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

Polenergia S.A. Group

DIRECTORS' REPORT ON THE OPERATIONS OF THE POLENERGIA GROUP FOR THE YEAR ENDED ON 31 DECEMBER 2020

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Warsaw, 30 March 2021

Contents

1. Consolidated profit and loss account for a 12-month period ended on 31 December 2020

In 2020 the results of Polenergia Group (the “Group”) in terms of the adjusted (normalized) EBITDA and net profit, amounted to PLN 256.8m and PLN 111.0m, respectively, which means drop compared to the corresponding period of the preceding year of PLN 22.4m and PLN 4.7m, respectively.

	Polenergia Group Income Statement (PLN m)	12M 2020	12M 2019	Difference YOY	Difference YOY [%]	Q4 2020	Q4 2019	Difference YOY	Difference YOY [%]
	Sales revenues, including:	**1 811,3**	**2 596,6**	**(785,2)**	**-30%**	**481,9**	**649,0**	**(167,1)**	**-26%**
	trading and sales segment	1 184,7	1 952,8	(768,0)		344,0	482,5	(138,5)	
	other	626,6	643,8	(17,2)		137,9	166,5	(28,6)	
	Cost of goods sold, including:	**(1 603,9)**	**(2 384,4)**	**780,6**	**33%**	**(432,4)**	**(584,4)**	**152,0**	**26%**
	trading and sales segment	(1 147,7)	(1 928,0)	780,4		(337,6)	(473,6)	136,0	
	other	(456,2)	(456,4)	0,2		(94,8)	(110,7)	16,0	
	Gross profit on sales	**207,5**	**212,1**	**(4,6)**	**-2%**	**49,5**	**64,6**	**(15,1)**	**-23%**
	Selling expenses and general overheads	(49,0)	(39,0)	(10,0)	-26%	(15,3)	(12,1)	(3,2)	-27%
	Other operating revenue/expense	7,0	7,5	(0,5)	-7%	24,3	4,9	19,3	390%
A	**Operating profit (EBIT)**	**165,5**	**180,6**	**(15,2)**	**-8%**	**38,2**	**57,4**	**(19,2)**	**-33%**
	Depreciation/Amortization	96,3	101,5	(5,1)		23,3	25,3	(2,0)	
	Impairment losses	(5,1)	17,2	(22,3)		(5,6)	16,2	(21,7)	
	Profit on the loss of control over subsidiaries ***	_	(20,2)	20,2		-	(20,2)	20,2	
	EBITDA	**256,8**	**279,1**	**(22,4)**	**-8%**	**55,9**	**78,7**	**(22,8)**	**-29%**
	Normalizing adjustments:								
	Purchase price allocation (PPA)	-	-	-	-	-	-	-	
	Adjusted EBITDA*	**256,8**	**279,1**	**(22,4)**	**-8%**	**55,9**	**78,7**	**(22,8)**	**-29%**
B	Financial income	5,1	5,8	(0,7)		0,6	1,3	(0,6)	
C	Financial costs	(44,3)	(49,5)	5,3		(10,2)	(12,6)	2,4	
A+B+C	**Gross profit (loss)**	**126,3**	**136,9**	**(10,5)**	**-8%**	**28,6**	**46,1**	**(17,4)**	**-38%**
	Income tax	(17,8)	(27,8)	10,0	36%	(0,7)	(11,6)	10,9	94%
	Net profit (loss) from continuing operations	**108,5**	**109,0**	**(0,6)**	**-1%**	**27,9**	**34,5**	**(6,5)**	**-19%**
	Profit from discontinued operating activities	0,3	-	0,3	-	0,3	-	0,3	-
	Profit on disposal of discontinued operations	1,7	-	1,7	-	1,7	-	1,7	-
	Net profit (loss)	**110,5**	**109,0**	**1,5**	**1%**	**30,0**	**34,5**	**(4,5)**	**-13%**
	Normalizing adjustments:								
	Purchase price allocation (PPA)	4,1	8,2	(4,1)		0,3	2,1	(1,8)	
	Foreign exchange differences	0,0	0,0	(0,0)		0,1	(0,1)	0,1	
	Loan valuation using the amortized cost method	1,4	1,4	0,0		0,3	0,4	(0,0)	
	Impairment losses **	(5,1)	17,2	(22,3)		(5,6)	16,2	(21,7)	
	Net result on sale of assets ***	_	(20,2)	20,2		-	(20,2)	20,2	
	Adjusted net profit (loss)*	**111,0**	**115,7**	**(4,7)**	**-4,1%**	**25,1**	**32,8**	**(7,7)**	**-23%**
	Adjusted EBITDA*	**256,8**	**279,1**	**(22,4)**	**-8%**	**55,9**	**78,7**	**(22,8)**	**-29%**
	Adjusted EBITDA Margin*	14,2%	10,7%	3,4%		11,6%	12,1%	-0,5%	
	Adjusted EBITDA (excl. trading segment)	**234,6**	**264,3**	**(29,7)**	**-11%**	**54,2**	**73,1**	**(18,9)**	**-26%**
	Adjusted EBITDA margin (excl. trading segment)	37,4%	41,1%	-3,6%		39,3%	43,9%	-4,6%	

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

**) Reversal of the impairment losses connected with projects development in 2019 and 2020 as well as in Biomass in 2019

***) Sale of shares in offshore projects

The sales revenues of Polenergia Group for the year 2020 were lower by PLN 785.2m mainly due to lower revenues in the trading and sales segment (by PLN 768.0m) and the gas and clean fuels segment (by PLN 53.1m) which was partly offset by higher revenues in the onshore wind farm segment (by PLN 42.9m).

The adjusted EBITDA in the abovementioned period amounted to PLN 256.8 and was lower by PLN 22.4 year on year as a result, in particular, of lower performance in the gas and clean fuels segment (by PLN 62.0m) due to a slump in revenues from gas cost compensation (because in 2019 the long-term contract for the purchase of gas had been terminated) and lower revenues from stranded cost compensation (the compensation system having come to an end in May 2020). The lower result in the gas and clean fuels segment was partly offset by better performance of the onshore wind power segment (by PLN 34.3m) resulting from higher production volume and higher prices of green certificates and electricity, as well as due to better performance of the trading and sales segment (by PLN 7.3m) resulting from better performance of trading in wind farm generated electricity, fostered by consistent implementation of the new strategy.

In the fourth quarter of 2020 sales revenues of Polenergia Group were lower by PLN 167.1m year on year, due to, in particular, lower sales revenues in the trading and sales segment (by PLN 138.5m) and in the gas and clean fuels segment (by PLN 15.5m).

The adjusted EBITDA in that period amounted to PLN 55.9m and was lower by PLN 22.8m compared to the corresponding period of the preceding year. This has been mainly due to lower performance in the gas and clean fuels segment resulting from lower revenues from gas cost compensation and lower revenues from stranded cost compensation

2. Detailed commentary regarding financial performance for the 12-month period ended on 31 December 2020 and other significant information on the Group's standing.

In view of the fact that the Supervisory Board approved the Strategy of Polenergia Group for the years 2020-2024, the Group redefined its business areas dividing them into operational segments, while data for the 12-month period ended 31 December 2019 was transposed so as to ensure its comparability.

The onshore wind power segment experienced a PLN 34.3m year-on-year increase in EBITDA, with a drop in EBITDA by PLN 0.7m year on year in the fourth quarter of the year alone. Better performance of this segment in 2020 resulted from higher sales revenues due to higher prices of green certificates and electricity, partly offset by higher total balancing and profile costs, lower production volume and operating costs related to the development and construction of wind farms. In 2020 changes in disclosing cost and revenue in the onshore wind power segment took place. As a result of the change of the formula applied to determine the electricity price in the Gawłowice, Skurpie, Rajgród and Mycielin wind farms, the profile costs are disclosed by way of reducing the sales price of electricity. Until the end of 2019 the profile costs used to be disclosed under operating cost. Also, as of 2020, the Group has been disclosing its revenues from the certificates of origin granted, but not yet sold, by way of reducing the cost of goods sold.

The EBITDA result in the gas and clean fuels segment dropped by PLN 62.0m and by PLN 15.0m in Q4 alone, compared to the corresponding period of the preceding year, mainly as a result of lower revenues from gas cost compensation (the effect of termination of the long-term contract for the purchase of gas and the adjustment of the gas costs for 2019) and lower revenues from the stranded cost compensation (the compensation system having come to an end in May 2020), partly offset by higher margin on electricity generation.

The trading and sales segment recorded an increase of EBITDA by PLN 7.3m year on year, as a result of: i) better performance on trading in wind farm-generated electricity thanks to successful efforts to optimize the fixed levels in long- and mid-term perspective, as well as thanks to trade optimization in the open market, ii) better performance on the optimizing of the energy output level in the generating assets of the Group, iii) implementation of the new strategy in terms of energy sale to strategic customers, RES aggregation and geographical expansion. This growth was partly offset by: i) lower performance on the trading portfolio given no one-off events that enhanced it in 2019, ii) lower performance on the green certificate trading from wind farms after the level of sales margin was stabilized following the changes in intragroup CPAs iii) smaller influence of the measurement of green certificates generated but not yet issued, iv) higher operating costs related to the development of business (mostly wages, given the increased employment resulting from the implementation of new business lines and higher external services cost), v) higher commission cost.

EBITDA of the distribution segment was lower by PLN 1.1m year on year, while in Q4 alone it was lower by PLN 0.2m. The drop in performance in 2020 is mainly due to a one-off event in Q3 2019 (when the 1.6m provision was reversed as a result of a favorable judgment in the finished court proceedings) partly offset by higher margin on electricity sale. At the same time, in the distribution segment the YTD distribution volume was lower by 10% compared to the preceding year, due to lower demand in industrial facilities and shopping malls, mainly resulting from the COVID-19 outbreak.

Since the beginning of 2020, the Group has been distinguishing a separate segment of photovoltaics in its financial performance, as the operating phase commenced for 8 PV projects totaling 8 MW (Sulechów

I) which secured auction offtake under the RES auction system. This segment yielded EBITDA of PLN 2.2m in the three quarters of 2020, while the fourth quarter, given low solar irradiance, had neutral impact on the result.

The result under the Unallocated item in 2020 was lower by 3.1m compared to the corresponding period of 2019. The change of EBITDA was influenced by lower performance at Headquarters (mostly due to higher operating cost partly offset by lower impairment of receivables), cessation of business in Biomasa Wschód partly offset by the result on the winding-up of PPG Niemcy [Germany] and Energopep companies.

As a consequence of the abovementioned developments, the adjusted EBITDA margin, excluding the trading and sales segment, amounted to 37.4%, and was lower by 3.6 pp year on year. In Q4 in turn, the adjusted EBITDA margin amounted to 39.3%, having declined by 4.6 pp year on year.

The performance on financial operations in 2020 was better than in 2019 by PLN 4.6, predominantly due to lower interest expenses (by PLN 7.2m), partly offset by lower interest gains on deposits and loans (PLN -2.3m), higher realized f/x differences (PLN -0.9m), bank charges (PLN -0.7m) and the derivatives measurement figure.

The YOY change in the income tax level results from the Group's lower profit before tax in 2020 and lack of tax efficiency at Headquarters.

Furthermore, the higher net profit (by PLN 5.1m) was enhanced by the reversal of the impairment of non-financial fixed assets in the onshore wind farm segment after the plans to implement the Piekło project were revived following a successful auction, partly offset by other impairments in the onshore wind farm segment and under the Unallocated item.

Impact of COVID-19 pandemic

In view of the persisting COVID-19 outbreak, risk factors that may potentially impact the business and financial performance of Polenergia Group have been being monitored and identified on an ongoing basis. The Management Board has taken measures to mitigate the adverse impact of the coronavirus, however the final severity and magnitude of such impact are difficult to estimate.

The Management Board is of the opinion that Polenergia Group has so far been resilient to adverse economic environment caused by the COVID-19 outbreak. Very good financial performance achieved in 2020, including also the fourth quarter, show that the partial freezing of the Polish economy did not materially affect the operation of the companies within the Group.

Most of the Group employees switched to remote working using telecommunications means, while the regular staffing level was maintained. All vital operating processes have been on schedule, with significant management processes handled remotely. The Company identifies risk factors related to increase number of COVID-19 infections, in particular with respect to activities and process that cannot be fully performed remotely. This is true, in particular, of the gas and clean fuels segment which is largely dependent on the individual manufacturing staff traffic and of the wind farm projects in their construction phase. In order to mitigate the impact of the risk on the operation of the Company Elektrociepłownia Nowa Sarzyna, strict OHS rules were applied to operating activity and renovation works. Moreover, an emergency plan has been prepared for the Company to maintain the production process continuity by the staff working with accommodation on-site. The implementation of wind farm projects in construction phase has so far had no significant adverse impact of COVID-19. Safety procedures and occupational health measures have been implemented on site, such as questionnaires and statements to verify good health conditions and no contact with infected individuals, the distancing requirement, the measuring of temperature, points of disinfection, weekly testing for COVID-19 in Szymankowo wind farm, test for new staff members and invariable composition of worker teams on site (it is prohibited to exchange staff members among the sites).

The impact of COVID-19 on the performance in the distribution segment is manifested by a drop in the national demand for electricity driven, among others, by the industrial plants and shopping malls. In addition, in Q1 2020 the company Polenergia Dystrybucja took a prudent position by recognizing the impairment loss on receivables due to COVID-19 pandemic in the amount of PLN 233k, while in Q2 and Q3 increased payment delays have been identified. On 15 October, the closed season ended for distribution and sales companies that materially restricted potential enforcement of arrears, following which significant improvement of enforcement and reduction of overdues was observed. Further restrictions due to pandemic, including partial closing of shopping malls, may adversely impact the financial standing of the company.

In the trading and sales segment, as a result of the COVID-19 outbreak, increased trading business risk persists. This is due to, without limitation, high price volatility noted in particular in Q1, Q2 and Q4. In Q3 the impact of price volatility was reduced. On top of that, the increased business risk is impacted by the persisting drop in liquidity in the markers and the increased counterparty insolvency risk. The abovementioned risk factors may also affect liquidity by increasing the requirements concerning the security deposits and the bad debt level. In the face of increased likelihood of those risks materializing, ongoing monitoring and analytical activities were intensified in this area and more stringent verification methods have been applied when entering into new transactions.

The wind power segment remains in 2020, and will remain in 2021, largely immune to the current volatility of electricity prices, given the fact that for the large portion of the portfolio the prices of energy sales and green certificates have been fixed on the forward market. Should the drop in energy and green certificate prices continue for a long time and result in a forward contract quotes reduction, the financial performance potential of the segment may be limited in subsequent years.

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

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

The Group continues works aimed at implementation of wind farm projects of the total capacity of 199 MW which secured auction offtake under the RES support auction scheme. In July 2020, the facilities agreement was entered into for the financing of construction of the biggest project in the Group's history - the Dębsk wind farm with the capacity of 121 MW, while in September a facility agreement was entered into for the financing of construction of a 27 MW Kostomłoty project. Also, in July 2020 an amended and restated facility agreement dating 2019 was executed which increased the cap on available loans for the Szymankowo wind farm (38MW).

Construction of the Dębsk and Szymankowo wind farms has been progressing according to the schedule. As refers the Dębsk wind farm, construction works are underway, in terms of the structure and power system, while with respect to the Szymankowo wind farm construction works have been completed in terms of roads, assembly areas and foundations, also deliveries have been performed of all components of the turbines - by 31 December 2020 4 out of 11 turbines were assembled, while by the date of publishing these statements, 10 out of 11 turbines have been assembled. The preparation phase commenced with respect to the third wind farm - Kostomłoty, by way of, among others, preparing the working designs.

