diverse financing formula of the Energa Group • 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

Foreign exchange risk	<p>The risk relates to changes of foreign exchange rates in relation to the Polish zloty because of foreign currency debt or surplus foreign currencies and investment projects implemented or purchase contracts settled in a foreign currency. Absence of foreign exchange risk hedging could result in an inflated cost of cash management, increase in capital expenditure, as well as fluctuations of financial performance from period to period.</p>	<ul style="list-style-type: none"> • Setting, monitoring and reporting of foreign exchange risk exposure limits • Foreign exchange risk hedging • Hedge accounting • Using the 'natural hedge' mechanism
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 the issues of 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. Materialisation of these risks may give rise to problems in achieving strategic objectives, an unexpected change in risk exposure, financial losses due to conclusion of transactions on unfavourable terms, loss of margin mass, loss of competitive position, higher selling costs, reduced flexibility of operations in specific markets or sanctions imposed by regulators.</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 • Involvement in the process of consulting draft legislative acts • Implementation of projects by individual companies aimed at cost-effectiveness optimisation • Production cost control
Pricing policy risk	<p>The risk associated with incorrect calculation of selling prices (including the risk of incorrect algorithms and source data), preparation of offering for customers for future years based on cost data resulting from current market prices and current legal status, which are not or cannot be fully secured and approval of tariff rates by the President of ERO at levels not guaranteeing profitable sales. Materialisation of the risk may contribute to loss of market share (margin, volume, revenue) and lead to financial losses, e.g. due to market price volatility or regulatory changes, as well as costs associated with potential expansion of IT systems.</p>	<ul style="list-style-type: none"> • Ongoing market investigation for developments in the market, legal and regulatory environment • Ongoing examination of the planned financial result and other selected ratios, and ongoing analysis of the impact of the adopted price calculation principles on that result/ratios • Ongoing examination of offering mechanisms (including the Coupled Model) and proper performance of commercial IT systems and databases • Internal regulations on the rules of calculation of electricity prices and margin management, securing minimum margin levels • Quoting process monitoring system
Credit risk arising from settlements with customers and business partners	<p>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). Materialisation 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.</p>	<ul style="list-style-type: none"> • Increased cash flow monitoring frequency • Setting up collection measure schedules / pathways • Cooperation with law firms • Evaluation of reliability of business customers and business partners on the wholesale market • Debt collection blockades in IT systems • Obtaining security from negatively rated debtors or business partners, debtor monitoring • Reports on the assessment of situation of major debtors with respect to repayments to date and preventing further accumulation of debt
Insurance risk	<p>Risk associated with a failure to adjust the subject-matter and scope of insurance to the specific nature of operations of the Group's individual Business Lines or exhaustion of the sum insured in a policy and failure to obtain an acceptable</p>	<ul style="list-style-type: none"> • Carrying out activities resulting from the Energa Group Policy on Insurance, including, without limitation: implementation of harmonised insurance schemes and

supplementary offer. Climate changes and increasingly frequent mass damage events have a significant impact on risk. The materialisation of the risk may force the company to address losses on its own and deplete the funds available for asset replacement.

insurance procurement procedures in accordance with the principles of the Policy, cooperation with insurance brokers and supervision over their activities by insurance coordinators appointed by the companies or other persons authorised by the Company's Management Board

- Use of insurance broker services, a broker policy

Interest rate risk

The Energa Group finances its operating or investing activity with debt liabilities bearing interest at a floating or fixed interest rate.

The floating interest rate risk resulting from existing debt liabilities applies to WIBOR-based rates only. With respect to liabilities denominated in euro, the Energa Group has a financial liability arising from issues of fixed-coupon eurobonds, as well as issues of hybrid eurobonds, also based on a fixed coupon.

According to the interest rate risk policy, the risk of interest rates fluctuation is mitigated by maintaining a portion of debt with a fixed interest rate. In line with these assumptions, IRS floating interest rate hedging transactions are executed.

In connection with implementation of hedge accounting, the Energa Group also identifies interest rate risk related to the concluded CCIRS and IRS hedging transactions, which however has no effect on the Group's financial result. Moreover, the level of interest rates has a direct effect on the WACC quoted by the President of the URE to calculate the return on RAB, which is included in the Energa Operator tariffs. Low interest rates result in a lower return on RAB and an increase in actuarial provisions.

Foreign exchange risk

In the financial area, the foreign exchange risk is associated mainly with incurring and servicing Energa Group's debt liabilities in foreign currencies under the EMTN eurobond programme, as well as issue of hybrid bonds. Additionally, some Energa Group companies have a foreign currency surplus resulting from their operating activity or investing activity. The Energa Group monitors the foreign exchange risk and manages it mainly through CCIRS hedge transactions and hedge accounting.

Credit risk

Credit risk is associated with the counterparty's potential permanent or temporary insolvency with regard to financial assets such as cash and cash equivalents and available-for-sale financial assets. The risk arises due to the contractual counterparty's inability to make the payment and the maximum exposure to this risk equals the carrying amount of the instruments acquired.

Within the scope covered by the analysis, in order to minimise the credit risk, ratings of financial institutions cooperating with the Energa Group are regularly monitored.

Liquidity risk

Liquidity risk involves the likelihood of becoming unable to pay current liabilities on time or losing the potential benefits of over-liquidity.

The Energa Group companies monitor the liquidity risk using a regular liquidity planning tool. The tool takes into account the payment due/maturity dates for investment liabilities and financial assets and liabilities and projected cash flows from operating activity. The Group aims to maintain a balance between continuity and flexibility of financing by using many different sources of financing, such as working capital and investment loans, hybrid bonds and eurobonds. Since the Group's debt operations are centralised within Energa, this company monitors the fulfilment of covenants on an ongoing basis and their long-term projections, enabling the determination of the Energa Group's creditworthiness to incur more debts.



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 2022 and as at the preparation date of this Report, PKN ORLEN 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 2022 and as at the date of this Report

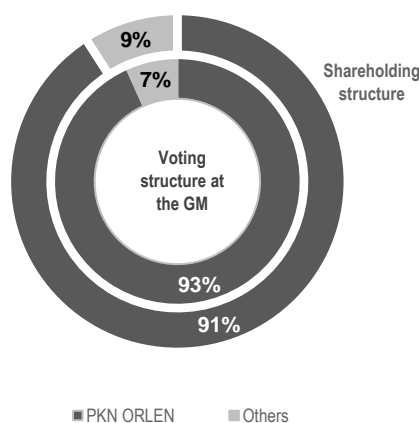
Series	Type of shares	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	preferred registered*	144,928,000	35.00	289,856,000	51.85
TOTAL		414,067,114	100.00	558,995,114	100.00

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

Table 34: Shareholding structure of the Energa Company as at 31 December 2022 and as at the date of this Report

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
PKN ORLEN	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 2022 and as at the date of this Report



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

In 2022, neither the Company nor its subsidiaries purchased Energa's own shares. As at 31 December 2022, 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 for Energa shares as at 31 December 2022

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 7.04
Capitalization at the end of the period	PLN 2.92 billion
Q4 2022 minimum at market close	PLN 6.08
Q4 2022 maximum at market close	PLN 7.12
2022 minimum at market close	PLN 6.08
2022 maximum at market close	PLN 7.84
Average trading value in 2022	PLN 0.21 million
Average trading volume in 2022	29.3 thousand
Average number of transactions in 2022	0.07 thousand

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

Figure 32: Changes in Energa stock prices compared to changes in WIG, WIG30 and WIG-ENERGIA indices in 2022



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

Energa's stock price at the close of the stock exchange session held on 30 December 2022 amounted to PLN 7.04, which means that it went down by 8% in comparison with the exchange rate applicable on the last business day of the year 2021 (i.e. on 30 December). During the discussed period, WIG fell by approximately 17% and WIG-Energia by approximately 13%.

Following a decrease in the number of free-floating Energa shares below 10% (after announcement of results of the delisting tender offer by PKN 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 2022, 51 current reports were published, concerning, among others, issue of a notice to proceed related to the construction of CCGT power plant in Ostrołęka, changes in composition of the Management Board and the Supervisory Board of Energa, information about the impairment losses, conditional agreement for the sale of PGG shares, estimated results of the Energa Group, ratings, preliminary financial effects of extraordinary regulations of the energy market and the tariff approved by the President of the Energy Regulatory Office for the G tariff group, resolutions of the General Meeting or results of the capacity market auction for 2027.

