



Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

Gdańsk, 30 March 2022

Table of contents

1.	SUMMARY	3
2.	KEY INFORMATION ON THE ENERGA GROUP	6
2.1.	Description of activities of the Group	6
2.2.	Group's structure and governance model	7
2.3.	Key events in 2021 and after the balance sheet date	13
2.4.	Research, Development and Innovation activities	18
2.5.	Capital expenditure and execution of key projects	20
2.6.	Strategy and directions of development of the Energa Group	23
2.7.	Awards and distinctions	27
2.8.	Social responsibility and ESG with a statement about non-financial information	29
3.	REGULATORY AND BUSINESS ENVIRONMENT	34
3.1.	Macroeconomic situation	34
3.2.	Electricity market in Poland	36
3.3.	Regulatory environment	42
3.4.	Description of the Group's position in relation to other energy groups	47
3.5.	Factors relevant to the development of the Energa Group	48
4.	FINANCIAL AND ASSETS SITUATION OF the ENERGA GROUP	50
4.1.	Rules of preparing the annual consolidated financial statements	50
4.2.	Explanation of the economic and financial data disclosed in the annual consolidated financial statements	50
4.3.	Structure of assets and liabilities in the consolidated statement of financial position	57
4.4.	Description of significant off-balance sheet items	58
4.5.	Projected financial results	58
5.	OPERATIONS OF THE ENERGA GROUP SEGMENTS	60
5.1.	Distribution Business Line	60
5.1.1.	Business and operating activities	60
5.1.2.	Financial results	62
5.2.	Generation Business Line	63
5.2.1.	Business and operating activities	63
5.2.2.	Financial results	66
5.3.	Sales Business Line	70
5.3.1.	Business and operating activities	70
5.3.2.	Financial results	73
6.	FINANCIAL AND assets SITUATION OF ENERGA SA	76
6.1.	Rules of preparing the separate consolidated financial statements	76
6.2.	Explanation of the economic and financial data disclosed in the annual separate financial statements	76
6.3.	Structure of assets and liabilities in the separate statement of financial position	79
6.4.	Description of significant off-balance sheet items	80
7.	RISK MANAGEMENT	82
7.1.	Integrated Risk Management System of the Energa Group	82
7.2.	Description of major factors and risks	83
8.	SHARES AND SHAREHOLDING STRUCTURE	90
8.1.	Energa's shareholding structure	90
8.2.	The Company's stock prices on the Warsaw Stock Exchange	91
8.3.	Investor relations at Energa	92
8.4.	Ratings	92
8.5.	Dividend	93
9.	OTHER INFORMATION ABOUT THE GROUP	95
9.1.	Information on material contracts, agreements and transactions	95
9.2.	Proceedings pending before courts, arbitration or public administration bodies	98
9.3.	HR and payroll situation	107
9.4.	Information on the statutory audit firm	113
10.	CORPORATE GOVERNANCE STATEMENT	115
10.1.	Application of rules of corporate governance	115
10.2.	Significant shareholders	116
10.3.	Holders of stock with special control rights and a description of special control rights	116
10.4.	Restrictions on voting rights	116
10.5.	Restrictions on transfer of ownership of securities	116
10.6.	Amendments to the Articles of Association	116
10.7.	Corporate bodies	116
10.8.	Salaries of executive and supervisory staff	130
10.9.	Diversity policy	132
10.10.	Main features of internal control and risk management systems in relation to the financial reporting process	132
11.	MANAGEMENT BOARD REPRESENTATION AND INFORMATION	136
	List of tables	137
	List of figures	138

1. SUMMARY

ENERGA GROUP IN 2021



One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 35% share of RES in own production.




Financial data

Revenues	EBITDA	EBITDA margin
PLN 13,692 m	PLN 2,449 m	17.9%

Renewable energy sources

Installed capacity	RES production	
540 MWe	1,439 GWh	

Operating data





Volume of electricity supplied	Gross electricity production	Retail sales of electricity
 23.1 TWh	 4.1 TWh	 18.6 TWh

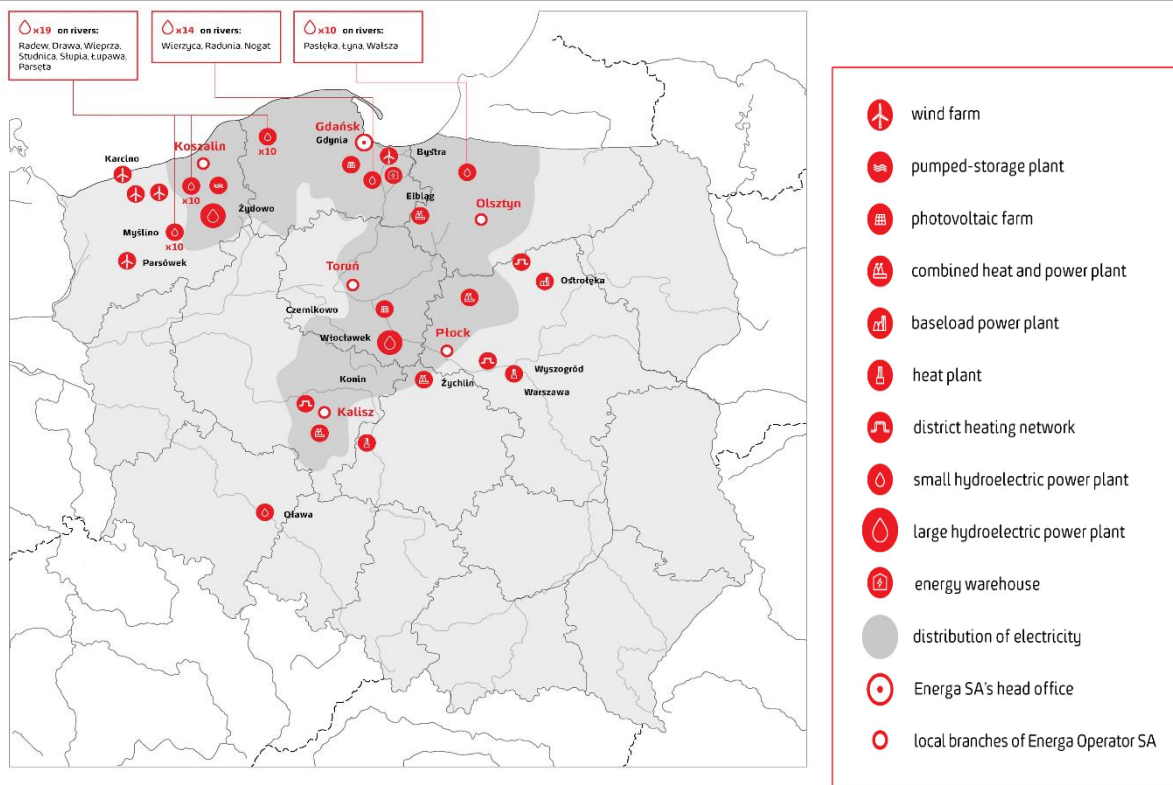
Investor's guide*

Capitalization	Share price	Fitch rating of Energa	Moody's rating of Energa
PLN 3.16 billion	PLN 7.65	BBB-	Baa2

* As at 30 December 2021

Key resources

Distribution grid	Installed capacity	Number of clients	Number of employees
193 k km 	1.39 GWe of which 39% are RES 	Distribution: 3.2 m Sales: 3.2 m 	8.9 k 



Key Business Lines		
Distribution	Generation	Sales
		
EBITDA: PLN 2,048 m	EBITDA: PLN 112 m	EBITDA: PLN 343 m

Investments			
PLN 2,107 m	New customer connections	Modernization of HV, MV and LV lines	New RES
Of which Distribution: PLN 1,526 m	70 k	2,980 km	1,548 MW



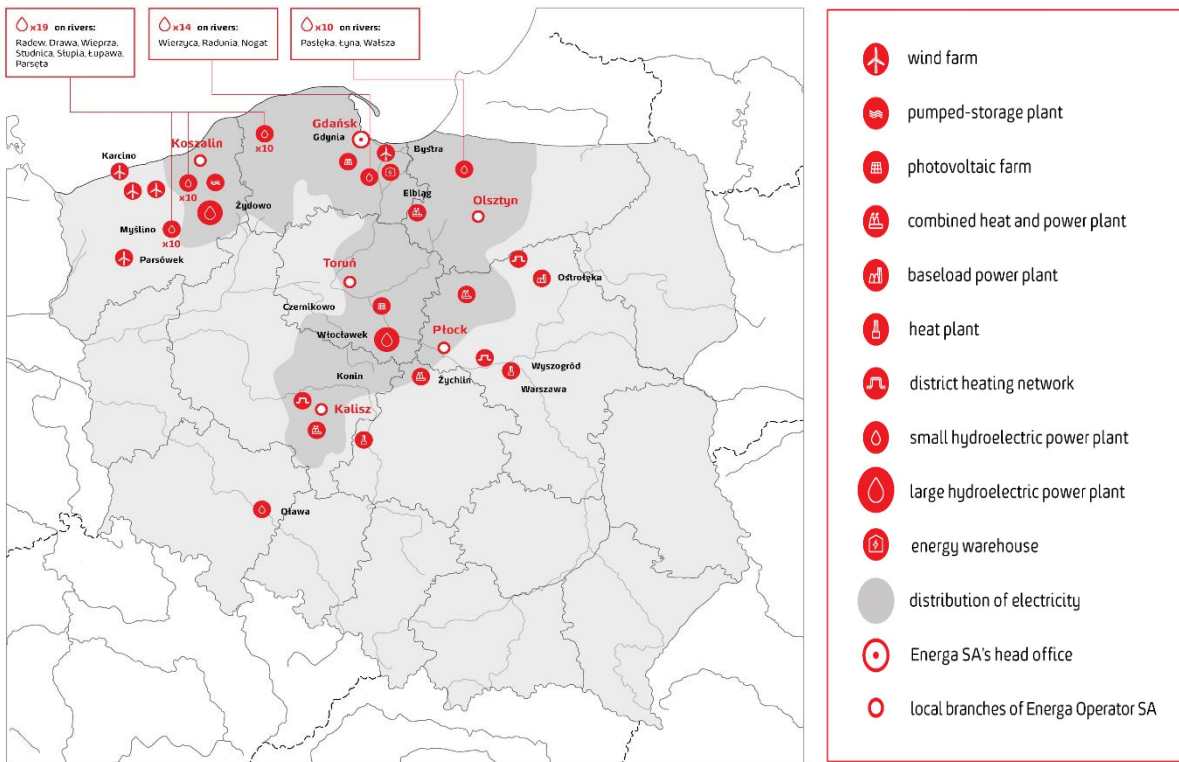
Żelkowo hydro plant

Key information on the Energa Group

2. KEY INFORMATION ON THE ENERGA GROUP

2.1. Description of activities of the Group

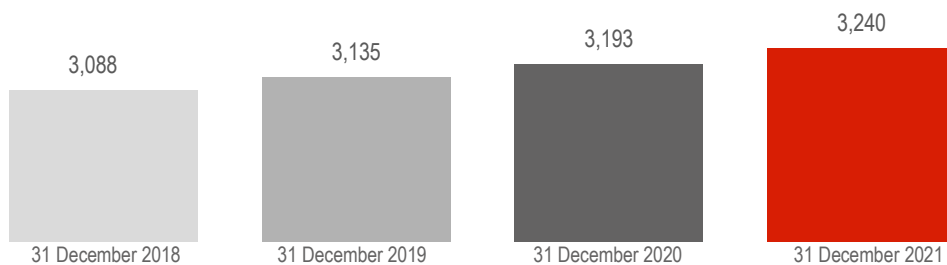
Figure 1: Business locations and main assets of the Group



The core business of the Energa Group involves the distribution, generation and trading in electricity and heat and concentrates on the following business lines:

Distribution Business Line. This is the Business Line of key importance to the Group's profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (URE). Energa Operator SA acts as the leading entity in this Line. The Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group's distribution assets through which the Group supplies electricity to 3.2 million customers, approx. 3.1 million of whom are customers with universal agreements and 175,000 are TPA (Third Party Access) customers. At the end of 2021, the total length of the power lines used by the Group was over 193 thousand km and covered almost 75 thousand km², i.e. about 24% of the country's landmass.