In the RES auction held in December 2020, the Company secured a 15-year offtake for the Piekło Wind Farm of the capacity of ca. 13.2 MW.

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

The wind farm company Farma Wiatrowa 17 Sp. z o.o. implementing the Sulechów I PV projects was awarded a concession by the President of the Energy Regulatory Office for electricity generation in the period 24 January 2020 - 31 December 2030. The Sulechów I projects were commissioned into

operation, thus entering the operating stage, in the first quarter of 2020.
In the December RES auction the Company secured a 15-year offtake for three PV project portfolios: Sulechów II, Sulechów III and Buk I, providing for the construction of 29 PV plants in total, with the aggregate capacity of ca. 28 MW.

The Group continues further development of wind and photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020-2024.

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW. For those projects which are at an advances stage of development (MFW Bałtyk II i MFW Bałtyk III), a request has been filed for the entitlement to have any negative balance covered under the initial phase of the projects envisaged in the act on promoting generation of electricity in offshore wind farms.

Development work in the gas and clean fuels segment are also in progress. On 29 June 2020 the Group signed a letter of intent with Siemens Gas and Power GmbH & Co. KG and Siemens Energy Sp. o.o. concerning potential collaboration with respect to the development of gas cogeneration projects and hydrogen technologies.

The Group implements the new strategy in the trading and sales segment by developing new or existing business areas. As part of the geographical expansion, operations commenced in the Ukrainian and Hungarian markets. Preparations for launching operations in the Romanian market are in progress. Also, in 2020 sales to big industrial customers was continued. The Company entered into contracts with customers for the years 2021-2022 and has been actively prospecting new customers. Preparations are in progress to commencing a business involving direct sale of green energy to end customers, a concession has been obtained for the sales company, with the process of building sales channels being at an advanced stage. Also the third-party RES generators aggregation business has been actively promoted - the existing customers were retained and new customers were won for the year 2021. As of June 2020, limited prop trading was restored. The launching of the flexibility services business line was postponed in view of a delay in implementation of a relevant legal regime.

In the distribution segment, on 21 October 2020 new electricity distribution and sales tariff for Polenergia Dystrybucja Sp. z o.o. became effective, with RAB at PLN 109.6m. Also, the approved investment plan for the years 2019-2022 totaling PLN 51m has been under implementation. By the end of 2020 the Company issued 88 documents stating the grid connection terms, resulting in 44 connection agreements finalized. Connection agreements were finalized and connection readiness was expressed for 35 investments/phases of investments. Concession extension was obtained for 5 projects with work in progress in relation to further 12 projects.

After having obtained the approval of the Supervisory Board, Polenergia Dystrybucja commenced implementation of Investment Plan IV for the years 2021-2026. On 15 January 2021 the company executed an annex to the facility agreement with ING Bank Śląski S.A. which granted financing to the company for the implementation of Investment Plan IV in the amount of PLN 75.3m. Said Plan provides for launching investments with respect to the design and construction of electrical energy infrastructure aimed at supplying power to new facilities and customers, in particular with respect to new residential condominiums. The Company is continuing talks with several housing and commercial building investors.

Other significant information on the Group's condition

On 26 February 2020 the subsidiaries: Polenergia Farma Wiatrowa 23 Sp. z o.o. and Dipol Sp. z o.o. entered into a loan agreement with mBank S.A. worth PLN 31.8 m in total for the refinancing of the existing debt of Dipol Sp. z o.o., the feeding of the DSRA with funds in Polenergia Farma Wiatrowa 23 Sp. z o.o. and Dipol Sp. z o.o. and the refinancing of the equity shares of Polenergia S.A. contributed to

Polenergia Farma Wiatrowa 23 Sp. z o.o. and Dipol Sp. z o.o. The loan agreement provides for the term loans repayment no later than within 7 years of the execution thereof.

On 14 April 2020 the subsidiaries: Polenergia Farma Wiatrowa 3 Sp. z o.o. (implementing the Dębsk wind farm project), Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. (the Kostomłoty project) and Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. (the Szymankowo wind farm) entered into loan agreements with Mansa Investments Sp. z o.o. capped at PLN 233m. In view of the above, the Company entered into three surety agreements with the company Mansa Investments Sp. z o.o. that will secure the repayment of the loans under the loan agreements concluded, with each surety agreement covering 150% of the respective loan amount.

On 29 May 2020 and 4 June 2020, Polenergia Farma Wiatrowa 3 Sp. z o.o. successively entered into contracts with the consortium including ELECTRUM Sp. z o.o. and „P.U. Jarex" Sp. o.o., and with the consortium including Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. and ERBUD S.A for the construction of the Dębsk wind farm. On 19 June 2020 Polenergia Farma Wiatrowa 3 Sp. o.o entered into a contract with Vestas - Poland Sp. z o.o for the supply, deployment and launching of wind turbines and a contract for the maintenance and availability of those wind turbines for a term of 30 years following the go-live date.

On 10 July 2020 the subsidiary Polenergia Farma Wiatrowa 3 Sp. z o.o. entered into a facilities agreement with the European Bank for Reconstruction and Development, mBank S.A., ING Bank Śląski S.A. and Santander Bank Polska S.A. providing for an investment loan totaling up to PLN 480m for the financing of construction of the Dębsk wind farm and the VAT loan during construction up to PLN 73m. The Facilities Agreement provides for the repayment of the investment loan no later than by 10 June 2037 and of the VAT loan no later than by 31 March 2023.

On 29 July 2020, an amendment and restatement agreement was signed to the facility agreement of 2019 providing for the increase of the investment loan cap up to 171 million and the increase of the VAT loan up to PLN 27 million for the Szymankowo project.

On 3 August 2020 the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. ("ENS") received a decision of the President of the Energy Regulatory Office on the consumption cost of the collected natural gas and uncollected natural gas for 2019 due to ENS under the Act of 29 June 2007 on the terms of reimbursement of costs generated by the producers due to the accelerated termination of long term contracts for the sale of power and electricity (PL OJ 2019 item 1874) and the decision of the President of the Energy Regulatory Office on the determination of the annual adjustment factor with respect to the stranded costs for 2019. The sum of the abovementioned annual adjustments determined for ENS for 2019 and paid out in 2020 totals ca. PLN 2.5m.

On 30 September 2020, the company Polenergia Obrót S.A. signed an annex to the agreement with Bank Pekao S.A. for a multi-purpose overdraft which raised the available loan cap from the existing PLN 200m to PLN 300m, such annex permitting the use of the overdraft and the guarantee limit. In view of the above, Polenergia S.A. increased the surety amount up to PLN 60m (to match the amount of the available overdraft).

On 30 September 2020, the subsidiary Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. entered into a facilities agreement with mBank S.A. in the form of an investment loan totaling up to PLN 125m for the financing of the Dębsk wind farm construction and the VAT loan during construction up to PLN 25m. The Facilities Agreement provides for the repayment of the investment loan no later than by 1 September 2037 and of the VAT loan no later than by 30 June 2023.

On 6 October 2020, the subsidiary Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. entered into a contract with Vestas - Poland Sp. z o.o for the supply, deployment and launching of 9 wind turbines and an active output management contract for those wind turbines for a term of 30 years following the go-live date.

On 13 October 2020, the Wińsko project was sold. The sales contract includes clauses that make the payment of part of the price contingent upon realization of certain conditions.

On 30 November 2020 a final agreement for the sale of shares in the company Polenergia Biomasa Energetyczna Wschód Sp. z o.o. implementing the Biomasa Wschód project. Concurrently, all liabilities were paid under that company's investment loan.

On 17 December 2020, in response to the publications of the results of the main auction for the delivery year 2025, a capacity contract was entered into with the company Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o. o. The total capacity commitment required from said contract is 111 MW. The term of the contract is 1 year.

On 18 December the subsidiaries of the Issuer:

- Polenergia Farma Wiatrowa 17 Sp. z o.o. and Polenergia Farma Wiatrowa Grabowo Sp. z o.o. developing the Sulechów II and Sulechów III photovoltaic farm projects with the total capacity of 21.5 MW secured an auction offtake under the RES auction system.
- Polenergia Farma Wiatrowa Rudniki Sp. z o.o. developing the Buk I photovoltaic farm projects with the total capacity of 6.4 MW secured an auction offtake under the RES auction system.

Thus, these projects became entitled to have any negative balance with respect to the price bid in auction compensated for electricity scheduled to be generated in a 15-year period.

On 15 January 2021 the company Polenergia Dystrybucja Sp. z o.o. resolved to commence implementation of the investment plan for the years 2021-2026 that provides for pursuing investments in terms of the design and construction of electrical energy infrastructure aimed at supplying power to new facilities and customers, in particular with respect to new residential condominiums. The goal of such investment plan implementation is to increase the regulatory asset base in the Company and to significantly expand the end customer base. The total capex amount provided for in the plan is PLN 105m. The investment plan implementation process will be financed with the Company's equity and the bank loan of PLN 75.3 incurred under an annex to the facility agreement with ING Bank Śląski S.A. dated 15 January 2021.

On 29 January 2021 the company developing the offshore wind farm project MFW Bałtyk I signed a grid connection agreement with PSE. According to the agreement, the total maximum power output of the Project has been determined at 1560MW.

On 11 February 2021 an ordinance of the Minister of Infrastructure concerning aeronautical obstructions, the limits to such obstructions and hazardous facilities came into force which changes the way the wind turbines are to be marked. The projects in the operating phase have been made subject to interim provisions according to which the companies falling in the scope of the ordinance shall adjust the day or night marking to align it to the requirements of the ordinance during the first forthcoming renovation of such day or nigh marking. The projects in the construction phase (Szymankowo, Dębsk and Kostomłoty) do not fall in the scope of the interim provisions and are bound to align their marking prior to the go-live date. Currently, a dialog is held between the industry's organizations and the Ministry of Infrastructure aimed at modifying the a/m ordinance, also other actions have been considered that could mitigate the impact of said provisions.

Litigation between Amon Sp. z o.o. and Talia Sp. z o.o. versus Tauron Polska Energia S.A. and Tauron's subsidiary – Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. is pending. Detailed information about the current status of those litigation cases has been provided under item 13 hereof in subsection: "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A.".

On 3 November 2020 Mansa Investments and BIF IV Europe Holdings Limited with registered office in

London entered into transaction documentation comprising an investment agreement and the shareholders agreement including, without limitation, the Call for subscription for the shares of Polenergia S.A. to be sold at a price of PLN 47 per share; on 6 November 2020 the call was published aimed at acquiring 100% of the shares in Polenergia S.A.

On 5 February 2021 Mansa Investments and BIF IV Europe Holdings Limited with registered office in London entered into annexes to the investment agreement dated 3 November 2020. In addition, BIF IV Europe Holdings Limited notified an increase of the price per share of the Company in the call for subscription from PLN 47 to PLN 63. The subscription deadline expired on 17 February 2021. As a result of the call, BIF IV Europe Holdings Limited acquired 10,370,213 shares of stock in the Company, which corresponds to 22.82% of the total number of votes in the Company.

On 20 February 2021 the Management Board of Polenergia S.A. was notified about the fact that the shareholders of Mansa Investments Sp. z o.o. and BIF IV Europe Holdings Limited, entered into an additional memorandum of understanding to the investment agreement of 3 November 2020 and the shareholders agreement of the same date. The notification included, among others, the decision to increase the Company's share capital via the issue of new shares. Such share issue will involve preemptive right or shall otherwise prevent share dilution. The Parties undertook to convene and hold a General Meeting by the end of May 2021 with a view to pass resolutions permitting such issue of shares.

On 14 December 2020 the subsidiaries: Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. developing the Piekło wind farm project with the total capacity of 13.2 MW secured an auction offtake under the RES auction system. By the same token, said project became entitled to have any negative balance with respect to the price bid in auction compensated for electricity scheduled to be generated in a 15-year period.

Financial performance for the 12-month period ended 31 December 2020 by operating segments

On the following pages a presentation is given of the distribution of the total Group's result in 2020 and in the fourth quarter of 2020 alone, broken down into the operating segments.

12M 2020 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues	254,4	3,3	265,2	1 184,7	95,3	8,3	-	1 811,3
Operating costs, including	(103,4)	(1,7)	(257,5)	(1 147,7)	(81,2)	(7,5)	(5,1)	(1 603,9)
operating costs (without granted green certificates adjustment)	(42,1)							(42,1)
depreciation/amortization	(63,4)	(0,8)	(19,3)	(0,1)	(5,6)	(2,0)	(5,1)	(96,3)
granted green certificates adjustment	2,2							2,2
Gross profit on sales	**151,1**	**1,6**	**7,8**	**37,1**	**14,2**	**0,8**	**(5,1)**	**207,5**
Gross profit on sales margin	*59,4%*	*49,5%*	*2,9%*	*3,1%*	*14,9%*	*"n/a"*	*"n/a"*	*11,5%*
General overheads	(2,6)	(0,2)	(6,7)	(16,2)	(6,5)	(16,2)	-	(48,4)
Other operating activities	5,7	0,0	(1,7)	1,1	0,7	0,7	-	6,4
including imairment losses	5,1	-	-	-	-	(0,0)	-	5,1
Operating profit	**154,2**	**1,4**	**(0,7)**	**22,0**	**8,4**	**(14,7)**	**(5,1)**	**165,5**
EBITDA	**212,5**	**2,2**	**18,6**	**22,1**	**14,0**	**(12,7)**	**-**	**256,8**
EBITDA Margin	*83,5%*	*68,4%*	*7,0%*	*"n/a"*	*14,7%*	*"n/a"*	*"n/a"*	*14,2%*
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	**212,5**	**2,2**	**18,6**	**22,1**	**14,0**	**(12,7)**	**-**	**256,8**
Adjusted EBITDA Margin	*83,5%*	*68,4%*	*7,0%*	*"n/a"*	*14,7%*	*"n/a"*	*"n/a"*	*14,2%*
Profit (loss) on financial activities	(36,9)	(0,6)	1,2	(2,8)	(2,8)	2,8	-	(39,2)
Profit (loss) before tax	**117,2**	**0,8**	**0,5**	**19,1**	**5,6**	**(11,9)**	**(5,1)**	**126,3**
Income tax								(17,8)
Net profit (loss) from continuing operations								**108,5**
Profit from discontinued operating activities								0,3
Profit on disposal of discontinued operations								1,7
Net profit (loss) for period								**110,5**
Normalizing adjustments:								
Purchase price allocation (PPA)								4,1
Foreign exchange differences								0,0
Loan valuation using amortized cost method								1,4
Impairment losses								(5,1)
Net result on the sale of assets								-
Adjusted net profit								**111,0**