8.4. Ratings

Ratings assigned by Fitch Ratings

On 20 January 2022, the Fitch Ratings agency ("Fitch") affirmed the Company's long-term foreign and local currency issuer ratings at "BBB-" on Rating Watch Positive, a "BBB-" rating for the bonds issued by the Company's subsidiary Energa Finance AB, and a "BB" rating for hybrid bonds issued by Energa SA. Fitch justified the maintenance of its rating mainly with the sound business profile of the Distribution Business Line, with a dominant share in the operations of the Energa Group, and a lower business risk in relation to the conventional generation business and strong strategic and operational support from PKN ORLEN, the Company's majority investor. Fitch pointed out that the Energa Group is a key component of the ORLEN Group's energy transition strategy, playing an important role in investing in renewable energy sources, including onshore and offshore wind farms and gas-fired power stations. Fitch added that Energa Group's electricity sales business could come under pressure if the Group is unable to fully pass on its higher costs of electricity purchase to retail customers. Fitch also downgraded the standalone credit profile of Energa SA from 'bbb' to 'bbb-' due to a higher than expected increase in projected leverage until 2024–2025 in view of high capital expenditures planned by the Group.

On 17 November 2022, Fitch Ratings upgraded the Company's foreign currency long-term Issuer Default Rating (IDR) from the level of 'BBB-' to 'BBB+' with a stable outlook. At the same time the rating was removed from Rating Watch Positive (RWP). The rating action followed the upgrade by Fitch of the rating of the Company's majority owner PKN ORLEN, to 'BBB+' with a stable outlook. Among others, Fitch indicated that the Energa Group is a key part of the ORLEN Group's strategy with regards to energy transition, playing an important role in investing in renewables, including onshore and offshore wind and also in gas-fired power plants.

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

- the Company's local currency long-term Issuer Default Rating: from 'BBB-' to 'BBB+',
- long-term national rating: from 'A(pol)' do 'AA+(pol)',
- the Company's foreign-currency long-term senior unsecured rating: from 'BBB-' to 'BBB+',
- the Company's long-term rating of subordinated debt: from 'BB' to 'BBB-',
- long-term national senior unsecured rating: from 'A(pol)' do 'AA+(pol)',

and foreign-currency long-term senior unsecured rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ): from 'BBB-' to 'BBB+'.

On 21 December 2022, Fitch affirmed the above ratings and also the standalone credit profile at 'bbb-' due to, among others, the Company's solid business profile, with a focus on predictable regulated electricity distribution business.

Ratings assigned by Moody's

On 31 October 2022 the rating agency Moody's Investors Service ("Moody's") affirmed the Company's Long-Term Issuer Ratings - Domestic Currency at "Baa2". Simultaneously, the agency has affirmed the "Baa2" backed senior unsecured ratings and the "Baa2" guaranteed senior unsecured EMTN program of Energa Finance AB (publ) – the Company's subsidiary. The outlook on all ratings was changed to positive from stable. The rating action followed the upgrade by the Moody's of the rating of the Company's majority owner PKN ORLEN, to A3 with a stable outlook. The upgrade of PKN ORLEN's rating was mainly driven by its merger with the company Polskie Gornictwo Naftowe i Gazownictwo S.A. The agency indicated that the Issuer's ratings 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) and a good liquidity position. Simultaneously, Moody's pointed out that these positives are balanced by the higher business risk profile of the Company's power generation and energy supply businesses as well as execution risks related to an investment program over 2021-30, which will increase financial leverage. The positive outlook on the Issuer's ratings reflects Moody's views that the improved credit quality of PKN ORLEN, will also stand to benefit Energa as the two companies further integrate.

Table 36: Valid ratings of Energa as at 31 December 2022

Series	Fitch	Moody's
Long-term rating of the Company	BBB+	Baa2
Rating outlook	Stable	Positive
Rating date	19 January 2012	3 November 2011
Rating last changed on	17 November 2022	29 April 2020
Rating last reviewed on	21 December 2022	31 October 2022

8.5. Dividend

Since 2017 Energa SA has not paid dividends.



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 34 to the Consolidated financial statements for year ended 31 December 2022.

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 205.7 m with a final maturity date on 15 December 2025,
- to EBRD - PLN 185.2 m with a final maturity date on 18 December 2024,

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 EBRD for a PLN 800 m facility – as at 31 December 2022 PLN 190.6 m were utilised (of which PLN 75.6 m by Energa and PLN 115 m by Energa Operator SA). The facility's final maturity date is 18 December 2024,
- an agreement with EIB for a PLN 1,000 m facility – as at 31 December 2022, PLN 579.2 m were utilised (of which PLN 433.4 m by Energa and PLN 145.8 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 2022, PLN 23.5 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. Facility utilisation as at 31 December 2022 was PLN 150 million.

BGK renewable loan

On 3 July 2020 Energa and Bank Gospodarstwa Krajowego concluded a revolving facility agreement worth PLN 500 million for financing of corporate objectives of Energa SA, including financing of day-to-day operations and the CapEx programme, and refinancing of financial debt. The facility's final maturity date is 18 August 2023. The credit facility's interest was set on

the arm's length principle based on the WIBOR rate plus margin. Facility utilisation as at 31 December 2022 was PLN 250 million.

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 2022, the loan was not utilised.

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

On 16 December 2021, Energa and its subsidiary Energa 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 Energa 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 2022 was PLN 665 million.

Loans granted by Energa Finance AB (publ)

In 2022, two loans originally totalling EUR 499 m, granted to the Company by subsidiary Energa Finance AB (publ) in March 2013 and maturing on 28 February 2023 were continued. As at 31 December 2022, EUR 110 million was drawn down under these loans. The loan granted to Energa in June 2017 by Energa Finance AB (publ) at EUR 200 million maturing on 28 February 2027 was also continued.

PKN ORLEN loans

On 31 May 2021, Energa SA signed a loan agreement with PKN ORLEN in the amount of PLN 1,000 million, with maturity falling on 30 May 2023. The rolling loan was granted for the financing of general corporate objectives by Energa. Loan utilisation as at 31 December 2022 was PLN 1,000 million.

On 9 December 2022, Energa signed a PLN 1,000 million loan agreement with PKN ORLEN with a final maturity date on 29 September 2023. The revolving loan was granted for Energa's general corporate purposes. Loan utilisation as at 31 December 2022 was PLN 700 million.

Loans granted

On 23 December 2019, a loan agreement was made between Energa and Enea S.A. on the one hand, and Elektrownia Ostrołęka Spółka z o.o. on the other hand, for the total sum of PLN 340 million. Granting of the loan constituted partial performance of Energa's obligations under the Memorandum of Understanding of 30 April 2019 between Energa and Enea on the financing of the construction of the Ostrołęka C Power Plant, further detailing the declarations of financial commitment made by Energa and Enea in the Memorandum of Understanding of 28 December 2018. As at 31 December 2022 liability of Elektrownia Ostrołęka spółka z o.o. to Energa under the loan was PLN 170 million.

On 31 December 2019 Energa entered into a long-term lending agreement with Energa Operator, its subsidiary, in the amount of PLN 4,900 m, intended for the refinancing of Energa Operator SA debt towards Energa 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 2022 was PLN 2,553.6 million.

On 8 June 2021 Energa and its subsidiary Energa Generation concluded a long-term loan agreement in amount of PLN 579.2 m, intended for the refinancing of Energa Generation's debt towards Energa under long-term bonds. Loan utilisation as at 31 December 2022 was PLN 483.5 million

Furthermore, the Energa Group serviced its internal bond issue programmes during the reporting period. The following table presents the par values of bonds taken up by Energa and not redeemed, broken down by individual Energa Group issuer companies, as at 31 December 2022.

Table 37:: Par value of bonds taken up by Energa and not redeemed, by issuer, as at 31 December 2022

No.	Company name	Par value of the bonds taken up (PLN '000)
1.	Energa Operator	1,066,000
2.	Energa Generation	68,000
TOTAL		1,134,000

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 2022

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 2022 covered by surety or guarantee (PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5,862.3	1,317.8
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	10.8
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	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0
6.	2021-01-05	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0
7.			Other Energa Group companies		surety** - guarantee agreement	57.1	17.0
TOTAL						5,961.5	1,368.3

*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.*

The remaining guarantees granted on the instruction of the Group companies included, without limitation, PLN 2.1 million bank guarantees granted to Energa Obrót by Bank Pekao SA.

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.

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 many different sources of financing.

In 2022, the Energa Group continued the optimisation of liquidity management using zero-balancing cash pooling, which took over the functions associated with short-term bond issuances, and additionally maximised the Group's ability to use its surplus cash to finance the current activities of its individual companies.

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

As at 31 December 2022, the Energa Group was a party to 16,454 court proceedings. The Group was a plaintiff in 14,293 cases with a total amount in dispute of approx. PLN 430 million. The Group was a defendant in 1,279 cases with a total amount in dispute of approx. PLN 568 million. The total amount in dispute figures do not include disputes involving non-monetary claims.

