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 31 DECEMBER 2021

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Warsaw, 7 April 2022

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1. Consolidated profit and loss account for a 12-month period ended on 31 December 2021

In 2021 the results of Polenergia Group (the "Group") in terms of the adjusted (normalized) EBITDA and net profit, amounted to PLN 361.2m and PLN 187.2m, respectively, which means a year-on-year increase of PLN 104.4m and PLN 76.2m, respectively.

	Polenergia Group Income Statement (PLN m)	12M 2021	12M 2020	Difference YOY	Difference YOY [%]	Q4 2021	Q4 2020	Difference YOY	Difference YOY [%]
	Sales revenues, including:	**3 999,4**	**1 811,3**	**2 188,1**	**121%**	**2 066,9**	**481,9**	**1 585,1**	**329%**
	trading and sales segment	3 323,4	1 184,7	2 138,7		1 824,0	344,0	1 480,0	
	other	676,1	626,6	49,5		242,9	137,9	105,0	
	Cost of goods sold, including:	**(3 657,0)**	**(1 603,9)**	**(2 053,1)**	**128%**	**(1 987,9)**	**(432,4)**	**(1 555,6)**	**360%**
	trading and sales segment	(3 281,6)	(1 147,7)	(2 134,0)		(1 838,1)	(337,6)	(1 500,5)	
	other	(375,3)	(456,2)	80,9		(149,9)	(94,8)	(55,1)	
	Gross profit on sales	**342,1**	**207,5**	**134,6**	**65%**	**78,6**	**49,5**	**29,1**	**59%**
	Selling expenses and general overheads	(77,8)	(49,0)	(28,8)	59%	(25,1)	(15,3)	(9,7)	63%
	Other operating revenue/expense	(30,4)	7,0	(37,3)	-536%	(19,5)	4,1	(23,6)	-581%
A	**Operating profit (EBIT)**	**233,9**	**165,5**	**68,4**	**41%**	**34,0**	**38,2**	**(4,2)**	**-11%**
	Depreciation/Amortization	93,3	96,3	(3,1)		24,9	23,3	1,6	
	Impairment losses	20,1	(5,1)	25,2		19,9	(5,6)	25,5	
	Cost connected with net result on sale of assets ***	13,9	-	13,9		-	-	-	
	EBITDA	**361,2**	**256,8**	**104,4**	**41%**	**78,9**	**55,9**	**22,9**	**41%**
	Normalizing adjustments:								
	Purchase price allocation (PPA)	-	-	-		-	-	-	
	Adjusted EBITDA*	**361,2**	**256,8**	**104,4**	**41%**	**78,9**	**55,9**	**22,9**	**41%**
B	Financial income	230,3	5,1	225,2		2,7	0,6	2,1	
C	Financial costs	(44,1)	(44,3)	0,1		(13,5)	(10,2)	(3,4)	
A+B+C	**Gross profit (loss)**	**420,1**	**126,3**	**293,7**	**232%**	**23,2**	**28,6**	**(5,5)**	**-19%**
	Income tax	(85,5)	(17,8)	(67,7)	379%	(7,6)	(0,7)	(6,9)	972%
	Net profit (loss) from continuing operations	**334,5**	**108,5**	**226,0**	**208%**	**15,6**	**27,9**	**(12,4)**	**-44%**
	Profit from discontinued operating activities	(1,6)	0,3	(1,9)		-	0,3	(0,3)	
	Profit on disposal of discontinued operations	4,4	1,7	2,6		0,0	1,7	(1,7)	
	Net profit (loss)	**337,3**	**110,5**	**226,8**	**205%**	**15,6**	**30,0**	**(14,4)**	**-48%**
	Normalizing adjustments:								
	Purchase price allocation (PPA)	0,7	4,1	(3,4)		0,2	0,3	(0,1)	
	Foreign exchange differences	2,7	0,0	2,6		2,4	0,1	2,4	
	Loan valuation using the amortized cost method	1,4	1,4	(0,0)		0,3	0,3	(0,0)	
	Impairment losses **	20,1	(5,1)	25,2		19,9	(5,6)	25,5	
	Net result on sale of assets ***	(174,9)	-	(174,9)		-	-	-	
	Adjusted net profit (loss)*	**187,2**	**111,0**	**76,2**	**68,7%**	**38,4**	**25,1**	**13,3**	**53%**
	Adjusted EBITDA*	**361,2**	**256,8**	**104,4**	**41%**	**78,9**	**55,9**	**22,9**	**41%**
	Adjusted EBITDA Margin*	9,0%	14,2%	-5,1%		3,8%	11,6%	-7,8%	
	Adjusted EBITDA (excl. trading segment)	**338,7**	**234,6**	**104,0**	**44%**	**99,7**	**54,2**	**45,5**	**84%**
	Adjusted EBITDA margin (excl. trading segment)	50,1%	37,4%	12,6%		41,0%	39,3%	1,7%	

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

**) Reversal of the impairment losses in Gas & Clean Fuels segment and connected with projects development

***) Earn-out for sale of shares in offshore projects

The sales revenues of Polenergia Group for the year 2021 were higher by PLN 2,187.1m, mainly due to higher revenues in the trading and sales segment (by PLN 2,138.7m), the gas and clean fuels segment (by PLN 35.7m) and distribution (by PLN 14.3m).

The adjusted EBITDA in the period in question amounted to PLN 361.2m and exceeded by PLN 104.4m the one in the corresponding period of the preceding year as a result, in particular, of the higher performance in the gas and clean fuels segment (by PLN 117.0m) in connection with the implementation of the work optimizing process at Nowa Sarzyna Plant in accordance with the Agreement for the portfolio management services and sale of electrical energy, gas fuels and emission allowances ("SLA"). The increased EBITDA result has been partly offset by lower result of the onshore wind farm segment (decrease by PLN 9.8m) due to lower production volume resulting from poorer windiness compared to the year 2020.

In the fourth quarter of 2021 sales revenues of Polenergia Group significantly increased by PLN 1,584.7m year on year, due to, in particular, higher sales revenues in the trading and sales segment (by PLN 1,480.0m), the gas and clean fuels segment (by PLN 63.1m) and the onshore wind power segment (by PLN 24.0m).

The adjusted EBITDA in that period amounted to PLN 78.9m and was higher by PLN 22.9m year on year. Such result has been driven mainly by the increased result in the gas and clean fuels segment (growth by PLN 27.8) resulting predominantly from the heat sales result (additional agreement entered into in December 2021 with an industrial heat customer) and system-related services (reliability must-run (RMR)), as well as from the better performance of the onshore wind power segment (by PLN 19.3m) resulting from higher windiness, energy generation originating from the Szymankowo wind farm brought into operation and the generation during the start-up period of the Dębsk wind farm under construction.

2. Detailed commentary regarding financial performance for the 12-month period ended on 31 December 2021 and other significant information on the Group's standing.

In 2021, the onshore wind farm segment yielded EBITDA which was lower by PLN 9.8m year on year, while in the fourth quarter alone, EBITDA increased by PLN 19.3m. The drop in the segment's performance in 2021 is mainly the effect of lower production volume (poorer windiness) and higher operating costs of operating wind farms, partly offset by the generation originating from the Szymankowo wind farm brought into operation and the generation during the start-up period of the Dębsk wind farm under construction, as well as higher prices of green certificates and electricity at the segment level.

The EBITDA result in the photovoltaic segment in 2021 was lower by PLN 0.8m year on year due to increased costs related to the development of the PV projects in the development phase. In the fourth quarter, the segment's performance was similar to that in Q4 2020 (a drop by PLN 0.2m) as a result of higher costs related to the development of the PV projects, partly offset by better performance of the Sulechów I PV farm.

In 2021 the EBITDA result of the gas and clean fuels segment increased by PLN 117m year on year, and in the fourth quarter alone it increased by PLN 27.8m. Better performance was mainly due to the optimized work of ENS, higher revenues from the heat sales and system-related services (RMR) and the proceeds from the gas compensation.

The outcome of the optimization included the reversal of the forward transactions hedging the production and sales of electricity in ENS in Q3 and Q4 2021, in 2022 and some months of 2023 as part of the plant's performance optimization process. Changes in the level of margin resulting from the changes in the level of prices of electricity, gas and Co_2 allowances in connection with the generation of electricity in ENS Clean Spark Spread (CSS) permitted to make a decision to curb the planned generation and realize margins on the closing of the position in the forward market for the a/m periods. The measurement of relevant financial instruments related to the a/m transactions, as per IFRS 9, means that the following items were recognized under the Q4 2021 result at the Group level: (i) the result on the anticipated ENS production for the abovementioned future periods the concluded transactions referred to, i.e. PLN 1.4m (PLN 11.5m YTD) - a time shift, and (ii) the impact of additional optimization factors and positive CSS changes of PLN 6.2m (PLN 34.8m YTD). The impact of measurement of these transactions on EBITDA in Q4 2021 has been disclosed under the trading and sales segment in the amount of PLN 1.3m (PLN 11.1m YTD) and in the gas and clean fuels segment in the amount of PLN 6.3m (PLN 35.2m YTD). The impact of the transactions concluded with respect to Q4 2021 the measurement of which was recognized in the financial statements as at the end of the Q3 2021 amounting to PLN 25.8m has been included in the realized result reducing the measurement figure as at 31 December 2021. On top of that, the increased year-on-year performance was driven by the capacity market revenues (the performance of the capacity obligation began as of January 2021) partly offset by no revenues from the stranded cost compensation (the compensation scheme was discontinued in May 2020)), higher result on the sales of heat and on the provision of service-related services (RMR services) and higher revenues from gas costs compensation (PLN 21.9m). The above was partly offset by the final adjustment of the stranded cost compensation which was lower by PLN 9m (the final settlement under the compensation system took place in August 2021).

In 2021 the trading and sales segment recorded a year-on-year growth of EBITDA by PLN 0.4m. The higher result in 2021 YTD is mainly the effect of: i) short-term optimizations in the current year and mid-term optimizations performed under SLA in terms of hedging production and sales of ENS, resulting in the measurement of PLN 11.1 worth of forward transactions for 2022 and partly 2023, ii) better performance on the trading portfolio due to the implementation of the short-term strategy on, without limitation, energy markets, iii) sales to strategic customers and limited proprietary trading in the field of energy and gas. Said growth was offset by: I) lower result on RES aggregation and wind farm-originating electricity trading due to higher profile and balancing cost in Q4 2021. ii) lower result on trading in green certificates from wind farms, mainly due to the impact of the lower volume of available certificates in 2021, iii) higher operating costs and commission costs resulting from the business scale expansion.

The EBITDA result of the trading and sales segment in Q4 2021 was lower by PLN 22.5m year on year because of: i) lower performance on the business in the RES aggregation line wind farm-originating energy trading as a result of the adverse impact of high profile costs, ii) drop in the performance on the sales to strategic customers related to the measurement of forward transactions, iii) higher operating costs and commission costs resulting from the business scale expansion. This drop was partly offset by: i) higher margin on the trading portfolio due to the implementation of the short-term strategy on energy markets, ii) increase of the result related to the implementation of the strategy on energy and gas markets under proprietary trading, iii) additional result of PLN 1.3m on the optimization under SLA resulting in the valuation of a part of the intended ENS generation for the year 2023.

In 2021 the EBITDA of the distribution segment was higher by PLN 4.2m YOY, while in Q4 alone it was higher by PLN 3.1m. Better result has mainly been an effect of higher margin on electrical energy distribution, driven predominantly by higher revenues from the connection fees, the new tariff in effect and lower demand for energy in 2020 caused by the epidemic restrictions and higher unit margin on energy sales. The result was partly offset by higher operating costs, as well as the costs expended for the e-mobility pilot project. On top of that, in Q4 2021 alone lower result was reported by Polenergia Kogeneracja on gas distribution (mainly due to lower volume and higher balancing cost).

The result in the unallocated segment, in the period from January to December 2021, was lower by PLN 6.6m, with the result in Q4 2021 alone being lower by PLN 4.6m year on year. The change of EBITDA was influenced by the discontinued biomass processing business and by higher HQ operating expenses.

As a consequence of the abovementioned developments, the adjusted EBITDA margin excluding the trading and sales segment, amounted to 50.1%, and was higher by 12.7 pp year on year. In Q4 in turn, the adjusted EBITDA margin amounted to 41.1%, having declined by 1.8 pp year on year.

The result on the financial operations in 2021 was higher than one in the preceding year by PLN 225.3m and was impacted, in the first place, by the financial revenue from the earn-out in the amount of PLN 225.4m received in respect of the sale of shares in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. that took place in 2018, the result on the sale of the Wińsko project (PLN 0.4m), the higher f/x gains (by PLN 3.1m), the revenues from sureties (by PLN 0.6m), the lower interest expenses (by PLN 2.6m), partly offset by lower revenues from interest on deposits (by PLN 2.1m), the selling expenses of the Mercury Sp. o.o. project (PLN 0.2m) and higher commission cost (by PLN 1.2m), the lease receivables write-offs (PLN 1.9m) and the lower measurement of financial instruments in the gas and clean fuels segment (PLN 1.3m).

Higher income tax (by PLN 67.7m) mainly due to higher profit before tax of the Group in 2021 (higher operating profit and financial income).

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. Good financial performance achieved in 2021 show that the continued pandemic did not materially affect the operation of the companies within the Group.

Most of the Group's staff continued teleworking using remote communication equipment. All vital operating processes have been on schedule, with significant management processes handled remotely. The Company identifies risk factors related to the variable scale of COVID-19 infections, in particular with respect to activities and processes 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 experienced 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 of new staff members working on the construction site of Kostomłoty and Dębsk wind farms, as well as invariable composition of worker teams on site (it is prohibited to exchange staff members among the sites).

By the end of Q1 2021, the impact of COVID-19 pandemic on the performance in the distribution segment was manifested by a drop in the demand for electricity driven, among others, by the industrial plants and shopping malls. In Q2 2021, after the sanitary restrictions were alleviated, a gradual growth in demand for electricity was observed. In view of the extended pandemic period in Poland, entailing high uncertainty, the Company has been monitoring in detail the collection of receivables and has been maintaining an increased bad debt provision established in 2020.

In the trading and sales segment, in view of the COVID-19 outbreak and the situation involving shortage of goods and the inflation pressure that occurred after the lockdown period, an increased risk of business operation continues. This has mainly been due to high volatility of prices of CO_2 allowances, natural gas, electrical energy and raw materials and the currency exchange rates. In addition, a factor that increases the risk of commercial business is the risk of increased risk of counterparty insolvency. The abovementioned risk factors may also materially affect the Company's 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 those areas and more stringent verification methods have been applied when entering into new transactions.

The wind power segment remains in 2021, and will remain in 2022, 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.

The impact of the war in Ukraine

In view of the continued armed conflict in Ukraine, risk factors that may potentially impact the business and financial performance of Polenergia Group have been being monitored and identified on an ongoing basis. In the opinion of the Management Board, the Polenergia Group is not directly exposed to the adverse effects of the conflict due to the marginal involvement of the Group's Companies in operations in Russia, Belarus and Ukraine or in cooperation with partners established in these countries.

The outbreak of war in Ukraine and the sanctions imposed on Russia and Belarus induced changes in the market environment which are manifested through high volatility of the prices of financial instruments, raw materials and commodities, including fluctuation of the prices of electricity, gas and CO_2 emission allowances. In the long-term perspective, it may adversely impact the economic growth in Poland and the situation on the Polish energy market. Furthermore, among financial factors relevant to the Group, increased inflation pressure and volatility of the zloty exchange rate against the Euro and the US dollar were observed.

The Gas and Clean Fuels segment is, in the opinion of the Management Board, largely immune to the current volatility of prices on the market. The margin on electricity production in 2022 is not jeopardized by the reversal of contracts for the sale of electricity and the purchase of gas and CO_2 emission allowances in 2021. On the other hand, the gas supplies related to the heat production contracts have already been fixed (in terms of volume and fixed price) by the end of 2023. An additional safety feature for heat generation is the supply of light heating oil maintained and increased in recent weeks, as reserve fuel in the event of gas supply restriction or lack. If ENS is called upon to provide system services, the cost of gas purchase will be covered by revenues. The continuation of the current gas market and CO^2 emission allowances situation in the long term may reduce the ability to secure production and margin in ENS for the years to follow. The Nowa Sarzyna plant also improved its protection against possible cyber-attacks; recently the main control system was replaced, and all remote diagnostic systems for the equipment were disconnected from the Internet.