12M 2019 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues	211,5	-	318,4	1 952,8	93,8	20,2	-	2 596,6
Operating costs	(97,3)	(0,1)	(249,2)	(1 928,0)	(79,6)	(20,1)	(10,1)	(2 384,4)
including depreciation/amortization	(63,3)	(0,0)	(20,5)	(0,1)	(5,0)	(2,3)	(10,1)	(101,5)
Gross profit on sales	**114,2**	**(0,1)**	**69,2**	**24,8**	**14,1**	**0,1**	**(10,1)**	**212,1**
Gross profit on sales margin	*54,0%*	*"n/a"*	*21,7%*	*"n/a"*	*15,1%*	*"n/a"*	*"n/a"*	*8,2%*
General overheads	(3,1)	-	(7,2)	(10,4)	(6,2)	(11,5)	-	(38,4)
Other operating activities	(13,6)	0,1	(1,9)	0,4	2,2	19,9	-	7,0
including imairment losses	(17,4)	-	-	-	-	0,1	-	(17,2)
Operating profit	**97,5**	**(0,0)**	**60,1**	**14,7**	**10,1**	**8,4**	**(10,1)**	**180,6**
EBITDA	**178,2**	**(0,0)**	**80,7**	**14,8**	**15,1**	**(9,6)**	**-**	**279,1**
EBITDA Margin	*84,3%*	*"n/a"*	*25,3%*	*"n/a"*	*16,1%*	*"n/a"*	*"n/a"*	*10,7%*
Purchase price allocation (PPA)	-		-	-	-	-	-	-
Adjusted EBITDA	**178,2**	**(0,0)**	**80,7**	**14,8**	**15,1**	**(9,6)**	**-**	**279,1**
Adjusted EBITDA Margin	*84,3%*	*"n/a"*	*25,3%*	*0,8%*	*16,1%*	*"n/a"*	*"n/a"*	*10,7%*
Profit (loss) on financial activities	(43,8)	(0,0)	(1,2)	(2,2)	(2,3)	5,7	-	(43,8)
Profit (loss) before tax	**53,7**	**(0,0)**	**58,9**	**12,5**	**7,8**	**14,1**	**(10,1)**	**136,9**
Income tax								(27,8)
Net profit (loss) for period								**109,0**
Profit from discontinued operating activities								-
Profit on disposal of discontinued operations								-
Net profit (loss) for period								**109,0**
Normalizing adjustments:								
Purchase price allocation (PPA)								8,2
Foreign exchange differences								0,0
Loan valuation using amortized cost method								1,4
Impairment losses								17,2
Net result on the sale of assets								(20,2)
Adjusted net profit								**115,7**
Change of adjusted EBITDA yoy	**34,3**	**2,3**	**(62,0)**	**7,3**	**(1,1)**	**(3,1)**	**-**	**(22,4)**

4Q 2020 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues	58,1	0,3	64,0	344,0	24,4	(8,9)	-	481,9
Operating costs, including	(17,1)	(0,5)	(66,3)	(337,6)	(21,4)	10,7	(0,4)	(432,4)
operating costs (without granted green certificates adjustment)	(11,5)							(11,5)
depreciation/amortization	(15,9)	(0,2)	(5,2)	(0,0)	(1,5)	(0,1)	(0,4)	(23,3)
granted green certificates adjustment	10,3							10,3
Gross profit on sales	**41,1**	**(0,1)**	**(2,3)**	**6,4**	**3,0**	**1,8**	**(0,4)**	**49,5**
Gross profit on sales margin	*70,6%*	*-45,8%*	*-3,6%*	*1,9%*	*12,5%*	*"n/a"*	*"n/a"*	*10,3%*
General overheads	(0,7)	(0,1)	(1,8)	(5,0)	(2,5)	(5,1)	-	(15,1)
Other operating activities	3,5	0,0	(0,6)	0,3	0,2	0,4	-	3,9
including imairment losses	5,4	-	-	-	-	0,2	-	5,6
Operating profit	**43,9**	**(0,2)**	**(4,6)**	**1,7**	**0,7**	**(2,9)**	**(0,4)**	**38,2**
EBITDA	**54,3**	**0,0**	**0,6**	**1,7**	**2,2**	**(3,0)**	**-**	**55,9**
EBITDA Margin	*93,4%*	*3,5%*	*0,9%*	*0,5%*	*9,2%*	*33,0%*	-	*11,6%*
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	**54,3**	**0,0**	**0,6**	**1,7**	**2,2**	**(3,0)**	**-**	**55,9**
Adjusted EBITDA Margin	*93,4%*	*3,5%*	*0,9%*	*0,5%*	*9,2%*	*33,0%*	*"n/a"*	*11,6%*
Profit (loss) on financial activities	(7,6)	(0,1)	(0,2)	(0,8)	(0,7)	(0,2)	-	(9,6)
Profit (loss) before tax	**36,2**	**(0,3)**	**(4,8)**	**0,9**	**0,1**	**(3,1)**	**(0,4)**	**28,6**
Income tax								(0,7)
Net profit (loss) from continuing operations								**27,9**
Profit from discontinued operating activities								0,3
Profit on disposal of discontinued operations								1,7
Net profit (loss) for period								**30,0**
Normalizing adjustments:								
Purchase price allocation (PPA)								0,3
Foreign exchange differences								0,1
Loan valuation using amortized cost method								0,3
Impairment losses								(5,6)
Net result on sale of assets ***								-
Adjusted net profit								**25,1**

4Q 2019 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues	55,3	-	79,4	482,5	24,2	7,5	-	649,0
Operating costs	(16,7)	(0,0)	(65,9)	(473,6)	(20,9)	(4,7)	(2,5)	(584,4)
including depreciation/amortization	(16,2)	(0,0)	(4,7)	(0,0)	(1,3)	(0,5)	(2,5)	(25,3)
Gross profit on sales	**38,6**	**(0,0)**	**13,5**	**8,8**	**3,3**	**2,8**	**(2,5)**	**64,6**
Gross profit on sales margin	*69,8%*	*"n/a"*	*17,0%*	*1,8%*	*13,7%*	*"n/a"*	*"n/a"*	*10,0%*
General overheads	(0,8)	-	(2,4)	(3,4)	(2,1)	(3,4)	-	(12,0)
Other operating activities	(15,7)	0,1	(0,3)	0,1	(0,1)	20,7	-	4,8
including imairment losses	(16,6)	-	-	-	-	0,5	-	(16,2)
Operating profit	**22,2**	**0,0**	**10,9**	**5,6**	**1,2**	**19,1**	**(2,5)**	**56,4**
EBITDA	**55,0**	**0,0**	**15,6**	**5,6**	**2,4**	**0,0**	**-**	**78,7**
EBITDA Margin	*99,5%*	*"n/a"*	*19,6%*	*"n/a"*	*10,1%*	*"n/a"*	*"n/a"*	*12,1%*
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	**55,0**	**0,0**	**15,6**	**5,6**	**2,4**	**0,0**	**-**	**78,7**
Adjusted EBITDA Margin	*99,5%*	*"n/a"*	*19,6%*	*1,2%*	*10,1%*	*"n/a"*	*"n/a"*	*12,1%*
Profit (loss) on financial activities	(10,5)	(0,0)	(0,9)	0,0	(0,6)	0,7	-	(11,3)
Profit (loss) before tax	**11,7**	**0,0**	**10,0**	**5,6**	**0,5**	**19,4**	**(2,5)**	**44,6**
Income tax								(11,6)
Net profit (loss) for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,4**
Profit from discontinued operating activities								-
Profit on disposal of discontinued operations								-
Net profit (loss) for period								**34,4**
Normalizing adjustments:								
Purchase price allocation (PPA)								2,1
Foreign exchange differences								(0,1)
Loan valuation using amortized cost method								0,4
Impairment losses								16,2
Net result on the sale of assets								(20,2)
Adjusted net profit								**32,8**
Change of adjusted EBITDA yoy	**(0,7)**	**(0,0)**	**(15,0)**	**(3,9)**	**(0,2)**	**(3,0)**	**-**	**(22,7)**

3. Legal regime

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

4. Organizational structure of the Group

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

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

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

Major economic and financial data (PLN m)	12M 2020	12M 2019	Difference
Sales revenues	1 811,3	2 596,6	(785,2)
EBITDA	256,8	279,1	(22,4)
Adjusted EBITDA with the elimination of the effect of purchase price allocation	256,8	279,1	(22,4)
Net profit (loss)	110,5	109,0	1,5
Adjusted net profit with the elimination of the effect of purchase price allocation, unrealized f/x differences, impairment losses, loas valuation and net gain/loss on disposal of assets	111,0	115,7	(4,7)

The year-on-year changes in the performance in 2020 were driven by the following factors:

a) On the level of EBITDA (a drop by PLN 22.4 m):

- Higher performance figure in the onshore wind farm segment (by PLN 34.3m), being mainly the result of higher sale prices of electricity and green certificates partly offset by lower cost of operations concerning the development and construction of wind farms;
- Higher performance figure in the photovoltaics segment (by PLN 2.3m) which was distinguished for the first time by the Group as a separate item as of 2020, due to the commencement of the operating stage by 8 PV projects totaling 8 MW (Sulechów I) which secured auction offtake under the RES auction scheme;
- Lower performance figure of the gas and clean fuels segment (by PLN 62.0m) resulting from lower revenues from gas cost compensation (because of expiration of a long-term contract for the purchase of gas) and lower revenues from the stranded cost compensation (the compensation system having come to an end in May 2020);
- Higher performance figure in the trading and sales segment (by PLN 7.3m) due to the better performance on the sale of electricity generated by the wind farm segment (thanks to successful efforts to optimize the fixed levels in long- and mid-term perspective, as well as thanks to trade optimization in the open market), better performance on the optimizing process of the generating assets of the Group and the effects of the implementation of the new strategy in trading and sales. The effect of the a/m factors was partly offset by lower result on the trading portfolio (no one-off events that enhanced the performance in 2019) and higher operating costs (relating, among others, to the new strategy) as well as the commission costs;
- The lower performance figure in the distribution segment (by PLN 1.1m) has mainly been due to a one-off event in Q3 2019 (when the 1.6m provision was reversed as a result of a favorable judgment in the finished court proceedings) partly offset by higher margin on electricity sale;

- Lower performance under the Unallocated item (by PLN 3.1m) has mainly been due to the higher operating costs in the Headquarters and discontinuing the biomass operations, partly offset by the result on the winding-up of the companies Energopep and PPG Niemcy [Germany].

b) On the level of adjusted EBITDA (a drop by PLN 22.4 m):

- The EBITDA effect described above (lower result by PLN 22.4m);

c) On the level of Net Profit (increase by PLN 1.5m):

- The EBITDA effect (lower result by PLN 22.4m);
- Lower depreciation/amortization (by PLN 5.1m) resulting predominantly from the end of amortization of the asset from gas compensation and stranded costs recognized under the Purchase Price Allocation, lower depreciation in the gas and clean fuels segment (lower value of rehabilitation subject to depreciation and lower depreciation rate in view of a longer period of depreciating rehabilitation over time) and discontinuing the operations by Biomasa Wschód, partly offset by bringing fixed assets into use in the PV segment and by lease cost resulting from the change in disclosure according to IFRS16;
- Positive effect (increase by PLN 22.3m) of the reversal of the impairment loss of non-financial fixed assets, mainly in the onshore wind farm segment as a result of the successful auction by the Piekło project (PLN 5.8m) and the effect of the impairment losses of PLN 17.2m in 2019 (compared to PLN 0.6m in 2020).
- In 2020 there was no impact of the transfer of 50% shares in offshore wind farm projects (drop by PLN 20.2m).

All the abovementioned factors contributed to the drop of the operating profit by PLN 15.2m.

- Lower financial income (by PLN 0.7) due to the drop in financial income from interest by PLN 2.3m and a positive result of the winding-up of the Company PPG Niemcy recognized in 2019, partly offset by increased revenues from financial instruments measurement in the gas and clean fuels segment (by PLN 1.5) and increased f/x gains (by PLN 0.6m);
- Lower financial expenses (by PLN 5.3m) resulting mainly from lower interest expenses (PLN 7.2m) in view of the lower debt service cost resulting from lower interest rates prevailing in 2020, partly offset by higher f/x difference costs and bank charges (PLN 2.2m).
- Lower corporate income tax amount (by PLN 10.0m) due to lower performance figure of the Group before tax and lack of tax efficiency in the Headquarters resulting from the remeasurement of the Group companies shares.
- Profit from discontinued business (PLN 2.0m) related to the sale of the Biomasa Wschód and Wińsko projects.

d) On the level of Adjusted Net Profit (drop by PLN 4.7m):

- Impact of net profit (higher result by PLN 1.5m);
- Elimination of the purchase price allocation effect (drop by PLN 4.1m);
- Reversal of the effect of impairment losses (drop by PLN 22.3m).
- Reversal of the effect of the sale of a 50% interest in offshore wind farm projects (increase by PLN 20.2 m).

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

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

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

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

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

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	23 467 043	23 467 043	51,64%
2	BIF IV Europe Holdings Limited	10 370 213	10 370 213	22,82%
3	Nationale Nederlanden OFE	2 570 000	2 570 000	5,66%
4	Generali OFE	3 000 000	3 000 000	6,60%
5	Aviva OFE Aviva Santander	3 732 687	3 732 687	8,21%
6	Others	2 303 604	2 303 604	5,07%
	Total	**45 443 547**	**45 443 547**	**100%**

*) 100% of shares in Mansa Investments Sp. z o.o. is indirectly controlled by Ms. Dominika Kulczyk through the company Kulczyk Holding S.à r.l.

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

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

On 13 February 2020 an entry of the merger of the companies: Grupa PEP-Projekty Energetyczne 1 Sp. z o.o. with Grupa PEP-Projekty Energetyczne 2 Sp. o.o. was made in the Entrepreneurs Register of the National Court Register (KRS).

On 17 February 2020 the company Polenergia Ukraina LLC was entered into the Ukrainian State Register of Corporations EDRPOU.

On 2 June 2020 the company Encore Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 19 June 2020 the company Polenergia Farma Fotowoltaiczna 1 Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 8 July 2020 the company Polenergia Farma Fotowoltaiczna 3 Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 22 July 2020 the company Polenergia Farma Fotowoltaiczna 2 Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 6 October 2020 a resolution was passed to wind-up the company Grupa PEP-Projekty Energetyczne 1 sp. z o.o. and liquidation proceedings were commenced.

On 13 October 2020 Polenergia S.A. sold 100% of the shares in the company Polenergia Bioelektrownia 2 sp. z o.o., as well as all rights and obligations in the company Polenergia Bioelektrownia 2 Sp. z o.o. Sp.k.

On 14 October 2020 a resolution was passed concerning the winding-up of the company Energopep Sp. z o.o. Sp.k. and the identification of another method to discontinue its business. On 30 November 2020 the Regional Court for the capital city of Warsaw, Commercial Division XII for the National Court Register issued a decision to delete the company Energopep Sp. z o.o. Sp.k. from the National Court Register.

On 30 November 2020 Polenergia S.A. sold 100% of shares in the company Polenergia Biomasa Energetyczna Wschód Sp. z o.o. to the company EKO Biomasa Sp. z o.o. with registered office in Biechów.

On 29 December 2020 the company Polenergia Farma Fotowoltaiczna 4 Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 29 December 2020 the company Polenergia Farma Fotowoltaiczna 5 Sp. z o.o. was entered into the Entrepreneurs Register of KRS.

10. General

The Polenergia Group (the “Group”) comprises Polenergia S.A. (the “Company”, the “parent”), formerly Polish Energy Partners S.A. and its subsidiaries. The Company has been established with a Notarized Deed of 17 July 1997 and has been registered with the National Court Register kept by the District Court for the city of Warsaw, Commercial Division XII of the National Court Register under number KRS 0000026545. The Company was assigned the statistical number REGON 012693488. Since 20 November 2013 the registered office of the Company is located in Warsaw, at 24/26 Krucza St.

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

The Polenergia Group consists of vertically integrated companies operating in the area of energy generation using renewable and gas sources, as well as in the areas of distribution, sales and trading in electrical energy. The Group was formed in the process of consolidating two asset groups controlled by Kulczyk Holding S.àr.l (former Polenergia Holding S.àr.l) with registered office in Luxembourg i.e. Polish Energy Partners S.A. (with focus on the development and operation of renewable energy sources, in particular wind farms) and Grupa Polenergia (with focus on the generation, distribution, sale of and trading in electrical energy and certificates of origin and developing offshore wind farms).