As at 31 December 2022, 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 44.3 million in approx. 1,649 cases. 874 court cases with amounts in dispute totalling PLN 83.6 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 70.7 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 2022, 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 224 million, of which:

Type of receivables	Balance at 31 December 2022 (PLN m)
court and enforcement-based	133.6
bankruptcies	78.3
non-billed - WIENA	2.8
non-billed - SAP	8.4
non-billed – bankruptcies	0.9
TOTAL	244.0

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2022. 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 aspects cannot be anticipated.</p>
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. As at the date of update of this case is that opinions were delivered to the parties and</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 (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)</p>

	<p>failure to meet the deadlines to verify supplier switching reports; (5) failure to meet the deadlines for 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.</p>
<p>Energa Kogeneracja Sp. z o.o. (plaintiff), Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction Regional Court in Gdańsk, file No. IX GC 494/17</p> <p>Litigated value (after expansion of the claim): approx. PLN 114.4 million, with approx. PLN 7.8 million under the counterclaim</p> <p>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).</p> <p>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.</p>
<p>Mostostal Warszawa SA (plaintiff) Energa Kogeneracja Sp. z o.o. (defendant)</p>	<p>Claim for payment of remuneration <i>Regional Court in Gdańsk, file No. IX Gc 190/18; currently the Court of Appeals in Gdańsk, file No. AGa 165/22</i></p> <p><i>Litigated value: approx. PLN 26.3 million</i></p> <p>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.</p> <p>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.</p>
<p>shareholders of the Company (plaintiffs) Energa SA (defendant)</p>	<p>Appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020 <i>Regional Court in Gdańsk, file No. IX GC 1158/20, currently the Court of Appeals in Gdańsk, file No. V AGa 136/22</i></p> <p><i>The claim is financial and non-pecuniary.</i></p>

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.

**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

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. On 13 September 2022, the Company's attorneys were served with the Plaintiffs' motion to declare the decision on the reduction of security deposit final and binding. In a decision dated 26 September 2022, the Court declared the decision dated 6 June 2022 on the reduction of security deposit final and binding. 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, an appeal was filed on behalf of the Company.

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.

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.

Energa SA (applicant)	<p><i>Komisja Nadzoru Finansowego (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>
Eco dla firm (reason) Energa Obrót SA (defendant)	<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.</p> <p><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>
Energa Obrót SA (plaintiff) Eco dla Firm (defendant)	<p>Claim for payment under the agency agreement for the sale of electricity</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 10/21</i></p> <p><i>Claim value: approx. PLN 17.4 million</i></p> <p>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.</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>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")</p> <p><i>Regional Court in Gdańsk, 9th Commercial Department</i></p> <p><i>Case reference no. IX GC 1263/20</i></p> <p><i>Value of the object of litigation: approx. PLN 56.6m</i></p> <p>Statement of claim was filed on 30 December 2020.</p> <p>Statement of defence was issued in time, i.e. on 13 April 2021.</p> <p>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</p>

	<p>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.</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")</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division</i></p> <p><i>File number IX GC 1057/21.</i></p> <p>Litigated value: PLN 1,5 million</p> <p>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 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.</p> <p>On 23 January 2023, the Court issued a judgment granting the claim, ordering Energa Obrót:</p> <p>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.</p> <p>On 27 January 2023, Energa Obrót filed a request for a written justification of the judgment and delivery of the judgment with justification.</p>
<p>AKKA Aneta Kwaśniewska (plaintiff)</p> <p>Energa Obrót SA</p> <p>P. Dorawa, A. Czarnecki, E. Bugaj, M. Piątek (defendants)</p>	<p>The claim for compensation for lost profit as a result of termination of franchises by Energa Obrót SA.</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division</i></p> <p><i>File number IX GNc 747/21</i></p> <p><i>Litigated value: PLN 8,5 million</i></p> <p>The case is now pending in the first instance.</p> <p>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.</p> <p>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 witnesses were also interviewed at the hearing. At the hearing on 28 February 2023, the witnesses were questioned. The next hearing date was set for 22 June 2023, and the attorney of the Defendants was obliged to submit a preparatory letter containing a response to the Plaintiff's letter of 4 January 2023.</p>
<p>Wind Invest Group companies: Boryszewo Wind Invest, Dobiesław Wind Invest, Gorzyca Wind Invest, Krupy Wind Invest, Nowy Jarosław Wind Invest, Pękanino Wind Invest (plaintiffs)</p> <p>Energa Obrót SA (defendant)</p>	<p>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.</p> <p><i>Regional Court in Gdańsk, 9th Civil Law Department</i></p> <p><i>Case reference no. IX GC 1/21</i></p> <p><i>Value of the object of litigation: approx. PLN 6.9 million in total</i></p>

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.

**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 SA to proceed.

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. A new hearing has not yet been scheduled.

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)
MEGAWATT BALTICA SA
(defendant 1), Powszechna
Kasa Oszczędności Bank
Polski SA (defendant 2)**

Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 128/17 (main claim), SA 183/17W (counter claim)

Court of Appeal in Szczecin, file No. I AGa 187/18 (complaint regarding the main claim), I AGa 35/19 (complaint regarding the counterclaim)

Litigated value: approx. PLN 23.3 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 5 December 2017, MEGAWATT BALTICA filed a statement of defence accompanied by a counterclaim, among others for payment of contractual penalties. On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to the summons for a settlement attempt. No settlement was signed. On 16 January 2018 the Court determined it was not competent with regard to the action against Powszechna Kasa Oszczędności Bank Polski SA. On 4 June 4, a partial judgment was issued dismissing the claim of Energa Obrót SA. On 27

	<p>December 2018, the final judgment was issued whereby contractual penalties were awarded from Energa Obrót SA in favour of Megawatt Baltica SA. The amount of the contractual penalties awarded was reduced by 10% (i.e. approx. PLN 15.3 m). On 26 September 2019, hearings were held regarding Energa Obrót SA's complaints for reversing the partial and final judgment. On 10 October 2019 the Court issued judgments dismissing complaints filed by Energa Obrót SA to repeal the partial and final judgment. On 11 October 2019, Energa Obrót SA filed a request for the statements of grounds for the judgments. The company decided not to file the cassation appeal in the case of the appeal to reverse the partial judgment. On the other hand, the cassation appeal relating to the appeal to reverse the final judgment was filed on 17 February 2020. By a decision of 17 July 2020, the Supreme Court accepted the cassation appeal for examination. On 8 July 2022, the Supreme Court dismissed the cassation appeal of Energa Obrót SA in the case of appeal to reverse the final judgment. On 29 August 2022, a judgment of the Supreme Court with reasoning was served on the attorney of Energa Obrót SA.</p>
<p>Energa Obrót SA (plaintiff) BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 799/17</i> <i>Second instance file No. VII AGa 8/19</i> <i>Litigated value: approx. PLN 10.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The defendants filed statements of defence. In September 2018, the Court dismissed the action with its judgment. On 2 November 2018, Energa Obrót SA filed an appeal. On 10 March 2021, the Court of Appeal in Warsaw dismissed the appeal of Energa Obrót SA. Energa Obrót SA submitted an application for delivery of the judgment with justification. On 12 November 2021, the judgment with statement of grounds was received via an information portal. On 12 January 2022, Energa Obrót SA filed a cassation appeal. On 21 February 2022, mBank filed its response to the cassation appeal and Boryszewo Wind Invest filed its response to the cassation appeal on 4 March 2022. On 4 March 2022, Boryszewo Wind Invest filed its reply to the cassation appeal. On 24 October 2022, the decision of the Supreme Court of 22 September 2022 was delivered regarding the refusal to accept Energa Obrót SA's cassation complaint for consideration.</p>
<p>Energa Obrót SA (plaintiff) WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 798/17</i> <i>Second instance file No. VII AGa 1004/19</i> <i>Litigated value: approx. PLN 15.2 million</i></p> <p>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 SA 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.</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</i> <i>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 Jaroslaw 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 Jaroslaw Wind Invest and mBank dated 16 August 2022 to schedule a hearing was 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</i> <i>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 Jeżyczki 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 Jeżyczki 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 22 August 2022, a motion from Krupy Wind Invest and mBank dated 16 August 2022 to schedule a hearing was delivered.</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 24 August 2022, a decision was delivered to exclude one of the judges from hearing the case.</p>
<p>Energa Obrót SA (plaintiff), ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XXVI GC 712/17</i> <i>Second instance file No. VII AGa 704/20</i> <i>Litigated value: approx. PLN 3 million</i></p> <p>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).</p>
<p>Energa Obrót SA (plaintiff), WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p><i>Regional Court in Gdańsk, file No. IX GC 735/17</i> <i>Second instance file No. I AGa 74/19</i> <i>Litigated value: approx. PLN 3 million</i></p> <p>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</p>

pending. On 5 July 2022, a decision was received allowing the cassation appeal of Energa Obrót SA to proceed.