The wind power segment has no direct exposure to the impact of the current market situation. Due to a consistent policy of hedging the production, current price changes do not affect the revenues generated from energy sales in 2022 and partly in 2023. At the same time, high energy price volatility combined with variable windiness periods can result in a significant increase in profile costs. The sensitivity of the segment’s operating part to fluctuation of interest and exchange rates is low due to the earlier hedging of projects. Due to possible shortage of raw materials on the market, there is a risk that the availability of spare parts may be limited, which may cause temporary downtime of the farms in the event of a failure. Should high energy prices persist for a long time, the Management Board believes the lawmaker may be prone to make changes in the green certificates system which would be unfavorable to the Group. The Group's projects may also become vulnerable to cyber-attacks. The risk of this type of event is being thoroughly analyzed and remedies are being applied.

The trading and sales segment as the only one in the Group had a direct exposure to the Ukrainian market through the subsidiary Polenergia Ukraine. Even before the war began, that company limited its operating activities. The Group has identified increased risk of trading in other markets, which is driven, among others, by increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers and the increased risk of insolvency of customers. In the context of dynamic price increases, a deviation in the energy consumption by the customers compared to the contract value may generate a significant result (either positive or negative) that will be disproportionate to the original assumptions. Negative exchange rate movements may result in a deterioration of the performance on a Euro-denominated market. At the same time, the strengthening of the Euro may result in an increase in the value of the required security deposits. The segment is also exposed to the risk of interest rate increases. The higher cost of working capital facility, due to the increase of interest rates, may result in a significant drop of the return on the operations. Polenergia Obrót has also been taking measures to monitor safety risks. An attack that would destroy a telecom and IT infrastructure or restrict access to systems in a company would prevent it from continuing its commercial business or would restrict such ability.

The distribution segment is protected in the long term against the effects of any investment costs increase and rising interest rates through a tariff mechanism. In a short term, until the distribution tariff is updated, the Company may experience a negative impact of the current market situation on the return on the investment projects pursued.

In the opinion of the Group, the current market situation should not jeopardize the achievement of the objectives set out in the Polenergia Group's strategy for the years 2020-2024. The persisting high energy prices, together with the limited use of conventional sources such as coal, gas and oil, may provide an additional incentive to increase the scale of investments in RES, both in generation sources and in green energy products such as green hydrogen. As a consequence, it may facilitate legislative processes and provide access to additional funds to support such investments.

In a short-term perspective, the investment projects implemented by the Group may be affected by the conflict in Ukraine. The increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. The raise of interest rates triggers increased financing costs while the increase in raw material and commodity prices combined with the volatility of the EUR/PLN exchange rate may lead to an increase in total investment costs.

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 construction of a 38,1 MW Szymankowo wind farm has been completed. On 23 June 2021, a construction work completion report was signed and a concession was obtained on 13 September 2021.

The Group continues works aimed at implementation of further four wind farm projects of the total capacity of 205 MW which secured auction offtake under the RES support auction scheme.

Construction of Dębsk and Kostomłoty wind farms has been progressing according to the schedule.

At Dębsk wind farm construction works are in progress. The completed works include foundations, service yards and roads with respect to all turbines (55/55). High and medium voltage lines and grid stations have been completed. 53 out of 55 turbines were assembled, 42 turbines were energized. The construction of the farm should be completed in mid-2022.

At Kostomłoty wind farm construction works are in progress. 100% of service roads, 100% of staging areas and 100% of foundations have been completed. 100% of the MV lines and 100% of the HV lines have been completed. Also, the grid station has been built. Currently, 4 out of 9 turbines have been assembled, and all pre-installations have been made. The construction of the farm should be completed in the third quarter of 2022.

The wind farm projects: Piekło which secured an auction offtake in December 2020 and Grabowo which secured an auction offtake in December 2021, are currently at the stage of preparation to construction. Facility agreements for the financing of those projects and contracts for the supply of turbines and the performance of electrical and construction works have been signed so far. Companies have been selected to provide contract engineer services. The construction works were launched in March 2022. The completion of those projects is planned for the second half of 2023.

In the December 2020 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. In May 2021, all three companies obtained financing permitting implementation of the projects, also, all key implementation contracts were signed. Presently, the projects of Sulechów II, Sulechów III and Buk I are in the final phase of construction. All panels, inverters, container stations have been put in place. 100% of low voltage wiring and 90% medium voltage cabling have been completed. Completion of construction with respect to those projects has been scheduled for the second quarter of 2022.

In December 2021, the subsidiaries: Polenergia Farma Wiatrowa Olbrachcice sp. z o.o. developing a portfolio of projects of PV farms Świebodzin I with a total capacity of 10.5 MW and Polenergia Obrót 2 sp. z o.o., developing the PV farm project Strzelino with a total capacity of 45.15 MW, successfully participated in the auction for the sale of energy from renewable energy sources. The Group plans to obtain financing for those projects in 2022 and to obtain corporate approvals required for their implementation. Construction is expected to commence in the second half of 2022

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. The Group's portfolio includes photovoltaic and wind (onshore) projects in a less advanced phase with a total capacity exceeding 577 MW. As a result, the Group does not exclude potential participation of the subsidiaries developing wind farm and PV projects in further RES auctions. Different forms of commercialization of production will also be considered for individual projects, including decisions to participate in auctions, to sell energy to industrial customers under cPPA contracts or to sell energy in the forward market that will be made as the project development will progress.

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 cpacity up to 3000 MW. On 4 May 2021, the President of the Energy Regulatory Office issued decisions with respect to the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. granting to each of those companies the right to cover the negative balance for electricity generated, respectively, in the offshore wind farms MFW Bałtyk II and MFW Bałtyk III of the capacity of 720 MW each.

The company MFW Baltic III filed a complaint with the Provincial Administrative Court ("WSA") against the decision of the General Director of Environmental Protection ('"GDOŚ") to dismiss the appeal of MFW Bałtyk III against the decision of the Regional Director of Environmental Protection in Gdańsk ("RDOŚ") to refuse defining the environmental conditions for the construction of an offshore wind farm. WSA referred the company's appeal to GDOŚ for reconsideration. In addition, on 4 January 2022, the company MFW Bałtyk III obtained a decision of RDOŚ stating that the environmental conditions for the implementation of the project referred to in the Environmental Conditions Decision for the project, obtained in 2016 ('2016 DŚU'), remained in force, which means extending the period to rely upon said decision from 6 to 10 years.

Based on the letter of intent executed in June 2020 by Polenergia and Siemens Energy works are in progress in terms of developing new gas cogeneration projects and hydrogen projects. Together with its Partner Polenergia has been developing a high-profile project for generation and storage of hydrogen produced by water electrolysis with participation of its own renewable energy. In cooperation with the Partners, steps have been taken to prepare ENS to co-combustion of hydrogen with natural gas.

The large-scale hydrogen project filed by Polenergia SA in the hydrogen technologies and systems contest (under the IPCEI scheme), after formal vetting and compliance verification with the criteria (performed by the Minister of the Development, Labor and Technology and the Minister of Climate and the Environment) was approved, in May 2021, for further development and is now in the path for pre-notification to the European Commission.

In early 2021 Nowa Sarzyna joined international consortium cooperating for the sake of using hydrogen as a zero-emission fuel in gas turbines in the existing European facilities. ENS has two Frame6B gas turbines by Thomassen Intenational working, each of the capacity of 40 MW, which will be modified in future to be able to handle co-combustion of hydrogen with natural gas, with the final goal of shifting to clean hydrogen fuel totally. In addition to Ansaldo Thomassen and ENS, the partners to the agreement include: Vattenfall, DOW, Nouryon, EmmTec, Hygear, TU Delft, TU Eindhoven, DLR and OPR Turbines.

In June 2021, in Jasionka near Rzeszów, a letter of intent was signed to establish a Podkarpacie Hydrogen Valley. This first hydrogen valley in Poland is meant to help build a coordinated and integrated "ecosystem" that is committed to the development of technology, knowledge, research and business. Both Polenergia S.A. and ENS, as signatories of the letter of intent, have been actively participating in that project.

In addition, in early 2022 Polenergia, together with 19 other companies, universities and institutions became a member and a founder of the Silesia-Małopolska Hydrogen Valley. This will be Poland's largest hydrogen valley in terms of size and potential, and will specialize in the wide use of hydrogen in energy, heating, industry and transport sectors.

The Group implements the new strategy in the trading and sales segment by developing new and existing business areas. In 2021 the Company significantly increased the volume of its sales to end customers with concurrent active prospecting for customers for the years to come. The company canvassed customers for significant volumes with delivery in the years 2022-2024. The sales volume to end customers for 2022 exceeded 2 TWh. The company Polenergia Sprzedaż [Sales] launched renewable energy sales to end customers. Green energy produced in the Group's generation assets is being sold as "Energy 2051" product through the website and teleshopping channels. Advanced work is underway to increase the reach of the marketing campaign. Customers for the years 2021-2026 have been contracted and green energy supplies to end users began as of 1 June 2021. The company has been selling energy according to the Energy 2051 standard for which the TUV SUD certification process has been implemented. Also, the third-party RES generators aggregation business has been actively promoted - new RES generators were contracted for the years 2022-2023. The long-term PPA products for the segment of independent RES generators and customers have been prepared and are negotiated with potential customers. Under the flexibility services business line, a contract has been signed for the provision of DSR services with Polskie Sieci Elektroenergetyczne. A single approach was established for the external and internal assets of the Polenergia Group to participation in the capacity market processes. Commercial business on the wholesale markets has been continued on the Group's own account (prop trading), with the implemented trading strategies making the most of the market volatility, while maintaining restrictive measures to reduce risk exposure. An ultra-short-term trade line (intraday) is being developed to take advantage of price volatility due to the changing market conditions shortly before delivery (e.g. due to a breakdown or changes in windiness and insolation).

Work has been continued as part of implementation of the strategy in the area of distributed generation. On 31 December 2021, the Company signed an agreement to buy 100% of shares of Edison Energia S.A. As of 1 February 2022, the names of the Edison Energia group companies were changed to Polenergia Fotowoltaika and Polenergia Pompy Ciepła. The Group's strategic objective is to increase its presence among end customers in the distributed generation segment. This will not only broaden the product range but will also strengthen the green energy sales potential and foster additional services for both business and household customers.

In the distribution segment, on 7 December 2021 new electricity distribution and sales tariff for Polenergia Dystrybucja Sp. z o.o. became effective, with RAB at PLN 118.1m. The approved Investment Plan III for the years 2019-2022 worth PLN 51m in total has been under implementation. As part of Investment Plan III the Company signed 45 contracts. In 2021 connection agreements were finalized and connection readiness was notified for 30 projects/project phases and extension of the concession was obtained for 11 projects, with further 13 projects expected to obtain concession.

In addition, Polenergia Dystrybucja commenced implementation of Investment Plan IV for the years 2021- 2026 worth PLN 105m in total. 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. By the end of Q4 2021, the company signed 50 connection agreements, with the total level of capex resulting from liabilities incurred reaching PLN 48.7m, which accounts for 46% of the investment portfolio IV.

In 2021, Polenergia eMobility developed and implemented a Charging Station product with a comprehensive development service. The Company signed agreements with Polenergia Sprzedaż and Polenergia Dystrybucja for the sale of the charging stations through the distribution channels of those companies. Recruitment was held in accordance with the approved plan, resulting in key individuals employed in individual departments. The Company commenced the initial phase of the project to build public charging stations by way of securing the stations' location. It also launched a tender procedure for the software system to manage the system of stations.

Other significant information on the Group's condition

On 28 April 2021, the company Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. o.o. concluded an interest rate swap transaction with mBank S.A. hedging 90% of the interest rate risk.

On 22 December 2021, the Issuer's subsidiaries – Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa Piekło sp. z o.o. as borrowers, and mBank S.A. – as a lender, entered into a facilities agreement. Under such facilities agreement the Lender shall grant to the borrowers an investment loan up to the total of PLN 77,000,000 for the financing of construction of the Piekło wind farm and the VAT loan up to PLN 11,000,000 during the construction period. Under the facilities agreement, the borrowers and the Issuer, as a sponsor, are obligated to provide a standard security package applied in project finance transactions. The facilities agreement provides for repayment of the investment loan no later than by 11 September 2038 and of the VAT loan no later than by 30 April 2024. The interest rate is equal to the WIBOR rate plus the bank margin.

On 22 December 2021, the Issuer's subsidiary, Polenergia Farma Wiatrowa Grabowo sp. z o.o. as the borrower, and mBank S.A., Pekao S.A. and PKO Bank Polski S.A. as lenders, entered into a facilities agreement. Under such facilities agreement the lenders shall grant to Farma Wiatrowa Grabowo an investment loan up to the total of PLN 180,000,000 for the financing of construction of the Grabowo wind farm, and the VAT loan up to PLN 36,000,000 during the construction period. Under the facilities agreement, Farma Wiatrowa Grabowo and the Issuer as a sponsor are obligated to provide a standard security package applied in project finance transactions. The facilities agreement provides for repayment of the investment loan no later than by 11 December 2038 and of the VAT loan no later than by 30 July 2024. The interest rate is equal to the WIBOR rate plus the bank margin.

On 23 December 2021, the Issuer's subsidiary, Polenergia Farma Wiatrowa Grabowo sp. z o.o. entered into the following agreements with Vestas Polska sp. z o.o: (i) an agreement for the supply, assembly and bringing into operation of 20 V110 wind turbines of 2.2MW each. Performance of said agreement is scheduled until 30 September 2023 (ii) an agreement for the maintenance and availability of wind turbines ("AOM") for Farma Wiatrowa Grabowo. AOM covers the provision of maintenance services for the abovementioned wind turbines for a term of 30 years following the go-live, including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities. Vestas also guarantees the required availability level of turbines under the servicing agreement and should such requirements not be met, Vestas shall pay compensation to Farma Wiatrowa Grabowo.

On 23 December 2021, the Issuer's subsidiaries, Polenergia Farma Wiatrowa Piekło sp. z o.o. and Polenergia Farma Wiatrowa 16 sp. z o.o. entered into the following agreements with Vestas Polska sp. z o.o: (i) an agreement for the supply, assembly and bringing into operation of 6 V110 wind turbines of 2.2MW each. Performance of said agreement is scheduled until 30 September 2023. (ii) an agreement for the maintenance and availability of wind turbines for Farma Wiatrowa Piekło. AOM covers the provision of maintenance services for the abovementioned wind turbines for a term of 30 years following the go-live, including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities. Vestas also guarantees the required availability level of turbines under the servicing agreement and should such requirements not be met, Vestas shall pay compensation to Farma Wiatrowa Piekło.

On 4 February 2022, the companies Polenergia Farma Wiatrowa Piekło sp. z o.o. and Polenergia Farma Wiatrowa 16 sp. z o.o., developing a wind farm project Piekło entered into an agreement with ONDE S.A., with registered office in Toruń (the "Contractor") concerning the construction of the Piekło Wind Farm with a total maximum installed capacity of 13.2 MW ("BoP"). Performance of said agreement is scheduled until 30 September 2023. BoP provides for the performance by the Contractor for the Piekło Wind Farm of comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms and performing assembly and power works, as well as the required construction works on the packaged substation, with medium-voltage cable grids and optical-fiber network, necessary for the implementation of the Piekło Wind Farm project.

On 18 February 2022, the company Polenergia Farma Wiatrowa Grabowo sp. z o.o. developing a wind farm project Grabowo entered into an agreement with Electrum Sp. z o.o. with registered office in Białystok ('"the Contractor") for the construction of the Grabowo Wind Farm with a total maximum installed capacity of 44 MW ('BoP'). Performance of said agreement is scheduled until 30 December 2023. BoP provides for the performance by the Contractor for the Grabowo Wind Farm of comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms and performing assembly and power works, as well as the required construction works on the MV/HV transformer substation, with medium-voltage and high voltage cable grids and optical-fiber network, necessary for the implementation of the Grabowo Wind Farm project.