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

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

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

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

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

	Name	Description	2020	2019	Change YOY
1.	Return on equity	Net profit/loss / average annual equity	8.1%	8.8%	-0.6 p.p.
2.	Net return on sales	Net profit/loss / sales revenue	6.1%	4.2%	1.9 p.p.
3.	Liquidity - liquidity ratio I	total current assets / short term liabilities	1.92	2.44	-0.52
4.	Receivable rotation cycle (in days)	average annual trade receivables x 365 days / revenue from sale of products and merchandise	16	14	2
5.	Debt to assets ratio	(total equity and liabilities - equity) * 100 / total assets	53.0%	47.8%	5.2%

The adjusted net performance of the Group decreased by 4.1%. The return on equity was lower year on year, which - given the net performance remaining at a similar level - was attributable predominately to the increase of equity. On the other hand, the net return on sales representing the level of profit per each Polish zloty of sales revenues increased, in particular due to the drop in revenues year on year.

The Group's liquidity, measured with the Liquidity Ratio I, decreased due to lower ratio of current assets to short-term liabilities taller growth short-term liabilities - relatively higher growth of short term liabilities. The receivables rotation cycle denoting the waiting time for payment of receivables, has improved by 2 days compared to the preceding year.

The structure of the balance sheet of the Group as at the end of 2020 was altered due to the relative reduction of the share of equity in the balance sheet total with concurrent growth of liabilities, in particular on account of loans, borrowings and lease, as well as liabilities from remeasurement of contracts for electricity in the trading segment.

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

Competition risk

Given the current legal environment resulting in a steady increase in demand for energy from renewable energy sources and the implementation of an auction system for new and existing RES capacities, competition in this market segment is expected to intensify. As part of its business, the Polenergia Group currently has new investment projects under development.

The Group collects detailed information on market specificities and competition's projects, which allows for assessing profitability of competition's projects and a potential auction price level. The Group's in-depth analyses allow for an adequate assessment of market situation. At the same time, highly competitive projects are developed with the application of advanced capital and operating expenditure optimization processes, and locations characterized by above-average wind or insolation conditions and relatively low connection costs are selected for development.

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

Risk related to the economic situation in Poland

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

Risk of foreign exchange rate movements

As at the date of this report, the Group was not party to any significant sale contracts providing for payments in foreign currencies.

Within the onshore wind farm also including the projects in development and under construction, a part of liabilities are denominated in EUR. This mainly regards investment liabilities in Polenergia Farma Wiatrowa Szymankowo Sp. z o.o., Polenergia Farma Wiatrowa 3 Sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. companies implementing the construction of the Szymankowo, Dębsk and Kostomłoty projects. The currency risk in the projects was fully secured on the financial market before the investment loan was disbursed by means of FX Forward transactions.

As part of the photovoltaic segment, which includes, inter alia, projects that received support for RES in 2020 (Sulechów II, Sulechów III and Buk I project portfolios) in the development and construction phase, some investment commitments are denominated in EUR. The Group analyzes the risk of changes in exchange rates on an ongoing basis and allows for the option of hedging the exchange rate in order to reduce the costs of servicing the liabilities held.

Moreover, Polenergia Obrót is exposed to currency risk as a result of trading in electricity in foreign markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, as revenues and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. In the case of significant transactions of Polenergia Obrót in a foreign currency, currency exchange rate hedging transactions are concluded. Risk management at Polenergia Obrót is governed by its 'Risk Management Policy', in accordance with the rules prescribed by that document.

Interest rate risk

The proportion of debt in the group's financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, more than 50% of the costs of projects pursued by the Group were financed with debt. In accordance with the credit facility agreements entered into by Group companies, interest on credit facilities provided to them is based on variable rates. Any significant increase in market interest rates above the values forecast by the Polenergia Group and factored into its project budgets may have a negative effect on the Group's financial performance. The Polenergia Group is aware of the existence of that risk and takes measures to mitigate it and prevent its potential negative consequences by hedging the interest rate levels in

IRS transactions, constantly monitoring the situation on the money market and effectively managing its finances.

On 19 June 2015, Polenergia Farma Wiatrowa Mycielin Sp. z o.o. Subsidiary and Alior Bank S.A. executed a transaction to hedge interest rate risk. The instrument hedging 60% of interest-related cash flows took effect in Q2 2016. Additionally, on 30 April 2020, the company decided to increase the security level to 90% by performing an additional IRS transaction.

On 18 March 2020, Dipol Sp. z o.o. and Polenergia Farma Wiatrowa 23 Sp. z o.o. hedged 95% of the risk of changes in interest rates. IRS transactions were entered into in mBank.

On 19 May 2020, Polenergia Farma Wiatrowa 17 Sp. z o.o. concluded an IRS transaction hedging 95% of the risk of changes in interest rates with ING Bank Śląski S.A.

On 30 June 2020, Polenergia Farma Wiatrowa 4 Sp. z o.o. concluded an IRS transaction with BOŚ Bank, hedging 80% of the risk of changes in interest rates.

On 6 August 2020, Polenergia Farma Wiatrowa 1 Sp. z o.o., and Polenergia Farma Wiatrowa 6 Sp. z o.o. concluded interest rate risk hedging transactions with the EBRD bank corresponding to 80% of the value of loans taken out.

On 18 August 2020, Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. concluded interest rate risk hedging transactions with ING Bank Śląski S.A. and mBank S.A. corresponding to 90% of the value of loans taken out.

On 2 November 2020, Polenergia Farma Wiatrowa 3 Sp. z o.o. concluded interest rate risk hedging transactions with ING Bank Śląski S.A., mBank S.A. and Santander Bank Polska S.A., corresponding to 90% of the value of loan taken out.

With the launch of financing for the Polenergia Farma Wiatrowa Dębice Kostomłoty Sp. z o.o. project, transactions will be concluded to hedge the risk of changes in interest rates in the amount of min. 75% of the loan value.

At the same time, the Group monitors market interest rates on an ongoing basis and may hedge against interest rate movements in order to reduce the costs of servicing its financial liabilities under other projects, provided that such solution guarantees the expected return on its investment projects.

Sensitivity of the Group's profit/loss before tax, estimated by Polenergia, (due to changes in the fair value of monetary assets and liabilities) to interest rate movements, all other factors being equal, is presented in Note 44 to the Consolidated financial statements.

Raw materials price risk

The companies of the Polenergia Group use natural gas and coke gas for the generation of electricity and heat.

The Polenergia Group uses methane-rich natural gas for the generation of electricity and heat at the Nowa Sarzyna CHP Plant. For 2020 EC Nowa Sarzyna contracted gas from PGNIG Supply & Trading ("PST"). Since 2021 deliveries of gas fuel to EC Nowa Sarzyna are made by Polenergia Obrót. Any potential problems of Polenergia Obrót with supplying the amount of gas fuel necessary to satisfy the existing demand may lead to limitations on gas fuel supply to its customers. In such cases, EC Nowa Sarzyna may fail to fulfill its obligation to supply heat and electricity to its contracting parties. The risk of supply limitations is negligible, ENS limits the risk of gas price changes in the market by securing a fixed price of gas fuel for the contractual term.

The Group uses coke gas to generate electricity at the Mercury Power Plant. The coke gas is supplied by WZK Victoria. Given possible fluctuations in the amount of coke gas supplied, caused by technical constraints (coke gas output is proportional to coke production), the Group is exposed to the risk that the available amounts of this feedstock may vary, which would affect the amount of electricity generated and thus the Group's performance.

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

Risk related to the operation of the Polish energy market

While the heat market is fully regulated, the electricity and gas markets are only partly controlled by the appropriate authorities. One of them is the President of the Energy Regulatory Office ("URE") – a central government authority appointed by the Prime Minister. By operation of the Energy Law, the President of URE is competent for fuel and energy market regulation and for promotion of competition in the energy sector. The scope of competence of the President of URE includes granting, changing and revoking licenses for production, storage, transmission, trade in and distribution of fuels and electricity, as well as oversight of entities regulated under the Energy Law in terms of fulfillment of duties resulting from the Energy Law and secondary legislation. The President of URE also has the power to agree to the development plans of energy enterprises, resolve disputes between energy enterprises as well as between them and end users, as well as approve and oversee tariffs applied by energy enterprises in terms of their compliance with applicable regulations, including the rule of protection of consumers against unreasonable price levels. The President of URE is also entitled to impose penalties, including significant fines, on licensed enterprises. Therefore, the Company cannot conclusively rule out the risk of the President of URE exercising his powers with respect to Polenergia and the Group in a manner unfavorable to them. However, the Company mitigates the risk by making every effort to fulfill its obligations under the Energy Law and secondary legislation.

Given the advanced stage of implementation of competitive market mechanisms in the power generation sector, enterprises licensed to generate electricity are exempted from the requirement to submit their tariff prices for approval. Tariffs are still mandatory for electricity supplied to households (while maintaining the possibility of changing energy supplier by households), and the current wording of the Energy Law regulations, as a principle provide for the coverage of reasonable costs of operations. At the same time it should be stressed, however, that prices of electricity generated by the Polenergia Group, in consideration of the sale to trading companies and industrial customers, are not subject to approval by the President of URE.

Any possible legislative changes may prove unfavorable to the Capital Group; however, Polenergia has very limited ability to influence decisions taken in this respect at the EU and national levels. Polenergia representatives participate in the work of working teams at industry associations in order to monitor and minimize the risk of regulatory changes unfavorable for the Group.

Risk related to tariff approval by the President of URE

The Polenergia Group companies which generate heat or distribute gas and electricity are required to submit their tariffs (listing the prices of heat or of gas and electricity distribution service) for approval by the President of URE. Pursuant to the applicable laws, a tariff should cover the expected reasonable costs of heat generation in a particular tariff period, while ensuring a return on capital. Approval of tariffs by the President of URE is aimed to protect consumers against unreasonable rises in heat prices.

As a consequence, there is a risk that the President of the URE will approve the tariff which will not provide individual companies with adequate return on capital, and potentially not even ensure the coverage of the costs.

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

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

The potential impact of the mentioned risks on performance of the Polenergia Group is limited, given the relatively small contribution of EBITDA margin of the business areas referred to above to the Group's overall performance.

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

The operations of the Group companies are subject to numerous Polish, EU and international regulations. Laws, regulations, decisions, positions, opinions, interpretations, guidelines, etc., applicable to the Group's business, are subject to frequent changes (e.g. the Energy Law, with secondary legislation, has been substantially amended several dozen times since its enactment in 1997). A number of the regulations applicable to the Group's business are relatively recent enactments, and therefore there is no established practice of their application (which may lead to their being improperly interpreted and applied).

Factors relevant to the Group's operations also include decisions issued by competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes.

The legislative changes may, in certain areas, contribute to a lower than expected return on investment in renewable energy sources.

Risk of volatility in electricity market prices

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

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

The volatility of electricity prices directly impacts the profiling costs in the Group's wind farms (hereinafter profiling costs). The risk of volatility of profiling costs remains outside the Group's control to a large extent, such risk may have a material effect on the results obtained by the Group.

At the same time, support granted to RES under the auction-based scheme will protect the producer against market risk for 15 years in the scope of electricity prices. The support solely applies to the projects implemented in the Group which won the auction.

From 2022, as part of the implementation of European regulations, a number of rules regarding the functioning of the balancing market in Poland will change, which may cause the risk of increased price volatility on the current market and changes in the approach of market participants to creating offers on the wholesale electricity market and the balancing market. It is a systemic risk that affects all participants of the electricity market in Poland.

In 2021 and 2022 the onshore wind farm segment will remain largely resistant to the current volatility of electricity prices due to the fact that for a significant part of the portfolio, the electricity sales price in this year and next year has been hedged on the futures market. In the event of a long term decline in electricity prices and, as a consequence, lower prices of futures contracts, the potential of the segment's financial result in the coming years may be limited. Also, the increase in the number of wind sources may negatively affect the revenues of the onshore wind farm segment in the coming years due to the decline in energy prices in the periods of high generation of energy from wind sources, which contributes to an increase in the cost of profiling .

Risk of volatility in market prices of green certificates

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

On 25 September 2017, the provisions of the Act of 20 July 2017 came into force amending the RES Act entered into force (PL OJ . of 2017, item 1593) whereby the method for calculating the unit emission charge was linked to averaged annual market prices of property rights incorporated in certificates of origin, as published by the Polish Power Exchange pursuant to art. 47.3.2 of the amended Act. Under art. 56.1 of the amended RES Act, the unit emission charge for green certificates is calculated as the product of 125% ratio and the annual weighted average price of property rights incorporated in certificates of origin other than certificates issued in respect of energy generated from agricultural biogas on or after 1 July 2016, but may not exceed PLN 300.03 per 1 Mwh (Ozjo).

Pursuant to the Ordinance of the Minister of Climate of 27 August 2020 (Journal of Laws of 2020, item 1481), the obligation to redeem certificates of origin for electricity produced from agricultural biogas for 2021 remained at the level of 0.50% of the volume of electricity sales to end users; for certificates of origin of energy from other RES this obligation is kept at 19.5%.

Excess supply of green certificates continues on the market, with a potential adverse impact on the market prices.

The announced possibility of a possible reduction in the level of obligations in the coming years to a greater extent than the decrease in the supply of certificates related to the termination of support for the oldest projects may cause a drop in the prices of green certificates and lead to the Group achieving worse financial results and failure to meet the financial ratios specified in loan agreements for financing individual wind projects. A long-term decline in the prices of green certificates could periodically impair the Group's ability to meet its obligations under certain loan agreements or necessitate drawing on guarantees provided by Polenergia S.A. for certain projects. The Group reduces its exposure to the risk of a drop in the price of green certificates on an ongoing basis by securing in advance the sales price of certificates corresponding to energy production in the coming years.

Risk related to seasonality of activity

Wind conditions, which determine the electricity generation in wind farms and insolation conditions which determine the electricity generation in photovoltaic farms are variable depending on the season of the year, and are characterized by variability in several years' cycles. Wind conditions in autumn and winter are significantly better than in spring and summer, and sunlight conditions in spring and summer are significantly better than in autumn and winter.

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

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

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

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

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

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

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

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

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

Risk related to renewable energy sources auctions

Under the new RES (auction-based) support scheme, to receive support for energy generation from RES a producer is required to win an auction, which also determines the extent of such support. As a consequence there exists a risk of obtaining no support for wind farm and photovoltaic farm projects developed by the Group. On the other hand, support granted under the auction-based scheme will protect the producer against market risk for 15 years.

As notified by the Minister of Energy, auctions are planned to be carried out in 2021 for the purchase of electricity from wind farms and photovoltaic farms.

The Group is working on the further development of wind and photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024. A part thereof will be ready for auctions in 2021.

In a situation where a project of a wind farm or a photovoltaic farm does not receive support through an auction, the manner of such project's further implementation is subject to verification, in particular, it is possible to build such project in order to supply electricity directly to the end user.

Risk of regulatory changes concerning the support system for conventional generation sources – 'capacity market'

The Polish energy market is characterized by a material over-exploitation in the scope of conventional production capacities. The above is mainly due to replacement investments in the recent years. The measures implemented by PSE in recent years within the Balancing Market (including intervention cold reserve, operational capacity reserve) and several investment decisions made by energy companies controlled by the State Treasury have postponed the risk of insufficient capacity reserve for several years. On 8 December 2017 the Sejm adopted the Capacity Market Act signed by the President on 28 December 2017. In the following years auctions were carried out for capacity supply for the years 2021-2025. In December 2020 the capacities for 2025 were contracted. In July 2025 the 550 kg/kWh limit for carbon dioxide emissions will come into effect. The generation sources of the Polenergia Group meet this limit, but it cannot be achieved by coal sources, which constitute the majority of units in the capacity market. Depending on adopted specific solutions and auction parameters for the following years, the economic viability of the existing facilities (such as the Nowa Sarzyna CHP Plant and Elektrownia Mercury) may change significantly. Furthermore, it cannot be ruled out that the capacity market will exert an adverse impact on wholesale electricity market prices, which can potentially affect projects whose economic viability rests on revenues from sale of electricity (wind farms), and which are exposed to the risk of electricity prices. This risk is mitigated by hedging the prices of electricity sold from wind farms in forward contracts.