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

9.3. HR and payroll situation

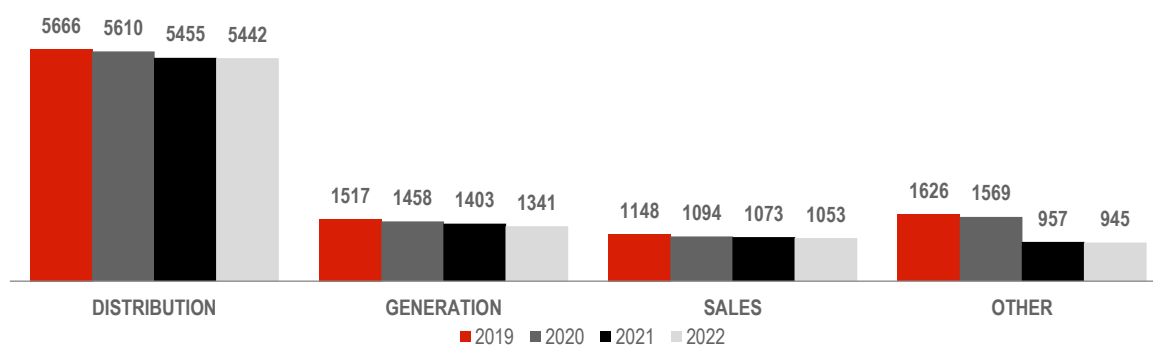
9.3.1. Energa Group

Employment

The Energa Group had 8,781 employees as at the end of 2022. The change in relation to the end of 2021 is mainly a result of natural turnover and mobility as one of the ways to fill vacancies within the ORLEN Group as a whole. Cooperation between the companies on staff exchange as defined in the mobility policy supports the achievement of key business objectives, effective use of staff competence and potential, and enables a fast response to changes within the organisation. Mobility scenarios envisage the option to loan an employee, reduce an employee's working time at the home company and employ them for the remaining time at the host company, or a permanent change of employer.

When analysing the employment data, the change in definition of an employed person should be taken into consideration. The definition was adjusted to the ORLEN Group's standards in 2020.

Figure 33: Energa Group's headcount as at 31 December in 2019-2022*



* data for 2019 refer to employment contracts, excluding unpaid leaves, parental leaves and rehabilitation benefits; for the other years, data are presented without any exclusions (active and inactive combined); additionally, level of employment in Enspiron was presented in the Other Business Line in 2019 and in the Sales Business Line starting from 2020.

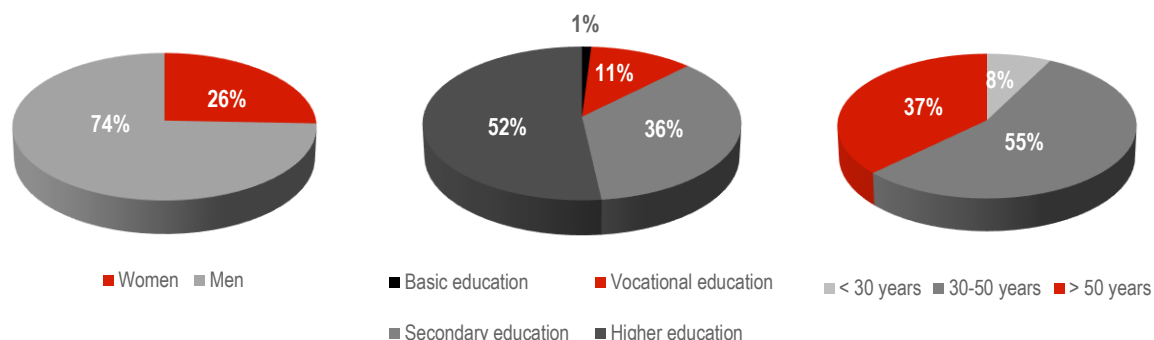
By reason of its business profile and the specific nature of the industry, the Energa Group has a particular structure where as many as 74% of all employees are male.

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 93% of people on permanent employment contracts and almost 100% 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 2022 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 2022

On 21 September 2020 employer Energa-Operator SA Branch in Płock submitted a termination notice to trade unions regarding the Company Collective Bargaining Agreement ("Agreement"). Together with the declaration of termination of the 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 2022, discussions relating to the amendments to the Agreement were conducted in the mode of a collective dispute. This collective dispute is currently at the mediation stage.

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 2022, discussions relating to the amendments to the Agreement were conducted in the mode of a collective dispute. This collective dispute is currently at the mediation stage.

In 2022, negotiations were additionally pursued over the introduction of a Company Collective Bargaining Agreement at the following employers: Energa Obrót, Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Oddział w Płocku and Oddział w Słupsku.

Negotiations on a new Company Collective Bargaining Agreement for Energa Obrót SA were completed, and on 23 December 2022, the Agreement was submitted to the competent district labour inspector for registration.

Material information relevant to the HR and payroll situation

Principles of setting and monitoring the objectives

The strategic objectives of the lead entities of Business Lines and heads of Energa SA departments have been set in a consultation process, using a top-down cascading approach. The objectives for executive staff covered by the system are underpinned by the strategic objectives of the Group. The objectives for lead entities and heads of Energa departments have been designed on the basis of the Energa Group's Strategy, long-term financial plans and budget information. Achievement of the objectives constitutes, among other things, the basis for executive incentives within the Energa Group.

Standardisation of HR processes

In 2022, the fact of integration with the ORLEN Group continued to play a key role in shaping the processes performed by the Energa Group. Many activities in the HR area were rendered consistent across the organisation with a view to creating an equal opportunities environment for the employees and ensuring fair and safe working conditions throughout the ORLEN Group. The Group's priorities and key tasks related to the HR policy are pursued on an ongoing basis, based on the best market practices.

Key documents governing HR processes implemented and developed in 2022:

- within the ethical system:
 - ✓ Rules for the selection and functioning of Ethics Officers,
 - ✓ Energa Group anti-workplace harassment and discrimination policy,
- employee development:
 - ✓ Direction ORLEN Trainee Programme,
 - ✓ Mentoring,
 - ✓ Engaging leadership,
 - ✓ Energa Group Age Management Policy,
- employee welfare:
 - ✓ Diversity policy,
 - ✓ Wellbeing policy,
 - ✓ Policy laying down the principles and conditions of work for people with disabilities
 - ✓ New Job programme,
- other:
 - ✓ Competency Model.

An employee engagement and satisfaction survey was carried out at the Energa Group from 5 to 30 September 2022. The survey covered employees of Energa, Energa Obrót, Energa Informatyka i Technologie and Energa Operator. The goal of the survey was to look at the company in question from the perspective of all employees and to identify the areas that made it an exceptional place to work and those that needed improvement. The results of the survey are intended to provide a better understanding of the needs and expectations of employees, which in turn will allow changes and improvements to be made to boost engagement across the organisation.

74% of employees participated in the Energa employee engagement and satisfaction survey. The engagement index was 49%. The engagement index is a key work environment indicator that translates directly into the business performance of companies. Companies which know how to motivate successfully, encourage efforts and energise their employees are more successful, better deliver on their strategies and have lower costs of staff absenteeism and turnover.

The overall employee satisfaction index was 66%. This index shows the overall satisfaction of employees with their jobs within the company, without considering the individual aspects of the work environment.

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 2022, the work regulations standard was in place at: Energa Serwis, Energa Obrót, Energa Oświetlenie, Energa Informatyka i Technologie, Energa Green Development, EOWE Centrala, EOWE O/Słupsk, CCGT Ostrołęka, CCGT Grudziądz, Energa Ciepło Ostrołęka. The other companies are still negotiating the content of the regulations with trade union organisations or are at the stage of consultations with segments.

Negotiations are also ongoing to align the content of the Company Collective Bargaining Agreement for:

- Energa Operator SA Centrala,
- Energa Operator SA Oddział w Płocku,
- Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Oddział w Płocku,
- Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Oddział w Słupsku,
- Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Oddział w Elblągu.

Negotiations are also ongoing to sign an additional protocol to the Company Collective Bargaining Agreement at Energa Logistyka sp. z o.o. in Płock.

Negotiations on a new Company Collective Bargaining Agreement for Energa Obrót were completed, and on 23 December 2022, the Agreement was submitted to the competent district labour inspector for registration.

Employee benefits

In 2022, the system of additional employee benefits at the Energa Group included, without limitation:

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.

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 non-financial benefits available to employees and their families.

Those related to parenthood 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.

In connection with a programme aimed at supporting the National Vaccination Programme and encouraging employees to get the COVID-19 vaccine, employees of the Energa Group were given additional 4 hours off, retaining their right to remuneration. To use this entitlement, employees had to present a document confirming that they had received the third dose of the COVID-19 vaccine.

In 2022, the management staff of the Energa Group continued their participation in the 'Engaging Leadership' management development programme. The programme is based on the Leadership Performance Pipeline (LPP) concept and has been adjusted to the specific needs of the Energa Group.

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.

Although the Group companies withdrew from the agreement on 31 December 2014, some additional pay components remain in place as acquired rights within the Energa Group companies covered by the Multi-Employer Collective Bargaining Agreement for Power Industry Employees of 13 May 1993, including but not limited to:

1. An annual bonus, equal to 8.5% of the annual salary fund from the previous year, paid in proportion to years in service,
2. A supplement to the base remuneration, depending on years of service,
3. Money equivalent of free coal,
4. The 'employee tariff' for electricity offered once an employee reaches 1 year of service in the power industry,
5. Hazard pay,
6. Length of service bonus.