On 10 May 2021, the subsidiary Polenergia Farma Wiatrowa 17 Sp. z o.o. entered into a facility agreement with ING Bank Śląski S.A. providing for an investment loan totaling PLN 21.5m for the financing of construction of the photovoltaic farm Sulechów II and the VAT loan during construction up to PLN 5.5m. The Facility Agreement provides for the repayment of the investment loan no later than by 30 June 2036 and of the VAT loan no later than within half a year following completion of construction of the project.

On 12 May 2021, the subsidiary Polenergia Farma Wiatrowa Rudniki Sp. z o.o. entered into a facility agreement with mBank S.A. in the form of an investment loan totaling up to PLN 13m for the financing of the photovoltaic farm Buk I construction and the VAT loan during construction up to PLN 3.2m. The Facility Agreement provides for the repayment of the investment loan no later than by 21 December 2037 and of the VAT loan no later than by 31 January 2023.

On 12 May 2021, the subsidiary Polenergia Farma Fotowoltaiczna 9 Sp. z o.o. entered into a facility agreement with mBank S.A. in the form of an investment loan totaling up to PLN 18m for the refinancing of the construction of the photovoltaic farms Sulechów III. The facility agreement provides for the repayment of the investment loan no later than by 21 December 2037. This project is developed by the company Polenergia Farma Wiatrowa Grabowo Sp. z o.o. with the operating phase projected to be handled by the company Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.

On 4 October 2021, the company Polenergia Farma Wiatrowa 17 Sp. z o.o. developing the projects of photovoltaic farms Sulechów III entered into an IRS transaction with mBank S.A. hedging 90% of the interest rate risk until the end of 2035.

On 8 October 2021, the company Polenergia Farma Wiatrowa Rudniki Sp. z o.o. developing the projects of photovoltaic farms Buk I entered into an IRS transaction with mBank S.A. hedging 75% of the interest rate risk until the end of 2031.

On 21 December 2021, the Energy Regulatory Office announced the results of the Regular Auctions for renewable energy sources, in which it stated, among others, that Polenergia Farma Wiatrowa Olbrachcice sp. z o.o., a company developing a portfolio of 11 PV farm projects under the name of Świebodzin I with total ultimate total capacity of 10.5 MW, Polenergia Obrót 2 sp. z o.o, a company developing a PV farm project Strzelino with ultimate total capacity of 45.2 MW and Polenergia Farma Wiatrowa Grabowo sp. z o.o, the Issuer's subsidiary, developing the project of the Grabowo Wind Farm with ultimate total capacity of 44 MW, had been successful in the Auction. Thus, these projects became entitled to have any negative balance with respect to the prices offered during the auction compensated for ca. 35% of electricity scheduled to be generated in a 15-year period.

On 29 July 2021 the President of the Energy Regulatory Office issued a decision for the company Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. which determined the cost of consumption of the collected natural gas and the cost of uncollected natural gas for the year 2020 in the correction period since 1 January 2020 until 1 June 2020 due to ENS under the Act of 29 June 2007 on the terms of paying the costs incurred by the generators due to premature termination of long term power purchase agreements at the level of PLN 30,366,227.

In addition, on 29 July 2021 the ERO President issued a decision which determined the annual adjustment of stranded costs for 2020 in the adjustment period since 1 January 2020 until 1 June 2020 at the level of PLN 3,964,267.

On 31 August 2021, the ERO President issued a decision which determined the amount of the final adjustment of stranded costs, in connection with the end of the adjustment period, which lasted since 1 April 2008 until 1 June 2020, at PLN 3,758,459. As the Company did not share the interpretation of certain provisions concerning the termination of long-term contracts applied by the President of the Energy Regulatory Office in the a/m decision, the Company appealed against it to the District Court in Warsaw, - the Court of Competition and Consumer Protection.

On 31 August 2021, an agreement for the sale of shares in the company Mercury Energia Sp. z o.o and the transfer of all rights and obligations of the limited partner in the company Mercury Energia Sp. z o.o. i Wspólnicy Sp. K. was executed.

On 16 December 2021, the company Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. took part in the capacity auction for the supply year 2026. During the auction, ENS offered capacity obligation for 2026 totaling 112 MW. Until the end of the auction, ENS did not submit any offer to exit the auction. The auction ended in round 1 with the closing price of PLN 400.39/kW/year.

As a result of the impairment tests performed with respect to the assets and goodwill, on 23 December 2021 the Company decided to acknowledge an impairment loss in relation to the assets of the Gas and Clean Fuels segment of ca. PLN 19.9 million. The loss of value of the Gas and Clean Fuels segment assets is the result of a forecast decrease in the margin on electricity generation in Nowa Sarzyna due to changes in the expected price levels of electricity, gas and CO_2 emission allowances. Such impairment is a non-cash one, with an impact on the consolidated gross result of the Company for 2021 of ca. PLN 19.9 million. According to the applied definition, it will not affect the EBITDA.

On November 10, 2021, Polenergia Obrót S.A. entered into a facility agreement with Deutsche Bank Polska for a multi-purpose credit limit of up to PLN 100 million, within which the overdraft facility and a guarantee limit wasmade available. The facility agreement was concluded for a limited term of 12 months, with an option of extension for further loan terms. In view of the above, Polenergia S.A. issued a surety up to PLN 30m.

On 4 November 2021, the Company entered into a preliminary share sale agreement (Preliminary Share Sale Agreement, „PSSA") whereby the shareholders of Edison Energia S.A. with registered office in

Warsaw ("Edison") undertook to enter into a final share sale agreement (Final Share Sale Agreement, „FSSA") concerning the sale to the Issuer by the existing shareholders of Edison of all shares in Edison and, indirectly, all shares in Eco Heat sp. z o.o. and all shares in Zielony Ryś sp. z o.o. The execution of FSSA it was contingent upon the approval of the President of the Antimonopoly Office (UOKIK) and other conditions precedent referred to in PSSA.

On 31 December 2021, the Company and the shareholders of Edison executed FSSA and the price for 100% of Edison shares was agreed at PLN 74,895,871.02, subject to potential further adjustments related to the closing accounts procedures. The title to the Edison shares was transferred onto the Company on 3 January 2022. Final settlement is expected in the second quarter of 2022.

The strategic goal of the Company is to increase its presence in the distributed energy segment, among end customers. The acquisition of Edison will not only broaden the product range but will also strengthen the green energy sales potential and foster additional services for both business and household customers. The transaction will also bring additional synergies resulting from the combination of the sales competence and the development of the prosumer energy sources available to Edison with the competence to sell energy and manage green generation sources owned by the Polenergia Group and continuously developed.

The investment in Edison fits into the Company's vision of creating value for all stakeholders. It will enable customers to participate in technological progress by giving them access to innovative products based on the sale of clean, green energy in accordance with the Energy 2051 standard and protecting them from the rising energy prices. End customers will be able to obtain tangible benefits in the coming years from the use of the next generation energy, characterized by full symbiosis of large-scale energy with prosumer energy.

On 20 January 2022, Polenergia Obrót entered into a factoring agreement (Full insured factoring) ("Factoring Agreement") with BNP Paribas Faktoring sp. z o.o. ('Factor') under which the Factor provides services to Polenergia Obrót in terms of debt purchase and financing with respect to debt approved by the Factor and capped at PLN 140 million, and in terms of taking over the risk of counterparty insolvency (i.e. the debtor of Polenergia Obrót). The purpose of the Factoring Agreement is to improve liquidity of Polenergia Obrót by making it possible for the Factor to finance invoices with long due date. An essential element of the Factoring Agreement is also the transfer of the risk of counterparty insolvency, which is entirely borne by the Factor (with no recourse to Polenergia Obrót).

On 24 February 2022, Polenergia Obrót S.A. executed an Annex to the facility agreement with Pekao S.A. Bank for a multi-purpose credit limit, increasing the amount of available overdraft to PLN 150 million under the pre-existing financing totaling PLN 300 million. The current overdraft agreement with Pekao S.A. is valid until 30 September 2022. In view of the above, Polenergia S.A. issued a surety up to PLN 110m. 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 5 March 2021 the companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (jointly the "Project Companies") in which Polenergia S.A. holds 50% of shares, developing - under a joint venture with the Equinor group - the construction projects of two offshore wind farms with the intended capacity of 720 MW each ("MFW"), filed after relevant analyses and corporate decisions, their requests to the President of the Energy Regulatory Office ("ERO President") under the procedure provided for in the Act of 17 December 2020 on the promoting of electricity generation in offshore wind farms (the "MFW Act") for the award, pursuant to a decision of the ERO President, of the entitlement to have any deficit compensated with respect to electricity generated in an offshore wind farm and fed into the grid ("Support").

The Support will apply to electricity generated in MFW and will be tantamount to the granting of the entitlement to have the negative balance compensated resulting from the difference between the price of electric energy specified for a given project in the decision of the ERO President that will be issued at a further procedural stage (adjusted annually for inflation) ("Support Price") and the periodic reference price identified in line with the terms specified by the MFW Act.

On 16 April 2021, Polenergia S.A. together with Wind Power AS (the Equinor Group), passed shareholders resolutions in the Project Companies concerning the consent to sustain the applications for Support filed on 5 March 2021 to the President of the Energy Regulatory Office by the Project Companies. In consequence of the shareholders resolutions, the Project Companies made decisions to sustain their applications.

The abovementioned shareholders resolutions and decisions of the Project Companies were made in view of the fact that on 30 March 2021 the Minister of Climate and the Environment (the "Minister") issued an ordinance concerning the maximum price for electricity generated in an offshore wind farm and fed to the grid, in PLN per 1 MWh, which is the basis for the settlement of the right to cover the negative balance, in which the Minister set the maximum price for electricity generated in an offshore wind farm and fed to the grid at the level of PLN 319.6 / MWh (the "Maximum Price"). Facing the so determined Maximum Price level, the Issuer and Wind Power AS, as the shareholders to the Project Companies decided that the Project Companies should file applications for the Support.

On 4 May 2021, the President of the Energy Regulatory Office issued decisions with respect to the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. granting to each of the Project Companies the right to cover the negative balance for electricity generated, respectively, in the offshore wind farms MFW Bałtyk II and MFW Bałtyk III of the capacity of 720 MW each.

The Support will require the approval of the European Commission ("EC"). After EC takes its position, the ERO President will issue an administrative decision in which the individual Support Price will be set that will be the basis for settlement of the negative balance of each of the Project Companies. The ERO President may set the Support Price at the level equal to or lower than the Maximum Price. In case the Support Price is lower than the Maximum Price, the Project Companies will have the right to waive the right to cover the negative balance granted to them. Should such scenario materialize, the Issuer and Wind Power AS, as the shareholders to the Project Companies, will assess the advisability of waiving the right to cover the negative balance granted to the Project Companies.

Once the Support is obtained, an obligation arises on the part of the Project Companies to generate and provide to the grid for the first time electrical energy generated in offshore wind farms, or in part thereof, following the obtaining of the concession, within 7 years of the day the ERO President issued the decision specifying the Support Price.

In view of the Support obtained, on 25 May 2021, the Issuer received additional payments from the Project Companies shareholder, Wind Power AS, resulting from the agreement concerning, without limitation, the sale of shares in the Project Companies entered into on 5 March 2018 with Statoil Holding Netherlands B.V. in the amount of EUR 25,028,640 with respect to MFW Bałtyk III sp. z o.o. company and EUR 25.200,000 with respect to MFW Bałtyk II sp. z o.o. company.

On 31 December 2021, Polenergia S.A. agreed with the Lithuanian company Modus Energy AB (operating under the Green Genius brand), which will act as a local partner, the key conditions of the joint venture agreement with the goal to develop offshore wind power projects which will be built and operated using the associated infrastructure in the Lithuanian territory of the Baltic Sea ("JV", "Project"), including the envisaged timetable for the Project, the roles of the parties, the corporate governance issues and mechanisms for resolving the stalemate situation. The Issuer and Green Genius have also agreed to extend the exclusive right described above until 15 February 2022 in order to complete the documentation on the establishment of the JV, the signature of the documentation and the establishment of the JV being subject to, inter alia, the obtaining of the necessary corporate approvals by the Issuer.

On March 21, 2022, Polenergia S.A. concluded an investment agreement with Modus Energy AB.

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 informed about 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 intention 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.

On 24 August 2021, Polenergia S.A. entered into a consultancy agreement with Master BIF IV UK Holdings Limited as the advisor, being an associate of one of the Issuer's shareholders, i.e. BIF IV Europe Holdings Limited. The Supervisory Board of Polenergia S.A. consented to the appointment of the advisor with the resolution of 18 August 2021. It will be the role of the advisor, as a firm experienced in asset management in the renewable energy sector on a global scale, to provide advisory services and recommendations in support of the work of the Operational Supervision Committee appointed by the Supervisory Board at the meeting on 18 August 2021. The duties of the Committee include, without limitation, operational supervision over the development, financial activities and investment potential of the Group.

On 23 September 2021, the Management Board of Polenergia S.A. passed a resolution concerning the issue of no less than one and no more than 21,426,807 AA series ordinary bearer shares at the issue price of PLN 47 per share under the share capital increase within the limits of the authorized capital established by virtue of the resolution of the Ordinary General Meeting of Polenergia S.A. dated 18 June 2021. The subscription right with respect to AA series shares was excluded in full, as consented for by the Supervisory Board in its resolution of 28 September 2021. The public offering of shares took place on the basis of the prospectus approved by the Financial Supervision Commission on 27 January 2022. The new issue shares subscriptions were submitted from 31 January to 4 February 2022 (basic subscriptions) and from 10 February to 14 February 2022 (additional subscriptions). Upon expiry of the subscription deadline, the Company allocated 21,358,699 series AA shares to investors. The share issue took place as a private subscription with full exclusion of the subscription right so as to permit each shareholder to the Company, except for Mansa Investments and BIF IV Europe Holdings Limited, to maintain such percentage in the share capital of the Company, as a given shareholder held at the end of the day the Company prospectus was approved (the Preference Day). The company Mansa Investments was offered 5,150,211 share of the new issue, BIF IV Europe Holdings Limited – 10,947,493 shares, while other eligible investors were offered a total of 5,260,995 shares. The offering was available only to those shareholders who held any shares at the end of the Preference Day. The series AA shares will be the subject of an application for admission to trading on a regulated market held by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) after the share capital increase is registered by a competent court of registration. The value of the funds obtained from the issue amounted to PLN 1,003,858,853.

On 1 December 2021, the Company entered into a loan agreement with Deutsche Bank Polska S.A. up to PLN 250,000,000. The short-term loan was realized so that the Company can pursue the following objectives: (I) further development of offshore wind projects: MFW Bałtyk II, MFW Bałtyk III and MFW Bałtyk I; (ii) participation in the financing of onshore wind farms (FW Szymankowo, FW Dębsk and FW Kostomłoty) through a repayment of Mansa's borrowings up to a total amount of PLN 233 million; (iii) further development and construction of onshore wind farm projects (FW Grabowo and FW Piekło); (iv) further development and construction of PV Farm projects (Sulechów III); and (v) acquisitions of RES assets. The loan agreement provides for monthly interest periods and floating interest rates of WIBOR 1M plus margin. The repayment of the loan is not secured. In connection with the loan agreement, the Company made a commitment to make a declaration about submission to enforcement vis a vis Deutsche Bank Polska S.A. under Article 777 §1 item 5 of the Civil Procedure Code up to PLN 375,000,000. The Company is obligated to repay the short-term loan in full by 27 May 2022.

On 18 June 2021, an Extraordinary General Meeting of the Company took place, as a result of which Mr. Grzegorz Stanisławski, Mr. Ignacio Paz-Ares Aldanondo and Mr. Thomas O'Brien were appointed Members of the Supervisory Board of the Issuer, while Ms. Marjolein Helder was revoked from the Supervisory Board. In addition, resolutions were passed with respect to, without limitation: amendment to the Company Statutes in order to authorize the Management Board to increase the share capital within the authorized share capital, including the option for the Management Board to waive the preemptive rights with respect to the shares issued within the authorized capital in whole or in part subject to the consent of the Company Supervisory Board.

On 31 May 2021 Mr. Sebastian Kulczyk resigned from his position of the Member of the Issuer's Supervisory Board.

Financial performance for the 12-month period ended 31 December 2021 by operating segments

On the following pages a presentation is given of the distribution of the total Group's result in 2021 and in the fourth quarter of 2021 alone, broken down into the operating segments.