Regulatory risk

Polenergia S.A. believes that certain threats may be posed by frequently changing legal regulations and their varied, often contradictory, interpretations. Any potential legislative changes, in particular where they concern business activity, taxes, labor matters, commercial law, including commercial companies and capital markets, as well as environmental protection, may have an adverse effect on the operations of Polenergia S.A. and its capital Group. In addition, changes to Polish legislation are being made to reflect newly adopted EU laws. In particular, the implementation of new business regulations may entail problems with their interpretation, inconsistent court rulings or unfavorable interpretations adopted by public administration authorities.

It should also be stressed that, in addition to general laws regulating each business, the operations conducted by the Polenergia Group are governed by specific regulations under the Polish Energy Law, the Act on Renewable Energy Sources and the related secondary legislation. These regulations are not formulated precisely, and so in many cases they do not lend themselves to straightforward interpretation, which may cause problems with their application. They are subject to frequent changes, which makes the Polenergia Group's legal environment not entirely stable. Consequently, there is a risk that future changes in the state policy and related changes in legal regulations may have an adverse effect on the operations of Polenergia S.A. and Polenergia Group companies.

Risk related to the unstable tax regime

The fact that many tax regulations lack an unambiguous interpretation may cause certain difficulties in case of a change to tax regulations. The new thin capitalization rules implemented in the legal system from the beginning of 2018 may serve as an example: it is unclear how the limit for the eligibility of excess of debt financing as deductible expenses should be determined. With reference to the above, the Ministry of Finance issued interpretations and clarifications which are contradictory to the non-final judgments of the Higher Administrative Court. (WSA). The case will probably be settled in 2021 by the Supreme Administrative Court (NSA).

From the beginning of 2019 the criteria of using the general tax avoidance prevention clause (GAAR) have changed, the obligation of reporting tax schemes and additional tax obligations (sanctions) were implemented. In addition the obligatory mechanism of split payment for sensitive goods and service and bank account verification was implemented using the so-called White list of VAT payers. The changes introduced came as additional burden to operating and accounting services, and the non-fulfillment of the new requirements would result in extensive adverse impact on CIT and VAT. All the above changes were heavily criticized by the market, as the regulations are not clearly formulated, enabling their interpretation by tax bodies to the detriment of taxpayers. The Ministry of Finance issues numerous and extensive tax clarifications concerning the regulations being introduced, however, due their complicated nature taxpayers still have many doubts as to their practical implementation. As a result of such actions taxpayers may be exposed to tax risk.

Risk related to the necessity of meeting environmental requirements

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

Further, under the EU CO2 Emissions Trading Scheme, participation permits had to be obtained for installations used in the course of the operations of Polenergia and other Group companies.

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The emissions trading mechanism was introduced on 1 January 2005 upon the entry into force of Directive 2003/87/EC, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. The current period EU ETS 2013-2020 is governed by the Act on Trading in Allowances for Emissions of Greenhouse Gases of 12 June 2015.

Plants owned by the Polenergia Group:

a. EL Mercury (KPRU number: PL 0879 05), and
b. EC Nowa Sarzyna (KPRU number: PL 0472 05)

They are combustion installations with a rated thermal input in excess of 20 MW participating in the EU Emissions Trading Scheme.

Ad a. In accordance with the derogation under art. 10c of Directive 2003/87/EC, the Mercury Power Plant, as an electricity producer, was provisionally allocated 22,344 EU ETS emission allowances (for 2013), with the allocation gradually decreasing to 0 EUA in 2020.

Under the Regulation of the Council of Ministers of 8 April 2014 listing electricity generating installations covered by the greenhouse gas emissions trading scheme in the trading period beginning on 1 January 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Mercury Power Plant (decreased by a correction factor) was at the following level of volume:

- 2013- 17 763
- 2014- 16 420
- 2015- 14 272
- 2016- 10 859
- 2017- 8 217

- 2018- 6 548
- 2019- 4 869
- 2020- 0

Given that no Investments specified in the National Investment Plan were carried out, no free allowances were transferred to the operator's account.

Ad b. the Nowa Sarzyna CHP Plant was allocated free emission allowances pursuant to art. 10a and art. 10c of Directive 2003/87/EC of the European Parliament and of the Council.

Under the Regulation of the Council of Ministers of 31 March 2014 listing installations other than those for electricity generation covered by the greenhouse gas emissions trading scheme in the trading period beginning on 1 January 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Nowa Sarzyna CHP Plant was at the following level of volume:

- 2013- 34,256
- 2014- 32,448
- 2015- 30,681
- 2016- 28,959
- 2017- 27,278
- 2018- 25,642
- 2019- 24,046
- 2020- 22,495

Allocations of emission allowances are annually transferred to the account of the operator of the Installation on the basis of the verified Report on CO2 emissions for the previous year.

Under the Regulation of the Council of Ministers of 8 April 2014 listing electricity generating installations covered by the greenhouse gas emissions trading scheme in the trading period beginning on 1 January 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Nowa Sarzyna CHP Plant was at the following level of volume:

- 2013- 145,048
- 2014- 134,082
- 2015- 116,082
- 2016- 88,676
- 2017- 67,103
- 2018- 53,468
- 2019- 39,758
- 2020- 0

Given that no Investments specified in the National Investment Plan were carried out, no free allowances were transferred to the operator's account.

The installations listed above submit annual reports to the electronic National Database for Emissions of Greenhouse Gases and Other Substances and verified annual reports on CO2 emissions. As of 1 January 2013, all the installations are also subject to new CO2 emissions monitoring plans, approved by competent authorities and compliant with the requirements of: Commission Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87 / EC of the European Parliament and of the Council.

In 2016, both installations obtained appropriate permits together with emission monitoring plans, after the entry into force of the Act of 12 June 2015 on the greenhouse gas emission allowance trading scheme.

In consideration of the new settlement period started in 2021, in May 2019 EC Nowa Sarzyna filed an application to allocate free of charge emissions permit for the period 2021-2025. The European

Commission is currently working on the verification of the applications. Moreover, in compliance with the requirements of the Act of 4 July 2019 amending the system of Trading in Allowances for Emissions of Greenhouse Gases and other acts, EC Nowa Sarzyna filed the monitoring methodology plan and obtained the approval thereof (on 2 December 2019). On 30 December 2020, the Leżajski Starost issued a new decision approving the CO2 emission monitoring plan, taking into account the changes introduced to the gas fuel measurement systems.

Risk of new projects failing

The Polenergia Group has been pursuing a significant number of projects in the segment of onshore and offshore wind farms, photovoltaic, gas and clean fuel projects, and investments in distribution infrastructure development. Projects pursued by the Polenergia Group require significant capital expenditure. The expenditure is particularly high in case of development projects and construction of onshore and offshore wind farms. The Polenergia Group makes decisions to commence the development stage of a project on the basis of detailed financial models, technical analyses and expert reports prepared by its dedicated Group Development Service. Such analyses include a series of assumptions, related to power generation volume, revenue, production costs, required investment amount and costs of financing. There is a risk that Polenergia S.A. may adopt assumptions more favorable than the actual conditions, which would cause the Polenergia Group to achieve a lower than expected return on investment in a specific project Moreover, the costs of preparing a project, even before the development stage, are also significant, especially in the wind farm construction segment. A project's failure would prevent the Group from recovering such costs.

The Group Development Service has extensive experience in all aspects of project preparation and implementation, such as development, plant operation and financing. The Group consistently improves its project management methods and carefully selects the locations for wind farm and photovoltaic projects in order to minimize the risk of achieving an unsatisfactory return on investment and the risk of incurring significant costs of project preparation without ascertaining the feasibility of the project.

Risk that investment plans are not executed or are delayed

Non-execution or delay in the implementation of investment plans involve a risk of not reaching the assumed operational objectives within the defined time limit. The above would have an adverse impact on the Group's financial results, which would be worse than in case of the project completion as planned, and might lead to the failure to comply with the requirements set in the credit facility agreements.

Intending to implement the investment plans set forth, the Group is taking steps to minimize such risk (such as precise planning and analyzing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate response to any signals showing that the achievement of objectives could be at risk, and a set of insurance policies). Particular diligence is applied by the Management Board in preparing each project, by working on each and every technological detail and ensuring adequate financing.

Pursuant to the provisions of the Act on investments in wind farms, amended on 29 August 2019, with regard to construction permits for wind farms issued before the date of entry into force of the above-mentioned Act (16 July 2016) for which an occupancy permit was not issued within 5 years from 16 July, 2016, i.e. until 16 July 2021, a three-year period in which the investor is obliged to start construction works should be counted from 16 July 2021.

The Companies developing four wind farm projects of the capacity totaling 199 MW were qualified in 2019 and 2020 as producers whose offers won RES auctions. On 29 July 2020, the subsidiary of Polenergia S.A. - Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. concluded an agreement amending and unifying the existing loan agreement, on the basis of which an investment loan will be granted to finance the construction of a wind farm. On 10 July 2020, the subsidiary of Polenergia S.A. - Polenergia Farma Wiatrowa 3 Sp. z o.o. concluded loan agreements for financing the construction of the Dębsk wind farm. On 30 September 2020, the subsidiary of Polenergia S.A. - Polenergia Farma Wiatrowa Dębice / Kostomłoty Sp. z o. o. concluded loan agreements for financing the construction of the Kostomłoty wind farm. The Szymankowo and Dębsk wind farms are at an advanced stage of construction. Turbines assembly has been in progress for the Szymankowo Wind Farm, the trial and testing phase is scheduled starting from April 2021. The construction of the Dębsk wind farm is proceeding according to the approved schedule. The commencement of construction works on the Kostomłoty wind farm is planned according to the schedule for April 2021. Preparatory works are underway to start the construction of the Piekło wind farm.

On 29 June 2020, the President of the Energy Regulatory Office issued a decision in favor of Polenergia Farma Wiatrowa 3 Sp. z o.o., implementing the Dębsk wind farm project, according to which the deadline for fulfillment of the obligation referred to in art. 79 sec. 3 item 8 letter A of the RES Act (the participant's commitment to sell energy generated in a renewable energy source installation, for the first time under the auction system, within 42 months from the closing of the auction session,) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023 and the period referred to in art. 74 sec. 1 of the RES Act (Electricity from renewable energy sources produced for the first time after the closing of the auction session in a renewable energy source installation or in a modernized renewable energy source installation, may be sold by auction only if the devices included in these installations, used for the production and processing of this electricity, installed during construction or modernization, were manufactured within 42 months) was extended by an additional period of 12 months.

The Group does not exclude the possibility of applying for a decision extending the deadline for the sale of electricity produced in the installation by 12 months for Polenergia Farma Wiatrowa Dębice / Kostomłoty Sp. z o.o. implementing the Kostomłoty wind farm project.

Risk related to credit facility agreements

The concluded credit facility agreements provide for a number of financial requirements to be met by the respective projects, and a failure to comply with such requirements may constitute repayment acceleration trigger and/or cause an increase in financing costs.

The Group has continued to analyze the indebtedness level and the risk of non-fulfillment of the requirements set forth in the credit facility agreements on an on-going basis, and remained in contact with the financing institutions. Detailed information concerning the conclusion of new credit facility agreements and changes to the existing agreement in 2020 are included in Note 30 to the Consolidated Financial Statements.

On 21 July 2020, Polenergia Dystrybucja Sp. z o.o. obtained from ING Bank Śląski SA a letter of waiver regarding waving the exercise of the bank's rights resulting from failure to meet the banking covenants for the next four quarters under the applicable loan agreement. Due to the COVID-19 epidemic, Polenergia Dystrybucja experienced significant drops in the volumes of distributed energy, which translated into lower than assumed financial results. In connection with the above, the updated financial forecasts showed a higher probability of breaching the covenants in subsequent periods under the applicable loan agreement and therefore an application for a letter of waiver was submitted to ING Bank Śląski SA. The receipt of the letter allows the Company to safely continue the fulfillment of its investment obligations. At the same time, it should be emphasized that there is no ongoing breach of the covenants and the forecast breach of the covenants was only indicative and did not affect the operating activities of the Company and its ability to settle liabilities. In connection with the loan agreement concluded on 15 January 2021 for financing the investment plan for the years 2021-2026 between the company and ING Bank Śląski S.A. the covenants and their levels also changed. Therefore, from 2021 the letter of waiver obtained was replaced with a new loan agreement.

Risk related to financial standing of customers and contracting parties

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

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

Due to the increased probability of the deterioration of the financial situation of some enterprises and the limitation of the possibility of disconnecting customers as part of debt collection activities during the COVID-19 epidemic, the Group identifies the risk of an increase in the level of bad debts in the distribution segment. The above was taken into account in the credit risk assessment model, which resulted in an increase in the provision for bad debts in the first quarter of 2020 in the amount of PLN 233k. In the second and third quarter of 2020, Polenergia Dystrybucja observed a slight increase in delays in payments. The upward trend was mainly in the range of overdue receivables from 1 to 30 days. On 15 October, the protection period for customers of distribution and sales companies ended. Such period significantly limited the possibility of enforcing the repayment of overdue payments. As a result a significant improvement in the collection of receivables and a reduction in the level of overdue receivables was observed.

Additionally, Polenergia Dystrybucja introduced a system of daily monitoring of receivables and is in constant contact with the largest customers. At the same time, the company has not yet received any information about delays in the implementation of the projects in the investment portfolio. Due to the current situation, a test for the impairment of assets and goodwill in the distribution segment was carried out, as a result of which no impairment was found.

At the same time, in the segment of trade and sales, due to the COVID-19 epidemic, there is an increased risk of conducting commercial activities. This is due to, inter alia, increased price volatility, decreased liquidity in the markets and increased risk of contractor insolvency. The above-mentioned risk factors may also affect liquidity by increasing the level of required security deposits and the level of bad debts. In response to the increased risk, the Company intensified ongoing monitoring and analyzes in this area and applies more restrictive verification of contractors when concluding new transactions.

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

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

Next, Amon Sp. z o.o. and Talia Sp. z o.o. changed their action in that they filed a new claim, alongside with the original claim, to pay compensation for failure to perform, or for undue performance of, the a/m Agreements, and next extended the claim to include further periods of non-performance by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. (hereinafter referred to as “PKH”) of the said agreements.

As a result Amon Sp. z o.o. currently seeks payment of PLN 69,478k, and Talia Sp. z o.o. PLN 46,078k.

On 25 July 2019, the District Court in Gdańsk, by a partial and preliminary judgment, upheld Amon's claim in the part regarding the ineffectiveness of declarations on termination of the agreements for the sale of energy and property rights by PKH, and on 6 March 2020, the District Court in Gdańsk with a partial and preliminary ruling, Talia's claim was granted in the same part.

Consequently, such notice of termination does not have any legal effect of terminating the two agreements. As a result the said agreements remain in force after the notice period, i.e. After 30 April 2015, and all their provisions remain binding. At the same time the Court considered as grounded, as a principle, the claims for compensation lodged by Amon against PKH on account of non-performance by PKH of the agreement for the Sale of Property Rights. On 7 February 2020, Polenergia S.A. received information about an appeal by PKH against the judgment of the District Court in Gdańsk of 25 July 2019.