Figure 2: Number of Energa Operator SA customers as at 31 December 2018-2021 (000s)



Generation Business Line. The operation of this business line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of 2021, the total installed generation capacity in the Group's power plants was approximately 1.4 GW. The leading entity in this Business Line is Energa OZE SA.

In 2021 the Group generated 4.1 TWh of gross electricity, relying on a mix of sources such as coal, water, wind, biomass, and photovoltaic energy. In the entire 2021, 64% of the Group's gross electricity production originated from coal, 23% from hydro, 11% from wind, with biomass accounting for 2% of production.

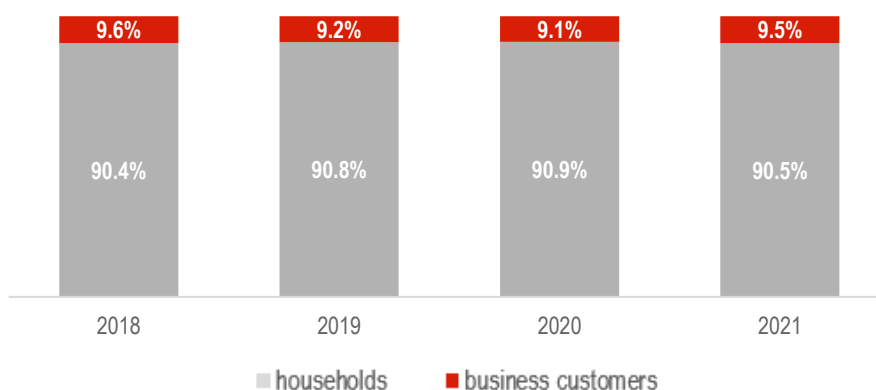
The Energa Group owes its strong position in terms of the percentage of renewable electricity in the total energy mix primarily to the generation of energy in hydro- and wind power plants. Green energy is produced by 46 hydro power plants, 6 wind farms and biomass-fired installations (in Energa Elektrownie Ostrołęka and Energa Kogeneracja) as well as three photovoltaic installations.

As at the end of 2021, the Group had 0.5 GW of renewable capacity, with a gross production of electricity totalling 1.4 TWh throughout the entire 2021.

Coal is the main fuel used by the Energa Group to produce electricity and heat. The Group's generating units used 1,259 thousand tonnes of coal and 85 thousand tonnes of biomass in 2021 (vs. 826 thousand tonnes and 147 thousand tonnes, respectively, in 20120). Coal supplies were delivered to the Group by three main Polish suppliers: Polska Grupa Górnicza, Lubelski Węgiel "Bogdanka", and Jastrzębska Spółka Węglowa.

Sales Business Line. Its lead entity is Energa Obrót SA. It sells electricity, gas and additional services both as separate products and in bundles to all customer segments – from industry through large, medium and small enterprises, to households. As at the end of 2021, the Energa Group had approximately 3.2 million customers, including 2.9 million classified as G tariff customers, with the remainder being customers from: C, B and A, in a decreasing order.

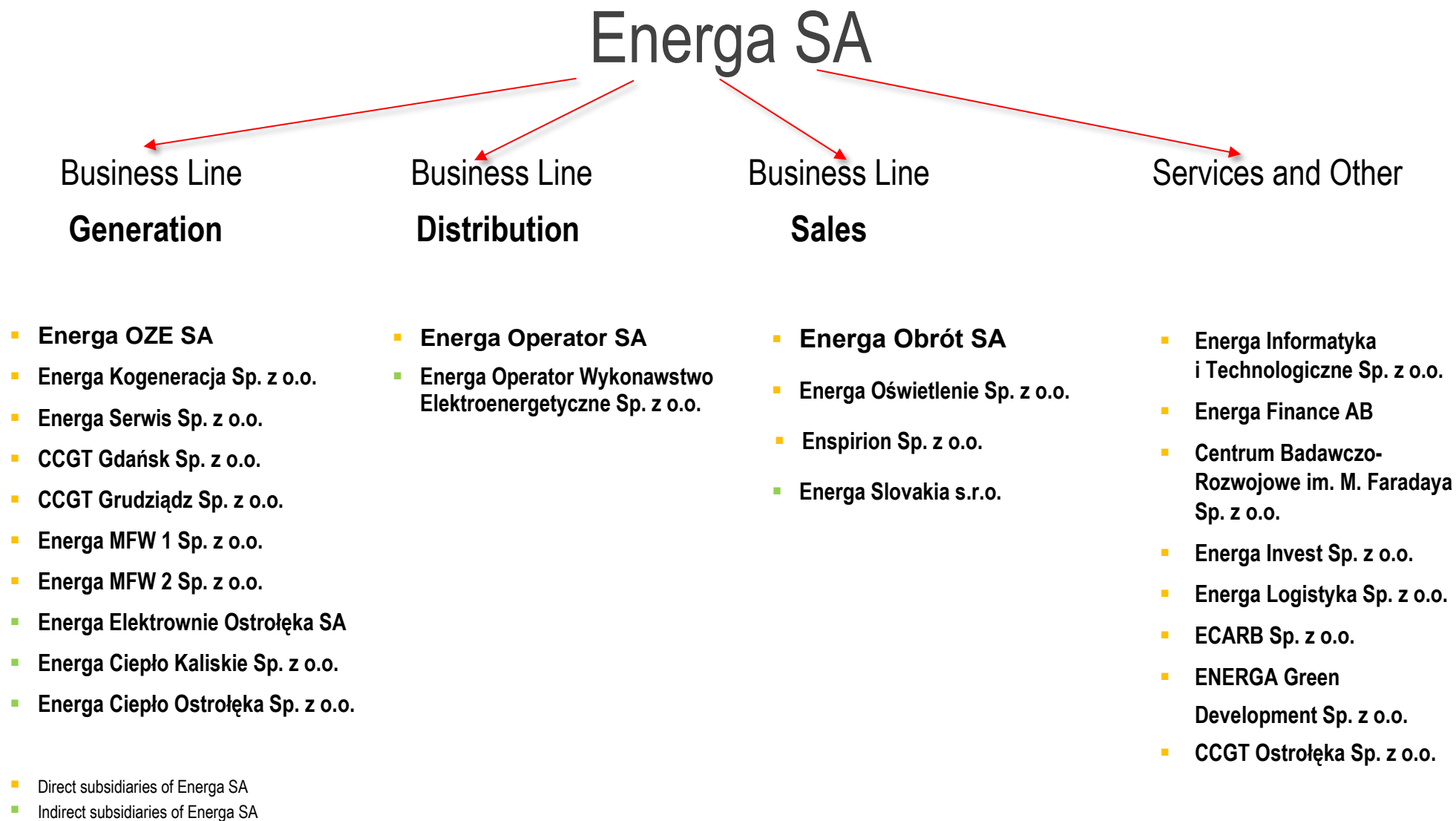
Figure 3: Structure of Energa Obrót's end customers by customer type



2.2. Group's structure and governance model

As at 31 December 2021, the Energa Group consisted of 25 companies, including its parent company, Energa SA ("Energa", "Company").

Figure 4: Simplified organisational chart of the Energa Group as at 31 December 2021



As at 31 December 2021 the Group held shares in joint ventures: Polska Grupa Górnicza SA ("PGG"), Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in an associate Polimex-Mostostal S.A. ("Polimex"). For ElectroMobility Poland S.A., classification of the company was changed from an associate recognized using the equity method to shares measured in the financial statements at fair value through the financial result.

Key changes in the Group's structure and organisation

Establishment of CCGT Ostrołęka Sp. z o.o.

The company was formed on 11 January 2021 by Energa SA which acquired all shares in its share capital. On 29 January 2021, the company was entered in the National Court Register ("KRS"). CCGT Ostrołęka Sp. z o.o. is to oversee the project of construction of a gas-steam power plant in Ostrołęka.

Establishment of Energa Green Development Sp. z o.o.

The company was formed on 20 January 2021 by Energa SA which acquired all shares in its share capital. On 9 February 2021, the company was entered in the National Court Register (KRS). Establishment of Energa Green Development Sp. z o.o. is driven by the need to develop and integrate renewable energy generation projects, mainly wind- and PV-based, within the Energa Group and the ORLEN Group. The Company shall develop construction competences in the area of wind and PV farms.

Transfer of part of the assets of Energa Kogeneracja Sp. z o.o. to ECARB Sp. z o.o.

On 15 February 2021, a portion of the assets of Energa Kogeneracja Sp. z o.o., including PGG registered shares, was spun off and transferred to ECARB Sp. z o.o. in exchange for the shares in the increased share capital of ECARB Sp. z o.o. The shares were acquired by the partners of the company being the object of the spin-off, namely Energa SA and Energa OZE SA.

Establishment of Energa MFW 1 Sp. z o.o. and Energa MFW 2 Sp. z o.o.

The companies were formed on 26 March 2021 by Energa OZE SA which acquired all shares in their share capital. On 1 July 2021 Energa MFW 1 Sp. z o.o. was entered in KRS and Energa MFW 2 Sp. z o.o. on 17 June 2021. The companies were established in connection with the planned investment in off-shore wind farms.

Sale of Energa Ochrona sp. z o.o. to ORLEN Ochrona sp. z o.o.

On 30 June 2021, an agreement was signed for the sale of 100% of shares in Energa Ochrona sp. z o.o. to ORLEN Ochrona Sp. z o.o., effective from 31 July 2021. The transaction was carried out under the Business Integration and Transformation Programme of PKN ORLEN and the Energa Group.

Sale of Energa Centrum Usług Wspólnych Sp. z o.o. to ORLEN Centrum Usług Korporacyjnych Sp. z o.o.

On 16 November 2021, a conditional agreement was signed for the sale of 100% of shares in Energa Centrum Usług Wspólnych Sp. z o.o. to ORLEN Centrum Usług Korporacyjnych Sp. z o.o. On 16 December 2021, the parties signed the share transfer deed effective from 22 December 2021. The transaction was carried out under the Business Integration and Transformation Programme of PKN ORLEN and the Energa Group.

Change in share capital of ElectroMobility Poland S.A.

On 2 August 2021 the State Treasury signed an investment agreement with ElectroMobility Poland S.A., under which the State Treasury would acquire new shares in the company with the approx. value of PLN 250 m. As at 30 September 2021, the total value of Energa's capital contribution to the company (total par value of shares acquired) amounted to PLN 17.5 m, while based on the measurement of the company taken for the needs of State Treasury involvement, the value of the company's equities was reduced. Thus, the value of the company's shares in Energa's books was adjusted to the measurement amount, i.e. PLN 13.1 million. On 30 September 2021, an increase in the capital of the company by the State Treasury with the approx. amount of PLN 250 m was registered in the National Court Register. As a result, Energa's share in the company's capital decreased from 25% to approx. 4.3%, thus classification of ElectroMobility Poland S.A. was changed from an associate recognized using the equity method to shares measured in the financial statements at fair value through the financial result..

The Group Governance Model

The Energa Group Cooperation Agreement, signed on 20 December 2017 by 31 Energa Group companies (as at the date of these statements, 22 Energa Group companies, 4 of whom acceded to the Agreement in 2021, remain parties to the Agreement, including Energa SA, as a result of corporate restructuring within the Energa Group, conducted in connection with integration with and transformation of ORLEN Group) is the basic document of Energa Group defining the general principles of its governance.