12M 2021 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	**254,9**	**3,2**	**301,0**	**3 323,4**	**109,6**	**7,0**	**-**	**3 999,1**
Operating costs, including	**(118,1)**	**(2,2)**	**(158,3)**	**(3 281,6)**	**(90,3)**	**(5,6)**	**(0,9)**	**(3 657,0)**
operating costs (without granted green certificates adjustment)	(49,5)							(49,5)
depreciation/amortization	(66,6)	(0,8)	(16,1)	(0,2)	(6,2)	(2,4)	(0,9)	(93,3)
granted green certificates adjustment	(2,0)							(2,0)
Gross profit on sales	**136,8**	**1,0**	**142,7**	**41,7**	**19,3**	**1,4**	**(0,9)**	**342,1**
Gross profit on sales margin	*53,7%*	*32,5%*	*47,4%*	*1,3%*	*17,6%*	*"n/a"*	*"n/a"*	*8,6%*
General overheads	(3,8)	(0,4)	(8,0)	(20,8)	(7,2)	(37,1)	-	(77,3)
Other operating activities	2,9	(0,0)	(35,0)	1,3	(0,1)	0,0	-	(30,9)
including imairment losses	(0,2)	-	-	-	-	(19,9)	-	(20,1)
Operating profit	**135,9**	**0,7**	**99,7**	**22,3**	**11,9**	**(35,7)**	**(0,9)**	**233,9**
EBITDA	**202,7**	**1,5**	**135,7**	**22,5**	**18,2**	**(19,4)**	**-**	**361,2**
EBITDA Margin	*79,5%*	*46,1%*	*45,1%*	*0,7%*	*16,6%*	*"n/a"*	*"n/a"*	*9,0%*
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	**202,7**	**1,5**	**135,7**	**22,5**	**18,2**	**(19,4)**	**-**	**361,2**
Adjusted EBITDA Margin	*79,5%*	*46,1%*	*45,1%*	*"n/a"*	*16,6%*	*"n/a"*	*"n/a"*	*9,0%*
Profit (loss) on financial activities	(32,8)	(0,6)	(0,6)	(1,1)	(3,1)	224,3	-	186,1
Profit (loss) before tax	**103,1**	**0,1**	**99,1**	**21,2**	**8,9**	**188,6**	**(0,9)**	**420,1**
Income tax								(85,5)
Net profit (loss) from continuing operations								**334,5**
Profit from discontinued operating activities								(1,6)
Profit on disposal of discontinued operations								4,4
Net profit (loss) for period								**337,3**
Normalizing adjustments:								
Purchase price allocation (PPA)								0,7
Foreign exchange differences								2,7
Loan valuation using amortized cost method								1,4
Impairment losses								20,1
Net result on the sale of assets								(174,9)
Adjusted net profit								**187,2**

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

12M 2020 (m PLN)	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%*	*1,9%*	*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%*	*1,9%*	*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) for period								**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)
Adjusted net profit								**111,0**
Change of adjusted EBITDA yoy	**(9,8)**	**(0,8)**	**117,0**	**0,4**	**4,2**	**(6,6)**	**-**	**104,4**

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

4Q 2021 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	**82,1**	**0,4**	**127,1**	**1 824,0**	**30,7**	**2,2**	**-**	**2 066,5**
Operating costs, including	**(26,3)**	**(0,6)**	**(99,7)**	**(1 838,1)**	**(24,0)**	**1,0**	**(0,2)**	**(1 987,9)**
operating costs (without granted green certificates adjustment)	(16,4)							(16,4)
depreciation/amortization	(18,2)	(0,2)	(4,0)	(0,1)	(1,6)	(0,6)	(0,2)	(24,9)
granted green certificates adjustment	8,3							8,3
Gross profit on sales	**55,9**	**(0,2)**	**27,3**	**(14,1)**	**6,6**	**3,2**	**(0,2)**	**78,6**
Gross profit on sales margin	*68,0%*	*-39,0%*	*21,5%*	*-0,8%*	*21,6%*	*"n/a"*	*"n/a"*	*3,8%*
General overheads	(1,1)	(0,2)	(2,6)	(7,1)	(2,6)	(11,3)	-	(24,9)
Other operating activities	0,6	(0,0)	(20,3)	0,3	(0,3)	(0,1)	-	(19,7)
Operating profit	**55,4**	**(0,4)**	**4,4**	**(20,8)**	**3,8**	**(8,2)**	**(0,2)**	**34,0**
EBITDA	**73,7**	**(0,1)**	**28,4**	**(20,8)**	**5,3**	**(7,5)**	**-**	**78,9**
EBITDA Margin	*89,7%*	*-33,1%*	*22,3%*	*-1,1%*	*17,4%*	*-344,5%*	-	*3,8%*
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	**73,7**	**(0,1)**	**28,4**	**(20,8)**	**5,3**	**(7,5)**	**-**	**78,9**
Adjusted EBITDA Margin	*89,7%*	*-33,1%*	*22,3%*	*-1,1%*	*17,4%*	*-344,5%*	*"n/a"*	*3,8%*
Profit (loss) on financial activities	(9,3)	(0,2)	0,3	1,5	(0,8)	(2,4)	-	(10,8)
Profit (loss) before tax	**46,1**	**(0,5)**	**4,8**	**(19,4)**	**3,0**	**(10,6)**	**(0,2)**	**23,2**
Income tax								(7,6)
Net profit (loss) from continuing operations								**15,6**
Profit from discontinued operating activities								-
Profit on disposal of discontinued operations								0,0
Net profit (loss) for period								**15,6**
Normalizing adjustments:								
Purchase price allocation (PPA)								0,2
Foreign exchange differences								2,4
Loan valuation using amortized cost method								0,3
Impairment losses								19,9
Net result on sale of assets ***								-
Adjusted net profit								**38,4**

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

4Q 2020 (m PLN)	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%*	*"n/a"*	*-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%*	*"n/a"*	*0,9%*	*"n/a"*	*9,2%*	*"n/a"*	*"n/a"*	*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%*	*"n/a"*	*0,9%*	*0,5%*	*9,2%*	*"n/a"*	*"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) for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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 the sale of assets								-
Adjusted net profit								**25,1**
Change of adjusted EBITDA yoy	**19,3**	**(0,2)**	**27,8**	**(22,5)**	**3,1**	**(4,6)**	**-**	**22,9**

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

3. Legal environment

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 2021	12M 2020	Difference
Sales revenues	3 999,4	1 811,3	2 188,1
EBITDA	361,2	256,8	104,4
Adjusted EBITDA with the elimination of the effect of purchase price allocation	361,2	256,8	104,4
Net profit (loss)	337,3	110,5	226,8
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	187,2	111,0	76,2

The year-on-year changes in the performance in 2021 were driven by the following factors:

a) On the level of EBITDA (increase by PLN 104.4m):

- Lower performance (by PLN 9.8m) in the onshore wind farm segment has been mainly caused by lower production volume and higher operating costs of the wind farms;
- Lower performance (by PLN 0.8m) in the photovoltaics segment has been due to the increase of costs related to the development of further Group PV projects.
- Better performance in the gas and clean fuels segment (by PLN 117.0m) resulting from: (i) work optimization process at ENS (reversal of the forward transactions hedging the production and sale of ENS in Q3 and Q4 2021, in 2022 and in part of 2023) resulting in those transactions being classified as financial instruments subject to measurement (ii) capacity market revenues (the capacity obligation performance commenced in January 2021). (iii) higher revenues from gas costs compensation adjustment for 2020, less the lower final adjustment of stranded costs; (iv) a higher result on the sale of heat, (v) better performance on the system-related services (RMR).
- Better performance in the trading and sales segment (by PLN 0.4m) due to: i) short-term optimizations in the current year and mid-term optimizations performed under SLA in terms of hedging the production and the sales of ENS, resulting in the measurement of PLN 11.1 worth of forward transactions for 2022 and partly for 2023, ii) better performance on the trading portfolio due to the implementation of the short-term strategy on, without limitation, electricity markets, iii) better result achieved on sales to strategic customers and with respect to proprietary trading - related activities in the field of energy and gas. Said growth was offset by: i) lower result on RES aggregation and wind farm-originating electricity trading due to higher profile and balancing cost in Q4 2021, iii) lower result on trading in green certificates from wind farms, mainly due to the impact of the lower production of certificates in 2021, iv) higher operating costs and commission costs resulting from the business scale expansion;

- Higher result in the distribution segment (by PLN 4.2m) has mainly been an effect of higher margin on energy distribution, driven predominantly by higher revenues from the connection fees, the new tariff taking effect and lower demand for energy in 2020 caused by the epidemic restrictions and higher unit margin on energy sales. The result was partly offset by higher operating costs, as well as the costs expended for the e-mobility pilot project;
- Lower result in Unallocated item (by PLN 6.6m) is mainly the consequence of discontinuing the biomass processing business and of higher HQ operating expenses.

b) On the level of adjusted EBITDA (increase by PLN 104.4m):

- The EBITDA effect described above (higher by PLN 104.4m);

c) On the level of Net Profit (increase by PLN 226.8m):

- The EBITDA effect (better result by PLN 104.4m);
- lower depreciation/amortization (by PLN 3.1m) 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 depreciation rate in view of a longer period of depreciating rehabilitation over time and the sale of EC Merkury) partly offset by bringing fixed assets into use in segments of distribution and wind farms and the leased fixed assets at Headquarters;
- Higher costs related to the sale of assets (by PLN 13.9m) generated by advisory services related to the receipt of earn-out payments resulting from the sale of shares in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.
- Higher impairment losses by PLN 25.2 million mainly due to impairment loss remeasuring the assets in the Gas and Clean Fuels segment in the amount of ca. PLN 19.9 million;

All the abovementioned items contributed to the increase of the operating profit by PLN 68.4m.

- Higher financial income (by PLN 225.2m) from earn-out payments amounting to PLN 225.8m on account of the sale of shares in MFW Bałtyk II and MFW Bałtyk III made in 2018 and the Wińsko project, the growth in foreign exchange gains (by PLN 1.5m), the increase of revenue form surety fees (PLN 0.9m), partly offset by lower interest gains on deposits (drop by PLN 2.1m), lower measurement of the financial instruments (by PLN 0.9m) and the cost of sale of Mercury Sp. z o.o. (0.2m),
- Lower financial expenses (by PLN 0.1m) resulting mainly form lower interest expenses (PLN 2.6m) and lower f/x expenses (by PLN 1.5m), partly offset by higher commission costs (by PLN 1.2m), increased cost from financial instrument measurement in the gas and clean fuels segment (PLN 1.1m), and the lease receivables (PLN 1.9m).
- Higher income tax (by PLN 67.7m) mainly due to higher profit before tax of the Group in 2021 (higher operating profit and financial income).
- Higher result on the abandoned business (by PLN 0.7m) due to the sale of Mercury Power Plant.

d) On the level of adjusted net profit (increase by PLN 76.2m):

- The effect of net profit (lower result by PLN 226.8m);
- Elimination of the purchase price allocation effect (drop by PLN 3.4m);
- Reversal of the foreign exchange differences effect (increase by PLN 2.6m);
- The effect of the impairment losses effect (increase by PLN 25.2m)
- Elimination of the net gain/loss on the sale of assets (drop by PLN 174.9m).

6. An 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	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	28 617 254	28 617 254	42,84%
2	BIF IV Europe Holdings Limited	21 317 706	21 317 706	31,91%
3	Nationale-Nederlanden Otwarty Fundusz Emerytalny	3 767 231	3 767 231	5,64%
4	Generali OFE	3 370 844	3 370 844	5,05%
5	Aviva OFE Aviva Santander	5 531 015	5 531 015	8,28%
6	Others	4 198 196	4 198 196	6,28%
	Total	**66 802 246**	**66 802 246**	**100,00%**

*) 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.

Series AA shares are subject to an application for admission to trading on the regulated market operated by the Warsaw Stock Exchange after the registration of the share capital increase by the competent registry court on March 29, 2022. It is expected that they will be admitted to trading at the beginning of April 2022.

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 4 January 2021, the company Polenergia Farma Fotowoltaiczna 5 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register (KRS).
- On 28 January 2021, the company Polenergia Farma Fotowoltaiczna 6 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 19 March 2021, the company Polenergia Farma Fotowoltaiczna 12 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 22 March 2021, the company Polenergia Farma Fotowoltaiczna 7 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 22 March 2021, the company Polenergia Farma Fotowoltaiczna 11 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 16 April 2021, the company Polenergia Farma Fotowoltaiczna 8 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

- On 16 April 2021, the company Polenergia Farma Fotowoltaiczna 9 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 19 April 2021, the company Polenergia Farma Fotowoltaiczna 10 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 21 May 2021, the company Polenergia Farma Fotowoltaiczna 13 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 21 May 2021, the company Polenergia Farma Fotowoltaiczna 15 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 27 May 2021, the company Polenergia Farma Fotowoltaiczna 14 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 30 July 2021, the company Polenergia Farma Fotowoltaiczna 16 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 3 August 2021, the company Polenergia Farma Fotowoltaiczna 17 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 12 August 2021, the company Polenergia Farma Fotowoltaiczna 18 sp. z o.o. was entered into the Entrepreneurs Register of KRS.
- On 31 August 2021, an agreement for the sale of shares in the company Mercury Energia Sp. z o.o and the transfer of all rights and obligations of the limited partner in the company Mercury Energia Sp. z o.o. i Wspólnicy Sp. was executed. K.
- On 29 January 2021, the Extraordinary General Meeting passed a resolution concerning the winding-up of the company Energopep sp. z o.o. and its liquidation. Entry into KRS on 10 March 2021. The company Energopep sp. z o.o. in liquidation was deleted from the KRS Register of Entrepreneurs on 17 December 2021.
- On 30 November 2020, the company Energopep sp. z o.o. sp.k was deleted from KRS. The entry became effective as of 29 January 2021.
- On 15 January 2021, the Extraordinary General Meeting passed a resolution concerning the winding-up of the company Polenergia Biomasa Energetyczna Północ sp. z o.o. and its liquidation. Entry into KRS on 17 February 2021. On 3 January 2022, the company was deleted from KRS.
- On 3 January 2022, the company Grupa PEP – Projekty Energetyczne 1 Sp. z o.o. in liquidation was deleted from KRS.
- On 3 January 2022, a transfer of title to all shares of Edison Energia SA took place in accordance with the provisions of the Preliminary Share Sale Agreement as amended and the Final Share Sale Agreement concerning the sale of 100% of the shares of the Company to the Issuer by the existing shareholders.

10. General Information

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

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

The Polenergia Group consists of vertically integrated companies operating in the area of energy generation using renewable and gas sources, in the areas of distribution, sales and trading in electrical energy and distributed generation. The Group was formed in the process of consolidating two asset groups controlled by Kulczyk Holding S.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). At the beginning of 2022, the Group acquired 100% shares in Edison Energia S.A. (currently under the name of Polenergia Fotowoltaika i Polenergia Pompy Ciepła), which operates in the distributed generation segment.

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

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

For a flowchart of the Issuer's group, refer to Note 7 to the Consolidated Financial Statements. All Companies referred to in said Note have been consolidated according to the full method, except for the Companies 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	2021	2020	Change YOY
1. Return on equity	Net profit/loss / Average annual equity	20.6%	8.1%	12.4%
2. Net return on sales	Net profit/loss / Sales revenue	8.4%	6.1%	2.3%
3. Liquidity - liquidity ratio I	Total current assets / Short-term liabilities	1.06	1.92	-0.85
4. Days receivables ratio (in days)	Average annual trade receivables x 365 days / Revenue from sale of products and merchandise	14	16	-3
5. Debt to assets ratio	(Total equity and Liabilities - Equity) * 100 / Total assets	66.2%	53.0%	13.2%

The return on equity was higher compared to the preceding year, likewise the net return on sales, which denotes the profit level of each Polish Zloty of sales revenue, increased. In particular, the improvement of the abovementioned indicators was driven by the YOY increase in net profit.

The Group's liquidity, measured with the liquidity ratio I, decreased due to lower rate of current assets to short-term liabilities taller growth short-term liabilities - relatively higher growth of short-term liabilities. The receivables collection rate denoting the waiting time for payment of receivables, has dropped by 3 days compared to the preceding year.