The risk related to the possible dismissal of claims by Amon Sp. z o.o. and Talia Sp. z o.o. will result in the inability to obtain compensation from PKH, or in the event of partial dismissal of claims, in the possibility of obtaining compensation in an amount lower than assumed.

Towards the end of April 2018, Amon Sp. z o.o. and Talia Sp. z o.o. brought an action against Tauron Polska Energia S.A. of Katowice for premature termination of long-term contracts for sale of electricity and property rights between Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o., a subsidiary of Tauron, and Amon and Talia.

In the case of Amon, the amount of claims was PLN 47,556,025.51 by way of compensation, together with interest and litigation costs and the determination of Tauron's liability for future damages, the amount of which was estimated at over PLN 158m. In the case of Talia, the amount of claims was PLN 31.299.188,52 by way of compensation, together with interest and litigation costs and the determination of Tauron's liability for future damages, the amount of which was estimated at over PLN 107m.

On 29 December 2020 Amon Sp. z o.o. and Talia Sp. z o.o. filed with the District Court in Katowice a change of claim against Tauron Polska Energia S.A. covering claims for damages arising after 31 December 2017. The basis of Tauron's tort liability for damages is the cessation of performance by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o., - a subsidiary of Tauron, of long-term agreements for the sale of electricity generated from renewable sources and long-term agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity from renewable sources, entered into with Amon and Talia.

Pursuant to the change in question, the claims for damages with interest increased to PLN 78,204,905.55 in the case of Amon (an increase by PLN 30,648,880.04), and to PLN 53,127,847.08

in the case of Talia (an increase by PLN 21,828, 658.56). The disputed amount, taking into account the estimated Tauron's liability for future damages as of the day of bringing the action is over PLN 236m in the case of Amon Sp. z o.o., and over PLN 160m in case of Talia Sp. z o.o.

The risk related to the possible dismissal of claims filed by Amon Sp. z o.o. and Talia Sp. z o.o. will result in the inability to obtain compensation from Tauron Polska Energia S.A., or in the event of partial dismissal of claims, in the possibility of obtaining compensation in a lower amount.

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

Eolos Polska Sp. z o.o. filed for joint and several payment by the Company's subsidiaries: Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and from Polenergia Usługi Sp. z o.o. of contractual penalties for the termination of agreements for the sale of property rights resulting from certificates of origin for electricity generated in renewable energy sources and for the payment of balancing costs in the total amount of PLN 27,895,009. It should be noted that in the statement of claim the plaintiff indicated that its claim could be higher due to the fact that the claimed contractual penalties would increase in subsequent years. The Companies denied the claim in its entirety. Moreover, Polenergia Obrót S.A. maintains that the allegation of its joint responsibility for Certyfikaty Sp. z o.o. liabilities is groundless.

Two hearings were held before the Regional Court in Warsaw in the case brought by Eolos Sp. z o.o on 27 September and 13 December 2019, and witnesses were heard. The sessions planned for 8 April 2020 and 20 November 2020 were not held. Next sessions is planned for 24 March 2021 in online mode.

Risk related to customers' actions

On 2 January 2020 Polenergia Biomasa Energetyczna Północ Sp. z o.o. reached another settlement following the mediation, where the contracting party shall pay PLN 150k. The above amount is not reflected in the company's statement of financial position.

On 8 March 2019 the Regional Court in Warsaw allowed the action by Nationale Nederlanden PTE SA to state invalidity of a part of the resolution no 2 of the Extraordinary General Meeting of Shareholders of the Company of 13 July 2018. i.e. in the scope of changing article 10.2 item (a) of the Statutes made in virtue of item 4) of the a/m resolution. The Company appealed against the judgment and demanded to dismiss it and claimed the breach of substantive and procedural law. At the hearing on 28 January 2020 the Appeal Court dismissed the appeal by Polenergia SA. The judgment is final.

Polenergia Elektrownia Północ Sp. z o.o.- on 21 September 2020 the District Court in Gdańsk delivered to the Company's subsidiary the defendant's response to the claim for payment of PLN 500k as contractual penalty, filed by the company in December 2019. In November 2020 the case was referred for mediation with the consent of both parties. Two mediation meetings were held with both parties. The mediation was extended by the District Court in Gdańsk for consecutive three months with the consent of both parties. The next date of the mediation meeting was scheduled for 25 March 2021.

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

Polenergia Dystrybucja Sp. z o.o. - on 4 January 2021 the Court of Appeal in Gdańsk served on the Company's subsidiary a cassation complaint by an electricity supplier against the judgment of the Court of Appeal in Gdańsk of 7 November 2019 dismissing the appeal of the supplier against the above-mentioned company in a case concerning the reimbursement of overpayment for the supplied energy and the obligation of the electricity supplier to pay to the above-mentioned the company the amount of PLN 548k, the part of which not covered with the appeal was already paid.

<u>Risk related to loss of key personnel</u>

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

The risk of loss of key personnel is mitigated through:

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

<u>Operating risk in facilities</u>

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

<u>Risk related to application of hedge accounting to cash flow hedges</u>

As at 31 December 2020, the Group recognized PLN 12,609k (2019: PLN 1,049k) in other comprehensive income being a component of equity, on account of the effective portion of the valuation of the hedging instrument to the fair value.

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

- change of interest rate on the amount of future highly probable payments of loan installments.

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

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

<u>As at 31 December 2020, the Group held the following hedging instruments for cash flow hedge accounting purposes:</u>

Date of maturity of interest rate hedging instrument	Hedge value in kPLN	Interest rate hedged	Instrument
26.02.2027	16 892,66	1,25%	IRS
29.09.2025	78 844,10	0,52%	IRS
10.09.2035	9 000,00	1,20%	IRS
29.03.2028	157 210,00	0,79%	IRS
29.06.2026	40 651,30	0,56%	IRS
30.06.2034	13 932,87	0,89%	IRS
26.02.2027	4 202,47	1,25%	IRS
15.12.2028	27 434,36	0,75%	IRS
15.06.2021	105 615,00	3,07%	IRS
11.06.2035	123 300,00	1,10%	IRS
Total	**577 082,75**		

Date of maturity of foreign exchange rate hedging instrument	Hedge value in kEUR	FX rate hedged	Instrument
2021.03	2 211,35	442,25%	Forward
2021.04	2 936,15	442,54%	Forward
2021.05	2 288,10	448,60%	Forward
2021.06	1 486,55	442,91%	Forward
2021.08	724,80	443,68%	Forward
2021.09	28 629,60	444,01%	Forward
2021.10	19 750,80	444,36%	Forward
2021.11	9 513,00	444,64%	Forward
2021.12	21 113,40	449,98%	Forward
2022.01	7 429,20	445,32%	Forward
2022.02	10 852,50	454,26%	Forward
2022.03	1 087,20	446,00%	Forward
2022.06	774,90	457,34%	Forward
2022.07	516,50	457,52%	Forward
Total	**109 314,06**		

14. Statement of compliance with corporate governance rules

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

Code of Best Practice for Warsaw Stock Exchange Listed Companies. available at: www: http://corp-gov.gpw.pl/

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

In 2020 the Issuer applied the provisions of the set of the corporate governance rules mentioned in letter a).

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

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

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

The effectiveness of the internal control system is protected through a number of measures and internal procedures adopted by the Group's Management Board. Such measures concern, for instance, the flow of accounting documents, description of accounting evidence, purchases made on behalf of the Group, assuming obligations by the Group, stock-taking, disposal of the Group's fixed assets and other items, decision-making and budgeting.

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

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

Audited full-year financial statements of the Group are approved by the Management and Supervisory Boards.

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

The Company's internal control mechanisms enable early risk identification, assessment and mitigation and ensure accuracy of information presented in financial statements.

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

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

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

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	23 467 043	23 467 043	51,64%
2	BIF IV Europe Holdings Limited	10 370 213	10 370 213	22,82%
3	Nationale Nederlanden OFE	2 570 000	2 570 000	5,66%
4	Generali OFE	3 000 000	3 000 000	6,60%
5	Aviva OFE Aviva Santander	3 732 687	3 732 687	8,21%
6	Others	2 303 604	2 303 604	5,07%
	Total	**45 443 547**	**45 443 547**	**100%**

*) 100% of shares in in Mansa Investments Sp. z o.o. are indirectly controlled by Ms. Dominika Kulczyk, through Kulczyk Holding S.à r.l.

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

The Group has not issued any securities conferring special control powers

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

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

g) Any restrictions on transfer of ownership rights to the Issuer's securities.

There are no restrictions on transfer of ownership rights to the Issuer's securities.

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

The Management Board consists of one to five members, including the President of the Management Board. The Management Board is appointed for a three-year term of office. The Management Board members are not appointed for a joint term of office.

The Supervisory Board appoints and determines the number of members of the Management Board for a given term of office.

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

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

The Management Board is not authorized to make decisions on share issue.

i) Rules governing amendments to the Statutes of the Issuer

Any amendment to the Statutes requires a resolution of the General Meeting adopted by a three-fourths majority of votes

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

Manner of operation

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

Certificates of deposit confer the right to participate in the General Meeting. A certificate of deposit should specify the number of shares held and contain a clause prohibiting the delivery of such shares until the General Meeting is closed. A shareholder may attend the General Meeting provided that they submit a certificate of deposit at the Company's registered office at least one week prior to the date of the Meeting. Shareholders may participate in the General Meeting in person or by proxy. The power of proxy to participate in the General Meeting should be made in writing. Furthermore, in the case of powers of proxy granted by legal persons or partnerships, a document confirming authorization of the persons granting the power of proxy to represent the shareholder should be attached.

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

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

Key powers of the General Meeting

The powers of the General Meeting are stipulated in art. 20.1. of the Company's Statutes and include:

a) reviewing and approving the Directors' Report and the Company's financial statements;

b) approving performance of duties by the Supervisory and Management Board members;

c) passing resolutions on distribution of profit or coverage of loss;

d) setting up and releasing special accounts;

e) determining the rules and amounts of remuneration of Supervisory Board members;

f) changing the Company's business objects;

g) amending the Company's Statutes;

h) increasing or reducing the share capital;

i) merging or transforming the Company;

j) dissolving and liquidating the Company;

k) issuing bonds, including convertible bonds;

l) appointing liquidators;

ł) making all decisions concerning claims for redress of any damage inflicted on formation of the Company, or in the management or supervision of the Company;

m) disposing of the Company's business or a substantial part thereof;

n) considering matters put forward by the Supervisory or Management Boards, or by shareholders.

The General Meeting is also authorized to appoint and remove members of the Supervisory Board (pursuant to art. 10.2 of the Statutes). Furthermore, pursuant to art. 368.1 of the Commercial Companies Code, the General Meeting may remove a member of the Management Board.

Shareholders' rights and the manner of exercising those rights.

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

Moreover, a shareholder or shareholders representing at least 10% of the share capital may request that the General Meeting be convened and that certain matters be placed on the agenda of the General Meeting (art. 400.1 of the Commercial Companies Code).

Shareholders also have the right to appeal against General Meeting's resolutions or to move for declaring such resolutions null and void.

k) Composition and changes thereto during the last financial year, and description of the operation of the Issuer's managing, supervisory or administrative bodies and their committees

Supervisory Board

Composition

No	**Name and surname**	Position
1.	Dominika Kulczyk	Chair of the Supervisory Board
2.	Hans E. Schweickardt	Deputy Chairman of the Supervisory Board
3.	Brian Bode	Member of the Supervisory Board since 26.02.2021
4.	Adrian Dworzyński	Member of the Supervisory Board
5.	Marjolein Helder	Member of the Supervisory Board
6.	Sebastian Kulczyk	Member of the Supervisory Board
7.	Orest Nazaruk	Member of the Supervisory Board
8.	Marta Schmude	Member of the Supervisory Board since 01.09.2020
9.	Grzegorz Stanisławski	Member of the Supervisory Board from 17.11.2020 until 25.02.2021
10	Emmanuelle Rouchel	Member of the Supervisory Board since 25.02.2021

On 1 September 2020, a resignation from the function of a member of the Supervisory Board of the Company was received from Ms. Marta Schmude.

On 17 November 2020 Mansa Investments Sp. z o.o. with the registered address in Warsaw as the shareholder, exercising the right resulting from art. 10.2 letter a) of the Company Statutes, appointed Mr. Grzegorz Stanisławski as a Member of the Supervisory Board as of 17 November 2020.

On 25 February 2021 Mr. Grzegorz Stanisławski ceased to perform the function of a member of the Supervisory Board, and Ms. Emmanuelle Rouchel was appointed as a member of the Supervisory Board.

On 26 February 2021 the Issuer's Management Board received the resignation of Mr. Brian Bode from the function of a member of the Supervisory Board.

The Supervisory Board is composed of six to nine members. The number of Supervisory Board members for a given term of office is determined by the General Meeting. The term of office of the Supervisory Board is three years, except for the first term of office of the Supervisory Board, which is one year. The Supervisory Board members are not appointed for a joint term of office.

The Supervisory Board members are appointed and removed in the following manner.

a) a shareholder holding shares representing at least 33% of the Company's share capital has the right to appoint and remove 2 members of the Supervisory Board, including the Chairman, by submitting a relevant written statement to the Company. If more than one shareholder holds shares representing at least 33% of the Company's share capital, the Chairman of the Supervisory Board is appointed by the shareholder holding the highest number of the Company shares;

b) China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF of Luxembourg, the Grand Duchy of Luxembourg, (the "Fund") has the right to appoint and remove one member of the Supervisory Board by submitting to the Company a relevant written statement;

c) other members of the Supervisory Board are appointed and removed by the General Meeting;

d) the right to appoint and remove members of the Supervisory Board referred to in a) and b) above may not be exercised jointly by the same entity or entities which are members of a single capital group.

At least 2 members of the Supervisory Board should meet the independence criteria described in the Code of Best Practices for WSE Listed Companies, attached as an Appendix to Resolution No. 19/1307/2012 of the WSE Board of 21 November 2012 or in a document which will replace the Code, and in particular such members may not have, in line with a representation submitted to the Company, any economic, family or other links with Kulczyk Holding S.à r.l., which could influence the position of a Supervisory Board member with regard to any matters decided by the Supervisory Board.

An Audit Committee operates within the Supervisory Board. The Audit Committee is composed of three members. The Audit Committee comprises the Supervisory Board member referred to in art. 10.2.b of the Statutes.

Composition of the Audit Committee

No	Name and surname	Position
1.	Orest Nazaruk	Chairman of the Audit Committee
2.	Hans E. Schweickardt	Member of the Audit Committee of the Supervisory Board
3.	Briana Bode	Member of the Audit Committee of the Supervisory Board until 26.02.2021
4.	Adrian Dworzyński	Member of the Audit Committee of the Supervisory Board since 19.03.2021

Information on the Audit Committee

Mr. Orest Nazaruk and Mr. Adrian Dworzyński meet the independence criteria defined in the Act on Certified Auditors. Mr. Orest Nazaruk has knowledge in the field of audits of financial statements and accounting, he also has knowledge and qualifications in the sector in which the Company operates, thanks to the experience gained, inter alia, in Arthur Andersen, State Treasury Ministry and PGNiG Energia. Mr. Hans E. Schweickardt has knowledge and qualifications in the sector in which Company operates, thanks to the experience gained, inter alia, in Alpiq, Swiss Grid and ATEL. Mr. Adrian Dworzyński is legal counsel with over 20-year experience. He has knowledge and qualifications in the sector in which the Company operates thanks to experience earned in companies such as PGE Polska Grupa Energetyczna S.A., PKN Orlen S.A. and DUON S.A.

In the last financial year the Audit Committee met twice.