The Energa Group Cooperation Agreement (the "Agreement") is a civil-law instrument which:

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

The Energa Group Cooperation Agreement took into consideration the need to define the rights and obligations of Energa SA as the Energa Group's Parent Company with respect to setting of objectives, business strategies, as well as control and oversight of subsidiaries, which became the foundation for the provisions of the Agreement. The Agreement enables simultaneous introduction across the Energa Group companies of the regulations developed at Energa and consulted with the Energa Group companies by the dates set in the Agreement, while taking into consideration the interests of the Energa Group. As at the date of its signing, the Agreement comprised 32 appendices, which were regulations (procedures/policies/rules) defining the functioning of the Group in individual business areas, including the rules of co-operation of the Energa Group companies with the companies of the Energa Group operating as specialist support services structures.

The assumptions underlying the integration of the Energa Group with PKN ORLEN SA ("PKN ORLEN") and the ORLEN Group and their transformation pursued in 2021 necessitated amendments to the Agreement ensuring: (i) implementation of the standards in force at PKN ORLEN SA and the ORLEN Group and (ii) continued reliance by the Energa Group companies, in the first place, on the support services structures that were part of the capital structure of the ORLEN Group.

In 2021, a total of 15 annexes to the Agreement was signed. Following consultations, the annexes introduced amendments not only to the Agreement itself but also to the regulations already in force or introduced new regulations implementing the provisions of the Standards and Policies of PKN ORLEN SA and the ORLEN Group. As at the end of 2021, the Agreement included 50 regulations in force.

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

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

- build the value,
- pursue the interest and objectives of the Group,
- integrate the activities of the Group,
- develop a single decision-making model for the Group,
- keep the division of tasks and responsibilities between the Parties, as the parent company (PKN ORLEN) and subsidiary (Energa as a parent company in the Energa Group),
- ensure the availability and exchange of information between the Parties.

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

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

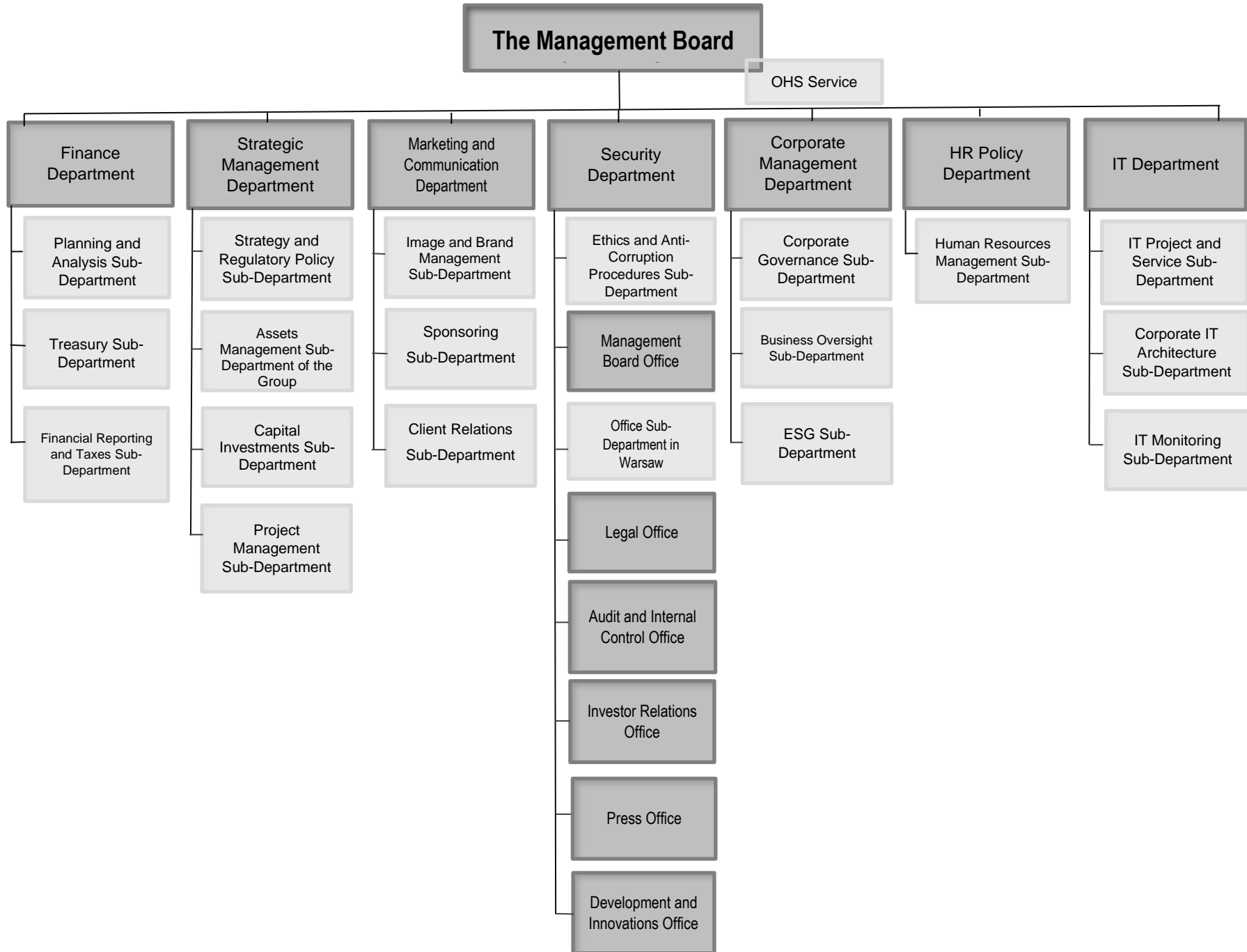
Collaboration arising from the provisions of the Agreement is pursued at the operational level, covering specifically the scope of operation of PKN ORLEN Committees, consulting of "Group resolutions" and collaboration between the relevant areas of

Energa SA and the relevant areas of PKN ORLEN, including with respect to agreement of the wording of the regulations implemented and novated under the Energa Group Cooperation Agreement, also in connection with their adaptation to the regulations in force within the ORLEN Group.

In 2021, the Agreement was amended twice through incorporation of the provisions governing financial control and internal control.

The Organisational Regulations of Energa SA together with the company's organisational chart define the grounds for and scope of operation of Energa SA, also within the Energa Group as the Dominant Entity in the area of supervision and coordination. The document regulates such areas as the Company's governance, organisational structure as well as obligations and responsibilities of the Company's individual organisational units. The chart below presents the structure of Energa SA up to the level of organisational units reporting directly to the members of the Management Board, as at 31 December 2021.

Figure 5: Organisational chart of Energa as at 31 December 2021



2.3. Key events in 2021 and after the balance sheet date

2.3.1. Material events in the reporting period

Suspension by the Polish Financial Supervision Authority of administrative proceedings on granting the permit to withdraw shares of Energa SA from trading on the regulated market

In January 2021 the Company received a decision from the Polish Financial Supervision Authority ("PFSA") dated 15 January 2021 on suspension of administrative proceedings on granting the permit to withdraw 269,139,114 of Company's shares from trading on the regulated market. The basis for this suspension are the legal claims reported by the Company in current reports Nos 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020. In the explanatory memorandum to its decision, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the suspension of the proceedings, and indicated that review of the case and issue of the decision depends on the prior resolution of the preliminary issue by the court.

Amendment to the order granting security for the claims for invalidity or revocation of a resolution of the Extraordinary General Meeting of Energa SA - establishing a security deposits

On 12 April 2021 the Regional Court in Gdańsk, as a result of a complaints filed by the Company, issued two decision in which it amended its earlier two decisions of 7 December 2020 and 10 December 2020 (which the Company informed about in current reports No. 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020) on granting security to the Company's shareholders for the claim to declare invalid or revoke Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) 269,139,114 series AA ordinary bearer shares of the Company bearing ISIN code PLENERG00022 in Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) (the "Resolution"). Mentioned above two decisions of 7 December 2020 and 10 December 2020 amended in such a way that their execution was made conditional on the plaintiffs depositing a security deposits in the amount of PLN 1,360,326.23 (for each of the above-mentioned decisions separately) to secure the Company's claims arising in the performance of the security order. On 5 May 2021 the Company received information that in the case of decision of 10 December 2020 the security deposit was paid to the account of the Regional Court in Gdańsk.

Activities regarding the project for the construction of a new power plant in Ostrołęka

On 22 December 2020, Energa SA, PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") signed an investment agreement governing directional rules of cooperation on the construction of a gas fuel power generating unit at the Ostrołęka "C" power plant ("Investment Agreement"), ("Gas Project"). The parties to the Investment Agreement undertook to cooperate in delivering the Gas Project by establishing a new company that would take over selected assets and liabilities from Elektrownia Ostrołęka Sp. z o.o. (implementing the project of construction of the Ostrołęka "C" Power Plant with a capacity of 1000 MW - the "Coal Project") that are indispensable for the implementation of the Gas Project. According to the Investment Agreement, Energa and PKN ORLEN would be allocated a total of 51% shares in the share capital of the newly established company ("Shares Pool"), which would amount to the same percentage of the total number of votes at its meeting of shareholders, and PGNiG would acquire the remaining 49% of shares in the share capital of the newly established company, which would amount to the same percentage of the total number of votes at the meeting of shareholders.

The new company called CCGT Ostrołęka Sp. z o.o. was entered in KRS on 29 January 2021, with Energa SA as its sole shareholder. On 14 April 2021, the Company was informed that the President of the Office of Competition and Consumer Protection had granted consent to the establishment of a joint venture by PKN ORLEN, Energa and PGNiG, i.e. CCGT Ostrołęka Sp. z o.o. with its registered office in Ostrołęka.

On 18 May 2021 Energa SA concluded with PKN ORLEN an agreement defining the terms and scope of cooperation in the performance of the Investment Agreement. Energa and PKN ORLEN agreed that from the share pool allocated to them, Energa will take up 50%+1 share in CCGT Ostrołęka Sp. z o.o., and PKN ORLEN will take up the remaining shares from the share pool allocated to both companies. In the agreement confirmed that in case PGNiG does not join the Gas Project, PKN Orlen will acquire 49% of the shares in CCGT Ostrołęka Sp. z o.o. attributable to PGNiG. Moreover, in accordance with the agreement, in the event of risk of Energa breaching the requirements of financing agreements, PKN ORLEN would provide Energa with funds necessary to finance the project in an amount not exceeding PLN 1.55 billion.

On 29 November 2021, the parties to the Investment Agreement signed an annex thereto in which they reiterated their readiness to continue cooperation in the area of construction of a gas power plant in Ostrołęka while identifying the need for adjusting the rules of such cooperation to the conditions of implementation of that project. The parties shall strive to agree that the ultimate

form of PGNiG's involvement in implementation of the aforesaid project takes the form of PGNiG's financial contribution, the amount and method of payment of which shall be defined in a separate agreement to be concluded by the end of 2022.

On 26 February, 30 June and 29 October 2021, two agreements governing loans granted to Elektrownia Ostrołęka Sp. z o.o. by Energa SA and ENEA SA were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58 million and the agreement of 23 December 2019 in the total amount of PLN 340 million were extended. The new maturity of the loans was set at 29 April 2022.

On 25 June 2021, the "Contract Amendment Document dated 12 July 2018 for the construction of the Ostrołęka "C" Power Plant with a capacity of 1,000 MW" was signed between Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o., on the one hand, and the contractor of the Coal Project (GE Power sp. z o.o. and GE Steam Power Systems S.A.S.) and the contractor of the Gas Project (General Electric Global Services, GmbH together with GE Power sp. z o.o.), on the other hand, together with the simultaneously concluded agreements signed by the respectively specified parties:

- the Gas Annex together with the Service Agreement. The subject matter of the Gas Annex is the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant costing an estimated PLN 2.5 billion to be located in Ostrołęka, on a site originally used for the coal-fired unit project;

- an agreement concerning the settlement of the Coal Project, under which the settlement of the Coal Project was to take place by the end of 2021, and the total amount to be paid by Elektrownia Ostrołęka Sp. z o.o. to the Coal Project contractor would not exceed PLN 1.35 billion (net). On 22 December 2021, an annex to that agreement was signed that postponed the settlement date until 25 March 2022. At the time of publication of this report Elektrownia Ostrołęka Sp. z o.o. makes the last arrangements and finalizes the settlements with the contractor of the Coal Project.