The structure of the balance sheet of the Group as at the end of 2021 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 forward contracts.

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

Competition risk

The Group operates in the power market areas, including generation of electricity (including wind and photovoltaic farms) and heat, distribution, trading and electricity, and sale of heat, electricity and solutions in the field of distributed energy and electromobility. In addition, the Group is developing projects for the production and storage of "green" hydrogen. In all of the above-mentioned areas, the Group competes with other entities active on the market.

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

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

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

Risk related to the economic situation in Poland

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

In particular, it should be emphasized that as a result of the war in Ukraine and the sanctions imposed on Russia and Belarus, changes are occurring in the market environment that may have a negative impact on economic growth in Poland and the situation on the Polish energy market, e.g. through increased inflationary pressure and volatility of the zloty exchange rate against the euro and the US dollar. Detailed information on the impact of the war in Ukraine on the Group's operations is presented in item 2 of the Report.

Risk of foreign exchange rate movements

Within the onshore wind farms and the photovoltaic segment, also including the projects in development and under construction, a part of liabilities are denominated in EUR. This mainly refers to investment liabilities in Polenergia Farma Wiatrowa 3 sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. performing the construction of the Dębsk and Kostomłoty Wind Farms and in Polenergia Farma Wiatrowa Grabowo sp. z o.o., Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa Piekło sp. z o.o. performing the construction of the Grabowo and Piekło Wind Farms and Strzelino and Świebodzin I photovoltaic farms. Foreign exchange risk in the Dębsk, Kostomłoty, Grabowo and Piekło wind farm projects was fully hedged on the financial market prior to the disbursement of the investment loan by means of currency forward transactions. The Strzelino and Świebodzin I photovoltaic farm projects are fully exposed to the risk of changes in exchange rate. Polenergia Obrót S.A. ("Polenergia Obrót is ") is exposed to currency risk as a result of trading in electricity in foreign markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, i.e. revenues and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. In the case of significant transactions of Polenergia Obrót in a foreign currency, currency exchange rate hedging transactions are concluded. Risk management at Polenergia Obrót is governed by the binding Company risk management policy in accordance with the rules described therein.

Within the Group, apart from Polenergia Obrót, revenues in foreign currencies are also generated by Polenergia Energy Ukraine LLC. Like in the case of Polenergia Obrót, the company's exposure to currency risk is largely mitigated by means of natural hedging, i.e. revenues and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies.

In the activities of the Group to date, the above risk materializes on an ongoing basis in relation to the Group companies whose liabilities or receivables are denominated in EUR, including in relation to two Group companies that issue invoices in EUR.

Interest rate risk

The proportion of debt in the Group' financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, more than 50% of the investment projects are financed with debt. In accordance with the credit facility agreements entered into by individual Group companies, interest on credit facilities provided to is based on variable interest rates. Any significant increase in market interest rates above the values forecast by the Group and factored into its project budgets may have a negative effect on the Group's financial performance.

At the 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 under implementation. As at 31 December 2021, approximately 86% of liabilities under investment loans of the Group's entities were hedged against changes in the level of interest rates. This security is achieved through IRS financial transactions and naturally in Polenergia Dystrybucja in the form of the tariff of the President of the Energy Regulatory Office correlated with the WIBOR rate. As Polenergia Dystrybucja operates on the regulated market, its revenues are determined on the basis of the return on capital, namely the weighted average cost of capital (regulatory WACC) defined by the URE President. Most of the parameters in the formula for the regulatory WACC remain constant. The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the URE President, is determined on the basis of the average yield on 10-year Treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. However, it cannot be excluded that a significant increase in market interest rates above the values forecast by the Group and factored into its project budgets may have a negative effect on the Group's financial performance.

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 with the mBank S.A.

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 S.A., 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 corresponding to 80% of the value of loans taken out with the EBRD bank.

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

Since 2 November 2020 interest rate risk of Polenergia Farma Wiatrowa 3 Sp. z o.o. has been hedged with IRS transactions in ING Bank Śląski S.A., mBank S.A. and Santander Bank Polska S.A., corresponding to 90% of the value of loans taken out.

On 28 April 2021 Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. concluded interest rate risk hedging transaction corresponding to 90% of the value of loan taken out from mBank S.A.

On 4 October 2021 Polenergia Farma Wiatrowa 17 Sp. z o.o. concluded interest rate risk hedging transaction for Sulechów II project corresponding to 90% of the value of loan taken out from ING Bank Śląski S.A.

On 8 October 2021 Polenergia Farma Wiatrowa Rudniki Sp. z o.o. concluded interest rate risk hedging transactions corresponding to 75% of the value of loan taken out from mBank S.A.

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 Group, (due to changes in the fair value of monetary assets and liabilities) to interest rate movements, all other factors being unchanged, is presented in Note 43 to the Consolidated financial statements.

<u>Raw materials price risk</u>

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

The Group uses methane-rich natural gas for the generation of electricity and heat at the EC Nowa Sarzyna. Since 2021 Polenergia Obrót has been the supplier of gas fuel to EC Nowa Sarzyna, as well as the recipient of electricity based on the SLA (Service Level Agreement). Any potential problems of Polenergia Obrót with supplying the amount of gas fuel necessary to satisfy the existing demand may lead to limitations on gas fuel supply to customers. In such cases, EC Nowa Sarzyna may fail to fulfill its obligation to supply heat to its contracting consumers and electricity to Polenergia Obrót. The risk of supply limitations is low. The risk of changes in market prices of gas is limited by ENS through the SLA mechanism, which ensures the simultaneous securing of three products: electricity, natural gas and CO_2 emission allowances in the event of a positive so-called CCS (Clean Spark Spread). Natural gas corresponding to the heat production profile is generally purchased separately for ENS by Polenergia Obrót. For the years 2022-2023, EC Nowa Sarzyna signed a contract for the purchase of gas for heat production with PGNiG OD.

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

CO2 is emitted in the production of electricity from fossil fuels. In the case of natural gas, this emission is (depending on the efficiency of the installation) about 500 kg / 1MWh, in the case of hard coal it is about 900 kg / 1MWh, and in the case of coke oven gas it is about 700 kg / 1MWh. Thus, an increase in CO2 costs by PLN 1 / t means an increase in the cost of electricity production from coke oven gas by approximately PLN 0.7 / MWh. Over the years 2020 and 2021, CO2 prices increased from PLN 100 / ton to about PLN 350 / ton, which meant an increase in the costs of electricity production from coke oven gas for this reason by about PLN 175 / MWh. In the past, the increase in the price of CO2 emission allowances resulted in a decline in the profitability of production from fossil fuels (such as coke oven gas). The decline in profitability of production from fossil fuels was a reason for the sale of the Mercury Power Plant by the Group.

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

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 is also entitled to impose penalties, including significant fines, on licensed enterprises. Therefore, the Company cannot rule out the risk of the President of URE exercising his powers with respect to the Issuer and the Group in a manner unfavorable to them.

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

The above risks materialized in the Group’s activity so far. For example, in the past there has been an extension of the approval process of electricity tariffs of Polenergia Dystrybucja sp. z o.o. and Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o., as a consequence these companies were forced to operate on the basis of outdated rates and fees.

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

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

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

The above risk materialized in relation to one of the projects currently owned by the Group, i.e. Nowa Sarzyna CHP Plant.

A similar risk related to the heat tariff may materialize in 2022 and the following years in relation to Nowa Sarzyna CHP Plant, due to the significant increase in gas prices observed on the market.

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). This applies in particular to the RES Act and the Act on the Promotion of Electricity Generation in Offshore Wind Farms.

Factors relevant to the Group's operations also include decisions issued by competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes. The legislative and regulatory changes may also, in certain areas, contribute to a lower than expected return on investment in renewable energy sources.

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

The above risks materialized in the Group's activity so far. For example, the Wind Farm Investments Act introduced the 10H rule, according to which a wind farm cannot be built at a distance of less than 10 times the height of a turbine (including raised blades) from residential buildings, forms of nature protection and forest areas. The implementation of the above principle, along with an increased tax base for wind turbines, resulted in inhibiting the development of new wind farm projects, the need to recognize impairment losses in 2016 in the total amount of PLN 55m in relation to wind farm projects under development and deterioration of the financial situation of companies operating on wind projects.

In addition, due to the amendment to the RES Act and the business and economic situation of the biomass segment, in 2018 the Company recognized a PLN 14.8m impairment loss in the biomass segment in relation to the value of property, plant and equipment and PLN 0.4m in relation to inventory. The impairment loss regarded three companies of the Group: PEP Group – Biomasa Energetyczna Południe sp. z o.o., Polenergia Biomasa Energetyczna Północ sp. z o.o. and Polenergia – Biomasa Energetyczna Wschód sp. z o.o.

Risk of volatility of 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. In addition, Polenergia Obrót and Polenergia Dystrybucja purchase electricity for their customers from third parties, therefore the Group is exposed to the risk of changes in electricity prices also at the stage of electricity purchase.

The Group has monitored the situation on the energy market on an ongoing basis in order to purchase electricity when the energy prices are at the most favorable level for the Group.

The Group trades in electricity and gas also 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 (value at risk).

The volatility of electricity prices directly impacts the electricity profiling costs in the Group's wind farms and the profiling costs of energy consumers served by the Group (the so-called profiling costs). The risk of volatility of profile costs remains outside the Group's control to a large extent; such risk, once materialized, the may have a significant 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 sales' prices. The support solely applies to the projects implemented in the Group which won the auction.

Notwithstanding the foregoing, the increase in the price of electricity generally has a positive effect on the results related to the production of energy from RES, provided that it relates to the period for which the sale was not previously secured, be it in the form of a contract for difference, PPA or on the futures market. In addition, changes in electricity prices with variable RES production may also affect the so-called production profile costs. If a contract for the sale of electricity concluded with a customer concerns a specific volume in a selected period (a form of a significant part of contracts), then, given the volatility of production generated in RES, the Issuer purchases or sells on the energy market and supplies the customer with the amount of energy specified in such contract.

From 2022, as part of the implementation of the European regulations and actions taken by PSE, a number of rules regarding the functioning of the balancing market in Poland changed. These including making the settlement price dependent on the NPS contract situation, which may cause the risk of increased price volatility on the current balancing market, higher price deviations from the prices in exchange 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 the Group and all other participants of the electricity market in Poland.

In years 2022 and 2023 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. Moreover, the increase in the number of wind sources and photovoltaic sources may negatively affect the revenues of the onshore wind farm segment and photovoltaic farm segment in the coming years due to the decline in energy prices in the periods of high energy volumes generated in energy sources and in photovoltaic sources, contributing to an increase in profiling costs**.**

The above risks materialized in the Group's activity so far. Over the last few years, significant changes in electricity prices had a significant impact on the Group, which will produce approximately 1,000,000 MWh of electricity in 2022. For example, the average annual sale price of electricity on the competitive market was 169.70 PLN / MWh in 2016, 194.30 PLN / MWh in 2018 and 252.69 PLN / MWh in 2020. In the third quarter of 2021, the average sale price of electricity on the competitive market was PLN 283 / MWh. In December 2021, the average price of a megawatt hour on the Polish Power Exchange ("TGE") was 829.98 against PLN 552.40 / MWh in November. In total, since January 2021, when the price was at the level of PLN 262.81 / Mwh, the rates have increased by 215.81%.

There are also periods of high wind and low prices on the market, as well as periods of low wind and high prices, and the price volatility between these periods can be as high as 1000 PLN / MWh (on a windy day, the Group produces over 6,000 MWh of electricity). Thanks to wind farms covering part of the power demand of the whole country, wholesale electricity prices have reduced significantly. For example, between 19 and 22 December 2021, the dynamic decline in energy production in windmills and the increased demand immediately caused the increase in electricity prices: during three days the average TGeBase index price increased from PLN 366.49 / MWh to the level of PLN 1,641.90 / MWh. This is mainly due to the fact that the price of electricity produced in RES installations such as wind farms is now more than twice cheaper than the electricity produced in conventional power plants using coal or gas. The increased volume generated by wind turbines also significantly reduces the import of electricity. On less windy days energy is obtained from the oldest coal-fired units, with very high fuel costs and CO2 emissions, as a result electricity prices on the power exchange are rising, and thus much more energy is imported from outside Poland.

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

Additionally, high volumes of transactions hedging the sale of electricity from generation assets, secured on the TGE futures market, require the maintenance of an appropriate level of collateral margins, the amount of which depends on the quotations of relevant stock indexes and may be subject to fluctuations.In 2021 the above risk materialized due to lower productivity and volatility of the production profile of wind farms combined with an increase in market prices of electricity, and resulted in a greater demand for working capital. Moreover Polenergia Obrót concludes contracts with electricity consumers, which may also be secured on the POLPX futures market, generating a demand for security deposits. Additionally, given the persistent high electricity prices, these contracts require an increased involvement of working capital. In connection with the materialization of the above risk factors, the Group identified a decreased liquidity of Polenergia Obrót and therefore took appropriate measures to improve liquidity by implementing factoring services in cooperation with BNP Paribas bank and extending the scope of the working capital loan available at Pekao S.A. Moreover, the Company does not rule out a possible recapitalization of the above entity in the future in the form of an additional capital contribution, loan or other form beneficial for the Issuer. The Group has not identified any cases of delay or inability of Polenergia Obrót or other entities from the Group to settle all liabilities on contractual dates due to limited liquidity.

Risk of volatility in market prices of natural gas

Increase of prices in forward contracts for natural gas, accompanied by high prices of carbon dioxide emission allowances entails the negative Clean Spark Spreads risk (CSS). In case of disadvantageous CSS spreads there is a risk of loss of margin in future when hedging the operation of assets generating electricity from natural gas. In addition, CSS volatility has effect on the Group's financial results in connection with the evaluation of forward transactions hedging the ENS production and sale with reference to the periods for which the reversal of prior forward transactions started. The company analyzes the levels of CSS market spreads for subsequent periods on an ongoing basis and implements processes of securing the future margin for ENS or reversing positions depending on market conditions.

Market turmoil related to geopolitical events may cause rapid changes in gas market prices in case of gas shortages. This situation may additionally increase the volatility of electricity prices. The Group mitigates such risks by current hedging of energy prices and spreads between products for serviced customers and optimizing the hedging of the generating portfolio.

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

The Group's financial results depend on the market prices of green certificates. The Group analyzes the situation on the green 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 (OJ PL 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 section 3 item 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).

Excess supply of green certificates continues on the market, with a potential adverse impact on the market prices. However, due to the increase in energy consumption and the protection of market entities for the coming years, the potential oversupply effect is shifted to the following years. Pursuant to the provisions of the Regulation of the Minister of Climate and Environment on the change in the volume share of the total amount of electricity resulting from redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2022, the shares for the so-called green and blue certificates have been reduced compared to 2021. Consequently, the shares ware at the level of 18.5% and 0.5%, respectively. In the following years, the Ministry announces the further gradual reduction of the level of obligations related to abandoning after 15 years the certification system of subsequent installations.

In the fourth quarter of 2021, due to low wind conditions and the operation of the Public Procurement Act which caused entities controlled by the State Treasury to refrain from purchasing certificates in deliveries for subsequent years and intensification of purchases on the spot market, a strong increase in the prices of green certificates was observed. The Ministry reacted by intensifying work on excluding the certificates from the operation of Public Procurement Act and announced intensified lowering of the obligations' level in the coming years. The lowering of such level to greater extent than the drop down in the supply of certificates related to the termination of support for the oldest projects may cause a reduction in the prices of green certificates and lead to worse financial results obtained by the Group 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.

The above risks has materialized in the Group's activity so far. For the production of energy from renewable sources the Group obtains approx. 650 thousand MWh of green certificates per year. The drop in prices by over PLN 100 / MWh observed in the years 2014-2016 meant a decrease in the group's revenues by over PLN 65m per year. Since 2017 the prices of certificates have been systematically increasing, however, due to the above-mentioned oversupply of certificates, the prices' decline in the following years cannot be ruled out.

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 not 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

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

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

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

Risk related to renewable energy sources auctions

Under the 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 implemented by the Group. At the same time, support granted to RES under the auction-based scheme will secure the generator, as a principle, against market risk in the scope of electricity prices for 15 years.