In conformity with the Company's policy regarding the selection of certified auditor and audit company, the following criteria are applied in selection of an Auditor:

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

The recommendation on the selection of the audit firm to carry out the audit fulfilled the applicable conditions.

The auditing company auditing the financial statements provided additional permitted services in 2020, which were a review of mid-term financial statements and confirmation of compliance with the terms of the concluded loan agreements based on the analysis of financial information from the financial statements audited by the Auditor.

Rules of operation

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

An Audit Committee has been established within the Supervisory Board

The powers and responsibilities of the Supervisory Board include, in particular:

a) assessment of the Company's financial statements for the previous financial year;

b) issue of opinions on the Directors' Report and Management Board recommendations concerning the distribution of profit (including payment of dividend) or coverage of loss, on draft resolutions proposed to the General Meeting and on other important materials presented to shareholders in connection with the General Meeting;

c) review and approval of annual operational and financial plans for the Company ("Company Budget") and for individual projects ("Project Budgets") in which the Company invests, and any material changes thereto, as well as requesting the Management Board to present detailed reports on performance of the plans

"Project" means a company, business or venture engaged in the generation, transmission, distribution of or trade in electricity (including renewable energy) or heat, or in the supply, transmission, trade in or distribution of fuels (including gas), in which the Company is a shareholder, investor, developer or manager;

d) granting of consent for the Company to incur capital expenditure in an amount exceeding the equivalent of USD 100,000 (one hundred thousand US dollars), as calculated at the average rate quoted by the National Bank of Poland for the transaction date (the "Exchange Rate"), on the companies, business or venture that is not a Project

e) review and approval of the Company's strategic growth plans;

f) submission to the General Meeting of written reports on findings of the assessments referred to in item a) and b) above;

g) appointment, removal from office and suspension from duties of Management Board members, including the President, Vice President or the entire Management Board;

h) determination of the number of Management Board members for the next term of office ;

i) determination of the amount of remuneration and other benefits for Management Board members;

j) when all members of the Management Board have been removed from office or suspended from duties or when the Management Board is unable to operate for other reasons, delegation of one or more Supervisory Board members to temporarily perform the duties of the Management Board

k) granting consent for sale, lease, exchange, or other disposal of the Company's assets, including the Company's interest in a Project, as part of a single transaction or a series of related transactions, with a market value exceeding the equivalent of USD 100,000 (one hundred thousand US dollars), as calculated at the Exchange Rate

l) granting consent to the Company for the taking out of bank loans, taking out or advancing of other loans, and taking on other debt, save for (i) liabilities incurred in the ordinary course of business in respect of the provision of services or the delivery of goods, (ii) taxes not yet due and payable, (iii) other current liabilities, where the portion not provided for in the Company's approved budget does not exceed the PLN equivalent of USD 250,000 (two hundred and fifty thousand US dollars), as translated at the Exchange Rate;

m) granting consent to the Company for incurring expenditure in an amount exceeding the PLN equivalent of USD 250,000.00 (two hundred and fifty thousand US dollars), as translated at the Exchange Rate, as part of a single transaction or series of related transactions, other than expenditure provided for in the Company's approved annual budget or arising in the Company's ordinary course of business, with the proviso that capital expenditure is not treated as expenditure incurred in the Company's ordinary course of business;

o) granting consent to the Company for taking part in legal transactions with any of the following;

i) an entity in which the Company holds, directly or indirectly, shares or other equity interests, unless the shares or equity interests represent 100% (one hundred per cent) of the share capital of such entity;

ii) a member of the Company's Management Board;

iii) a member of the Company's Supervisory Board;

p) granting consent to the Company for entry into an agreement establishing a partnership under civil law, general partnership, limited partnership, into a profit-sharing or revenue-sharing agreement or any similar agreement whereunder the Company's revenue or profit is or may be shared with other persons or entities;

q) granting consent to the Company for the establishment of branches or subsidiaries, acquisition or subscription for shares or equity interests in other companies, and entry into partnership agreements with entities other than companies in which the Company holds, directly or indirectly, 100% (one hundred per cent) of the share capital;

r) granting consent to the Company for the issue of sureties or guarantees or other encumbrance of its assets if the cumulative amount of such sureties, guarantees or other encumbrances exceeds or may exceed the PLN equivalent of USD 100,000.00 (one hundred thousand US dollars), as translated at the NBP exchange rate, unless such sureties, guarantees or other encumbrances are provided for in the Company's approved budget;

s) selection or change of the Company's auditor;

t) granting consent for the appointment of commercial proxies and approving the amount of remuneration of the commercial proxies;

u) granting consent for the execution, material amendment or termination of an agreement with a value exceeding the PLN equivalent of USD 500,000 (five hundred thousand US dollars) as at the Exchange Rate, and concerning the provision of energy services, purchase of energy, facility management, lease of assets, turn-key procurement and delivery, equipment maintenance and operation, contracting a bank loan or other borrowings or supply of fuel, as well as any other agreements relating to a Project involving the Company, including any changes to orders under turn-key procurement and delivery agreements, unless any of the above is provided for in the Company's approved budget;

w) approving the terms and conditions of project financing and any material amendments to such terms and conditions;

x) granting consent for a material change in the accounting policies applied by the Company;

y) approving any acquisition or disposal by the Company of a property, perpetual usufruct right or interest in a property, unless such acquisition or disposal was provided for in the Company's or a Project's approved budget.

Management Board

Composition

No	Name and surname	Position
1.	Michał Michalski	President of the Management Board
2.	Iwona Sierżęga	Member of the Management Board
3.	Piotr Maciołek	Member of the Management Board since 22.01.2020
4.	Tomasz Kietliński	Member of the Management Board since 22.01.2020
5.	Jarosław Bogacz	Member of the Management Board since 22.01.2020

At the meeting on 22 January 2020 the Supervisory Board appointed Mr. Piotr Maciołek, Mr. Tomasz Kietliński and Mr. Jarosław Bogacz to the position of the Management Board Member.

15. Proceedings pending before common courts of law, arbitration courts or public administration authorities, including information concerning:

a. proceedings relating to liabilities or receivables of the Issuer or its subsidiary with a value equal to at least 10% of the Issuer's equity, specifying the subject matter of the proceedings and the Issuer's position

There were no proceedings relating to liabilities or receivables of the Issuer or its subsidiary with a value equal to at least 10% of the Issuer's equity

b. two or more proceedings regarding liabilities and receivables, the total value of which is respectively at least 10% of the Issuer's equity, specifying the total value of proceedings separately in the group of liabilities and receivables, together with the Issuer's position in this case and, regarding the largest proceedings in the group of liabilities and the group of receivables – with an indication of their subject, the value of the subject of the dispute, the date of initiation of the proceedings and parties to the proceedings

There were no proceedings relating to liabilities or receivables with a total value equal to at least 10% of the Issuer's equity.

c. other proceedings

The court dispute continued between Amon Sp. z o.o. and Talia Sp. z o.o. and Tauron Polska Energia S.A. and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. as the Tauron subsidiary. Detailed information were presented in item 13 - "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

The information concerning the action brought in by Eolos Polska Sp. z o.o. against Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and Polenergia Usługi Sp. z o.o. subsidiaries were described in item 13 - „Risk related to the dispute with Eolos Polska Sp. z o.o.".

For other disputes with contracting parties see item 13 „Risk pertaining to customers' actions".

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

NET REVENUES FROM THE SALE OF PRODUCTS (STRUCTURE BY CATEGORY – TYPES OF ACTIVITY [mPLN]		31.12.2020	31.12.2019	Change
Net revenues from the sale of energy		**1 522,4**	**2 289,5**	**-767,1**
Volume of electricity sold	**[MWh]**	**7 871 646,2**	**10 450 758,2**	**-2 579 112,1**
Net revenues from the distribution of energy		**46,8**	**45,8**	**1,0**
Volume of electricity distributed	**[MWh]**	**262 922,1**	**292 896,4**	**-29 974,2**
Net revenues from certificates of origin		**113,6**	**76,4**	**37,2**
Volume of green certificates sold	**[MWh]**	**832 246,8**	**923 136,4**	**-90 889,6**
Volume of yellow certificates sold	**[MWh]**	**0,0**	**0,0**	**0,0**
Net revenues from the sale of CO2 emission allowances		**11,9**	**0,8**	**11,1**
Volume of emission allowances sold	**[t CO2]**	**323 000,0**	**300 350,0**	**22 650,0**
Net revenues from the sale of heat		**21,5**	**21,9**	**-0,4**
Volume of heat sold	**[GJ]**	**430 437,4**	**436 499,2**	**-6 061,8**
Net revenues from consulting projects		**5,5**	**4,9**	**0,6**
Net revenues from lease and operator's services		**4,2**	**1,7**	**2,5**
Revenues from the sale of goods		**2,5**	**0,0**	**2,5**
Revenues from the sale of pellets		**0,0**	**15,1**	**-15,1**
Revenues from the stranded costs and gas costs		**13,8**	**96,7**	**-82,9**
Net revenues from the sale of gas		**61,6**	**30,6**	**31,0**
Volume of gas fuel	**[MWh]**	**805 318,5**	**399 481,8**	**405 836,7**
Net revenues from the distribution of gas		**4,4**	**4,9**	**-0,5**
Volume of gas distributed	**[MWh]**	**275 047,9**	**349 647,0**	**-74 599,1**
Other revenues		**3,2**	**8,3**	**-5,1**
Net revenues from the sale of products, total		**1 811,4**	**2 596,6**	**-785,2**

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

The Group generates revenues from sales of goods and services both on domestic and foreign markets, while revenues generated in Poland represent a vast majority (87% in 2020).

SPLIT OF REVENUES BY GEOGRAPHICAL AREA

	For 12 months period ended on		Change
	31.12.2020	31.12.2019	y/y'
- Domestic market	**1 577 602**	**2 382 479**	**(804 877)**
- Foreign markets	**233 750**	**214 098**	**19 652**
Total revenues from contracts with customers	1 811 352	2 596 577	(785 225)

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

Supplier	Goods purchased	Type of link with the Group	2020
Warsaw Commodity Clearing House	Electricity, property rights	no link	52%

Currently the main raw material used by the Group to produce heat and electricity is natural gas.

In 2020 the Group purchased natural gas from PGNiG S.A. Group, but is also able to purchase gas fuel on the free market.

Below are presented other suppliers of goods and services which accounted for 10% or more of the Group's total revenue in 2020,

Supplier	Goods purchased	Type of link with the Group	2020
Warsaw Commodity Clearing House	Electricity, property rights	no link	45%

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

On 3 November 2020 Mansa Investments Sp. z o.o. with the registered address in Warsaw, the Company's majority shareholder („Mansa Investments") and BIF IV Europe Holdings Limited with the registered address in London, United Kingdom, entity related with Brookfield Renewable Partners L.P. ("Investor", and "Parties" jointly with Mansa Investments) concluded transaction documentation consisting of an investment agreement ("Investment Agreement") and a shareholders agreement ("Shareholders Agreement", and "Transaction Documentation" together with the Investment Agreement) complying with the criteria set out in art. 87 sec. 1 item 5 of the Act of 29 July 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies and concerning the acquisition of the Company's shares, exercising voting rights at the general meeting of the Company and implementing a common policy towards the Company, with regard to "Transactions" including, inter alia:

A. Calls to subscribe for the sale of shares

In accordance with the Transaction Documentation, the Parties undertook to cooperate in connection with the Investor's purchase of a package of the Company's existing shares by way of a public tender offer for 100% of the Company's shares (the "Tender Offer"), which will be announced by the Investor and Mansa Investments acting in concert, while it is expected that as a result of the Tender Offer the Parties will hold shares representing at least 90% of votes at the General Meeting of the Company.

The parties agreed that the Tender Offer would be announced on 6 November 2020 after the Company publishes the consolidated quarterly report for the third quarter of 2020. Subject to applicable law, the price per share of the Company in the Tender Offer will be PLN 47.00.

B. Obligations concerning the transitory period

In the period between entering into the Investment Agreement and the settlement of the Tender Offer, the Parties agreed that the Company would operate in the ordinary course of business, provided, however, that transactions exceeding certain material thresholds would require prior consent of the Investor.

C. Withdrawal of the Company's shares from trading and compulsory buyout

The purpose of the Tender Offer was to withdraw the Company's shares from trading on the Warsaw Stock Exchange. Depending on the result of the Tender Offer, withdrawal of shares from trading may be preceded by a compulsory buyout.

D. Issue of New Shares

After the Company's shares are withdrawn from trading on the Warsaw Stock Exchange, the Company's share capital will be increased by issuing "New Shares", whereby:

- The New Shares will only be acquired by Mansa Investments (or its affiliate);
- the total issue price of the New Shares (total amount contributed) will be equal to the aggregate amount of Mansa Investments' outstanding receivables on account of shareholder loans extended to project companies to finance the development of existing onshore wind farm projects;
- the issue price of one New Share will be PLN 25.10, i.e. the closing price of the Company's shares on the Warsaw Stock Exchange on the day of entering into the above-mentioned loan agreements.

E. Company statutes, corporate governance

Pursuant to the Shareholders‘ Agreement, Mansa Investments and the Investor will take appropriate steps to amend the Statutes of the Company after its shares are withdrawn from trading on the Warsaw Stock Exchange, so that the Statutes are compliant and correctly reflect the relevant provisions of the Shareholders' Agreement. However, after the settlement of the Tender Offer, between the Parties (including the Company) the provisions of the Shareholders 'Agreement will prevail over the currently binding Statutes and the Parties undertake to exercise their corporate rights, including voting rights, in order to fully implement the provisions of the Shareholders' Agreement.

F. Further development of the Company

After the tender offer is settled, Mansa Investments and the Investor will exercise joint control over the Company.

The parties committed to continue supporting the ongoing development and growth of the Company as a leading private energy company in Poland, in accordance with the applicable Polenergia Group Strategy for 2020-2024, approved by the Company's Supervisory Board on 18 May 2020. Therefore, the Investor committed to make capital payments in the total amount of EUR 150m within the next two years, immediately after the withdrawal of the Company's shares from trading on the Warsaw Stock Exchange. The issue price of one share in the above mentioned issues will be PLN 43.00.

G. Profit distribution policy

The Transaction Documentation sets out the profit distribution policy to be applied by the Company after the settlement of the Tender Offer, according to which payouts (if any) will be limited with respect to profits generated in the years 2020-2024, and with regard to profits generated in 2025 and subsequent years, determined minimum amounts will be paid (if possible).

In compliance with the requirements set out in the Minister of Finance’s Regulation dated 19 February 2009 on current and periodic information to be published by Issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, information on significant agreements is disclosed by the Issuer in current reports.

On 5 February 2021 the Company was informed that on the same day Mansa Investments sp. z o.o. with the registered address in Warsaw ("Mansa Investments"), the majority shareholder of the Company, and BIF IV Europe Holdings Limited with the registered address in London, United Kingdom, an entity related to Brookfield Renewable Partners L.P. ("Investor", and "Parties" jointly with Mansa Investments) concluded annexes to the investment agreement of 3 November 2020 ("Investment Agreement") and shareholder agreements of the same day ("Shareholders Agreement"); the company informed about the conclusion thereof in current report No. 27/2020 on 4 November 2020.

In relation to the information provided in the above current report, the Parties agreed to change two parameters regarding the parties' cooperation after the Company's shares were withdrawn from trading on the Warsaw Stock Exchange:

1. the issue price of one New Share, i.e. the shares to be offered to Mansa Investment and the total issue price of which is to be equal to the total outstanding amount of Mansa Investments receivables on account of shareholder loans granted to project companies to finance the development of existing onshore wind farm projects (description for individual loans is included in the Company's current report No. 7/2020 POL of 14 April 2020), will amount to PLN 47.00 instead of PLN 25.10; and
2. the issue price of one share under the issue of shares to be offered to the Investor in performance of its commitment to make capital contributions to the Company in the total amount of EUR 150m over the next two years, immediately after the Company's shares are withdrawn from trading on the Warsaw Stock Exchange, will amount to PLN 47.00 instead of PLN 43.00.

