

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

**Polenergia S.A.**

**DIRECTORS' REPORT ON THE OPERATIONS OF POLENERGIA S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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Management Board

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Management Board

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Jarosław Bogacz - Member of the  
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Warsaw, 7 April 2022

## Contents

|     |  |    |
|-----|--|----|
| 1.  | Profit and loss account of Polenergia S.A. for a 12-month period ended 31 December 2021 .....  | 4  |
| 2.  | Legal regime .....   | 5  |
| 3.  | Organizational structure of the Group .....  | 5  |
| 4.  | Discussion of key financial and economic data contained in the annual financial statements, in particular factors and events, including non-recurring ones, with a material effect on the Issuer's operations and profits earned or losses incurred in the financial year, as well as discussion of the Issuer's development prospects at least during the next financial year.....  | 6  |
| 5.  | Structure of assets, equity and liabilities in the balance sheet, including from the perspective of the Issuer's liquidity .....   | 8  |
| 6.  | Description of material risk factors and threats, including information on the degree of the Issuer's exposure to such risks or threats.....   | 9  |
| 7.  | Statement of compliance with corporate governance rules.....   | 18 |
| 8.  | Proceedings pending before common courts of law, arbitration courts or public administration authorities, including information concerning: .....  | 29 |
| 9.  | Key products, merchandise and services, their values and volumes, and the respective shares of individual products, merchandise and services (if material) or their groups in the Issuer's total revenue, as well as the changes of the above in the financial year .....  | 30 |
| 10. | Information on the issuer's markets, broken down into domestic and foreign markets, on the issuer's supply sources for production materials, goods and services, including information on dependence, if any, on any single customer or supplier, or a group of customers or suppliers, and where the share of a single customer or supplier in total revenue equals or exceeds 10 % of total revenue – the name of such supplier or customer, its share in total sales or purchases, and its formal links with the Issuer ..... | 30 |
| 11. | Agreements significant for the Issuer's business, including agreements between shareholders (partners), insurance contracts, collaboration or cooperation agreements, of which the Issuer is aware .....   | 31 |
| 12. | Issuer's organizational or equity links with other entities and main domestic and foreign investments (securities, financial instruments, intangible assets and property), including equity investments outside the group of related entities, 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.....  | 34 |
| 13. | 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 - the obligation is considered as fulfilled by indicating the place of inserting the relevant information in the financial statements .....  | 34 |
| 14. | Loan agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates of the loans .....  | 35 |
| 15. | Loans granted in the financial year, in particular loans granted to the Issuer's related entities, including at least the amounts, types, interest rates, currencies and maturity dates of the loans.....  | 35 |
| 16. | Sureties and guarantees issued and obtained in the financial year, including without limitation sureties and guarantees issued for the benefit of the Issuer's related entities.....   | 35 |
| 17. | 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.....   | 35 |
| 18. | Description of differences between the financial results presented in the full-year report and the financial forecasts for the year, published earlier (mPLN) .....  | 36 |
| 19. | Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the ability to repay liabilities as well as an identification of threats, if any, and measures used or intended to be used by the Issuer to mitigate such threats .....  | 36 |
| 20. | Evaluation of feasibility of investment plans, including equity investments, in the context of available funds, taking into consideration possible changes in the investment financing structure.....  | 37 |
| 21. | Assessment of factors and non-recurring events with a bearing on results for the financial year, along with the extent to which such factors or non-recurring events affected the results, and an overview of events which had a material effect on the Issuer group's operations and results in the financial year, or which may have a material effect on its operations and results in future years .....   | 37 |
| 22. | Overview of external and internal factors significant to the development of the Issuer's business and description of the development prospects until at least the end of the financial year following the financial year for which the financial statements included in the full-year report have been prepared, taking into consideration the Issuer's market strategy, and an overview of the development policy of the Issuer's group .....   | 37 |
| 23. | Changes in basic management policies of the Issuer and its group .....   | 38 |

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|     |  |    |
|-----|--|----|
| 24. | All agreements concluded between the Issuer and its management staff, providing for compensation in the event of resignation or removal from office without a good reason, or when resignation or removal from office is caused by acquisition of the Issuer by another company.....   | 38 |
| 25. | 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 .....   | 39 |
| 26. | Value of remuneration, bonuses or benefits, including those under incentive or bonus schemes based on the Issuer's equity, including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or potentially payable, separately for each member of the Issuer's Management and Supervisory Boards, recognized as costs or resulting from distribution of profit; if the Issuer is the parent, shareholder in a jointly-controlled entity or significant investor - separate information on the value of remuneration and bonuses received for the performance of functions in the governing bodies of subsidiaries; if relevant information is presented in the financial statements - the obligation is deemed fulfilled by including a reference to the part of the financial statements in which such information is provide..... | 39 |
| 27. | Total number and nominal value of all shares of the Issuer and shares in the Issuer's related entities, held by members of the Issuer's Management and Supervisory Boards (separately for each person) .....   | 39 |
| 28. | Agreements known to the Issuer (including those concluded after the end of the reporting period) which may result in changes in the proportions of shares held by the current shareholders and bondholders .....   | 39 |
| 29. | Employee stock ownership plan control system .....   | 40 |
| 30. | Additional information .....   | 40 |
| 31. | Material off-balance-sheet items by entity, type and value .....   | 40 |