Changes in wage conditions

Under the Agreement on the determination of the Energa Group Employees' salary increase in 2022 of 3 January 2022, the Group's employees whose employers were parties to the Agreement securing employee, social and trade union rights for the Employees of the Energa Group, received base pay raises starting from 1 January 2022.

In pursuance of its policy of annual improvement of staff remuneration and aiming to maximise remuneration growth in 2022, the Management Board decided to grant an additional one-time benefit of PLN 4,000 before tax to Energa Group employees.

Collective dismissals

No collective dismissals occurred within the Group companies in 2022.

Unionization

At the end of 2022, there were 34 trade union organisations in the Energa Group companies. As at 31 December 2022 unionization at Energa Group reached 62%. Approx. 5,500 employees were members of trade unions.

Collective disputes

Twenty-eight collective disputes were pending within the Energa Group in 2022:

1. Three labour disputes at Energa Operator SA Oddział w Płocku Sp. z o.o. employer initiated by the notices filed by trade union organisations on 30 September 2020, 9 November 2020 and 23 July 2021, concerning amendments to the Company Collective Bargaining Agreement and employee benefits. The first two disputes are at the mediation stage of a labour dispute. The dispute of 23 July 2021 was closed by signing an agreement ending the labour dispute.
2. Two labour disputes at Energa Logistyka Sp. z o.o. employer initiated by the notices filed by trade union organisations on 24 and 30 September 2020, concerning amendments to the Company Collective Bargaining Agreement. The disputes are at the mediation stage of a labour dispute.
3. One labour dispute at Energa Operator SA Oddział w Płocku concerning demands in a dispute made on 7 February 2022 by Międzyzakładowy Związek Zawodowy Pracowników Energetyki Płockiej, Międzyzakładowa Organizacja Związkowa NSZZ "Solidarność" at Energa Operator SA Oddział w Płocku and NSZZ Energetyk w Płocku, concerning the payment of bonus for all employees. The dispute was concluded with an agreement ending the labour dispute.
4. One labour dispute at Energa Elektrownie Ostrołęka SA, initiated by Organizacja Międzyzakładowa NSZZ "Solidarność" Region Mazowsze, concerning a demand in dispute made on 26 August 2022 for payment to EEO's employees of an award of PLN 1,000 before tax per employee to celebrate the Power Engineers' Day. The dispute was concluded with an agreement ending the labour dispute.
5. 23 employers who are parties to the Agreement securing employee, social and trade union rights for the Employees of the Energa Group are engaged in a labour dispute concerning pay rises for employees in 2023. The disputes are currently at negotiation or mediation stages.

9.3.2. Energa SA

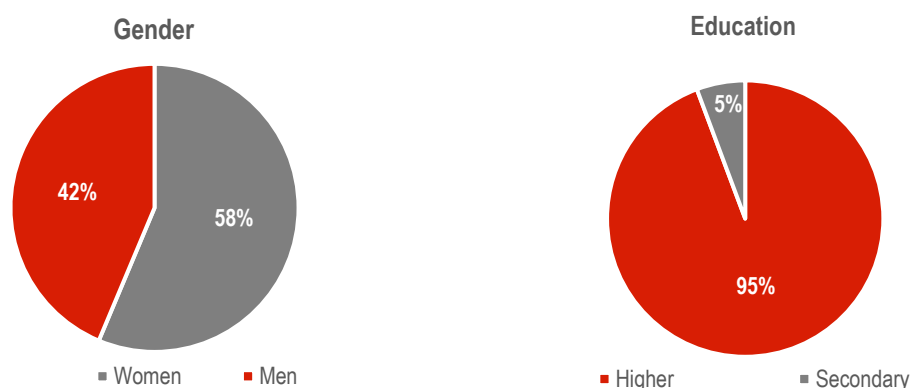
Employment

Table 40: Energa's headcount as at 31 December 2019- 2022*

Employment as at 31 Dec 2019*	Employment as at 31 Dec 2020*	Employment as at 31 Dec 2021*	Employment as at 31 Dec 2022*
headcount	headcount	headcount	headcount
187	172	158	153

* data for 2019 refer to employment contracts, excluding unpaid leaves, parental leaves and rehabilitation benefits; for the other years, data are presented without any exclusions (active and inactive combined)

Figure 35: Employment structure at Energa SA as at 31 December 2022



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.

In addition, due to employee transfers within the Group, the provisions contained in the documents below shall apply:

1. the Multi-Employer Collective Bargaining Agreement for Power Industry Employees,
2. Energa Operator SA Compensation Regulations,
3. the Company Collective Bargaining Agreement of Energa Operator SA, Gdańsk Branch,
4. the Company Collective Bargaining Agreement of Energa Kogeneracja Sp. z o.o.

As at 31 December 2022, 42 managers were employed under contracts for management services, including five members of the Company's Management Board. The costs of services are not charged to the payroll fund.

Material information relevant to the HR and payroll situation

Employee benefits

In 2022, the system of additional employee benefits at the Company included, among others:

1. An annual bonus equal to 8.5% of the previous year's annual payroll fund, payable in proportion to the length of employment,
2. The 'employee rates' for electricity offered after one year of employment in the power industry,
3. Holiday benefits paid to employees for Easter, the Power Engineers' Day and Christmas,
4. The Employee Pension Plan funded by the employer 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. A supplement to the base remuneration, depending on years of service,
7. Anniversary bonus,
8. The Additional Medical Services Plan. All employees are entitled to additional medical services under the Guaranteed Package, which is funded by the employer,
9. 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),
10. Life insurance policies on preferential terms and with Employer co-payment.

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.

Furthermore, under the Collective Bargaining Agreement of 3 January 2022 on the allocation of monies earmarked for pay increases in 2022, the Company's employees received an additional benefit in the form of ORLEN Shopping Card in addition to a base salary increase.

As of 31 December 2014, the Company withdrew from the Multi-Employer Collective Bargaining Agreement. As a result, the employees hired as of 1 January 2015 are not entitled to the benefits listed in points 1, 6 and 7 above.

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 Company's operations.

Changes in wage conditions

Based on the Agreement of 3 January 2022 on the determination of the Energa Group Employees' salary increase and the Agreement of 29 March and 29 June 2022 on the allocation of monies earmarked for pay increases in 2022, the Company's employees benefited from a base salary increase as of 1 January 2022.

In pursuance of its policy of annual improvement of staff remuneration and aiming to maximise remuneration growth in 2022, the Management Board decided to grant an additional one-time benefit of PLN 4,000 before tax to Energa Group employees.

Collective dismissals

In 2022, there were no lay-offs at the Company.

Collective disputes

In 2022, the Company did not engage in any labour disputes.

9.4. Information on the statutory audit firm

The statutory audit firm engaged to audit the financial statements of Energa SA and of the Energa Group is Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa ("Deloitte").

Following an oral agreement on the terms of the contract, on 6 April 2022, Energa SA and Deloitte confirmed in writing the terms of the contract which concern, *inter alia*, the audit of the Company's and Group's separate and consolidated financial statements for 2022-2023 (with the option to extend the audit to the financial year ended 31 December 2024) and review of financial statements for H1 2022 and H2 2023 (with the option to extend the review to H1 2024). Conclusion of the related agreement was preceded by the assessment of independence of the audit firm by Energa SA Audit Committee which granted its consent to the provision of that service.

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

	Year ended 31 December 2021	Year ended 31 December 2022
Audit of annual statements	799	903
Other assurance services, including review of financial statements	362	290
Other services	21	0
TOTAL	1,183	1,193

* the presented remuneration relates to audits and reviews of the Group's consolidated statements and reports of individual Group companies



Młynów Szczepanki photovoltaic farm

Corporate Governance Statement

10. CORPORATE GOVERNANCE STATEMENT

In 2022, 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 2022, 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 2021, there were two women and three men on the Management Board, and five 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

Polski Koncern Naftowy ORLEN SA with its registered office in Płock (PKN ORLEN) 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, PKN 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.

On 20 May 2022, the Ordinary General Meeting of Energa SA amended §16 sec. 1 point 6, § 16 sec. 1 point 16 a) second indent, § 16 sec. 1 point 16 d), § 16 sec. 1 point 16 j), § 16 sec. 1 point 22, § 16 sec. 2 point 1, § 16 sec. 2 point 2 by giving them a new wording, while § 16 sec. 1 point 23 j) was repealed. On 15 June 2022, the changes were recorded in the Register of Entrepreneurs of the National Court Register.

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 20 May 2022. The content of the resolutions adopted by that Meeting was published in Current Report No. 30/2022 dated 20 May 2022.