In addition, on 25 June 2021, an agreement was signed between CCGT Ostrołęka Sp. z o.o. and Elektrownia Ostrołęka Sp. z o.o. on the sale of the enterprise of Elektrownia Ostrołęka Sp. z o.o. intended for the implementation of economic tasks involving the construction of a power unit in gas-fuelled power technology located in Ostrołęka and then for the operation of that unit. The initially estimated sales price is approximately PLN 166 m.

On 9 July 2021 a possibility was identified for a partial release of the provision in the amount of PLN 218 million originally established in 2020 for the financing of Elektrownia Ostrołęka Sp. z o.o. down to PLN 107 million for the purpose of settlement of the Coal Project. As a result of signing on 22 December 2021 the above-mentioned of the annex to the agreement on the settlement of the Coal Project and the progressing settlement process with the contractor of this project, there was further release above-mentioned provision, up to level of PLN 46 million. The effect of aforesaid events on the consolidated net result of the Energa Group and on the standalone net result of Energa SA for 2021 were approx. PLN 172 million. These were a non-cash events that increased the net result without impacting EBITDA.

In December 2021, the main auction of the capacity market for the year 2026 was held whereby CCGT Ostrołęka Sp. z o.o. signed a capacity contract for a period of 17 years.

Adoption of the Long-Term Strategic Investments Plan of the Energa Group for 2021-2030

On 27 April 2021 the Company's Supervisory Board adopted a resolution to approve the "Long-Term Strategic Investments Plan of the Energa Group for 2021-2030" and then on 31 August 2021 approved its update.

A new version of the Long-Term Strategic Investments Plan ("Investment Plan") was prepared in connection with the "ORLEN Capital Group strategy by 2030" announced by PKN ORLEN S.A., the Company's strategic shareholder. Furthermore, the Investment Plan needed an update in order to be adapted to the ongoing and expected changes in the market and regulatory environment and in order to account for the current time schedule of investment projects.

According to the Investment Plan, total outlays on core- and additional investment projects of the Energa Group planned for 2021-2030 amount to approx. PLN 31.5 billion, including approx. PLN 15.2 billion between 2021 and 2025.

Approximately PLN 16.9 billion worth of outlays will be made in the Distribution Business Line between 2021 and 2030. The investment projects will be related mainly to the construction, reconstruction and expansion of the distribution grid to improve the reliability of electricity supply, to connect sources of electricity supply and growing flows in the grid as well as the construction or expansion of the grid in order to connect customers.

The Group intends to spend approx. PLN 13.6 billion on the Generation Business Line in the years 2021-2030, most of which will be allocated to investments related to renewable energy sources ("RES").

The Sales Business Line and other companies were allocated approx. PLN 1.1 billion and this amount will cover mainly the development of IT tools, the development of a new product offer and investment projects in the lighting area.

Adoption of the Strategic Development Plan of the Energa Group for 2021-2030

On 31 May 2021 the Company's Supervisory Board adopted a resolution to approve the "Strategic Development Plan of the Energa Group for 2021-2030" ("Strategic Development Plan"). The Strategic Development Plan replaces the "Strategy of the ENERGA Group for 2016-2025", setting the framework for the operation and development of the Energa Group until 2030, in line with the "ORLEN Capital Group strategy by 2030" announced by PKN ORLEN S.A., the Company's strategic shareholder. Furthermore, it takes into account the implementation of the most important initiatives related to the integration of both groups and key trends affecting the shape and functioning of the domestic energy market. For more information see chapter 2.6. *Strategy and directions of development of the Energa Group*.

Change in the composition of Supervisory Board

On 5 May 2021 Mr. Jarosław Dybowski submitted a statement of resignation from the positions of Vice-Chairman and Member of the Supervisory Board of the Company.

On 28 May 2021 the majority shareholder of the Company, PKN ORLEN S.A., submitted a statement informing that as of 1 June 2021 it appointed Ms. Agata Justyna Piotrowska to the Company's Supervisory Board of the 6th joint term of office.

On 15 November 2021 Ms. Marta Marchewicz submitted a statement of resignation as of 14 November 2021 from the positions of Member of the Supervisory Board of the Company.

Changes in the Management Board of Energa SA

On 16 July 2021 the Supervisory Board of the Company dismissed Mr. Jacek Goliński performing the function of the President of the Management Board from the Company's Management Board of the 6th term of office. At the same time the Supervisory Board of the Company entrusted on 16 July 2021 the duties of the President of the Company's Management Board to Ms. Iwona Waksmundzka-Olejniczak, the Vice President of the Management Board for Corporate Affairs, until the appointment of a new President of the Management Board.

On 27 October 2021 the Supervisory Board of the Company appointed Ms. Iwona Waksmundzka-Olejniczak to hold as of 27 October 2021 the position of the President of the Company's Management Board of the 6th term of office, in place of the position of the Vice-President of the Management Board for Corporate Affairs held so far.

On 4 November 2021 the Supervisory Board of the Company appointed Mr. Janusz Szurski as of 15 November 2021 to the Company's Management Board of the 6th term of office for the position of the Vice-President of the Management Board for Corporate Affairs.

Cooperation agreement on the spin-off of coal assets and their integration within the NABE

On 23 July 2021 the Company, PGE Polska Grupa Energetyczna S.A. ("PGE"), ENEA S.A., TAURON Polska Energia S.A. (jointly as "Energy Companies") and the State Treasury (jointly as "Parties") signed a cooperation agreement on the spin-off of coal assets and their integration within the National Energy Security Agency ("Narodowa Agencja Bezpieczeństwa Energetycznego") ("Agreement").

The document entitled "The Transformation of the power sector in Poland. Spin-off of coal assets from companies partly owned by the State Treasury" ("Transformacja sektora elektroenergetycznego w Polsce. Wydzielenie aktywów węglowych ze spółek z udziałem Skarbu Państwa") ("Transformation"), prepared by the Ministry of State Assets and then subject to public consultation, presents a concept of the spin-off of assets related to power generation in conventional coal-fired units ("Coal Assets") from the capital groups of particular Energy Companies. The Transformation is expected to consist in the integration of the spin off Coal Assets in a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. - a subsidiary of PGE, which will ultimately operate as National Energy Security Agency ("NABE").

Considering the above, the Parties to the Agreement recognize the need to coordinate their cooperation regarding the spin-off of the Coal Assets and their integration within the NABE. Under the Agreement the Parties declare their intention to mutually exchange the necessary information, including information about their organizational structures, implemented processes and assumptions for the direction of the Transformation, to the extent that any such disclosures are legal. The Agreement will enable effective and efficient execution of the NABE establishment process.

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

On 31 August 2021 the Company concluded with PKN ORLEN S.A. ("PKN ORLEN") an agreement regarding the financing of the construction of a gas and steam power plant in Grudziądz ("Project"). In case of the investment decision regarding the Project, PKN ORLEN committed to finance up to 100% of the capital expenditures related to the implementation of the Project, but not more than PLN 1.8 billion, provided to the conclusion of a capacity contract by the company CCGT Grudziądz Sp. z o.o. (special purpose vehicle implementing the Project, 100% subsidiary of Energa SA). The indicated capital expenditures will be covered by providing cash to Energa or to the CCGT Grudziądz Sp. z o.o. for equity or foreign capital. The Agreement also defines the rules of supervision over the company CCGT Grudziądz Sp. z o.o. and managing the Project. In December 2021 was held the main auction of the capacity market for 2026, as a result of which the CCGT Grudziądz Sp. z o.o. concluded the capacity contract for 17 years.

Affirmation of Energa SA's rating by Moody's

On 23 September 2021 the rating agency Moody's Investors Service ("Agency", "Moody's") issued a credit opinion in which it affirmed the Company's Long-Term Issuer Ratings - Domestic Currency at "Baa2" with a Stable Outlook (for more information see chapter 8.4. *Ratings*).

Signing a long-term loan agreement with the European Investment Bank

On 16 December 2021, the Company and its subsidiary Energa-Operator SA (together the "Borrowers") signed a long-term investment loan agreement with the European Investment Bank ("EIB";) ("Agreement"). The purpose of the Agreement is to grant the Borrowers a loan up to the PLN equivalent of EUR 150 million ("Loan").

The funds from the Loan will be used to finance the investment program of Energa-Operator SA for the years 2021-2023, including tasks such as connection of new customers, modernization of the grid network, construction and modernization of distribution assets to connect, among others, new renewable energy sources and elements of the smart grid. Implementation of the above mentioned investment program will ensure an increase in the security of electricity supply while reducing grid losses and improving the quality of service.

According to the Agreement, the Borrowers will be able to use the funds raised in tranches within three years from the date of signing the Agreement, and the maximum repayment period is seventeen years. Depending on the Issuer's decision, the interest rate will be fixed or floating (increased by the EIB's margin) for each application for the disbursement of funds for a given tranche. The Loan will be disbursed following completion of conditions precedent that are standard for this type of financing.

The funds obtained from the Loan will constitute another long-term source of financing for the Energa Capital Group and will strengthen its financial stability.

Results of the capacity market main auction for 2026

On 20 December 2021 Polskie Sieci Elektroenergetyczne S.A. published preliminary results of the capacity market main auction for 2026 (they were in line with the final results announced by the President of the Energy Regulatory Office on 10 January 2022), including the closing price for the capacity auction which is 400.39 PLN/kW/year.

The Energa Group companies concluded the following capacity agreements:

- 1) 981.738 MW for existing units and Demand Side Response (with a 1 year capacity contract),
- 2) 1,214.321 MW for planned gas and steam units in Ostrołęka (695.951 MW) and Grudziądz (518.370 MW), the construction of which, according to the assumptions, is to be carried out by the companies CCGT Ostrołęka Sp. z o.o. and CCGT Grudziądz Sp. z o.o., respectively (with a 17 years capacity contract).

The total revenues of the Energa Group in the year 2026 from the above-mentioned contracts may amount to ca. PLN 879.2 million.

With regard to the long-term contracts, the Issuer informs that the expected annual revenues, starting from year 2026, may amount to ca. PLN 278.6 million (total revenues over the period of 17 years may amount to ca. PLN 4.73 billion) for CCGT Ostrołęka Sp. z o.o. and ca. PLN 207.5 million (total revenues over the period of 17 years may amount to ca. PLN 3.52 billion) for CCGT Grudziądz Sp. z o.o., whereas the price of the capacity obligation for long-term capacity contracts will be subject to an annual indexation of the average annual consumer price index.

Extending the validity of the letter of intent regarding the CCGT in Gdańsk

On 29 December 2021 there has been signed an annex to a letter of intent between the Company, PKN ORLEN S.A. and LOTOS Group S.A. regarding the analysis of possibilities and possible conditions of common investment in the construction of a gas-steam power plant in Gdansk. According to the Annex, the above mentioned letter of intent binds the Parties by the time the certain agreements are concluded, however not later than 31 December 2022.

Other

Additional information is provided in the Consolidated financial statements in Note 39 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group*.

2.3.2. Material events after the balance sheet date

Change in the composition of Supervisory Board of Energa SA

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

On 24 February 2022 the majority shareholder of the Company, PKN ORLEN S.A., submitted a statement on the appointment as of 1 March 2022 of Ms. Barbara Hajdas to the Company's Supervisory Board of the 6th joint term of office.