**1. Profit and loss account of Polenergia S.A. for a 12-month period ended 31 December 2021**

| Performance Polenergia SA<br>(PLNk) |                                | 12M 2020        | Difference<br>YOY |
|-------------------------------------|--------------------------------|-----------------|-------------------|
| <b>Sales revenues</b>               |                                | <b>20 239</b>   | <b>20 239</b>     |
| Cost of goods sold                  |                                | (14 464)        | (39 728)          |
| <b>Net sales profit</b>             |                                | <b>5 775</b>    | <b>24 263</b>     |
| Other operating revenue             |                                | 361             | (6 415)           |
| General overheads                   |                                | (20 550)        | (20 550)          |
| Other operating expense             |                                | (137)           | (137)             |
| <b>A</b>                            | <b>Operating profit (EBIT)</b> | <b>(14 523)</b> | <b>38 758</b>     |
| Depreciation/Amortization           |                                | 1 989           | (444)             |
| Impairment losses                   |                                | -               | -                 |
| <b>EBITDA</b>                       |                                | <b>(12 534)</b> | <b>38 314</b>     |
| <b>B</b>                            | Financial income               | 68 116          | 68 222            |
|                                     | including dividend             | 49 852          | (271 541)         |
| <b>C</b>                            | Financial costs                | (3 923)         | (86 774)          |
| <b>A+B+C</b>                        | <b>Gross profit (loss)</b>     | <b>49 642</b>   | <b>49 642</b>     |
| Income tax                          |                                | 6 460           | (275 239)         |
| <b>Net profit (loss)</b>            |                                | <b>56 102</b>   | <b>96 717</b>     |

The increase in sales revenue in 2021 has mainly been due to higher revenues from services provided to subsidiaries and associates (by 4.8m).

The cost of sales was by 4.0m higher in 2021 compared to 2020, mainly due to the increase in costs related to the Group's development.

Altogether, costs by type increased by PLN 25.2m. A detailed breakdown of total costs by type is presented in Note 29 to the standalone financial statements.

The general overheads were by PLN 21.2m higher due to the increase in operating costs (one-off cost related to the earn-out received in offshore projects, salaries and employee benefits, third-party services) and in costs accounted for by SSC services partly offset by the drop in tax charges.

In 2021, the decrease in other operating revenues is noticeable by PLN 0.2m, mainly due to lower reversal of the impairment losses.

In 2021, other costs remain at a similar level relative to 2020.

Operating profit (EBIT) dropped by PLN 20.3m to the level of PLN -34.9 m, which was mainly due to the growth of the general overheads.

On the level of EBITDA, the Company reported a loss of PLN -32.5 (which is a lower result by PLN 19.9m compared to 2020).

Financial revenues in 2021 were higher by PLN 253.3m compared to 2020, which resulted predominantly from the earn-out received on the sale of a part of shares in offshore projects., higher revenues from dividend and the reversal of the impairment loss on the value of shares in 2020 (FW Piekło, FW16 and Amon) and the winding-up of the companies Biomasa Pólnoc and Geokletnia (PLN 3.4m) in 2021.

The finance costs in 2021 amounted to PLN -4.8m and was lower by PLN 0.9m than in 2020. The lower value in the current year results mainly from the impairment losses with respect to assets (PLN 1.9m), impairment losses with respect to shares in 2020 (PLN 2.0m), higher financial expenses in terms of interest (PLN 0.6m) and commissions and other fees (PLN 0.3m).

Income tax in 2021 amounted to PLN 40.6m. The difference compared to 2020 (PLN 47.1m) is mainly a consequence of the earn-out received in connection with the transaction of sale of part of shares in the projects developing offshore wind farms in 2018 and the writing-off of an asset as a tax loss.

As a result of the abovementioned events, the Company reported a net profit for the period of 12 months ended 31 December 2021 amounting to PLN 241.1m.