The Supervisory Board

Composition

In FY 2022 and until the date of this Report, the composition of the Energa SA Supervisory Board has been as follows:

1. between 1 January 2022 and 31 January 2022:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Trajan Szuladziński - Member of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board.
2. between 1 February 2022 and 28 February 2022:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Member of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.
3. between 28 February 2022 and 1 March 2022:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - i) Trajan Szuladziński - Member of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board.
4. between 1 March 2022 and 27 March 2022:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Barbara Hajdas - Member of the Supervisory Board,
 - i) Agata Piotrowska - Secretary of the Supervisory Board.
5. between 28 March 2022 and 19 April 2022:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Barbara Hajdas - Member of the Supervisory Board,

- i) Agata Piotrowska - Secretary of the Supervisory Board.
6. between 20 April 2022 and 21 April 2022:
- a) Paula Ziemeicka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board,
 - i) Daniel Obajtek - Member of the Supervisory Board.
7. between 22 April 2022 and 25 April 2022:
- a) Paula Ziemeicka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board,
 - h) Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office.
8. between 26 April 2022 and 13 May 2022:
- a) Paula Ziemeicka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board,
 - h) Iwona Waksmundzka-Olejniczak - Member of the Supervisory Board,
 - i) Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office.
9. between 14 May 2022 and 19 May 2022:
- a) Paula Ziemeicka-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) Michał Róg - Member of the Supervisory Board,
 - f) Agata Piotrowska - Secretary of the Supervisory Board,
 - g) Iwona Waksmundzka-Olejniczak - Member of the Supervisory Board,
 - h) Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office.
10. between 20 May 2022 and 12 July 2022:
- a) Paula Ziemeicka-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) Michał Róg - Member of the Supervisory Board,
 - f) Agata Piotrowska - Secretary of the Supervisory Board,
 - g) Iwona Waksmundzka-Olejniczak - Member of the Supervisory Board,
 - h) Barbara Hajdas - Member of the Supervisory Board,

- i) Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office.
11. between 13 July 2022 and 31 August 2022:
- a) Paula Ziemięcka-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 Kobylkiewicz - 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) Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office.
12. between 1 September 2022 and 21 December 2022:
- a) Paula Ziemięcka-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 Kobylkiewicz - 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) Daniel Obajtek - Member of the Supervisory Board.
13. between 22 December 2022 and 22 February 2023:
- a) Paula Ziemięcka-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 Kobylkiewicz - 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.
14. from 23 February 2023 until the date of preparation of the Report:
- a) Paula Ziemięcka-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 Kobylkiewicz - 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.

On 20 January 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Mr. Jarosław Dybowski to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 1 February 2022.

On 24 February 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Ms. Barbara Hajdas to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 1 March 2022.

Ms. Barbara Hajdas tendered her resignation from the Supervisory Board as of the end of 27 March 2022.

On 19 April 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Mr. Daniel Obajtek to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 20 April 2022.

On 21 April 2022, the Company's Supervisory Board adopted a resolution to delegate Mr. Daniel Obajtek, Member of the Supervisory Board of Energa, to temporarily act in the capacity of the President of the Management Board of Energa of the 6th Term of Office and 7th Term of Office, which started on the day immediately following the date of the Company's General Meeting which had approved the Company's financial statements for FY 2021, until 21 July 2022.

Ms. Agnieszka Żyro tendered her resignation from the Supervisory Board as of the end of 21 April 2022.

On 22 April 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Ms. Iwona Agnieszka Waksmundzka-Olejniczak to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 26 April 2022.

Mr. Trajan Szuladziński tendered his resignation from the Supervisory Board as of 13 May 2022.

On 20 May 2022, the Company's Ordinary General Meeting adopted a resolution to appoint Ms. Barbara Hajdas to the Supervisory Board of the Company of 6th joint term of office.

Ms. Iwona Waksmundzka-Olejniczak tendered her resignation from the Supervisory Board as of 12 July 2022.

On 19 July 2022, the Company's Supervisory Board adopted a resolution to delegate Mr. Daniel Obajtek, Member of the Supervisory Board of Energa, to temporarily act in the capacity of the President of the Management Board of Energa of the 7th Term of Office from 22 July 2022 to 31 August 2022.

Mr. Daniel Obajtek tendered his resignation from the Supervisory Board on 21 December 2022.

On 21 December 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Ms. Agnieszka Żyro to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 22 December 2022.

On 21 December 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Mr. Paweł Kosztyła to the Supervisory Board of the Company of 6th joint term of office, pursuant to Article 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association, starting from 22 December 2022.

Mr. Michał Róg tendered his resignation from the Supervisory Board on 22 February 2023.

Ms. Paula Ziemiecka-Księżak and Ms. Agnieszka Terlikowska-Kulesza 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 term of office of the Company's Supervisory Board will end on the day of the General Meeting approving the Financial Statements for FY2022.

Paula Ziemiecka-Księżak graduated from the Leon Koźmiński Entrepreneurship and Management College. In 1996, she began her employment with the Ministry of Treasury. She worked in departments responsible for the oversight of state-owned companies. She conducted oversight of companies in the motor transportation and marine transport sectors and also in the energy sector. Currently, she is the Head of the Supervision Division of the Department of Supervision and Ownership Policy of the Energy Ministry. Her scope of duties comprises supervision of overall economic and legal issues associated with the activity of State Treasury-owned companies from, among others, the black coal mining and power sectors. Additionally, she gained experience related to supervision of operations of State Treasury-owned companies from 2002, by serving in supervisory bodies of such companies as SIP-MOT SA in Zamość, PKS Ostrołęka SA, Opakomet SA based in Kraków and PERN SA based in Płock. She has been the Chairperson of the Energa SA Supervisory Board since 12 November 2015.

Agnieszka Terlikowska-Kulesza graduated from the Warsaw University of Life Sciences and postgraduate studies at the Warsaw School of Economics in finance and European economic and legal relations. In 1997, she started work at the Ministry of State Treasury, in the Department of Commercialisation and Direct Privatisation. Between 1997 and 2002, she worked for the Privatisation Agency as the chief specialist and then as the Section Manager. During that period, she oversaw and executed privatisation projects of companies with State Treasury holdings, verified economic and financial analyses and valuations of privatized companies with State Treasury holdings. Between July 2002 and June 2016, again she was the chief specialist in State Treasury-owned corporate supervision departments at the State Treasury Ministry. She supervised companies from the ceramic, construction and vehicle transportation industries. In 2009–2016, she supervised chemical sector companies, including companies from Grupa Azoty S.A. The main responsibilities included the analysis, preparation and performance of corporate governance in relation to companies with State Treasury holdings and preparation of ownership decisions in relation to the supervised companies. From July 2016 to November 2019, she was employed as the chief specialist at the Energy Ministry where she supervised strategic companies in the mining sector. At present she is the chief specialist in the Department

of Supervision I at the Ministry of State Assets. She gathered additional experience by serving in 2001–2016 in supervisory bodies of companies with State Treasury holdings such as: “Chłodnia Szczecińska” Sp. z o.o., Zakłady Ceramiczne “Bolesławiec” w Bolesławcu Sp. z o.o., Przedsiębiorstwo Komunikacji Samochodowej w Białymstoku SA, Przedsiębiorstwo Robót Drogowych Sp. o.o. in Mielec, Przedsiębiorstwo Elektryfikacji i Robót Instalacyjnych “ELTOR-Warszawa” Sp. z o.o. in Wołomin. Since 2016, he has been a member of the Supervisory Board of ENERGA S.A.

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.

Agnieszka Żyro is a graduate of the Academy of Bydgoszcz (currently the Kazimierz Wielki University in Bydgoszcz), majored in administration and MBA at the Poznań University of Economics and Business. Also graduated from post-graduate studies in accounting, economic analysis and controlling (Poznań University of Economics and Business) and integrated IT systems (Kozminski University), as well as the Human Capital Management Academy at IBD Business School Sp. z o.o. A manager with many years of experience, especially in the field of managing energy companies. At the beginning of her professional career she worked for ENEA Serwis sp. z o.o. (1998-2017), where she developed the HR area and then became the Vice President of the Management Board for Human Resources. Since April 2017, the President of the Management Board of ENERGA Logistyka sp. z o.o. and since March 2018 the President of the Management Board of ANWIL S.A., a company of the ORLEN Group.

Sylwia Kobyłkiewicz is a graduate of the Częstochowa University of Technology, where she majored in corporate finance management, corporate financial analysis and took post-graduate studies in the fields of tax and accounting. A graduate of Executive MBA at the University of Commerce and Services in Poznań. From 1992 to 1995 she performed management functions and worked as the Chief Accountant and served as a member of the Management Board in a number of companies. Has extensive professional experience in government and local government administration, where she worked for more than 15 years. From 2001 to 2007, she worked at the Tax Inspection Office in Katowice and obtained a licence of a Tax Inspector. In 2014-2015, she provided consulting services in the area of finance and public procurement, administrative proceedings, as well as tax law for local governments in the Małopolskie voivodeship. At the beginning of 2016, she became acting Head of the Tax Inspection Office in Katowice, and then acting Head of the Tax Inspection Office in Kraków. In 2017, she became the Director of Audit and Security of ENERGA Wytwarzanie S.A. and then worked as the Director of Finance of ENERGA SA. At PKN ORLEN S.A. she worked as the Director of the Office of Audit, Financial Control and Corporate Risk Management. Currently, she is a Member of the Management Board of ORLEN Upstream Sp. z o.o. Sylwia Kobyłkiewicz has completed a number of training courses organised by the Ministry of Finance. Winner of the competition of the Minister of Finance on income tax harmonisation in the light of the principles arising from EU directives.