Ms. Barbara Hajdas submitted a statement of resignation as of 27 March 2022 from the position of Member of the Supervisory Board of the Company.

Maintaining the rating of Energi SA by the Fitch Ratings

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

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

On 31 January 2022 the Issuer received the information from Elektrownia Ostrołęka Sp. z o.o. ("Company") about the termination by the Company, as of the same day, of the contract to fulfil the capacity obligation contracted by the Company as a result of the outcome of the capacity market auction for 2023, which was reported by the Issuer in a current report No. 53/2018 of 21 December 2018. Under Article 47b(3) of the Capacity Market Act of 8 December 2017 ("Act"), a capacity contract is terminated upon identifying capacity contracts which meet the criteria laid down in the Act to the operator, Polskie Sieci Elektroenergetyczne S.A. ("PSE"). The Company has identified to PSE two capacity contracts meeting the criteria laid down in the Act, entered into by CCGT Ostrołęka Sp. z o.o. and CCGT Grudziądz Sp. z o.o., as contracts referred to in Article 47b(3)(1) and (2) of the Act. As a result of the identification of the above-mentioned capacity contracts, the financial security provided by the Company in the amount of PLN 36.6 million is released and contractual penalties, if any, are forgiven. As at the date of termination of the Contract no contractual penalties had been charged on its basis and the Issuer had not recognized any provisions for such potential penalties. The termination of the Contract is the consequence of changing the power source from coal to gas in the Company's project to build and operate a new power plant in Ostrołęka.

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

On 24 March 2022 the Company received the information that on the same day the Management Board of the company CCGT Ostrołęka Sp. z o.o. had issued the Commencement Order (a notice to proceed – NTP) related to the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka for the general contractor - GE Power Sp. z o.o. with its registered office in Warsaw together with General Electric Global Services, GmbH with its registered office in Baden, Switzerland (operating through a branch in Poland).

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

On 24 February 2022, the attack of Russian forces began the war in Ukraine. Russia's aggression led to a number of decisive actions taken by Western countries which prepared a package of economic sanctions with a view to undermine the foundations of Russian economy and forcing Russia to end the aggression. Since the beginning of the conflict, Poland has been providing

refugee to people fleeing war. The number of refugees who arrived in Poland has now exceeded 2 million people. Additionally, the Prime Minister has issued a CRP alert for Poland regarding the threat of terrorist attacks on ICT systems forming part of the critical infrastructure.

The situation in Ukraine will undoubtedly have a significant impact on Poland's and international economy.

The Group keeps monitoring the situation in Ukraine on an ongoing basis in terms of its effects on the Group's business operations, however, the situation is highly volatile, and therefore forecasting of economic effects of the war is subject to a high risk of making erroneous assumptions. Given the high dynamism of changes in the geopolitical and economic conditions as well as the insufficiency of data, the financial implications for the Group cannot be reliably estimated at this time.

Of key relevance to a full assessment of the implications of the current situation for the future financial results of the Group will be further military actions, the scope of sanctions imposed on Russia and Belarus and the response from central banks and other financial institutions to the crisis.

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

- the risk of PLN decline versus major currencies, including in particular PLN/EUR. The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects;
- the risk of an increase in the price of energy resources (coal and gas) as a result of their limited accessibility due to the embargo imposed on Russia. At the present point in time, the Group has decided to discontinue purchasing fuels from operators based in Russia, Belarus or Ukraine.
- The Group takes into account that the current situation may have a significant impact on hard coal prices. Notwithstanding, in the 2022 time horizon, the companies of the Generation Business Line have a fixed selling price of coal secured in their contracts relating to the planned production of electricity and heat. Provided that the amount of electricity and heat produced in 2022 does not exceed the planned level, the Group has not identified the risk of a negative impact of growing hard coal prices in 2022. The Group will continue monitoring fuel prices in the subsequent periods and take appropriate measures.
Moreover, the existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg, which is scheduled to be completed in 2022, will be exposed to this risk), which is a risk factor in the ongoing conflict. However, it should be noted that a prolonged period of military operations may cause problems with Poland's gaseous fuel supplies if there is an insufficient diversification of suppliers. This factor may affect the ongoing and planned construction of CCGT plants and other sources that use the same fuel (steam and gas engines which will successively replace coal-based heat sources). As a result, the scenario of a significant long-term increase in gaseous fuel prices involves the risk of worsening economic parameters of the ongoing projects;
- an increase in the price of electrical engineering materials being purchased as well as other components. This can lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure;
- ensuring ICT safety of generation and distribution infrastructure which is required to achieve the Group's business goals, given the greater risk of attacks against this infrastructure, which will result in higher costs of protection of related facilities, the need to use more advanced tools, equipment and security systems;
- a continued increase in inflation and interest rates. This may deteriorate the financial standing of business operators based in Poland as well as affect the payment discipline of customers. Moreover, negative effects of these factors on financial markets may lead to limited accessibility of external financing or less favourable financing conditions.

On the contrary, the Group has not identified any direct impact of the Ukraine war on financial results in 2022.

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

At the same time, both the Group and the Group's employees have taken efforts to help people affected by the war. Since the very beginning of the conflict, assistance is being provided both through financial support as well as donations of necessity goods during this difficult period.

2.4. Research, Development and Innovation activities

In 2021, the Energa Group companies in the field of Research, Development and Innovation (RDI) implemented 26 projects at the expense of approx. net PLN 8 million. The descriptions of selected RDI projects have been provided in point 2.4.1. below.

Furthermore, the ORLEN Group Energy Storage Program was launched as part of RDI activities in August 2021 in cooperation between the Energa Group and PKN ORLEN SA. It aims to identify, organise and market energy storage products and services.

The M. Faraday Research and Development Centre (CBRF) has been operational within the Group's structures since 2017. In 2021, CBRF at the request of companies of Energa Operator SA pursued projects in the field of distribution (e.g. research into impact of MV grid voltage on peak capacity and energy consumption, analysis of the impact of changing the MV grid from overhead to cable grid, analysis of energy losses for selected MV/LV transformers in the grid operated by Energa Operator SA), as well as continued the project of construction of a modular installation of hydrogen-producing solid oxide cells (rSOC) initiated in 2020.

2.4.1. Key projects pursued in 2021 by the Energa Group companies in the field of Research, Development and Innovation (RDI)

SERENE

The purpose of the SERENE project is to develop mechanisms and business models for new grid services that would improve flexibility of MV and LV distribution network, apply technical solutions that support active management of the LV grid using AMI meters. As part of the project, research will be conducted in three demonstration areas in three European countries: Denmark, the Netherlands and Poland (in the Przywidz municipality). The research will help investigate the potential for using V2G and DSR solutions on industrial sites, mobile energy storage in the LV network and smart zero-emission buildings to provide services to DSOs increasing the flexibility of network operation. The project received funding from the European Commission's Horizon 2020 programme in December 2020. In 2021, an information campaign was prepared about the project, collection of the residents' consents to the processing of personal data was initiated and AMI meters were replaced in the demonstration areas designated in the project's assumptions. Those actions amounted to preparatory work preceding the research work. The research work is scheduled to start in May 2022. The project is being implemented according to the adopted schedule and planned for completion on 30 June 2025.

rSOC

In March 2020, the M. Faraday Research and Development Centre (CBRF) and the National Centre for Research and Development ("NCBiR") signed an agreement for EU co-funding of the rSOC project involving construction of a modular installation of reversible hydrogen-producing solid oxide cells. The goal of the project is to develop and build a system that generates hydrogen using process steam (power-to-gas, P2G), based on the stack of solid oxide electrolyser cells (SOC), also to work in the reversible mode as reversible solid oxide cells (rSOC). Such an installation can be a key component of energy storage systems, using surplus energy, in particular from unstable renewable energy sources (wind, solar power), while electrochemical cells, working in reversible mode (rSOC), will make it possible to improve flexibility of operation of conventional power units. In 2021, project implementation activities included the purchase of containers as well as assemblies and components required to build stacks, component testing was carried out at the subcontractor's site (IEN) and a test installation was prepared for startup in Elbląg. The project is being implemented according to the adopted timeline and scheduled for completion on 31 December 2022.

OneNet

The OneNet project was launched in November 2019 and is implemented by Energa Operator SA, which is testing the provision of flexibility services to DSOs and TSO using a digital platform where flexibility services in the area of balancing, congestion management and auxiliary voltage control services will be ordered and activated to provide services to DSOs and TSO and to optimise the project scopes in view of supporting high quality of energy supply and development of distributed generation. The purpose of the project is to develop new mechanisms and business models to support new grid services which increase flexibility of the HV, MV and LV transmission and distribution grid, develop the new platforms in the open standard that supports sale and purchase of grid services for DSO and TSO by market participants, build a demo area for tests (among others, customer acquisition, integration and expansion of IT systems) and to test the potential for using grid services to improve grid efficiency and flexibility. As part of the project, potential areas for flexibility services have been mapped, and work has been done on preparing business use cases and an IT architecture model. The project is being implemented in a European consortium, co-financed from Horizon 2020 programme and its total cost (entire consortium regarding direct and indirect costs) is EUR 28.07 million. In 2021, an IT platform prototype was designed and launched to enable market participants to purchase and sell system services to DSOs and TSO, a set of standardised TSO-DSO-Customer services was developed and analysis of potential customers who had the technical capability to provide flexibility services was conducted in selected MV grid areas (e.g. Przywidz, Puck, Kalisz). These activities were carried out in collaboration with Enspiron Sp. z o.o. and were aimed at enrolling customers willing to operate as flexibility service providers in the project for demonstration purposes. In the fourth quarter of 2021, a preliminary testing plan was developed for the Polish demonstration exercise and new balancing functionalities of flexibility services were tested on the flexibility platform, such as aggregator (FSPA) balancing service provider (BSP) registration and pre-

qualification. The project is being implemented according to the adopted timeline and scheduled for completion in September 2023.

EUniversal

In June 2018, Energa Operator SA launched the EUniversal project in the area of development of grid flexibility and opportunities for using flexibility services on the energy market. The project is implemented in a European consortium by 18 European companies related to the energy sector and research and innovations are co-financed from Horizon 2020 EU programme. The project will support introduction of changes to energy consumption or production, also energy generated from renewable sources, to eliminate threats to operation of the energy infrastructure. As part of the project, a new MV/LV transformer station will be developed to monitor and control the low voltage grid operation. In 2021, project work was carried out to prepare the IT environment for the AMS System installation, and in December 2021 Energa Operator SA signed a contract with a contractor for the execution of construction works for the task "Upgrading of 3 transformer stations into new state-of-the-art smart MV/LV stations in Branches in Gdańsk, Płock and Kalisz and delivery of prototypes of smart transformer stations (FS – Flex Stations)". The project is being implemented according to the adopted timeline and scheduled for completion on 31 July 2023.

Bystra Battery Storage System (NEDO)

In September 2021, as scheduled, Energa OZE SA completed implementation of the NEDO Project initiated in May 2017 whose objective was to gain knowledge and experience with respect to the possible use of energy storage technologies to improve flexibility of the National Power System. As part of the project, a hybrid battery energy storage facility was built at the Bystra Wind Farm near Gdańsk. The energy storage facility was built as part of the Smart Grid Demonstration Project in Poland implemented by NEDO, a Japanese governmental organisation. The project was pursued in cooperation with the Polish and Japanese entities. Energa OZE SA was responsible for construction of the necessary infrastructure for the foundations of the components of the facility, integration of the storage facility with the National Power System and operation of the facility during the demonstration period, as well as testing of all operational functions of the storage facility. In 2021, the storage facility was connected to the Bystra Wind Farm and handed over to operation.