Moreover, on 5 February 2021, the Investor published an announcement on the increase in the price per share of the Company in a tender offer to subscribe for the sale of the Company's shares announced on 6 November 2020 and subsequently amended by announcements on 8 December 2020, 17 December 2020, and on 20 January 2021, from PLN 47.00 to PLN 63.00. The subscription period expired on 17 February 2021. As a result of the tender offer, BIF IV Europe Holdings Limited subscribed for 10 370 213 shares of the Company, which constitutes 22.82% of the total number of votes in the Company.

On 20 February 2021 the Company was informed that on the same day Mansa Investments Sp. z o.o. with the registered address in Warsaw, the majority shareholder of the Company ("Mansa Investments") and BIF IV Europe Holdings Limited with the registered address in London, United Kingdom, an entity related to Brookfield Renewable Partners L.P. ("Investor" and "Parties" jointly with Mansa, or separately "Party") entered into an additional agreement ("Additional Agreement") to the investment agreement of 3 November 2020 as amended ("Investment Agreement") and the shareholders agreement of the same day, as amended ("Shareholders Agreement", and jointly with the Investment Agreement - "Agreements"), about which the Company informed in current reports No. 27/2020 on 4 November 2020 and No. 5/2021 and 6/2021 on 5 February 2021.

In the Additional Agreement the Parties:

1. confirmed the fulfillment of the two conditions of the tender offer to subscribe for the sale of 100% of the Company's shares, announced on 6 November 2020, as amended by announcements of 8 December 2020, 17 December 2020, 20 January 2021 and 5 February 2021 by the Investor and Mansa acting in concert (the "Tender Offer"): (i) issuance by the European Commission of an unconditional decision recognizing the planned concentration, consisting in the direct or indirect acquisition by the Investor of the Company's shares, which

will result in the acquisition of joint control over the Company by Mansa and the Investor, as compatible with the common market, and (ii) adoption by the Supervisory Board of the Company of the resolution on appointing a person designated by the Investor to the Supervisory Board of the Company to individually perform supervisory activities and confirmed the waiver of the last condition for the Investor's purchase of the Company's shares in the Tender Offer - the Company's accession to the Shareholders' Agreement and in connection with the subscription in the Tender Offer for a total of 10,370,213 Company's shares, the Investor made a decision to acquire such shares;

2. undertook to negotiate in good faith the amendments to the Agreements to reflect the provisions of the Additional Agreement therein;
3. decided to postpone the actions aiming at withdrawing the Company's shares from trading on the Warsaw Stock Exchange;
4. decided that the Agreements would provide for mechanisms of jointly increasing the Company's share capital in order to implement: (i) issue of New Shares and (ii) shares directed to the Investor to fulfill its obligations to make capital contributions to the Company of up to EUR 150m ("Tranche I");
5. decided that the increase of the share capital of the Company in order to carry out the issue of New Shares and Tranche I and additional financing in the amount of EUR 150m (Tranche II) would be made by issuing shares with pre-emptive rights or otherwise ensuring adequate protection against dilution for other shareholders of the Company and at the same issue price as the Parties;
6. decided to cooperate in order to maintain the remaining parameters of the future issues of the Company's shares as agreed in the Agreements;
7. undertook to negotiate in good faith in order to establish alternative financing conditions for the Company in the event that it is not possible to conduct a capital subsidy on the above terms;
8. decided, after the settlement of the Tender Offer, to exercise joint control over the Company by Mansa and the Investor and to strive for the future Supervisory Board of the Company to consist of 8 members, three members appointed by each of the Parties to exercise personal rights and two independent members elected either by the General Meeting or otherwise to be agreed with other shareholders of the Company; and
9. undertook to convene and hold a General Meeting by the end of May 2021 in order to adopt resolutions enabling the issue of New Shares and the shares under Tranche I.

On 25 February the company announced that it had received a notification from BIF IV Europe Holding Limited with the registered address in London, United Kingdom (the "Investor") under: (i) art. 69 sec. 1 item 1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (i.e. Journal of Laws of 2019 item 623 as amended) ("Act on Public Offer"), (ii) art. 69 sec. 2 item 2) in connection with art. 87 sec. 1 item 5) of the Public Offer on Financial Instruments Act and (iii) art. 77 sec. 7 of the Public Offer on Financial Instruments Act. As a result of settling the transaction for the purchase of the Company's shares, for which subscriptions were submitted in the tender offer to subscribe for the sale of 100% of the Company's shares, announced on 6 November 2020 and as amended in the announcements of 8 December 2020, 17 December 2020, 20 January 2021 and 5 February 2021, the Investor acquired 10 370 213 shares of the Company, constituting 22.82% of the share capital of the Company, entitling to exercise 10 370 213 votes in the Company, constituting 22.82% of the total number of votes in the Company . At the same time, the Investor informed in the notification that together with Mansa Investments Sp. z o.o. with the registered address in Warsaw, with which the Investor has a memorandum of understanding referred to in art. 87 sec. 1 item 5) of the Public Offer on Financial Instruments Act, the parties to such memorandum of understanding currently hold a total of 33,837,256 shares of the Company, which constitutes 74.46% of the

Company's share capital, entitling to exercise 33,837,256 votes in the Company, which constitutes 74.46% of the total number votes in the Company.

Moreover, the Issuer provides information on significant agreements in the form of current reports in accordance with the requirements set out in the ordinance of the Minister of Finance of 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the law of a non-member state.

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

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

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

For information on the Company's related-party transactions, see Note 46 to the Consolidated financial statements.

21. Loan agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates of the loans

For contracted credits and loans see Note 30 to the Consolidated financial statements.

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

Loans granted are presented in Note 38.1 to the Standalone financial statements.

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

For information on loan sureties or guarantees issued by the Issuer or the Issuer's subsidiary to a single entity or its subsidiaries, see Note 28.1 to the Standalone financial statements and Note 33 to the Consolidated financial statements.

The sureties and guarantees obtained are presented below:

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
ERBUD S.A.&PBDI S.A. Consortium / Sopockie Towarzystwo Ubezpieczeniowe Ergo Hestia	Construction work contract – warranty for defects FW Mycielin	PLN 3.627.449,50	10.07.2021
ENEA Trading Sp. z o.o./ENA S.A.	Guarantee for liabilities under Master Agreement for sale of energy to Polenergia Obrót S.A.	PLN 2.000.000,00	30.06.2022

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
Freepoint Commodities Europe LLP / Freepoint Commodities LLC	Trade contract - Polenergia Obrót S.A.	EUR 5.000.000,00	Indefinite term
EDF Trading / EDF Ireland	Trade contract - Polenergia Obrót S.A.	EUR 3.000.000,00	16.08.2023
Control Process S.A. / Millenium	Trade contract - Polenergia Obrót S.A.	PLN 1.000.000,00	31.12.2021
Fortum Oyi	Trade contract with Polenergia Obrót S.A.	PLN 4.000.000,00	31.01.2023
PKP Energetyka / PKO SA	Trade contract with Polenergia Obrót S.A.	PLN 6.000.000,00	08.04.2022
Potęgowo Mashav / DNB Bank Polska	SWAP for delivery from Polenergia Obrót S.A.	PLN 789.221,00	30.06.2021
Potęgowo Mashav / DNB Bank Polska	SWAP for delivery from Polenergia Obrót S.A.	PLN 824.353,00	09.07.2021
Potęgowo Mashav / DNB Bank Polska	SWAP for delivery from Polenergia Obrót S.A.	PLN 535.550,00	05.12.2021
PGNiG Obrót Detaliczny SP. z o.o./Bank Gospodarstwa Krajowego	DPG-POLK-PGNiG-2016 contract for gas fuel distribution services - Polenergia Kogeneracja Sp. z o.o.	PLN 1.473.447,00	31.10.2021
PBDI S.A./ AXA Ubezpieczenia TUiR S.A	Performance bond - Polenergia FW Szymankowo	PLN 4.557.150,00	30.09.2021
Bilfinger Tebodin Poland Sp. z o.o. / Skandinavska Enskilda Banken AB S.A. O/Polska	Contract Engineer services agreement – Polenergia FW Szymankowo	230.400,00 PLN On 15.06.2021 the guarantee amount will drop down to PLN 61.120,00	30.05.2023
Siemens Gamesa Renewable Energy Sp. z o.o. Siemens Gamesa Renewable Energy S.A..	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Szymankowo	Max EUR 27.932.918,00 reduced with the completion of the phases of the agreement	30.11.2021
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Dębice/Kostomłoty	Contractual amount EUR 25.830.000,00 net	31.12.2024
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW 3	Contractual amount EUR 99.660.000,00 net	31.12.2024
PU JAREX SP. Z O.O. - KONSORCJUM ELECTRUM / PKO BP	Performance Bond for the contract entered into with Polenergia FW 3	PLN 3.271.800,00	15.04.2022

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
ELECTRUM Sp. z o.o. / InterRisk TU S.A.	Insurance Performance Bond for the contract entered into with Polenergia FW 3	PLN 10.542.920,40	15.04.2022
PBDI S.A. and ERBUD S.A. Consortium / STU ERGO HESTIA S.A.	Performance Bond for the contract entered into with Polenergia FW 3	PLN 9.818.350,25	11.06.2022
Santander Bank Polska SA	Performance Bond for support contract	PLN 43.200.000,00	31.10.2030

24. For issues of securities in the period covered by the report - description of the Issuer's proceeds use until the date of preparation of the report on operations

In the period covered by this report, no securities were issued.

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

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

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

The most important part of the Issuer's and the Group's financial liabilities are bank borrowings, described in more detail in the financial statements. As at 31 December 2020 all liabilities of the Issuer and the Issuer's capital Group were settled in a timely manner.

On the other hand, volatility in prices of electricity and green certificates may potentially result in a failure to meet the financial ratios defined in loan agreements concluded to finance individual wind farm projects.

The Group is monitoring the situation and keeping in touch with the financing institutions. If the prices of electricity and green certificates decrease, in a longer run there may be temporary problems with the performance of the obligations resulting from certain credit facility agreements, which in the case of some projects may trigger payment under guarantees issued by Polenergia S.A. For details on the guarantees, see Note 28.1 to the Standalone financial statements.

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

As at the publication hereof, the Group plans to spend an estimated total amount of ca. PLN 750m on property, plant and equipment in 2021. The amount will largely be allocated to an investment program in the wind farms, photovoltaic and distribution segments and on project development, including in offshore and onshore wind power generation and photovoltaic generation.

Polenergia S.A. seeks to finance projects under a "project finance" model which assumes partial reliance on externally sourced funds. It does not rule out, however, securing investors who would acquire shares in projects and participate in construction financing.

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

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

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

<u>External and internal factors affecting the Group's growth</u>

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

http://polenergia.pl/pol/pl/page-prezentacje

<u>Description of the Group's business growth prospects</u>

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

Currently, the Group is focused on:

- further optimizing its operating costs and improving asset efficiency,
- developing new projects and maintaining the existing projects, both in offshore and onshore wind farms and photovoltaic area,
- developing the projects from onshore wind farm portfolio which won auctions in 2019 and 2020 and preparing further projects to participate in subsequent RES auctions,
- implementing new projects from photovoltaic farm portfolio which won the auctions in 2020, and preparing further projects to participate in subsequent RES auctions,
- further developing business in trading segment,
- implementing an investment project in the distribution area (which targets an increase of the Regulatory Assets Base and a growth in the number of customers connected to the company's network on a permanent basis),
- pursuing initiatives in photovoltaics for existing customers and vehicle charging stations.
- intensifying efforts to grow energy sales to customers not connected to the company's network.
- development in the gas and clean fuels segment based on the construction of new gas production capacities in cooperation with Siemens and industrial partners as well as the production and storage of green hydrogen produced in the electrolysis process from the Group's own renewable energy.

More information on the Issuer's Group business development policy is available on the website at:

http://www.polenergia.pl/pol/pl/page-prezentacje

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

In the financial year 2020, there were no changes to the basic management rules of the Issuer or its Group.

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

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

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

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

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

Mr. Jarosław Bogacz is appointed to the Management Board with the resolution of the Supervisory Board of 22.01.2020 and is a party to a non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration for 6 months as compensation for refraining from any activities that would compete with the Company's business.

Mr. Robert Nowak was party to an employment contract concluded with the Company. The contract was entered into for an indefinite term with a notice of termination of 6 months. Furthermore, Mr. Robert Nowak was a party to a non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration for 6 months as compensation for refraining from any activities that would compete with the Company's business. The contract with Mr. Robert Nowak was terminated in December 2019. The notice period expired on 30 June 2020, while the Company's obligation to pay him an amount equal to 100% of his remuneration as compensation for refraining from any competitive activities expired as at the end of 2020.

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

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

For information on the remuneration of members of the Management and Supervisory Boards, see Note 49 to the Consolidated financial statements.

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

The Issuer does not have the above liabilities.

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

Ms. Dominika Kulczyk owns 100% of shares in Kulczyk Holding S.à r.l., company set up under the law of Luxembourg holding 100% shares of Mansa Investments Sp. z o.o., which is the owner of 51.64% shares of the Issuer.

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

On 3 November 2020, Mansa Investments and BIF IV Europe Holdings Limited based in London concluded transaction documentation consisting of an investment agreement and a shareholder agreement, including, inter alia, the call to subscribe for the sale of shares in Polenergia S.A.; on 6 November 2020, a tender offer was announced to subscribe for the sale of 100% of Polenergia S.A. shares.

On 5 February 2021, the Company was informed that on the same day the majority shareholder of the Company - Mansa Investments Sp. z o.o. based in Warsaw ("Mansa Investments") and BIF IV Europe Holdings Limited based in London, United Kingdom, an entity related to Brookfield Renewable Partners L.P. ("Investor", and "Parties" jointly with Mansa Investments) concluded annexes to the investment agreement of 3 November 2020 ("Investment Agreement") and shareholder agreements of the same day ("Shareholders Agreement"); the Company informed about the conclusion thereof in current report No. 27/2020 on 4 November 2020.

Additional information in the above matter were described in item 18 hereof.

Apart from the above, the Issuer is not aware of any agreements which may result in a future change to the current shareholder structure.

36. Employee stock ownership plan control system

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

37. Additional information:

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

Agreement of 26 March 2020 between Polenergia S.A. and Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the registered address in Poznań, ul. abpa Antoniego Baraniaka 88 E for the performance of:

- review of the interim Standalone and Consolidated financial statements for the periods from 1 January 2020 until 30 June 2020 and from 1 January 2021 until 30 June 2021
- audit of the Standalone and Consolidated financial statements for the year ended 31 December 2020 and 31 December 2021

Moreover, individual Group companies concluded agreements with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the registered address in Poznań, ul. abpa Antoniego Baraniaka 88 E for the audit of their financial statements for the year ended 31 December 2020 and 31 December 2021.

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

In 2020 Group companies used services of the selected audit firm which comprised audits or reviews of their financial statements or Consolidated financial statements, as well as additional services, aimed at confirming the fulfillment of concluded loan agreements on the basis of analyses of financial information derived from audited financial statements.

c) the body that selected the audit firm

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

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

For detailed information on the entity authorized to audit the financial statements see Note 51 to the Consolidated financial statements.

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

Off-balance sheet items by entity, type and value are presented in Note 33 to the Consolidated financial statements.