The Group is working on the further development of wind and photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024. Some projects took part in auctions at the beginning of December 2021. The Issuer’s subsidiaries, Polenergia Farma Wiatrowa Grabowo sp. z o.o. - developing the FW Grabowo project, Polenergia Obrót 2 sp. z o.o. - developing the PV Strzelino project and Polenergia Farma Wiatrowa Olbrachcice sp. z o. o - developing the PV Świebodzin I project received support under the auction system in the auction held in December 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, alternative forms of obtaining revenues through the project are examines, in particular, it is possible to build such project in order to supply electricity directly to the end user, e.g. based on the power purchase agreement (PPA).

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

<u>Risk of regulatory changes concerning the support system for conventional generation sources (‘capacity market’) and the support system for RES</u>

The Polish energy market is characterized by a material over-exploitation in the scope of conventional production capacities. The above is mainly due to low replacement investments in the recent years. The measures implemented by Polskie Sieci Elektroenergetyczne S.A. in recent years within the Balancing Market (including intervention cold reserve, operational capacity reserve) and several investment decisions made by energy companies controlled by the State Treasury have postponed the risk of insufficient capacity reserve for several years. On 8 December 2017 the Sejm adopted the Capacity Market Act. In the following years auctions were carried out for capacity supply for the years 2021-2026. In December 2020, capacities for 2025 were contracted, and in December 2021, capacities for 2026 were contracted. In July 2025, the carbon dioxide emission limit of 550 kg / kWh shall become effective. The generation sources of the Group meet this limit, but it cannot be observed using coal sources, which constitute the majority of units in the capacity market. Depending on adopted specific solutions and auction parameters for the following years, the economic viability of the existing facilities (such as the Nowa Sarzyna CHP Plant) may change significantly after 2026. Furthermore, it cannot be ruled out that the capacity market will exert an adverse impact on wholesale electricity market prices, which can potentially affect projects whose economic viability rests on revenues from sale of electricity (wind and photovoltaic farms), and which are exposed to the risk of electricity prices. This risk is partly mitigated by hedging the prices of electricity sold from wind farms in forward contracts and by participating in auction system for RES sources.

The above risk has materialized in the Group’s activity so far. With regard to the support systems for RES, in 2015 the system of certificates of origin was replaced with the auction system for new ones, and the first auctions after the implementation of the auction system were organized at the end of 2016. The RES Act allows for the transition of RES installations in operation from the green certificate system to the auction system. However, as the same reference prices (prices that determine the maximum price level of offers submitted by green energy producers in auctions) apply to migration auctions, the determination of such prices is therefore a condition enabling the URE President to announce an auction for the sale of energy from RES in a given year. These prices are generally determined by a regulation, which significantly reduces the attractiveness of migration auctions for RES installations built many years ago, which, due to the available technologies at that time, are not able to generate electricity with the same efficiency as new RES installations.
The reference price is to take into account, inter alia, current costs and efficiency of RES

installations. At the same time, these installations were significantly affected by the crisis on the green certificates market which cannot be compensated by migration auctions, under the regulatory system implemented by the RES Act and the formula for calculating the substitution fee introduced in 2017. The results of the auctions in 2019 confirmed that there was little interest in these auctions, and no such auctions were held in the following years.

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

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

Regulatory risk

In the business area of the Issuer's legal regulations have frequently changed. 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 impact the operations of the Issuer. In addition, changes to Polish legislation are being made in connection with legal acts currently implemented to reflect EU laws. It should also be pointed out that the activities carried out by the Issuer are subject, apart from the provisions generally regulating each business activity, to specific regulations resulting from the provisions of the Energy Law, the RES Act and the Act on Promotion of Electricity Generation in Offshore Wind Farms, as well as executive acts. Consequently, there is a risk that future changes in the state policy and related changes in legal regulations will impact the operations of the Issuer and the Group companies.

In the activities of the Group to date, the above risk has materialized and had a significant impact on the activities of the Company.
An example of the materialization of such risk is the entry into force of the 10H rule and the increase in the tax base for wind turbines, referred to in the description of the risk factor "Risk of changes in the legal and regulatory environment in the energy sector" above.

Risk related to the unstable tax regime

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

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

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

Further, under the EU CO2 Emissions Trading Scheme, participation permits had to be obtained for installations used in the course of the operations of Polenergia S.A. 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 scheme was launched on 1 January 2005 by virtue of Directive 2003/87/EC, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. In the 2013-2020 period it was governed by the Act on Trading in Allowances for Emissions of Greenhouse Gases of 12 June 2015. The defined installations belonging to the Group 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 Ordinance 2018/ 2066.

After the sale in Q3 2021 of the company running the EL Mercury Installation (KPRU number: PL 0879 05), the only facility from the Polenergia Group that is subject to the above-mentioned legislation is EC Nowa Sarzyna (KPRU number: PL 0472-05) - is the combustion installation with a rated thermal input in excess of 20 MW which participates in the EU Emissions Trading Scheme.

EC Nowa Sarzyna: pursuant to Art. "10c" the EC Nowa Sarzyna installation received CO2 emission allowances, but due to the lack of investments in the National Investment Plan, the free allowances were not transferred to the account of the installation operator.

EC Nowa Sarzyna received free allowances under article "10a", for the years 2021-2025, in the amount from 10,347 (in 2021) to 9,284 (in 2025) EUA, respectively.In 2021, EC Nowa Sarzyna emitted 109 874 tons of carbon dioxide.

<u>The risk related to the decision on environmental conditions for the MWF Bałtyk III project</u>

MFW Bałtyk IIII sp.z o.o. Subsidiary filed a complaint with the Provincial Administrative Court in Warsaw against the decision of the General Director for Environmental Protection ("GDEP") dismissing the appeal of IMF Bałtyk III sp. z o.o. from the decision of the Regional Director for Environmental Protection in Gdańsk ("RDEP") on the refusal to define the environmental conditions for the project consisting in the construction of an offshore wind farm under the name of MWF Bałtyk III. The complaint concerns a decision of GDEP issued in administrative proceedings initiated at the request of MFW Bałtyk IIII sp.z o.o. to obtain a new decision on environmental conditions for the MWF Bałtyk III project ("Nowa ED") ("Application").The company already has a valid environmental decision for the project, obtained in 2016 ("ED 2016"). Nevertheless, the Company submitted an Application aimed at obtaining a New ED, reflecting the current technical assumptions, on the basis of which MWF Bałtyk III sp.z o.o. is developing the project (including elaboration of financial models for the project implementation) and which are not included in the 2016 ED.

In the opinion of the MFW, Bałtyk III sp.z o.o. the above-mentioned decision of GDEP is flawed in terms of violation of substantive and procedural law, therefore the company decided to file a complaint against the decision of GDEP to the Provincial Administrative Court in Warsaw.

It should be noted that on 4 January 2022, the MFW Bałtyk III sp.z o.o. obtained the decision of the RDEP on the validity of the environmental conditions for the implementation of the project specified in the 2016 ED, which means that period of validity of this decision for the purpose of obtaining a building permit is extended from 6 to 10 years. Regardless of this, the possible implementation of the project based on technical solutions included in the 2016 ED will require verification of the design assumptions of the 2016 ED in terms of their economic profitability. The risk related to the possible dismissal of the complaint of MFW Bałtyk III sp.z o.o. and, as a consequence, failure to obtain a New ED, should it materialize, may result in the following negative consequences for MFW Bałtyk III sp.z o.o., and indirectly for the Issuer:

• it will be necessary to apply project parameters compliant with the 2016 ED, provided that the above-mentioned verification proves the economic profitability of such investment;

• conducting the proceedings related to appealing against the decision of GDEP will involve probable delays in the project implementation, including the date of the final investment decision or completion of the construction;

• it may be necessary to separate the joint implementation of the MFW Bałtyk III project from the MFW Bałtyk II project, which would result in the loss of synergy and increase project implementation costs.

The above risk has not materialized in the Group's operations to date. The Group considers the probability of the above risk occurring as medium and the risk significance as high, because if it did occur, the scale of the negative impact on the Group's financial and operating situation would be material, due to the delay in project implementation and the financial result of the MFW Bałtyk III lower than assumed; and in an extreme case the project could be discontinued.

Risk of failure to implement new projects

The Group has been pursuing a significant number of projects in the segment of onshore and offshore wind farms, photovoltaic, gas and clean fuel projects, and investments 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 Group makes decisions to commence the development stage of a project on the basis of detailed financial models, technical analyses and expert reports prepared by its dedicated Group Development Service. Such analyses include a series of assumptions, related to power generation volume, revenue, production costs, required investment amount and costs of financing.

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

In addition, the Group's inability to implement some wind farm projects was due to the entry into force of the provisions of the Wind Farm Investments Act (including the 10H rule referred to in the description of the "Risk of changes in the legal and regulatory environment in the energy sector").

Risk of failure to execute or delay in execution of investment plans

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. This, in turn, can cause worse financial results of the Group than the results obtained in case the project is completed as planned, and may lead to the failure to comply with the requirements set in the loan agreements.

Intending to implement the investment plans set forth, the Group is taking steps to minimize such risk such as precise planning and analyzing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate response to any signals showing that the achievement of objectives could be at risk, and a set of insurance policies. The Management Board of the Company prepares the process of implementing individual projects with particular care, refining all the details of the investment from the technological point of view and providing appropriate financing, however, the actions taken by the Group may turn out to be insufficient. On 29 June 2020, the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 3 Sp. z o.o., implementing the Dębsk wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 26 June 2020, the President of the Energy Regulatory Office issued a decision for Dębice / Kostomłoty sp. z o.o. implementing the Kostomłoty wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 14 December 2021 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Rudniki sp. z o.o., implementing the Buk I photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

On 12 January 2021 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Grabowo sp. z o.o., implementing the Sulechów III photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

On 13 January 2021 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 17 sp. z o.o., implementing the Sulechów II photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

Risk related to credit facility agreements

The concluded loan agreements contain a number of requirements to be met by individual design companies or projects run; the breach of such requirements may result in the termination of the loan agreement, making the loan immediately mature or increasing the cost of financing. The Group has continued to analyze the indebtedness level and the risk of non-fulfillment of the requirements set forth in the loan facility agreements on an on-going basis, and remained in contact with the financing institutions. Detailed information concerning the conclusion of new loan facility agreements and changes to the existing agreement in 2021 are included in Note 29 to the Consolidated Financial Statements.

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

Risk related to financial standing of customers and contracting parties

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

Prior to concluding a contract and launching a project, the Issuer thoroughly verifies its potential customers, also with the support of external consultants, checking their ability to settle liabilities towards Issuer' and prospects for the industries they operate in. The Group is very careful in selecting customers, making sure they represent industries with good market prospects. The Company analyses in detail a prospective customer's industrial processes, as well as its power and heat demand. Both parties work together for several months before the launch of a project. Due to 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 area. The above was taken into account in the credit risk assessment model, which resulted in maintaining the provision for bad debts in the fourth quarter of 2021 in the amount of PLN 16,155k .

In the event of a deterioration in the financial situation of the clients of the Group's entities, in particular due to the deterioration of the economic situation, as well as other factors, such as, inter alia, increased competition in the market on which the Group operates, the Group cannot rule out the loss of clients or contractors, which could adversely affect the financial situation of the Issuer or the Group.

At the same time, in the area 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 has intensified the current monitoring and analyzes in this area and applies more restrictive verification of contractors when concluding new transactions, however, it cannot be ruled out that in the future, deterioration of the financial condition of customers and contractors will adversely affect the financial standing of the Issuer or the Group.

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. („Amon") and Talia sp. z o.o. ("Talia") 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. ("PKH")(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. In the above cases, preliminary and partial judgments were issued in favor of Amon and Talia. They were appealed against by the defendant. 20 December 2021 the Court of Appeal in Gdańsk announced a judgment in the case brought by Talia against PKH, which dismissed in full both appeals brought by PKH, i.e. both:
(i) an appeal against the judgment of the District Court in Gdańsk of 6 March 2020; and (ii) an appeal against the judgment of the District Court in Gdańsk of 8 September 2020. Amon is awaiting the decision of the Court of Appeal.

At the end of April 2018 Amon and Talia brought an action against Tauron Polska Energia S.A. 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.

Upon the publication of the report, after modifications to the claims, the amount of claims for damages in the case of Amon is PLN 78,204,905.55, and in the case of Talia, PLN 53,127,847.08. The above amounts do not include interest claimed by the companies.
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 and PLN 160m in case of Talia.

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

Eolos Poland sp. z o.o. („Eolos") pursues a claim for payment jointly from two companies of the Group: Certyfikaty sp. z o.o. and Polenergia Obrót and from Green Stone Solutions sp. z o.o. (formerly: Polenergia Usługi sp. z o.o.) 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 totaling over PLN 27m. The defendant companies demand to dismiss the claim. The parties were heard at the hearing held online on 24 March 2021. The Court decided to continue the evidentiary procedure, while the date of hearing was not determined as at the date of publication of this report.

Counterparty risk

On 23 July 2021 the District Court in Gdańsk approved the settlement between the parties before the mediator under which Polenergia Elektrownia Północ Sp. z o.o. waived and withdrew the claim for payment of PLN 500k of contractual penalty, and the other party waived another claim and withdrew the cassation appeal. The settlement concluded by Polenergia Elektrownia Północ Sp. z o.o. exhausted all mutual claims of the parties and the parties have waived any future claims against each other.

On 4 March 2021, Polenergia Elektrownia Północ Sp. z o.o., received a call 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 call for payment is unjustified and ineffective, as in January 2021 the Company exercised its right to reduce the price by sending the statement on the price reduction by PLN 1.5m to the seller of the real property in question.

On 13 July 2021 Polenergia Farma Wiatrowa 1 Sp. z o.o. received a claim for compensation for non-contractual use of the real property. The plaintiffs demand the payment because the access road to one of the wind turbines was located on the real property belonging to the plaintiffs as a result of a court judgment delimiting the property. The real property was previously owned by another Lessor. The company prepared a statement of defense.

On 4 September 2018 the Court of Appeal in Gdańsk served on Polenergia Dystrybucja Sp. z o.o. - 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 company the amount of PLN 548k, the part of which not covered with the appeal was already paid.

Risk related to loss of key personnel

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

The risk of loss of key personnel is mitigated through:

- 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.

Operating risk in facilities

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

Risk related to application of hedge accounting to cash flow hedges

As at 31 December 2021 the Group recognized in other comprehensive income being a component of equity PLN 118 585k (31 December 2020): PLN 12,609k on account of the effective portion of the hedging instrument's fair value.

Hedging transactions are performed in order to limit the effect of:
- change of interest rate on the amount of future highly probable payments of loan installments.
- change of currency rates on the amount of future highly probable currency payments on account of investment agreements.

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

As at 31 December 2021 the Group held the following hedging instruments for cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Date of maturity of instrument of security	Value of security	Amount of secured interest rate	Instrument
26.02.2027	11,543	1.25%	IRS
29.09.2025	58,272	0.52%	IRS
10.09.2035	298,800	1.20%	IRS
29.03.2028	137,961	0.79%	IRS
29.06.2026	31,175	0.56%	IRS
30.06.2034	13,168	0.89%	IRS
31.12.2035	16,804	2.39%	IRS
26.02.2027	2,744	1.25%	IRS
11.03.2036	13,500	2.22%	IRS
15.12.2028	118,971	0.75%	IRS
11.06.2035	150,048	1.10%	IRS
22.12.2031	9,158	2.60%	IRS
Total	862,144		

Transactions securing the risk of foreign exchange rates changes.

Date of maturity of instrument security	Value of security	Rate Of security	Instrument
2022.01.	EUR 21.744	4.5764	Forward
2022.02	EUR 20.641	4.5819	Forward
2022.03	EUR 1.087	4.4600	Forward
2022.06	EUR 775	4.5734	Forward
2022.07	EUR 517	4.5752	Forward
Total	EUR 44.763		

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

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

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

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

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.

On 30 July 2021, the Issuer published the EIB report on the information on the state of application by the company of the principles contained in the Best Practices of WSE Listed Companies 2021.