## **2. Legal regime**

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

## **3. Organizational structure of the Group**

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

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

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

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

| Major economic and financial data (PLN m) | Period from 1 January to 31 December |       | Difference |
|---|--------------------------------------|-------|------------|
|   | 2021                                 | 2020  |            |
| Sales revenues                            | 25,3                                 | 20,2  | 5,0        |
| EBITDA                                    | -32,5                                | -12,5 | (19,9)     |
| Net profit (loss)                         | 241,1                                | 56,1  | 185,0      |

In comparison with 2020, performance in the year ended 31 December 2021 was driven by the following factors:

- a) On the level of EBITDA (lower result by PLN 19.9m relative to 2020):
- Higher sales profit before tax (by PLN 1.0m) resulting from higher revenues from services provided to subsidiaries and associates,
  - Lower other operating income (by PLN 0.2m) due to lower value of reversal of impairment losses on receivables in 2021,
  - Higher general overheads (by PLN 21.2m) mainly due to the one-off cost related to the earn-out received in connection with the sale of a portion of shares in the offshore projects and the increase in operating costs (being mainly salaries and employee benefits, third-party services),
- b) On the level of Net Profit (growth by PLN 185.0m compared to 2020):
- The EBITDA effect (lower result by PLN 19.9m than in 2020),
  - Higher depreciation/amortization (by PLN 0.4m) resulting from the changes under IFRS 16 (increased depreciation of leased fixed assets),

Hence, lower operating profit (by PLN 20.4m).

- Financial income was higher by PLN 253.3, which resulted predominantly from the earn-out received on the sale of part of shares in offshore projects, higher revenues from dividend and the reversal of the impairment losses on the value of shares in 2020 (FW Piekło, FW16 and Amon) and the winding-up of the companies Biomasa Północ and Geokletnia (PLN 3.4m) in 2021
- Financial expenses were higher by PLN 0.9m which resulted mainly from the impairment losses with respect to assets (PLN 1.9m), impairment losses with respect to shares in 2020 (PL 2m), higher financial expenses in terms of interest (PLN 0.6m) and commissions and other fees (PLN 0.3m).
- Income tax was higher by PLN 47.1 mainly as a consequence of the earn-out received in connection with the transaction of sale of a portion of shares in the projects developing offshore wind farms in 2018 and the writing-off of an asset as a tax loss.

## **GROWTH PROSPECTS**

### Onshore wind farms

The construction of a 38.1 MW Szymankowo wind farm has been completed. On 23 June 2021, a construction work completion report was signed, on 19 August 2021 the operating permit was issued and on 13 September 2021 the concession was obtained.

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

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

At Dębask 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. 37 out of 55 turbines were assembled, 29 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 95% of the HV lines have been completed. Also, the grid station has been built. In February 2022, deliveries of components for wind turbines began, along with assembly of the turbines.

The wind farm projects: Piekło which secured an auction offtake in December 2020 and Grabowo which secured an auction offtake in December 2021, obtained investment clearance for development in December 2021. Presently, these projects are at the stage of direct preparation to construction. Loan agreements have been executed to provide financing to those projects and agreements for the supply of turbines have been signed. Contracts for the performance of electrical and construction works have been executed. Companies have been selected to provide contract engineer services. Procedures are in progress for the appointment of electrical and building contractors. The commencement of the construction works is planned for March 2022. Completion of construction with respect to those projects has been scheduled for the second half of 2023.

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

#### Photovoltaic farms

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 the LV wiring and 90% of the MV cabling were completed. Completion of construction with respect to those projects has been scheduled for the first half of 2022.

In December 2021, the subsidiaries: Polenergia Farma Wiatrowa Olbrachcice sp. z o.o. developing the 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, won the auction for the sale of energy from renewable energy sources. The Group intends to obtain financing for those projects in 2022 and to obtain corporate approvals for their implementation. Construction is meant to commence in the second half of 2022.

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

#### Development of offshore wind farm projects

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing

to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW. On 4 May 2021, the President of the Energy Regulatory Office issued decisions with respect to the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. 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.

#### Distribution

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.

After having obtained the approval of the Supervisory Board, Polenergia Dystrybucja commenced implementation of Investment Plan IV for the years 2021- 2026 totaling PLN 105m. 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.