System for assessment of technical condition and risk of MV cable line failures (SORAL)

Energa Operator SA continued implementation of the SORAL project involving deployment of a system for assessment of technical condition and risk of MV cable line failures, based on diagnostic tests conducted offline, co-financed by the National Centre for Research and Development. Research and development work was carried out in the project, resulting in a system for the assessment of failure risk of MV power lines based on technical, operating and diagnostic data. As part of efforts undertaken in 2021, a prototype of the SORAL IT system was developed, which features a line health index allowing for a realistic evaluation of the risk of failure on a given line section. During the project activities, the IT system prototype was tested and validated on the basis of MV grid data from the pilot area, which was the Elbląg distribution area. The project was implemented according to the adopted schedule and ended on 15 December 2021. Based on the outcomes of the research and development work, a decision was made to set up a new project with the objective to implement an IT system at Energa Operator SA for the evaluation of the technical condition of cable lines relying on results of diagnostic measurements in the MV cable grid. The start of the new project is planned in 2022.

2.5. Capital expenditure and execution of key projects

In 2021, the capital expenditure incurred in the Energa Group totalled PLN 2,107 million and were mainly spent on investment projects in the Distribution Business Line, i.e. PLN 1,526 million.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply. Additionally, expenditure was incurred on innovative technologies and grid solutions, such as the Smart Grid conversion project.

In the Generation Business Line, capital expenditures totalled PLN 233 million, a significant portion of which were tasks associated with development of district heating assets in Elbląg and new capacity in photovoltaic energy sources within the Group.

The Sales Business Line allocated the most funds on work related to lighting assets.

Table 1: Status of implementation of the investment programme in 2021

Project description	Capital expenditure in 2021 (PLN m)
Distribution Business Line	1,526
Modernization of the distribution network to improve reliability of supplies	375
Grid expansion due to new customer connections	634
Grid expansion in connection with HV flows and connections of electricity sources	151
Smart metering and other elements of intelligent network implementation, including AMI	158
Other capital expenditures, collisions and corrections	208
Generation Business Line	233
Energa OZE Sp. z o.o. Acquisition of PV Wielbark	50
Energa Kogeneracja Sp. z o.o. KRS 3x38 MWt (Elbląg) boilers	62
Energa Kogeneracja Sp. z o.o. Modernization of BB20 unit (Elbląg)	9
ENERGA OZE S.A Construction of PV Gryf	34
ENERGA Elektrownie Ostrołęka SA Capital expenditure on Ostrołęka coal-fired power plant	16
ENERGA OZE SA Modernization of hydro facilities (MEW and Włocławek)	12
Construction of CCGT Gdańsk gas-fired power plant	7
Other investments	43
Sales Business Line	64
Capital expenditures for lighting assets	38
Sales Support System	1
Other capital expenditures	25
Other companies, projects and corrections	284
Total	2,107

Investment programme in the area of heat assets

The key objective of the investment programme is to adapt CHP and heat units to the tightening environmental requirements and to increase the operating efficiency of CHP companies by generating an owner-acceptable rate of return on their operations expressed by EBITDA.

EBITDA maximisation will be achieved by implementing the district heating development programme for EC Elbląg and EC Kalisz (as well as at the Ostrołęka location under a separate initiative), resulting in a fuel switch from hard coal to natural gas while maintaining at least the current position in the heat markets in Elbląg and Kalisz.

At the turn of 2020/2021 in Elbląg, the construction of a reserve-peak boiler house was launched (boilers were delivered to the CHP site, installed in the boiler house building). In late 2021, the project's contractor filed an application seeking the occupancy permit. Acceptance of subsequent stages of construction works is underway. A test run of the boilers has been completed and mobile boilers have been contracted to secure heat supplies for the next heating season. As for the Kalisz site, a contract for construction of a reserve-peak boiler house and a water treatment plant was concluded, with the Contractor now commencing work. A tender procedure is being organised to select a Contractor for the co-generation system. A task was launched foreseeing migration of two water and coal boilers to comply with the MCP Directive in order to secure uninterrupted supplies of heat in Kalisz in the heating season of 2022/2023.

In 2021, development and modernisation investments were also made in the area of district heating networks.

CCGT Grudziądz and CCGT Gdańsk - new combined cycle gas turbines

The projects involve construction of new gas-steam power stations. Modern energy infrastructure will enable the development of a low-carbon generation base and the provision of a capacity service and sale of electricity.

The status of the work is as follows:

CCGT Gdańsk - the company has obtained an environmental permit for a CCGT unit and for a 400 kV line which is to connect the CCGT plant with the Gdańsk Błonia EHV (extra high voltage) system station (power evacuation). Design work is underway with a view to securing a planning permission for the construction of the 400 kV cable line. On 29 December 2021, Energa and PKN ORLEN and LOTOS SA Group signed an annex to the letter of intent concerning an analysis of feasibility and potential conditions for a joint investment to build a gas and steam power plant in Gdańsk. According to the provisions of the annex, the aforesaid letter of intent binds the parties until respective agreements are concluded, however no later than until 31 December 2022. The parties to the signed letter of intent continue to uphold the assumption relating to the project's schedule, namely that the CCGT power unit shall be completed by 2026. Currently, concept work has reached the stage of advanced arrangements. According to the secured conditions for connection to the power network, the capacity of the unit is to be approximately 450 MW.

CCGT Grudziądz - design work was carried out and key administrative decisions were obtained to achieve project readiness for implementation. In terms of design work, the last key construction project is currently being finalised, which includes updating the documentation of the 400kV power lead line and the reconstruction of the 110kV line. The final planning permission for these scopes of works is expected to be obtained at the turn of Q1 and Q2 2022. The project implementation schedule assumes that the CCGT unit will be handed over to operation in 2025 and that the provision of power service will commence from 1 January 2026. In December 2021, as a result of a capacity market main auction, CCGT Grudziądz sp. z o.o. acquired a capacity obligation of 518,370 MW for a period of 17 years. According to the decision on environmental conditions in Grudziądz, a power plant with a total capacity of up to 1,200 MW may be built, with the assumption of building a unit based on an F-class gas turbine, which would translate into a power plant capacity of approximately 550 MW.

Smart Grid

The Smart Grid project aimed at ensuring stability and flexibility of the distribution system by deploying smart grid solutions is co-financed from EU funds as part of Operational Programme Infrastructure and Environment. As part of the project, the SCADA electric grid control system will be expanded to include the fault location module, which will shorten duration of disruptions in supply of electricity. Construction of an energy storage facility designed to stabilise the operation of the distribution system in the area of connection of the 4 MW PV farm in Czernikowo is also an element of the project. The storage facility will be based on lithium-ion battery technology and will offer 1 MW rated power with capacity of 2 MWh.

Project for the construction of a new power plant in Ostrołęka

Activities regarding the project for the construction of a new power plant in Ostrołęka have been detailed in point 2.3.1. *Material events in the reporting period.*

PV Gryf Project

The objective of the project is construction a photovoltaic farm with a capacity of 19.83 MW. According to the RES auction results announced on 14 December 2020, Energa OZE won the ordinary auction for the installations. The company issued the notice to proceed (NTP) on 30 December 2020. The project is under implementation. The anticipated commissioning date for the project is the first quarter of 2022. The farm is being built in the Przykona municipality on land that has been reclaimed after the mining operations of Adamów brown coal mine.

PV Mitra Project

The Project involves preparation, construction and commissioning of a photovoltaic installation comprising the system of photovoltaic power station with the total installed capacity of approx. 100 MW, 50 substations 30/0.8kV, HV 110 kV power service line with an optical fibre link, a 110/30 kV transformer station, MV 30 kV cable lines and telecommunication lines, grounding and the internal road network with the full accessory infrastructure. A planning permission for an installation with installed capacity of up to 65 MW was issued on 17 December 2021.

5xPV

The purpose of the project is to build five PV farms (PV Czernikowo+, PV Samolubie 1, PV Samolubie 2, PV Przykona, PV Pierzchały) of capacity up to 1 MW each, together with power offtake points. 4 PVs of 5 PV are scheduled for completion in the first quarter of 2022, and for PV Pierzchała it is the third quarter of 2022. The development of new capacities will increase the share of renewable electricity in the total generation mix of Energa Group's entire fleet.

2.6. Strategy and directions of development of the Energa Group

2.6.1. Energa Group's development strategy

On 31 May 2021, the Company's Supervisory Board adopted a resolution approving the Strategic Development Plan of the Energa Group for 2021-2030 ("SDP"). The Strategic Development Plan replaced the "Strategy of the Energa Group for 2016-2025", setting the framework for the operation and development of the Energa Group until 2030, in line with the "ORLEN Group strategy by 2030" announced by PKN ORLEN SA, the Company's strategic shareholder.

SDP describes the contribution of the Energa Group to the implementation of the above-mentioned Strategy of the ORLEN Group. Furthermore, it takes into account the implementation of the most important initiatives related to the integration of both groups and key trends affecting the shape and functioning of the domestic energy market.

The main strategic objectives of the Energa Group for the years 2021-2030:

- a) in the area of distribution: formulation and implementation of a multi-year development plan for HV, MV, LV grids and improving the quality of customer service,
- b) in the area of generation: development of new RES capacities - photovoltaic, offshore wind farms, and in the case of easing the regulations, also onshore wind farms. In the area of system power plants, the strategic goal is to participate in the implementation of new capacities in gas installations and the modernization of cogeneration installations,
- c) in the area of sales: carrying out an in-depth digitization program and cost reduction.

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

- approx. 1.1 GWe of installed capacity in onshore renewable energy sources and participation in offshore wind farm projects with a capacity of approx. 1.3 GWe,
- participation in the implementation of investments in gas installations (CCGT) with a capacity of approx. 1.3 GWe,
- reduction of CO₂/MWh emissions by 33% in comparison to 2019, and
- increasing the share of remote reading meters (AMI) installed at customers to 100% by 2026.

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

2.6.2. Implementation of the Energa Group's Strategy in 2021 and development prospects for 2022

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

Distribution Business Line

The Energa Group's Distribution Business Line is consistently seeking to become a leading distribution system operator ("DSO") by improving its grid performance and reliability, and providing top quality customer service. In 2022, the planned investment budget of the Distribution Business Line is at a level superior to that of 2021 (+4%). Additionally, the value of the investment plan of Energa Operator SA shall be increased by the capital expenditure on commercial customer connections starting from 2022, in accordance with Article 7 Section 9 of the Energy Law, to be refinanced by external entities.

The capital expenditures of Energa Operator SA account for 99.9% of total investment expenditures of the Distribution Business Line.

Energa Operator SA's key investment areas in 2022 include:

- further connecting new customers and new sources and the associated construction of new grids,
- expanding and rebuilding the grid to ensure the possibility to handle the increased demand for capacity, in particular within the HV grid,
- rebuilding/modernising the distribution grid, at all voltage levels, to improve continuity of customer supply (SAIDI/SAIFI) and comply with the required quality parameters for electricity supply and to reduce grid losses, such as:

- replacement of overhead MV naked power lines running through forest and wooded land with cable lines and/or insulated overhead cables,
- MV grid automation,
- replacement of non cross-linked (emergency) MV cables,
- replacement of LV cables with insulated cables with terminals,
- construction of new MV power line connections,
- replacement of HV/MV transformers;
- connection of public charging stations and charging infrastructure for the public road transport,
- grid connection of energy storage facilities,
- purchase and assembly of smart metering infrastructure to be implemented under the amendments to the Energy Law, Journal of Laws of 2021, item 1093, in accordance with Article 11t, and to the Capacity Market Act introducing the requirement for all customers, except for public housing tenants, to take readings of energy consumption every hour and make settlements of the power fee based on such readings starting from January 2021. Moreover, Article 4.2a of the Act on Renewable Energy Sources obligates the DSOs to take hourly readings of energy withdrawn from and fed into the grid for all producers and prosumers. Since 1 April 2022, these customers must be billed according to measured hourly profiles,
- adjusting grids of Energa Operator SA to the requirements defined in COMMISSION REGULATION (EU) 2017/2196 of 24 November 2017 which established the Grid Code relating to the network code on electricity emergency and restoration, the so-called NC ER code. The purpose of these investments is to achieve operating capabilities for the designated facilities over a period of 24 hours in the event of loss of the primary source of power supply and to assure the required functionality defined in the National Power System Restoration Plan.