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

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

Data contained in the financial statements are sourced from the financial and accounting system, in which all business events are recorded in accordance with the Group's Accounting Policy approved by the Management Board, based on the International Financial Reporting Standards or the Polish Accounting Standards. The documents are reviewed by authorized persons 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 Issuer'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	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	28 617 254	28 617 254	42,84%
2	BIF IV Europe Holdings Limited	21 317 706	21 317 706	31,91%
3	Nationale-Nederlanden Otwarty Fundusz Emerytalny	3 767 231	3 767 231	5,64%
4	Generali OFE	3 370 844	3 370 844	5,05%
5	Aviva OFE Aviva Santander	5 531 015	5 531 015	8,28%
6	Others	4 198 196	4 198 196	6,28%
	Total	**66 802 246**	**66 802 246**	**100,00%**

*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 of the Company consists of one to six members appointed for a joint term of office, including the President of the Management Board and the Vice-President of the Management Board. The term of office of the Management Board is three years.

The Supervisory Board appoints and determines the number of members of the Management Board.

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

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

i) Rules governing amendments to the Statutes of the Issuer

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

k) The powers of the General Meeting are stipulated in Art. 5.3. of the Company's Statutes and include:

Matters reserved for the General Meeting:

a. The following matters (jointly "Matters Reserved for the GM") require a resolution of the General Meeting:

   i. administration of the enterprise of the Company or an organized part thereof, or establishment of Charges thereupon; for the avoidance of doubt, this does not apply to the Disposal of stocks / shares held by the Company in any of the Group Companies, which is a matter reserved for the SB, as provided for in Article 5.5.1 (d) of the Statutes;

   ii. a significant change in the scope of the Company's activity within the meaning of Art. 416 of the Code of Commercial Companies;

   iii. liquidation and dissolution of the Company and appointment of the Company's liquidators;

   iv. merger of the Company with other entities, division and transformation of the Company;

   v. increasing the share capital of the Company;

   vi. reduction of the share capital of the Company, redemption of Shares and purchase of own Shares;

   vii. issue of convertible bonds or bonds with priority rights and issue of subscription warrants, options and other securities convertible into or granting rights to newly issued Shares;

   viii. amendments to the Statutes;

ix. approving new or changing the existing regulations of the General Meeting;

x. payment of dividends by the Company in a manner other than in accordance with the Profit Sharing Policy; and

xi. consent to the exclusion of the shareholder's pre-emptive right with regard to new shares issued within the authorized capital, if the Supervisory Board does not consent to such exclusion.

The General Meeting is also authorized to appoint and remove members of the Supervisory Board (pursuant to Art. 5.4.2 letter b of the Statutes). Furthermore, pursuant to Art. 368.1 of the Commercial Companies Code, the General Meeting may revoke a member of the Management Board.

l) 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 one-twentieth of the share capital may request that the General Meeting be convened and that certain matters be placed on the agenda of the General Meeting (art. 400.1 of the CCC).

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

m) 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.

<u>Supervisory Board</u>

Composition

No	Name and surname	Position
1.	Dominika Kulczyk	Chair of the Supervisory Board
2.	Hans E. Schweickardt	Member of the Supervisory Board, Vice-Chairman of the Supervisory Board until 23 November 2021
3.	Orest Nazaruk	Member of the Supervisory Board
4.	Adrian Dworzyński	Member of the Supervisory Board
5.	Emmanuelle Rouchel	Member of the Supervisory Board since 25.02.2021
6.	Thomas O'Brien	Member of the Supervisory Board since 18.06.2021 Vice-President of the Supervisory Board since 23.11.2021
7.	Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board since 18.06.2021
8.	Grzegorz Stanisławski	Member of the Supervisory Board since 18.06.2021
9.	Brian Bode	Member of the Supervisory Board until 26.02.2021
10.	Sebastian Kulczyk	Member of the Supervisory Board since 31.05.2021
11.	Marjolein Helder	Member of the Supervisory Board since 18.06.2021

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.

On 31 May 2021 Mr. Sebastian Kulczyk resigned from his position of the Member of the Supervisory Board.

On 18 June 2021 the Ordinary General Meeting of Shareholders of the Company was held, where Mr. Grzegorz Stanisławski, Mr. Ignacio Paz-Ares Aldanondo and Mr. Thomas O'Brien were appointed as Members of the Supervisory Board, and Ms. Marjolein Helder was revoked from her function as the Supervisory Board Member.

On 22 November 2021 Ms. Dominika Kulczyk, Mr Hans E. Schweickardt, Ms. Emmanuelle Rouchel, Mr. Ignacio Paz-Ares Aldanondo, Mr. Thomas O'Brien and Mr. Grzegorz Stanisławski resigned from the function as a Member of the Supervisory Board, effective as of the date of filing the resignation.

On 22 November 2021 the following persons were appointed as Members of the Supervisory Board:

(i) Ms. Dominika Kulczyk, Mr. Hans E. Schweickardt, Mr. Grzegorz Stanisławski - pursuant to Art. 5.4.2. (a) point (i) of the Issuer's Statutes as a result of exercising a personal right by Mansa Investments sp. z o.o. („Mansa"); and

ii) Ms. Emmanuelle Rouchel, Mr. Ignacio Paz-Ares Aldanondo, Mr. Thomas O'Brien pursuant to Art. 5.4.2. (a) point (i) of the Issuer's Statutes as a result of exercising a personal right by BIF IV Europe Holdings Limited („BIF").

The reason for the resignation of the indicated members of the Supervisory Board and their appointment to the Supervisory Board on the same day on the basis of declarations of Mansa and BIF, respectively, was the intention to appoint these persons to the Supervisory Board on the basis of personal rights vested in Mansa and BIF in accordance with the Company's Statutes as amended by the resolutions of the Ordinary General Meeting of the Company of 18 June 2021. The amendment to the Issuer's Statutes was registered by the competent registry court on 22 September 2021, the Issuer informed thereof in the current report No. 37/2021 of 22 September 2021.

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.

Members of the Supervisory Board are appointed as follows:

a) no more than six members of the Supervisory Board on the basis of personal rights vested in Mansa and Brookfield, respectively (each of them referred to as the "Eligible Shareholder") according to the following rules:

   i) if an Eligible Shareholder holds at least 22.80% of the Shares, it will have the personal right to appoint three members of the Supervisory Board;
   ii) if an Eligible Shareholder holds less than 22.80% but at least 20% of the Shares, it will have the personal right to appoint two members of the Supervisory Board;
   iii) if an Eligible Shareholder holds less than 20% but at least 10% of the Shares - he will be personally entitled to appoint one member of the Supervisory Board;

b) two members of the Supervisory Board will meet the independence criteria specified in Art. 129 sec. 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight and they will be appointed by the General Meeting, where:

i. each shareholder may propose candidates for independent members of the Supervisory Board, with the proviso that such an independent member may not, directly or indirectly, at any time be involved in, cooperate with or benefit from activities competitive to the Company or any Group Company, or be related to any entity or person conducting such competitive activity;

ii. each Eligible Shareholder holding at least 20% of the Shares will be excluded from exercising the voting right over the appointment of one independent member of the Supervisory Board (such exemption does not apply to the appointment of a second independent member of the Supervisory Board, and for the avoidance of doubt, such exclusion expires when the share of a given Eligible Shareholder falls below 20% of the Shares);

iii. in the event that the General Meeting does not appoint an independent member of the Supervisory Board in the manner described in Article 5.4.2. b) (ii) of the Statutes, the exclusion of the voting rights referred to in Section 5.4.2. (b) (ii) of the Statutes, does not apply to the appointment of such an independent member of the Supervisory Board at any subsequent General Meeting, until such an independent member is appointed;

c) and Supervisory Board members who are not appointed in accordance with Article 5.4.2 (a) of the Statutes are appointed and removed by the General Meeting by simple majority of votes of all shareholders.

The Audit Committee and the Operational Supervision Committee operate within the Supervisory Board. The Audit Committee is composed of three members. The Audit Committee comprises the Supervisory Board member referred to in. 5.4.2. (b) of the Statutes.

Composition of the Committee

No	Name and surname	Position
1.	Orest Nazaruk	Chairman of the Audit Committee of the Supervisory Board
2.	Hans E. Schweickardt	Member of the Audit Committee of the Supervisory Board
3.	Brian Bode	Member of the Supervisory Board till 26.02.2021
4.	Adrian Dworzyński	Member of the Supervisory Board since 25.02.2021

Composition of the Operational Supervision Committee

No	Name and surname	Position
1.	Hans E. Schweickardt	Chairman of the Operational Supervision Committee
2.	Ignacio Paz-Ares Aldanondo	Member of the Operational Supervision Committee
3.	Grzegorz Stanisławski	Member of the Operational Supervision Committee
4.	Thomas O'Brien	Member of the Operational Supervision Committee

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, 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 a legal advisor with over 20 years of experience, has knowledge and skills in the industry in which the Company operates, thanks to the experience acquired, among others, at PGE Polska Grupa Energetyczna S.A., PKN Orlen S.A. and DUON S.A.

In the last financial year, the Audit Committee held two sessions.

In conformity with the Company policy and certified auditor selection procedure, 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 2021, 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.

Matters reserved for the Supervisory Board

a) The following matters fall within the competence of the Supervisory Board and constitute "Matters Reserved for the SB":

i. approving the Business Plan, Annual Budgets and any Ad Hoc Budgets, as well as any changes thereto, changing the Required Investment Criteria or approving new ones and approving New Projects;

ii. except for (a) transactions related to Qualified Rejected New Businesses and (b) concluding guarantees and sureties by Polenergia Obrót S.A. in accordance with the Budget and strategy for the Trade and Sales operating segment and based on mandates and risk limits approved in accordance with the currently applicable Risk Management Policy for Polenergia Obrót SA, incurring financial debt (including guarantees and sureties) or concluding sale and leaseback transactions or other financial transactions with a single or total value in excess of EUR 30,000,000 in the current financial year, and the creation of

Charges on assets, including shares and other participation rights in connection with such financial transactions;

iii. except for transactions related to Qualified Rejected New Businesses, entering or incurring other Charges on or incurring other liabilities relating to assets, including shares and other participation rights, in connection with transactions other than those listed in Article 5.5.1 (b) of the Statutes, with a single value or the total value in the current financial year exceeding EUR 15,000,000;

iv. except for transactions related to Qualified Rejected New Businesses, the acquisition of assets or disposal of assets, including the acquisition or disposal of shares or other participation rights, with a one-off capital value in exceed of EUR 30,000,000 or where the total capital value of all such transactions (irrespective of their individual value) in the current financial year would exceed EUR 60,000,000, and the Regulations submitted to the Supervisory Board for approval pursuant to Article 5.6.3 (d) of the Statutes;

v. performance, termination or amendment of a Material Agreement;

vi. except for transactions related to Qualified Rejected New Businesses, conclusion, termination or amendment of other contracts resulting in expenses exceeding EUR 15,000,000 calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;

vii. initiation, redemption or conclusion of a settlement in court proceedings for an amount exceeding EUR 15,000,000;

viii. any transactions with a shareholder or an Associate with the shareholder;

ix. approval of the remuneration of members of the Management Board and their changes, including bonuses, employee share programs or other agreements of a similar nature;

x. approval of the Group's hedging strategy and any changes to it;

xi. decision to grant financing by shareholders in a manner other than at the Company level;

xii. changes in the Profit Sharing Policy;

xiii. consent to the payment of advances towards the expected dividend in a manner other than in accordance with the Profit Sharing Policy;

xiv. appointing, suspending and dismissing members of the Management Board;

xv. approving new or changing existing regulations of the Management Board or specific regulations regarding participation in meetings of the Management Board using electronic means of communication;

xvi. approving new or changing existing regulations of the Supervisory Board or detailed regulations regarding participation in meetings of the Supervisory Board using electronic means of communication;

xvii. approving the accounting principles, policies and practices and any changes to them, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not affect the level of profit or provisions available for distribution to shareholders;

xviii. the exercise by the Group Company of call options with respect to the block of shares/stock and other participation rights held by the Co-investor of the Significant Subsidiary in the Significant JV;

xix. the exercise by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum, in matters listed in Article 5.3.1 of the Statutes or in items (a) to (r) of Article 5.5.1 of the Statutes;

xx. approval of an Alternate Plan for a Significant JV that may be presented by the Management Board;

xxi. making a payment, reduction in capital, redemption of shares or acquisition of own shares, which is prohibited under Art. 30 of the AIFM Directive, to the extent applicable to any of the shareholders in relation to the Company;

xxii. expressing consent to the exclusion of the shareholder's pre-emptive right with regard to the New Shares issued as part of the Target Capital; and

xxiii. appointment of an Appraiser.

b) The matters listed in Articles 5.5.1 (b) to 5.5.1 (v) of the Statutes do not require additional approval by the Supervisory Board, provided that they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget approved by the Supervisory Board. Supervisory Board pursuant to Article 5.5.1 (a) of the Statutes.

Restricted Matters Reserved for the Supervisory Board

c) The following matters fall within the competence of the Supervisory Board and constitute "Limited Matters Reserved for the SB":

i. incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a single or total value exceeding EUR 75,000,000 in the current financial year, and establishing Charges on assets, including shares and other participation rights in connection with such financial transactions;

ii. incurring other liabilities (including guarantees and sureties) or establishing Charges on assets, including shares / stocks and other participation rights, in connection with transactions other than those listed in Article 5.6.1 (a) of the Statutes, with a single value or total value in the current financial year exceeding EUR 75,000,000;

iii. incurring financial debt or entering into transactions that would involve financial or other obligations of the Company limiting the distribution of profits by the Company to shareholders in accordance with the Profit Distribution Policy, including by reducing the amount that would otherwise constitute the Minimum Payout;

iv. subject to the provisions of Article 5.6.3 of the Statutes, the acquisition of assets or the disposal of assets, including the acquisition or Disposal of shares / stocks or other participation rights, with a single capital value exceeding EUR 100,000,000;

v. any transactions with a shareholder or an Associate with the shareholder;

vi. decision to grant financing by shareholders in a manner other than at the level of the Company;

vii. approving the accounting principles, policies and practices and any changes to them, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not affect the level of profit or provisions available for distribution to shareholders;

viii. changes in the Profit Sharing Policy;

ix. approving new or changing the existing regulations of the General Meeting or specific regulations regarding participation in the meetings of the General Meeting with the use of electronic means of communication;

x. the exercise by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum, in the matters listed in Articles 5.6.1 (a) to 5.6.1 (g) of the Statutes.

d) The matters listed in Article 5.6.1 of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes with a vote "for" cast by at least one member of the Supervisory Board appointed by each Eligible Shareholder holding at least 10% of the Shares

e) If the Supervisory Board, acting in accordance with Article 5.6.1 (d) of the Statutes fails to approve the proposed sale of an asset (including Group Company stocks / shares) to a bona fide third party buyer solely on account of a member of the Supervisory Board Supervisory Board appointed by the Eligible Shareholder holding less than 20% of the Company's Shares voting against such a resolution, then the Management Board, at the request of the Supervisory Board members who voted for the approval of the above-mentioned sale of the asset, may (at its own discretion) authorize the Entity Issuing the Fairness Opinion to conduct assessment of the proposed transaction, including its financial and other material terms and conditions, and presentation of a fairness opinion to the Company and the Supervisory Board. In such case:

i. The issuer of the Fairness Opinion should act with the utmost care and professionalism, in order to conduct an appropriate analysis of the given asset and the proposed terms of the sale transaction to issue an opinion as to whether the proposed terms of the sale transaction are financially fair for the Company (or, respectively, the Group Company being the beneficial seller) ("Fairness Opinion");

ii. The Issuer of the Fairness Opinion will present the Fairness Opinion draft to the Company and the Supervisory Board along with any underlying and supporting valuations, reports and analyzes; both the Company and members of the Supervisory Board may, within two weeks of receiving the above, submit their comments and questions to the draft;

iii. The issuer of the Fairness Opinion will address the Fairness Opinion to the Company and the Supervisory Board;

iv. if, after completion of the above-mentioned procedure, the Fairness Opinion confirms that the proposed terms of the sale transaction are financially fair for the Company (or the Group Company being the actual seller, respectively), the matter will be re-presented to the Supervisory Board for approval, but this time as a Case Reserved for the SB and not a Restricted Case Reserved for SB.