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

| Name                                   | Description                                      | 2021   | 2020   | Change YOY |
|--|--|--------|--------|------------|
| 1. Return on equity                    | Net profit/loss                                  | 18.6%  | 4.9%   | 13.7 pp.   |
|  | average annual equity                            |        |        |            |
| 2. Net return on sales                 | Net profit/loss                                  | 954.3% | 277.2% | 677.1 pp.  |
|  | sales revenue                                    |        |        |            |
| 3. Liquidity - liquidity ratio I       | total current assets                             | 0.66   | 9.31   | -8.64      |
|  | short term liabilities                           |        |        |            |
| 4. Receivable rotation cycle (in days) | average annual trade receivables<br>x 365 days   | 291    | 257    | +34        |
|  | revenue from sale of products                    |        |        |            |
| 5. Debt to assets ratio                | (total equity and liabilities - equity)<br>* 100 | 16.9%  | 2.7%   | 14.2%      |
|  | total assets                                     |        |        |            |

The return on equity ratio and net return on sales improved due to higher net financial result year on year. The main factor contributing to the improvement of the indicators is the earn-out received from the sale of a portion of shares in the offshore wind projects under development. Higher value of return on equity indicates better effectiveness of funds employed, while higher value of return on sales indicates higher profit on each zloty of revenues from sales.



Financial liquidity measured with Liquidity Ratio I decreased year on year, due to the reduction in the total working assets (mostly the impact of reduced value of short-term financial assets) with concurrent increase in short-term liabilities.

The growth of the average collection period index results mainly from relatively stronger growth of receivables against the growth of sales revenues in 2021. The relatively high average collection period (291 days) is due to the fact that companies dealing with development projects in the Group are invoiced once a year, which translates into a high level of receivables at the end of a calendar year.

There was a significant change in the balance sheet structure as at the end of 2021. Compared to the preceding year, liabilities for short-term loans emerged in the Company. Equity increased due to high net profit for 2021.

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

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

### Risk of foreign exchange rate movements

Within the onshore wind farm also including the projects in development and under construction, a part of liabilities is denominated in EUR. The above mainly regards the investment liabilities in Polenergia Farma Wiatrowa 3 sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. implementing 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. implementing the construction of the Grabowo i Piekło Wind Farms. The currency risk in the projects Dębsk and Kostomłoty Wind Farms was fully secured on the financial market before the investment loan was disbursed by means of currency forwards. Polenergia Obrót S.A. ("Polenergia Obrót") is exposed to currency risk as a result of trading in electricity in foreign markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, 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's financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, the investment projects are financed with debt proportion above 50%. 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 of 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. 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 S.A. transaction with BOŚ Bank, hedging 80% of the risk of changes in interest rates.

On 6 August 2020, Polenergia Farma Wiatrowa 1 Sp. z o.o., and Polenergia Farma Wiatrowa 6 Sp. z o.o. concluded interest rate risk hedging transactions 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

#### 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, 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.

Regardless of above, 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 CO<sub>2</sub> 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 POLPX 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 TGE 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 related to RES 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. Therefore, 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 examined, in particular, it is possible to build such project in order to supply electricity directly to the end user, e.g. based on the power purchase agreement (PPA).

The above risk has 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.

#### Risk related to the unstable tax regime

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

#### Risk 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 several 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 CO<sub>2</sub> Emissions Trading Scheme, participation permits had to be obtained for installations used during 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 CO<sub>2</sub> emissions. As of 1 January 2013, all the installations are also subject to new CO<sub>2</sub> 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) 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 CO<sub>2</sub> 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.

#### 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 Dębask wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 26 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 several requirements to be met by individual design companies or projects; 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 30 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 Pólnoc Sp. z o.o. waived and withdrew the claim for payment of PLN 500k of contractual penalty, and the other party waived the another claim and withdrew the cassation appeal. The settlement concluded by Polenergia Elektrownia Pólnoc 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 Pólnoc 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 application of hedge accounting to cash flow hedges

As of 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                                 | 2744              | 1.25%                           | IRS        |
| 11.03.2036                                 | 13500             | 2.22%                           | IRS        |
| 15.12.2028                                 | 118971            | 0.75%                           | IRS        |
| 11.06.2035                                 | 150048            | 1.10%                           | IRS        |
| 22.12.2031                                 | 9158              | 2.60%                           | IRS        |
| <b>Total</b>                               | <b>862144</b>     |                                 |            |

**Transactions securing the risk of foreign exchange rates changes.**

| Date of maturity of instrument security | Value Security    | Rate 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    |
| <b>Total</b>                            | <b>EUR 44,763</b> |               |            |

**7. Statement of compliance with corporate governance rules**

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

Code of Best Practice for Warsaw Stock Exchange Listed Companies. available at: [www: http://corp-gov.gpw.pl/](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%          |
| <b>Total</b> |  | <b>66 802 246</b> | <b>66 802 246</b> | <b>100,00%</b> |

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

### Supervisory Board

#### *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<br>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 since 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 Issuer's 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 Issuer's 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 Issuer's Supervisory Board, effective as of the date of filing the resignation.