Agata Piotrowska graduated from the Faculty of Management and Marketing at the Warsaw School of Economics. She completed postgraduate studies at the Academy of Capital Companies at the College of Management and Finance of the Warsaw School of Economics. She has over 10 years of professional experience in corporate governance, coordination of management processes, supervision of processes and projects in the area of planning, optimisation, restructuring, investments and divestments in companies of the ORLEN Capital Group. Between 2010 and 2021, she served as a Member of the Supervisory Board of ORLEN Capital Group companies, such as: 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. Currently, she is a Member of the Supervisory Board of the following companies: ORLEN Wind 3 sp. z o.o., ORLEN Neptun sp. z o.o. and ORLEN Energia sp. z o.o. She is currently an employee of the PKN ORLEN S.A. Capital Group Office, where she is responsible for ownership supervision of companies belonging to the ORLEN Capital Group, including in particular companies from the energy sector.

Barbara Hajdas graduated from the Krakow University of Economics, with a degree in Economics and a major in Economy and Public Administration. She also completed an MBA postgraduate programme for financiers at Kozminski University in Warsaw. She has many years of experience in finance. From 2004 to 2018, she worked at the Industrial Development Agency as, among others, Deputy Director of the Financial Services Department. Since 2018, she has been with PKN ORLEN S.A. as Executive Director for Business Controlling, in charge of, among others, monitoring the Company's cost budget implementation, financial supervision over ORLEN Group Companies, and development of Investment and Financial Plans. For years, she was

a Member of Supervisory Boards of numerous companies, most recently: Unipetrol a.s., Ruch S.A., ORLEN CUK Sp. z o.o., and ANWIL S.A. Ms. Barbara Hajdas is not engaged in any form of business activity competitive to Energa SA, does not participate in a competitive company or partnership, as a partner of a civil law partnership, a partnership or as a member of a company body and does not participate in any other competitive legal person as a member of its body as well as she is not listed in the Register of Insolvent Debtors maintained under the National Register Court Act.

Paweł Kosztyła graduated from the Krakow University of Technology and the Executive MBA programme at the Gdansk Foundation for Management Development (GFKM). He is an experienced manager with more than 25 years of management experience in companies operating in the construction and power engineering sector. He specializes in sales management, effective supply chain building and strategic procurement. Since 2018 he has been the Executive Director for Procurement at PKN ORLEN S.A. He is responsible for optimizing procurement procedures within the ORLEN Capital Group and for implementing procurement strategies to support the Concern. He is in charge of the procurement process, starting from planning and supplier selection, all the way through to contracting, execution and financial settlement. In 2022 he sat on the Supervisory Board of Energa-Operator S.A.

None of the above members of the Supervisory Board are engaged in any activities competitive to the business of Energa, 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 2022, the Supervisory Board of Energa SA held 12 meetings and adopted 216 resolutions. In 2022, eleven 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 2022 and to date, the composition of the Audit Committee has been as follows:

1. From 1 January 2022 to 13 May 2022:
 - a. Trajan Szuladziński – Chairperson of the Committee,
 - b. Paula Ziemiecka-Księżak,
 - c. Sylwia Kobyłkiewicz,
 - d. Agnieszka Terlikowska-Kulesza.
2. From 14 May 2022 to 28 July 2022:
 - a. Paula Ziemiecka-Księżak,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza.
3. From 29 July 2022 until the date of the Report:
 - a. Agnieszka Terlikowska-Kulesza – Chairperson of the Committee,
 - b. Paula Ziemiecka-Księżak,
 - c. Sylwia Kobyłkiewicz.

Mr. Trajan Szuladziński tendered his resignation from the Supervisory Board of Energa SA as of 13 May 2022. At a meeting of the Audit Committee on 29 July 2022, Ms. Agnieszka Terlikowska-Kulesza was elected the Chair of the Committee.

A description of the Audit Committee's activities in the previous financial year, together with a detailed description of the activities undertaken by the Committee, are provided in the Report on the activities of the Audit Committee, which is an Appendix to the Report on the Activities of the Supervisory Board, submitted annually to the General Meeting and published on the Company's corporate website.

In 2022, the Audit Committee held 5 meetings, of which 2 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 2022, the composition of the Nomination and Compensation Committee was as follows:

1. from 1 January 2022 to 21 April 2022:
 - a. Agnieszka Żyro – Chairperson of the Committee,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza.
2. from 22 April 2022 to 25 May 2022:
 - a. Sylwia Kobyłkiewicz,
 - b. Agnieszka Terlikowska-Kulesza.
3. from 26 May 2022 roku to 17 August 2022:
 - a. Agata Piotrowska,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza.
4. from 18 August 2022 until the date of the Report:
 - a. Agata Piotrowska - Chairperson of the Committee,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza.

On 21 April 2022, Ms Agnieszka Żyro tendered her resignation from the Company's Supervisory Board. On 26 May 2022, the Company's Supervisory Board filled a vacancy on the Nomination and Compensation Committee by appointing Ms Agata Piotrowska. On 18 August 2022, Ms Agata Piotrowska became the Chair of the Nomination and Compensation Committee.

4 meetings of the Nomination and Compensation Committee were held in 2022, all of them with all members in attendance.

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 2022 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 2022 to 8 April 2022:
 - a. Iwona Waksmundzka-Olejniczak - President of the Management Board,
 - b. Marek Kasicki - 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.
2. in the period from 9 April 2022 to 20 April 2022:
 - a. Marek Kasicki - Vice-President of the Management Board for Finance,
 - b. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - c. Janusz Szurski - Vice-President of the Management Board for Corporate Matters,
 - d. Dominik Wadecki - Vice-President of the Management Board for Operations.
3. in the period from 21 April 2022 to 22 April 2022:
 - a. Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office,
 - b. Marek Kasicki - 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.
4. in the period from 23 April 2022 to 25 April 2022:
 - a. Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office,
 - b. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - c. Janusz Szurski - Vice-President of the Management Board for Corporate Matters,
 - d. Dominik Wadecki - Vice-President of the Management Board for Operations.
5. in the period from 26 April 2022 to 31 August 2022:
 - a. Daniel Obajtek - Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board of the 6th and 7th term of office,
 - 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.
6. in the period from 1 September 2022 to 30 November 2022:
 - 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.
7. in the period from 30 November 2022 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.
8. in the period from 16 February 2023 until the date of preparation of the Statements:
- f. Zofia Paryła - President of the Management Board,
 - g. Michał Perlik - Vice-President of the Management Board for Finance,
 - h. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - i. Janusz Szurski - Vice-President of the Management Board for Corporate Matters.

Due to the expiry of the 6th term of office of the Management Board of Energa SA on 20 May 2022, on 18 March 2022 the Supervisory Board of the Company initiated recruitment procedures for the positions of Members of the Management Board of the 7th term of office, i.e.:

1. President of the Management Board,
2. Vice-President of the Management Board for Finance,
3. Vice-President of the Management Board for Corporate Matters,
4. Vice-President of the Management Board for Operations,
5. Vice-President of the Management Board for Communication,

As a result of the conducted proceedings, the Supervisory Board of the Company selected the best candidates and then appointed them to the Management Board of the 7th term of office, starting from the day following the date of the General Meeting of Energa approving the Company's financial statements for the financial year 2021, for the position of:

1. President of the Management Board - Ms. Iwona Waksmundzka-Olejniczak,
2. Vice-President of the Management Board for Corporate Matters - Mr. Janusz Szurski,
3. Vice-President of the Management Board for Operations - Mr. Dominik Wadecki,
4. Vice-President of the Management Board for Communication - Ms. Adrianna Sikorska,
5. Vice-President of the Management Board for Finance - Mr. Michał Perlik.

On 7 April 2022, Ms. Iwona Waksmundzka-Olejniczak submitted her resignation from the functions of the President of the Company's Management Board and the Member of the Company's Management Board, effective as of the end of 8 April 2022. The statement included resignation from both the function and membership in the Management Board of the 6th and 7th terms of office.

On 8 April 2022, the Supervisory Board of the Company initiated the recruitment procedure for the position of the President of the Management Board of the 6th and 7th terms of office, which ended on 15 April 2022 without selecting the best candidates.

On 19 April 2022 Mr. Marek Kasicki submitted his resignation from the functions of the Vice-President of the Company's Management Board for Finance and the Member of the Company's Management Board, effective as of the end of 22 April 2022. On the same day, the Supervisory Board of the Company initiated the recruitment procedure for the position of Vice-President of the Management Board of Energa for Finance of the 6th term of office, which ended on 25 April 2022 with the appointment of Mr. Michał Perlik to this position, effective 26 April 2022.