Other powers of the Supervisory Board

a) In addition to the powers of the Supervisory Board provided for by applicable law, as well as in Articles 5.5.1, 5.6.1 and in other provisions of the Statutes, the following matters require the prior consent of the Supervisory Board expressed by a simple majority of votes:

i. any donation or other gratuitous benefits of EUR 50,000 or more as part of a single transaction or series of related transactions in a given financial year;

ii. conclusion, termination or amendment of sponsorship, marketing or other agreements resulting in expenses of at least EUR 100,000 as part of a single transaction or a series of related transactions in a given financial year, calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts, an annual estimate;

iii. conclusion, termination or amendment of agreements for consultancy, consulting services or similar agreements resulting in expenditure with a total value in the current financial year of at least EUR 200,000, calculated as:

(i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts, an annual estimate;

iv. with the exception of transactions related to Qualified Rejected New Businesses, incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a one-off or total value in excess of EUR 5,000,000 in the current financial year, and establishing Charges on assets, including shares / stocks and other rights to participate in connection with such financial transaction;

v. except for transactions related to Qualified Rejected New Businesses, entering into other obligations (including guarantees and sureties) or establishing Charges on assets, including shares/stock and other participation rights, in connection with transactions other than those listed in Article 5.7.1 (d) of the Statutes, with a one-off value or total value in the current financial year exceeding EUR 3,000,000;

vi. the acquisition of assets or the Disposal of Assets, including the acquisition or Disposal of shares / stocks or other participation rights with a capital value in excess of EUR 1,000,000;

vii. except for transactions related to Qualified Rejected New Businesses, conclusion, termination or modification of other contracts resulting in expenses exceeding EUR 1,000,000 calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts, an annual estimate;

viii. commencing, redeeming or concluding a settlement in court or out-of-court proceedings for an amount exceeding EUR 500,000;

ix. the exercise by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum in the matters listed in Articles 5.7.1 (a) to 5.7.1 (h) of the Statutes and

x. the exercise by the Company or its representatives of other corporate rights in a Significant JV with respect to matters reserved for a Group Company or its representatives in relevant corporate documents, shareholder / shareholder agreements or similar agreements relating to such a Significant JV, which would not otherwise constitute Cases Reserved for SB.

b) The matters listed in Article 5.7.1 of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at the time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes.

Management Board

Composition

No	Name and surname	Position
1.	Michał Michalski	President of the Management Board
2.	Tomasz Kietliński	Member of the Management Board until 23.11.2021, Vice-President of the Management Board since 23.11 2021
3.	Iwona Sierżęga	Member of the Management Board
4.	Piotr Maciołek	Member of the Management Board
5.	Jarosław Bogacz	Member of the Management Board

On 23 November 2021 the Supervisory Board of Polenergia S.A. revoked all members of the Management Board of the Company, i.e., Mr. Michał Michalski, President of the Management Board, and Mrs. Iwona Sierżęga, Mr. Piotr Maciołek, Mr. Tomasz Kietliński and Mr. Jarosław Bogacz, Members of the Management Board, and then appointed these persons for a joint term in the Issuer's Management Board on the same day.

The reason for revoking and then appointing the same persons as members of the Issuer's Management Board on the same day was the necessity to adjust the term of office of the Management Board to Art. 5.10.1 of the Issuer's Statutes, as amended by the resolutions of the Ordinary General Meeting of the Company of 18 June 2021. Pursuant to Art. 5.10.1 of the Company's Statutes, the Issuer's Management Board is appointed for a joint three-year term of office

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 – indicating 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 has been provided in sec. 8 “Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A.”

Information on the case instituted by Eolos Polska Sp. z o.o. against the subsidiaries Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and Polenergia Usługi Sp. z o.o. has been provided in sec. 8 “Risk related to the dispute with Eolos Polska Sp. z o.o.”

Other disputes with counterparties have been covered in sec. 8 “Counterparty risk”.

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 PRODUCT SALES REVENUE (BY TYPE OF BUSINESS) [PLN M]		31.12.2021	31.12.2020	Change
Net revenues from sale of energy		2 105,6	1 522,4	583,2
Electricity volume sold	[MWh]	6 968 353,4	7 871 646,2	-903 292,7
Net revenues from electricity distribution		62,1	46,8	15,3
Electricity volume distributed	[MWh]	286 155,3	262 922,1	23 233,1
Net revenues from certificates of origin		402,5	113,6	288,9
Number of certificates (green certificates) sold	[MWh]	721 916,8	832 246,8	-110 330,1
Number of certificates (yellow certificates) sold	[MWh]	0,0	0,0	0,0
Net revenues from sale of CO2 emission allowance		805,1	11,9	793,2
Quantity of emission allowance sold	[t CO2]	4 583 803,0	18 000,0	4 565 803,0
Net revenues from sale of heat		34,2	21,5	12,7
Volume of heat sold	[GJ]	459 440,9	430 437,4	29 003,6
Net revenues from consulting projects		6,6	5,5	1,1
Revenues from lease and operator services		5,3	4,2	1,1
Revenues from sale of merchandise		0,0	2,5	-2,5
Revenues from sale of pellets		0,0	0,0	0,0
Revenues from stranded costs and cost of gas		34,6	13,8	20,8
Net revenues from sale of gas		442,3	61,6	380,7
Volume of gas sold	[MWh]	2 762 874,2	805 318,5	1 957 555,7
Net revenues from distribution of gas		4,8	4,4	0,4
Volume of gas distributed	[MWh]	317 179,0	275 047,9	42 131,1
Other revenues		96,3	3,1	93,2
Total net revenues from sale of products		**3 999,4**	**1 811,3**	**2 188,1**

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 (74% in 2021).

GEOGRAPHICAL DISTRIBUTION OF REVENUE

	For 12 months end		Change
	31.12.2021	31.12.2020	y/y
- Domestic market	2 948 803	1 577 602	1 371 201
- International market	1 050 648	233 750	816 898
Total revenue	**3 999 451**	**1 811 352**	**2 188 099**

Owing to the nature of its wholesale business, a significant volume of transactions (both sales and purchases) was 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	2021

Warsaw Commodity Clearing House	Electricity, property rights	no link	40%

Below are presented suppliers of goods and services which accounted for 10% or more of the total revenue in 2020.

Supplier	Goods purchased	Type of link with the Group	2021
Warsaw Commodity Clearing House	Electricity, property rights	no link	44%
Zespół Elektrowni Pątnów-Adamów-Konin S.A.	Co2 emission allowance	no link	19%

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 majority shareholders („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 of 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 Mans 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 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) will 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. the Parties 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.) (i.e. OJ PL 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 entities on non-arms' length terms, including the amounts and other details of such transactions

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

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

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

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 individual 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 26.1 to the individual financial statements and Note 32 to the Consolidated financial statements.

The sureties and guarantees obtained are presented below:

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
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
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
Fortum Oyi	Trade contract with Polenergia Obrót S.A.	PLN 4,000,000.00	31.01.2023
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	30.06.2022
Bilfinger Tebodin Poland Sp. z o.o. / Skandinawska Enskilda Banken AB S.A. O/Polska	Contract Engineer services agreement – Polenergia FW Szymankowo	PLN 230,400.00 On 15.06.2021 the amount of guarantee was	30.05.2023

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
		reduced to PLN 61.120,00	
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
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
ONDE S.A. / STU ERGO HESTIA S.A.	Performance Bond for the contract entered into with Polenergia FW Dębice/Kostomłoty	PLN 3,873,897.30	30.09.2022
Bilfinger Tebodin Poland Sp. z o.o. / Skandinawska Enskilda Banken AB S.A. O/Polska	Contract Engineer services agreement – Polenergia FW Dębice/Kostomłoty	PLN 267,000.00 on 01.10.2022 the amount of guarantee was reduced to PLN 80.100,00	15.09.2024
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	30.06.2022
P&Q SP. z o.o. / ING BŚ S.A.	Performance Bond for the contract entered into with Polenergia FW 17 Sulechów II	PLN 1,423,547.78	28.01.2022

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
P&Q SP. z o.o. / InterRisk TU S.A.	Performance Bond for the contract entered into with Polenergia FW Grabowo, Sulechów III)	PLN 1,154,766.04	06.03.2022
PKP Energetyka / PKO SA	Trade contract with Polenergia Obrót S.A.	PLN 12,000,000.00	31.12.2023
ONDE S.A. / InterRisk TU S.A.	Performance Bond for the contract entered into with Polenergia FW Rudniki) BUK)	PLN 856,548.05	17.03.2022
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – WF Piekło, Polenergia FW 16	Maximum guarantee amount EUR 13,599,400 plus VAT	30.06.2025
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Grabowo	Maximum guarantee amount EUR 48,860,000 plus VAT	31.07.2025
Talesun Solar France Sarl / Suzhou Talesun Solar Technologies Co.	PCG to the delivery agreement entered into with Polenergia FW Rudniki (BUK)	EUR 1,507,038.00	1 year from the effective reporting of claims related to non-performance of obligations under the delivery agreement
Talesun Solar France Sarl / Suzhou Talesun Solar Technologies Co.	PCG to the delivery agreement entered into with Polenergia FW Grabowo (SULECHÓW III)	PLN 2,295,353.00	1 year from the effective reporting of claims related to non-performance of obligations under the delivery agreement
Talesun Solar France Sarl / Suzhou Talesun Solar Technologies Co.	PCG to the delivery agreement entered into with Polenergia FW 17 (SULECHÓW II)	PLN 2,743,239.00	1 year from the effective reporting of claims related to non-performance of obligations under the delivery agreement
Vitol Gas and Power B.V. / Vitol Holding B.V.	Trade contract with Polenergia Obrót S.A.	EUR 500.000,00	31.07.2022

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 789,221.00	30.06.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 824,353.00	30.06.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 535,550	15.12.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 821,250.00	28.12.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 613,200.00	17.02.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 606,630.00	08.03.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 641,670.00	15.03.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 249,921.00	30.06.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 30,092.40	09.08.2022
Potęgowo Mashav / PEKAO S.A.	SWAP hedge for delivery from Polenergia Obrót S.A.	PLN 47,5434.00	10.10.2022
Ciech Soda Polska SP. o.o. / OP Corporate Bank	Trade contract with Polenergia Obrót S.A.	PLN 1,000,000.00	30.11.2022
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia WF Piekło, Polenergia FW 16	Maximum guarantee amount EUR 13,599,400 plus VAT	30.06.2025
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Grabowo	Maximum guarantee amount EUR 48,860,000 plus VAT	31.07.2025

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

The Management Board intends to allocate all proceeds from the issue of the Offered Shares to finance the investment needs resulting from the implementation of the Polenergia Group Strategy for 2020-2024 announced in May 2020. The funds obtained as part of the issue will be allocated in particular to the following purposes:

a) from PLN 229 to 243 million of proceeds from the issue of the Offered Shares (with the assumed minimum / maximum proceeds from the issue of the Offered Shares) for the further development of MFW Bałtyk II, MFW Bałtyk III and MFW Bałtyk I offshore wind project projects;
b) from PLN 178 to 189 million of proceeds from the issue of Offered Shares (with the assumed minimum / maximum proceeds from the issue of Offered Shares) for further development and construction of onshore wind farm projects.The net proceeds will be used to cover the planned expenses by the Group on the side of equity, which will be used in full to cover the development costs and own contribution when building the investment. The Group stipulates that the decision on the implementation of projects will be conditional upon the achievement of the required return on equity and securing bank financing to cover other costs related to the construction of the projects. As at the Prospectus Date, the Group plans to build two wind farms with a total capacity of 57.2 MW - WF Grabowo and WF Piekło. All projects implemented as part of the segment are developed by special purpose vehicles in which the Company is the sole shareholder and to which it contributes cash for project implementation in the form of equity. The projects are at the stage of initial preparation for construction, and the Group has so far incurred insignificant development expenditures for these projects in relation to the value of the entire project. Projects will be financed with bank debt with a share of at least half of the project budget. Agreements with banks were concluded in December 2021;
c) from PLN 130 to 138 million of proceeds from the issue of the Offered Shares (with the assumed minimum / maximum proceeds from the issue of the Offered Shares) for further development / expansion and construction of solar farm projects. The net proceeds will be used to cover the planned expenses by the Group on the side of equity, which will be used in full to cover the development costs and own contribution when building the investment. The Group stipulates that the decision on the implementation of projects will be conditional on the achievement of the required return on equity and securing bank financing to cover other costs related to the construction of the projects, the terms of which as at the Prospectus Date have not been established. The Issuer assumes that the projects will be financed with bank debt with a share of at least half of the project budget. As at the Prospectus Date, the Group has a portfolio of projects, of which projects with a planned capacity of 55.7 MW were submitted to the auction in 2021, which took place on December 7 and 9, 2021 (all received support under this system) and projects with a capacity of 18 MW, which should be ready for the auction in 2022. All projects implemented within the segment are developed within special purpose vehicles in which the Company is the sole shareholder and to which it contributes cash for project implementation in the form of equity;

d) from PLN 10 to 11 million of proceeds from the issue of Offered Shares (with the assumed minimum maximum proceeds from the issue of Offered Shares) for development activities in the field of electromobility, i.e. securing the location for the construction of public charging stations and the construction of charging stations and development of the product offer addressed to the end customer.
The area of electromobility is developed within a special purpose vehicle in which the Company is the sole shareholder and to which it contributes funds for the implementation of projects in the form of equity. The funds for this purpose are planned by the Issuer only from the proceeds from the Offering;

e) from PLN 120 to 176 million of proceeds from the issue of Offered Shares (with the assumed minimum / maximum proceeds from the issue of Offered Shares) for development activities (including acquisition) in selected business areas. The company is actively looking for investment opportunities in Poland and in the geographic area of Central Europe, both in terms of new renewable generation assets and new business lines. The company is developing sales activities and plans to further develop the product offer for individual and business customers in the field of electricity as well as related products, including distributed energy and electromobility, which may require an increase in the level of working capital. Decisions regarding possible acquisitions depend on finding appropriate investment goals and obtaining commercial conditions for such transactions that are satisfactory for the Company; and

PLN 250 million of proceeds from the issue of the Offered Shares (with the assumed minimum / maximum proceeds from the issue of the Offered Shares) for the repayment of the loan granted by Deutsche Bank Polska S.A. on the basis of a loan agreement referred to in the chapter "Description of Activities - Material Agreements"), the purpose of which was, inter alia, participation in the financing of onshore wind farms (FW Szymankowo, FW Dębsk and FW Kostomłoty) by repayment of loans granted by Mansa Investments sp. z o.o, referred to in the chapter "Description of activities - Material agreements - Agreements concluded in 2021 until the Prospectus Date and in 2020 - Loan agreements up to a maximum amount of PLN 233 million between Mansa and companies from the Group and sureties granted by the Company ".

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 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 26.1 to the Individual 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 663m on property, plant and equipment in 2022. The amount will largely be allocated to an investment program in the wind farm, 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. The funds for financing its own contribution are obtained by the Company from shareholders. In connection with the issue carried out at the beginning of 2022, the Company obtained PLN 1,003.9m, which will be spent as described in item 24 above.

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

results in the financial year, or which may have a material effect on its operations and results in future years

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

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

External and internal factors affecting the Group's growth

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:

https://www.polenergia.pl/serwis-relacji-inwestorskich/centrum-danych/

Description of the Group's business growth prospects

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, 2020 and 2021 and preparing further projects to participate in subsequent RES auctions,
- implementing new projects from photovoltaic farm portfolio which won the auctions in 2020 and in 2021, and preparing further projects to participate in subsequent RES auctions,
- further developing business in trading segment,
- implementing an investment project in the distribution area (which targets an increase of the Regulatory Assets Base and a growth in the number of customers connected to the company's network on a permanent basis),
- developing the sales of solutions in the field of distributed energy and electromobility,
- intensifying efforts to grow energy sales to customers not connected to the company's network.
- developing gas and clean fuels segment based on the 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:

https://www.polenergia.pl/serwis-relacji-inwestorskich/centrum-danych/

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

In the financial year 2021, 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 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 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 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.

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 provided

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

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

33. Liabilities arising from pensions and similar benefits for former Management and Supervisory Boards or former members of administrative bodies and on liabilities incurred

in connection with these pensions, with an indication of the total amount for each category of body; if the relevant information is presented in the financial statements - the obligation is considered fulfilled by indicating the place of their inclusion in the financial 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 42.84% 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 term of the agreement

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 Individual 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 Individual 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 2021 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 50 to the Consolidated financial statements.

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

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