On 22 November 2021 the following persons were appointed as Members of the Issuer's 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 Issuer's 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 of the Supervisory Board since 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;

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- 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 excess of EUR 30,000,000 or where the total capital value of all such transactions (irrespective of their individual value) in the current financial year would exceed EUR 60,000,000, and the Regulations submitted to the Supervisory Board for approval pursuant to Article 5.6.3 (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 pursuant to Article 5.5.1 (a) of the Statutes.

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#### 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 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<br>Vice-President of the Management Board as of<br>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

- 8. 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. 6 "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. 6 "Risk related to the dispute with Eolos Polska Sp. z o.o."

Other disputes with counterparties have been covered in sec. 6 "Counterparty risk".

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

| NET REVENUES FROM SALE OF PRODUCTS<br>(BUSINESS STRUCTURE - TYPES OF ACTIVITY) (mPLN) | 2021        | 2021          |
|---|-------------|---------------|
| - revenues from consulting and advisory projects                                      | 23.7        | 93.9%         |
| - revenues from rental  | 1.5         | 6.0%          |
| - other   | 0.0         | 0.1%          |
| <b>Revenues, total</b>  | <b>25.3</b> | <b>100.0%</b> |

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

The Company generates revenues from sales of goods and services both on domestic and foreign markets, while revenues generated in Poland represent a vast majority (99.9% in 2021).

**GEOGRAPHICAL SPLIT OF REVENUES**

|  | For the 12 months' period ended |               | Change<br>y/y |
|--|---------------------------------|---------------|---------------|
|  | 31.12.2021                      | 31.12.2020    |               |
| - domestic market                                    | 25,243                          | 19,784        | 5,459         |
| - foreign markets                                    | 21                              | 455           | (434)         |
| <b>Total revenues from agreements with customers</b> | <b>25,264</b>                   | <b>20,239</b> | <b>5,025</b>  |

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

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 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.

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.

- 12. Issuer's organizational or equity links with other entities and main domestic and foreign investments (securities, financial instruments, intangible assets and property), including equity investments outside the group of related entities, 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.

- 13. 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 - the obligation is considered as fulfilled by indicating the place of inserting the relevant information in the financial statements**

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

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

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

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

Loans granted are presented in Note 36.1 to the Standalone financial statements.

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

For information on loan 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 Standalone financial statements and Note 32 to the Consolidated financial statements.

Moreover the Issuer did not receive any guarantees as at 31 December 2021.

**17. 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 projects. 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
  - f) 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 the purpose of which was, inter alia, participation in the financing of onshore wind farms (FW Szymankowo, FW Dębask 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".

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

In 2021 the Company did not publish performance forecasts on a standalone basis.

#### **19. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the ability to repay liabilities as well as an**

**identification of threats, if any, and measures used or intended to be used by the Issuer to mitigate such threats**

The most important part of the Issuer's and the Group's financial liabilities are bank borrowings, described in more detail in the financial statements. As at 31 December 2021 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 certain credit facility agreements, which in the case of some projects may trigger payment under guarantees issued by Polenergia S.A. in favor of individual projects. For details on the guarantees, see Note 26.1 to the Standalone financial statements.

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

As at the publication hereof, the Company plans to spend an estimated total amount of ca. PLN 426m on equity investments in 2022. Such amounts will be mainly earmarked for the development in onshore and offshore wind energy projects.

Polenergia S.A. seeks to finance projects under a "project finance" model which assumes partial reliance on externally sourced funds. The funds for financing its own contribution are obtained by the Company from shareholders. In connection with the issuance carried out at the beginning of 2022, the Company obtained PLN 1003,9m, which will be spent as described in item 17 above.

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

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

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

External and internal factors affecting the Group's growth

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/>

### **23. 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.

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

Mr. Michał Michalski is party to an employment contract concluded with the Company. The contract is entered into for an indefinite term. It may be terminated upon 12 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.

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

The Issuer does not have the above liabilities

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

For information on the remuneration of members of the Management and Supervisory Boards, see Note 40 to the Standalone financial statements.

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

Ms Dominika Kulczyk 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.

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

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.

Information in the above matter were described in item 11 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.

## **29. Employee stock ownership plan control system**

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

## **30. Additional information**

### **a) concerning the date of entering into an agreement between the Issuer and an entity authorized to audit the financial statements on the audit or review of financial statements or Consolidated financial statements, and the term of the agreement**

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

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

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

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

In 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**

The total amount of the remuneration under the above-mentioned agreements is presented in Note 42 to the Standalone Financial Statements

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

Off-balance sheet items by entity, type and value are presented in Note 26 to the Standalone financial statements.