In addition to the listed investment projects, in 2022 Energa Operator is planning to pursue further development of the ICT networks and systems supporting the implementation of key business processes within the company and to continue expansion and modernisation of the corporate car fleet, in particular as regards heavy technical equipment for carrying out work on the grid.

In 2021, the process of TETRA network optimisation and development was continued. The work focused on the optimisation of grid coverage along the reconstruction lines and where critical power generation facilities for which the implementation of the NC ER code is required are located. Base stations were constructed and deployed in Biały Bór, Nakiel, Nasielsk, Linowo and Turek. Based on network operation analyses, a number of optimisations was also performed for base stations and key dispatcher facilities to improve effective operation the TETRA grid. Further base stations are to be launched in 2022, which will mark the completion of key steps aimed at optimising the TETRA signal coverage within the Energa Operator's area of operations, with particular regard to critical power generation facilities for which the implementation of the NC ER code is required.

Since 2016, the Distribution Business Line of the Energa Group has supported and pursued the strategy adopted by the European Union consisting in decarbonising power generation and transmission and reducing emissions in the transport sector, especially in municipal areas. The primary step in that direction is construction by Energa Operator SA of 279 stations for charging electric vehicles in 8 cities: Gdańsk, Gdynia, Koszalin, Elbląg, Olsztyn, Płock, Toruń and Włocławek. In 2021, all charging stations were completed. Out of these, 273 were transferred to the Public Charging Station Operator by the end of 2021. The remaining six are yet to be inspected by the Office of Technical Inspection (UDT). The equipment in question is characterised by high power consumption in a relatively short time. It has been observed that with a larger pool of equipment and more EV users, the DSO will have to face a number of challenges in preparing its grid for the fast-growing electromobility market. The situation will become even more complicated when returning of electricity from cars to grid (V2G) emerges as a new charging standard. In 2022, all 279 charging stations, in accordance with the revised provisions of the Act on Electromobility and Alternative Fuels, will have to be sold.

In 2022, Energa Operator will continue the implementation of the Sales Support System, a billing system with CRM features, which already covers 100% of LV customers. Three migration windows for MV customers are scheduled for this year. Pre-planned functionalities supporting non-standard offtake points will be developed. Additionally, changes will be introduced in the system to allow the DSOs to adjust to the changing legislative requirements, for instance with respect to collective prosumer service, publication of prosumer data with respect to the new aggregate hourly data balancing requirement, or providing services to energy cooperatives. This development is also associated with adjustment of IT systems of Energa Operator to the Central System of Energy Market Information (CSIRE) to be implemented by TSO. CSIRE will serve as a platform for the exchange of data on offtake points, customers, contracts, as well as metering and billing data among DSOs, Sellers, Producers and trade balancing providers on the retail energy market in Poland.

The rise in micro-installations was fuelled by the governmental programme *Mój Prąd 2021* (My Electricity 2021), which provided co-financing for the prosumer generation, resulting in an exponential growth of prosumers and installed capacity of micro-installations, especially in rural and suburban areas. Aside from the PV micro-installations, the next edition of the *Mój Prąd* programme scheduled for 2022 envisages co-financing of energy management systems, energy, heat and cooling storage

facilities, as well as purchase and installation of vehicle chargers. In connection with the above, Energa Operator in 2022 will face the challenge of maintaining safe operation of the power supply grid at low voltage in spite of the rising prosumer generating capacity.

The year 2022 will see the implementation of strategic market developments, such as collective prosumer service and publication of prosumer data on an aggregate hourly balancing basis, services for energy cooperatives and electricity storage facilities, or preparation of plans to introduce electricity supply and offtake limitations in accordance with the new Regulation of the Council of Ministers.

Considerable growth in interest in construction and connection of new RES facilities continues. Historically, as at 31 December 2021, the connection process (without micro-installations) to the grid of Energa Operator covered 1,324 producers with a total capacity of more than 4,365 MW.

Connecting RES sources to the grid will continue to be one of the key challenges facing Energa Operator in 2022 and beyond.

The year 2022 will be another year of application of the new model of qualitative regulation for the years 2018-2025 introduced in 2019 by the President of the Energy Regulatory Office (ERO) and described in the document entitled "Qualitative Regulation in the years 2018-2025 for Distribution System Operators", version dated 29 May 2019. The new quality regulation has introduced far-reaching changes, for instance in terms of division and calculation of supply reliability ratios, return on capital employed, level of operating expenses reflected in the tariff, and quality regulation. The President of ERO defined very ambitious objectives for improvement of key performance indicators the delivery of which (primarily, area power supply reliability regulatory indicators: CTP and CP as well as connection time indicators CRP) will have direct impact on the regulated revenue of Energa Operator SA as regards return on equity – the level of performance in 2022 will be reflected in the 2024 tariff.

The year 2022 will also see continued efforts undertaken to bring the infrastructure of Energa Operator, necessary for the restoration of the National Power System, in line with the requirements of Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration. Energa Operator is obliged to complete those tasks by the end of 2022.

In 2021, construction of the following transformer stations (TS) (110 kV/MV) or 110 kV switching stations was completed: Małowy, Różyna, Zakrzewo (Olsztyn branch), Glinojec, Windyki (Płock branch), Parnowo, Rowy (Koszalin branch), Fitowo (Toruń branch), Karsin (Gdańsk branch).

Under the provisions of the Energy Law (Article 16), the President of ERO found that the update of the Development Plan of Energa Operator SA in the field of meeting the present and future demand for electricity in the years 2020-2025 had been consulted. When informing on this consultation, the President of ERO determined the amount of reasonable expenditure for the calculation of the distribution tariff during the term of the 2020-2025 Development Plan.

The ambition of the Distribution Business Line is to lead the implementation of innovative solutions and to cooperate in that respect with other European countries. Energa Operator implements innovative solutions in such areas as smart grid, smart metering, advanced network asset management and cable diagnostics systems as well as smart energy storage and vendor and customer support system. The DSO's activities additionally involve cooperation with another DSO on international research and development projects. The goal of the projects is to devise mechanisms for the development and integration of the future energy market and to set up the conditions for new services on the market on the DSO's side. These include mainly grid flexibility and flexibility services as well as supporting customers in playing an active role on the energy market, in particular designing new solutions for energy communities.

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

In 2022, a new training building is to be erected on the training grounds of Energa Operator in Bąkowo. It will comprise roofed space with LV overhead lines and cable connectors, as well as two training rooms and staff facilities.

As part of the investment plan for 2022, a new investment sub-group has been appointed: "Adaptation of the LV network in view of quality parameters related to an increased share of prosumers". A total of 63.29 km of LV overhead lines and 0.86 km of LV cable lines will be upgraded.

Despite numerous restrictions related to the SARS-CoV2 epidemic, in 2020 and 2021 Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. carried out uninterrupted activity related to performance of contracts for the construction and modernisation of Energa Operator electric grid. The company provides a strategic reserve of contracting resources for Energa

Operator in the event of mass failures in the electric grid of Energa Operator, and also if some of the electrical engineers of the power emergency teams are unable to work as a result of an increased number of cases of isolation and quarantine.

Generation Business Line

Energa OZE SA pursues the development directions consistent with the Strategy of the ORLEN Group by 2030 announced in 2020, which assumes, among others, achievement of climate goals, and the Strategic Development Plan of the Energa Group for 2021-2030 adopted on 31 May 2021. The tasks to be completed in 2022 shall involve primarily the activities associated with commissioning of new RES capacities:

- Construction and handover to operation of PV Wielbark photovoltaic farm with a total capacity of 62 MW,
- Construction and handover to operation of PV Gryf photovoltaic farm with a capacity of 19.8 MW,
- Construction and handover to operation of five PV projects with a capacity of approx. 4.2 MW,
- A newly built, prototype hybrid energy storage has been commissioned at Bystra Wind Farm, completed as part of international co-operation with a Japanese partner. Further plans relating to the operation of the storage facility in the context of the energy market through the facility's participation in the Capacity Market have also been worked out, which shall constitute an additional source of income from the services provided. To that end, alteration of GPZ Bystra transformer/switching station, scheduled to start in 2022, is necessary,
- Energa OZE shall continue the work associated with the Offshore Wind Farms project, including specifically offshore wind farm servicing competences as well as R&D projects in that respect. Applications for permits to erect and exploit artificial islands, structures and equipment with the necessary accompanying infrastructure for offshore wind farms (the so-called PSzW) have been submitted jointly with and under the supervision of PKN ORLEN. More applications shall be submitted at a later date.
- As part of R&D work, Energa OZE shall continue the work on the floating PV installation, namely the preparations for construction of a 0.5 MW farm situated on the water reservoir next to the Łapino Hydro Power Plant.

In 2022, the Generation Business Line shall pursue a number of operational and organisational activities. Furthermore, it shall continue the activities initiated in the preceding years resulting from the projects pursued within the scope of integration with PKN ORLEN.

Sales Business Line

Energa Obrót SA is the leading entity in the Sales Business Line, engaged in the core activities relating to trading in electricity and customer service. Energa Obrót trades in electricity on the wholesale market and sells electricity and gas to individual, business and institutional customers. It offers innovative pro-environmental technologies and services associated, among others, with energy efficiency, provision of charging services for electric vehicles at its charging stations or assembly of PV installations. It sells electricity to 3.2 million clients, over 2.9 million of whom are G tariff clients. The company focuses its sales market activities on developing its services and offers. Energa Obrót attaches great importance to optimization of processes of client service, development of electronic channels and assurance of high quality services.

Companies within the Sales Business Line operate in the following business areas:

- electricity demand management services - those are predominantly demand side response (DSR) services provided at the request of the Transmission System Operator,
- delivery of professional telecommunication services associated with TETRA critical dispatcher communication network,
- comprehensive lighting service and lighting maintenance services.

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

The year 2021 saw an unprecedented scale of price increases not only of emission allowances but also of all energy inputs, i.e. gas, coal and crude oil. This translated into record quotations of electricity prices in the European energy markets, also in Poland. In the first half of 2021, electricity prices in Poland were determined primarily by the prices of emission allowances. Despite the adjustment in May 2021, they followed a strong growth trend from November 2020 supported by the absence of auctions at the start of the year, atmospheric factors, pro-growth forecasts for that market referring to EUA prices of EUR 100/t and the date for redeeming 2020 emission allowances scheduled at the end of June 2021. In the second half of 2021, the growth trend in the EUA market intensified, which was noticeable specifically in the last quarter. Stock levels at gas storage facilities across Europe, much lower than the year before (especially in Germany, which resulted in increased coal-fired generation and thus a higher demand for EUAs), along with strong competition from Asia (due to an increase in gas consumption by almost 20% y/y), limited supply of energy resources (gas and coal, in particular of Russian origin), delayed completion of Nord Stream 2 and its lengthy

certification process, all combined with a higher demand (due to economies recovering from a pandemic slowdown), have caused considerable market turmoil, pushing prices of emission allowances to new record levels. The highest-ever EUA price of 90.75 EUR per tonne was observed on 8 December 2021, meaning an increase by almost 178% since the beginning of 2021.

In 2022, Energa Obrót SA shall continue to implement the adopted initiatives and focus on organic growth of the unit margin on its core product and on sale of additional products, in particular in the area of energy efficiency. The Company monitors market developments in the areas of its operation on an ongoing basis and dynamically adjusts its business model to the challenges it faces.