On 21 April 2022, the Supervisory Board of the Company adopted a resolution on delegating Mr. Daniel Obajtek, Member of the Supervisory Board of Energa, to temporarily perform the duties of the President of the Management Board of Energa of the 6th and 7th terms of office, which began on the day following the date of the General Meeting of the Company approving the financial statements Company for the financial year 2021, until 21 July 2022.

On 19 July 2022, the Supervisory Board of the Company adopted a resolution on delegating Mr. Daniel Obajtek, Member of the Supervisory Board of Energa, to temporarily perform the duties of the President of the Management Board of the 7th term of office, from 22 July 2022 to 31 August 2022.

On 9 August 2022, the Supervisory Board of the Company initiated the recruitment procedure for the position of the President of the Management Board of Energa of the 7th term of office, which ended on 22 August 2022 with the appointment of Ms. Zofia Paryła, as of September 1, 2022.

On 30 November 2022, the Supervisory Board of the Company adopted a resolution to change the name of the function entrusted to Mr. Dominik Wadecki from Vice-President of the Management Board for Operations to Vice-President of the Management Board for Operations and Climate.

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.

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.

Zofia Paryła – President of the Management Board

The President of the Management Board of Energa since 1 September 2022. Manager with several years of professional experience in the areas of management, finance, bookkeeping and accounting. In 2020-2022, the President of the Management Board of Grupa Lotos SA. From 2019 to 2020 she was the Vice-President of the Management Board for Finance at Grupa Lotos S.A. Between 2017 and 2018, the Vice-President of the Management Board of Energa Centrum Usług Wspólnych Sp. z o.o. In 1997-2017, she worked in private sector, including as chief accountant in 2010-2017. She started her professional career in 1985, at Krajowa Państwowa Komunikacja Samochodowa (public transport company) of Kraków. Ms. Zofia Maria Paryła is a graduate of the Cracow University of Economics. She holds an Executive MBA diploma validated by Apsley Business School of London and awarded by Collegium Humanum - Warsaw Management University.

Adrianna Sikorska – Vice-President of the Management Board for Communication

Vice-President of the Management Board of Energa since 17 December 2019. In charge of communication, corporate social responsibility, sponsorship and marketing activities. Adrianna is a manager with about a dozen years' professional experience in the areas of information, analysis and security. She has hands-on knowledge of building communication strategies, and knowledge of the financial mechanisms of businesses. Adrianna has experience in the key areas of operational business management, i.e. communication, security, finance, logistics and human resources. In the years 2016 to 2019, she held board and managerial positions in the energy sector, being professionally associated with PKN ORLEN Capital Group entities. In the years 2013 to 2016, she provided consulting services in the areas of risk detection, business irregularities and their elimination. In the years 2007 to 2013, she was an economic analysis expert with the Central Anti-Corruption Bureau (CBA). From 1993 to 2007, she held specialist and expert positions with the Police. She completed her postgraduate Executive MBA studies at the University of Commerce and Services in Poznań. Adrianna graduated from the School of Entrepreneurship in Warsaw, the Lublin University of Technology, and the Police Academy in Szczytno.

Janusz Szurski – Vice-President of the Management Board for Corporate Matters

Manager responsible for handling complex projects and teams, and attorney-at-law with over 20 years' professional experience in providing professional legal, corporate, and regulatory services to major commercial law entities and public institutions. Professionally associated with PKN ORLEN S.A. since February 2018 as Director of the Legal Office, with responsibilities including the provision of legal services to over 30 ORLEN Capital Group companies operating in Europe, Asia and North America. Chairman of the Supervisory Board of ANWIL S.A. and ENERGA-OPERATOR S.A. as well as Deputy Chairman of the Supervisory Board of ORLEN Unipetrol a.s. Director of the Legal Office at Energa SA between July 2017 and February 2018. From 2004 to 2017, he held the position of attorney-at-law, Deputy Director, and Director of the Legal Department at the Agency for Restructuring and Modernization of Agriculture, where he was responsible for providing comprehensive legal and litigation services to Europe's largest accredited paying agency implementing transformation processes and pursuing activities oriented towards the development of Polish agriculture and rural areas. Between 1999 and 2003, employed as a legal advisor in the area of organization, investment and operation at PTC Sp. z o.o. (currently T-Mobile Polska S.A). Graduate of the Faculty of Law and Administration, University of Warsaw; completed his attorney-at-law training at the District Bar Association of Attorneys-at-Law in Warsaw. Holder of Executive MBA diploma awarded by the Gdańsk Foundation for Management Development in cooperation with the University of Gdańsk; validated by IAE Aix-en-Provence Graduate School of Management. In December 2019, he was recognized among the best lawyers in Central and Eastern Europe (Legal 500/GC Powerlist ranking) in the "Energy & Utilities in Poland" category.

Michał Perlik – Vice-President of the Management Board for Finance

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.

None of the above members of the Management Board is engaged in any activities competitive to the business of Energa, participates in any competitive company as a partner of a partnership or as a member of a body of a corporation, or participates 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 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) social dialogue,
 - f) occupational health service.
- 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.
- 3) To the Vice-President of the Management Board for Finance – 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.
- 4) To the Vice-President of the Management Board for Communications – functional oversight of the following areas of activity:
 - a) marketing and sponsoring,
 - b) internal and external communication,
 - c) CSR and external relationships,

- d) press relations,
- e) the Energa Foundation,
- f) research, development and innovation.

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 2022, the Management Board of Energa SA held 46 meetings and adopted 503 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.

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 2022 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 2022 (in PLN '000)

Name	Period in office	Wages and salaries	Other benefits*	Total
Kasicki Marek	from 1 January to 22 April 2022	230.17	456.59	686.77
Paryła Zofia	from 1 September to 31 December 2022	280.00	15.12	295.12
Perlik Michał	from 26 April to 31 December 2022	353.50	19.44	372.95
Sikorska Adrianna	from 1 January to 31 December 2022	739.84	492.46	1,232.29
Szurski Janusz	from 1 January to 31 December 2022	471.67	44.25	515.92
Wadecki Dominik	from 1 January to 31 December 2022	766.61	512.89	1,279.50
TOTAL		2,942.49	1,775.01	4,717.50

*Payment of remuneration in settlement of the annual bonus, compensation for termination of contract and non-competition clause, employer's portion of the employee capital plan (PPK), training, medical plan, tied accommodation, free-of-charge use of company car for private purposes

Members of the Management Board were additionally entitled to benefits in kind in the previous year, including without limitation:

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 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 2022 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 2022 (in PLN '000)

Name	Period in office in 2021	Wages and salaries	Other benefits*	Total
Dybowski Jarosław	from 1 February 2022 to 31 December 2022	92.80	0	92.80
Hajdas Barbara	from 1 March 2022 to 27 March 2022, from 20 May to 31 December 2022	75.54	0	75.54
Kobyłkiewicz Sylwia	from 1 January 2022 to 31 December 2022	99.40	0	99.40
Kosztyła Paweł	from 22 December 2022 to 31 December 2022	3.01	0	3.01
Piotrowska Agata	from 1 January 2022 to 31 December 2022	99.40	0	99.40
Szuladziński Trajan	from 1 January 2022 to 13 May 2022	33.03	0	33.03
Terlikowska-Kulesza Agnieszka	from 1 January 2022 to 31 December 2022	99.40	0	99.40
Waksmundzka-Olejniczak Iwona	from 26 April 2022 to 12 July 2022	21.70	0	21.70
Ziemiecka-Księżak Paula	from 1 January 2022 to 31 December 2022	99.40	0	99.40
Żyro Agnieszka	from 1 January 2022 to 21 April 2022, from 22 December to 31 December 2022	27.45	0	27.45
TOTAL		651.13	0	651.13

* 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 2022.

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 28 February 2022, the Company's Supervisory Board selected the statutory audit firm Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp.k. with registered office in Warsaw at al. Jana Pawła II 22 ("Deloitte") 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 2022 and 31 December 2023.

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, 26 April 2023

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) Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa, the entity authorized to examine financial statements, which audited the separate financial statements of Energa SA for the financial year ended 31 December 2022 and the consolidated financial statements of the Energa Group for the financial year ended 31 December 2022, 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.

Signatures of Energa SA Management Board Members

Zofia Paryła
President of the Management Board of Energa SA

Adrianna Sikorska
Vice-President of the Energa SA Management Board
for Communications

Michał Perlik
Vice-President of the Energa SA Management Board
for Finance and Climate

Janusz Szurski
Vice-President of the Energa SA Management Board
for Corporate Matters

Magdalena Kamińska
Vice-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.
CO2	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.

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MEW	Small hydro power plant.
MSP	Ministerstwo Skarbu Państwa (the Ministry of Treasury).
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.
PGG	Polska Grupa Górnicza SA
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

**Energa SA's Management Board Report on the activities
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	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 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.