2.7. Awards and distinctions

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

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Table 2: Energa Group's awards in 2021

no.	Name/Title of Distinction/Prize	Description - what the prize was awarded for	Date of award of the prize/distinction (month)	Company
1.	Patron of Toruń Sport 2021	It was already the 8th edition of the event organised since 2013 on the initiative of the Mayor of the City of Toruń to honour specifically those who support the local government in financing sport in Toruń.	22 January 2021	Energa
2.	Distinction in the first edition of the Decarbonization Initiative Ranking	The hybrid energy storage facility built by Energa was awarded a distinction in the first edition of the Decarbonization Initiative Ranking. The project was deemed to constitute one of the most inventive and effective measures to reduce GHG emissions. The distinction was awarded on the second day of the 13th European Economic Congress (EEC) in Katowice.	21 April 2021	Energa OZE
3.	CSR Silver Leaf of the Polityka weekly for 2020	The contribution of Energa SA from the ORLEN Group was recognized and the company was additionally rewarded for supporting the hotline of the National Health Fund (NFZ) and the Chief Sanitary Inspector (GIS) during the pandemic. POLITYKA's CSR Silver Leaf is awarded to companies that declare to take into account all key solutions of the ISO 26000 standard in their daily operations. These companies are often based on local and global best management practices and apply international standards. In addition, an ethical management system and the highest standards of personnel management are an important element of their management. They periodically inform stakeholders about the effects of their activities, among others, in non-financial or integrated reports prepared on the basis of international disclosure standards.	21 June 2021	Energa
4.	Renewal of registration with EMAS register, recertification in respect to ISO 14001 and ISO 50001 standards	During the period from July to September 2021, Bureau Veritas Polska Sp. z o.o. conducted an independent recertification audit of the environmental and energy management system, covering 386 locations and 16 entities, in the Energa Group's companies. The Group companies' management systems were certified for compliance with ISO 14001:2015 and ISO 50001:2018.	4 October 2021	Energa
5.	Basket Partner in the Youth Sport Patron category	The prize awarded by the Pomorski Okręgowy Związek Koszykówki (Pomorskie Regional Basketball Association) in recognition of the Company's involvement in supporting children and youth basketball training in the Pomorskie voivodship.	21 October 2021	Energa
6.	Energy World Leaders Statue in the Innovation of the Year category	BESS prototype hybrid energy storage facility built as part of the Japanese and Polish cooperation in connection with the Bystra Wind Farm was awarded the Statue on the second day of EuroPower2020 conference.	21 November 2021	Energa OZE

2.8. Social responsibility and ESG with a statement about non-financial information

Corporate social responsibility is one of the major business areas in the Energa Group. The year 2021 saw continuous improvement and development in that area. The measures taken were largely attributable to growing expectations of the macro- and micro-environment such as:

- growing importance of ESG indicators in assessing goodwill and corporate credibility by global rating agencies;
- recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD);
- measures taken to attain Sustainability Development Goals (SDGs);
- drive toward the carbon neutral standard; and
- performance of the Paris Agreement assumptions.

The above factors set specific goals for the Energa Group in the area of corporate social responsibility, sustainable development and climate. Related actions have been reflected in the developed ORLEN Group Sustainable Development Strategy for 2021-2023 and in the Energa Group Climate Policy until 2030. The right direction of development had been confirmed, once again, by Vigeo Eiris agency which awarded Energa a score of 46 in the annual ESG rating. This is the highest score in the Company's history which eclipsed the preceding year's score by 9.52%. In order to improve the Group's performance in ESG area, Energa continuously expands the spectrum of tools used for internal analysis of indicators. Work has begun on the ESG Code, a comprehensive document facilitating the process of aggregation of the data of interest to domestic and international stakeholders.

In January 2021, Energa obtained the "Supporter" status in respect of the Task Force on Climate-Related Financial Disclosures (TCFD) initiatives. It is an entity established by the Financial Stability Board (FSB) to develop recommendations on more effective disclosure of climate-related information. Thus, the process of enforcement of TCFD recommendations was launched. At the same time, Energa remains a member of the organisations of key importance to the development of corporate social responsibility, namely UN Global Compact and the Responsible Business Forum.

In 2021, activities were carried out aimed at attaining sustainable development goals (SDGs). Special attention was given to the initiatives to attain Goal 7. "Affordable and clean energy" the best example of which is the new Good Energy Homes own project consisting in mounting photovoltaic panels on the roofs of children's homes. Actions have also been intensified to attain Goal 13, "Climate Action", by implementing such projects as: Bociany.pl (storks), Łąki Kwietne w Ostrołęce (flower meadows in Ostrołęka), Sprzątanie Ziemi (Cleaning the Earth), Zaraczanie Rzeki Narew (Narew River Freshwater Crayfish Migration). Those projects lay the foundation for the pursuit of biodiversity and ecosystem protection initiatives under the EU Taxonomy.

The dialog with stakeholders and local communities pursued by Energa helps identify and understand the society's needs and expectations. With a view to assuring compliance with international standards in that area, work was completed in 2021 on the review of application and implementation of the guidelines of the ISO 26000 International Corporate Social Responsibility Standard. As a result, all key solutions of the ISO 26000 standard were incorporated in the day-to-day operations of Energa SA, as evidenced by POLITYKA's CSR Silver Leaf award. The prize is awarded by the Polityka weekly, Deloitte and the Responsible Business Forum to the companies applying all key solutions of ISO 26000 standard in a distinctive manner.

Ten best practices of the Energa Group were submitted for the "Responsible Business in Poland 2021. Best practices" report. This is the flagship periodic publication of the Responsible Business Forum, presenting the organisation's best practices within the context of the UN Sustainable Development Goals of 2015, i.e. in accordance with Agenda 2030 and in accordance with the areas of ISO 2600 international standard.

Furthermore, 35 CSR projects were implemented in such areas as:

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

Example projects from the aforesaid areas:

The **Good Energy Homes** (Domy Dobrej Energii) project whereby photovoltaic panels of Energa Obrót SA were mounted on the roofs of educational and care-providing centres. The project is also supported by the ORLEN Foundation. Affordable and clean sources of electricity allow to create more sustainable and inclusive communities and, at the same time, help reduce the impact of climate change. As part of the project, the centres' residents learned about the world of energy sector and environmentally-friendly innovative solutions. Among others, residents of children's homes visited the Energy Museum in Toruń and the Przykona wind farm.

Young constructors and programmers build with Energa. The pupils of the Elementary School in Bierków designed, built and programmed models of brick toy vessels, and used them for scientific purposes. The models were used to clean up a pond situated in the school's vicinity. Furthermore, cameras were placed on the individual models to enable pupils to explore the underwater world. Pupils compiled a lexicon of Bierków pond's flora as well as a list of live exhibits inhabiting the underwater world of the small water reservoir.

BTT Boxing Team. From exclusion to success. Gdańsk-based Brzostek Top Team Sports Club implemented a scheme designed to counteract the impact of social exclusion of children and youth as well as halt the consequences of social dysfunction. Physical education classes, namely boxing classes, were held on a cyclical basis throughout the first half of 2021/2022 school year and were attended by approx. 150 children.

Parcels full of good energy (Paczki pełne dobrej energii). This is the second edition of the project whereby Christmas parcels are sent to the residents of children's homes situated in the areas where the Energa Group's companies do business. Little patients recovering at Gdańsk hospitals, namely Polanki Children's Hospital named after Maciej Płażyński and the University Clinical Centre in Gdańsk, Clinic of Paediatrics, Haematology and Oncology, also received gifts. Energa brought the Christmas mood not only to the youngest but also to the persons facing homelessness.

Good Energy Angels (Anioły Dobrej Energii) is a charity campaign launched by the Gdańsk Children's Hospice called Hospicjum Pomorze Dzieciom. Owing to the commitment of its employees, the Energa Group managed to support delivery of over 960 hours of specialist medical care to terminally ill children. The project aimed to assure palliative care for terminally ill children at their own homes.

Specialist room for biofeedback therapy for the school in Jezierzycze Energa financed creation of a specialist biofeedback room used to stimulate development of children's speech and train their brain. Assistance was offered to the Elementary School in Jezierzycze which is attended by 15 pupils with various types of disabilities.

Support for children, charges of the Pomorze Dzieciom Hospice, and their families. The hospice offers simultaneous palliative care to 20 families affected by a child's terminal illness within a 150 km radius of Gdańsk. The support offered permitted financing one month (October) of round-the-clock medical and nursing care, including scheduled and emergency visits aimed at mitigating persistent symptoms, improving quality of life, alleviating pain and accompanying the family through the moment of the child's death.

Breath full of energy (Oddech pełen energii) is a scheme under which children suffering from cystic fibrosis can benefit from rehabilitation and dietary prophylaxis. As part of the project and CSR cooperation, children can pursue sports activities as well as consult physiotherapists and dieticians. Another initiative in that area was the launch of the Switch On Empathy (Włącz empatię) project. It aims primarily to support pupils suffering from cystic fibrosis in facing difficulties at school.

The volunteer projects were formally regulated in the Energa Group as of June 2021. As part of the new edition of the employee volunteer scheme, the Energa Group's employees may submit proposals of their own initiatives and thus support their local community. Each employee may obtain a grant of as much as PLN 3,000 to implement their own initiative. A minimum two-person team must be formed before the project's proposal can be validly submitted. Family members and friends of the employees may also join the project. The ORLEN Foundation coordinates the project. In the past year, Energa SA employees organised 11 volunteer initiatives such as:

1. Cleaning up the Vistula River (Sprzątanie Wisły). The purpose of the project was to clean up the banks of the Vistula river.
2. Cleaning up the Omulew River (Oczyszczanie Omulwi). The purpose of the project was to clean up the banks of the Omulew river.
3. Stars friendly to other stars (persons with disabilities) (Gwiazdy przyjazne innym gwiazdom (osobom niepełnosprawnym)). The purpose of the project was to present the universe to persons with disabilities and educate them in that area.
4. Hortitherapy. The purpose of the project was to develop an area situated next to a special needs school.
5. Share your passion! (Podziel się swoją pasją!). The purpose of the project was to hold workshops for the residents of a family-type children's home.
6. Breasts win! (Pier(w)si wygrywają!). The purpose of the project was to encourage women and men to have their breasts checked by a physician on a regular basis.
7. "Movember. Have the courage". The purpose of the project is to raise awareness of both men and women about prophylaxis and early detection of cancers of testicles and prostate.
8. Brzostek Top Team Readers' Corner (Kącik czytelniczy Brzostek Top Team). The purpose of the project was to help children from poor or dysfunctional families who frequent the Brzostek Team sports club. Energa employees acting as

volunteers arranged the space in which children from socially excluded environments shall spend time in peace and comfort, have hot meals and read gifted books.

9. Become a Santa Claus assistant (Zostań pomocnikiem św. Mikołaja). Those are three projects consisting in offering Christmas parcels to mothers and their children living in Dom Ochrony Poczętego Życia przy Zgromadzeniu Sióstr Jezusa Miłosiernego w Odolanów (approx. 100 persons), pioneers, i.e. the first settlers in Koszalin following the end of the Second World War, senior citizens of the Friends of Koszalin Association and senior citizens from the Płock area.

As part of its charity work, the Energa Foundation signed 683 contracts (including 521 for private individuals and 153 for legal entities) and offered financial support to 71 employees of the Energa Group, their families and close relatives intended for regular rehabilitation, medical procedures, surgeries, purchase of medical and rehabilitation equipment as well as life-saving medications. The Foundation also supported local social initiatives, including assistance for children, elderly persons and families in difficulty.

Energa's Kropelka (Drop) Foundation obtained financing for the organisation of the 3rd Nationwide Blood Donation whereby 279 liters of blood were collected. Fundacja Uwolnić Dzieci od Traumatyzacji (Free Children of Trauma Foundation) obtained financing to purchase additional equipment for the rehabilitation room to treat children suffering from FAS. Fundacja Hospicyjna św. Franciszka Ksawerego in Przywidz received funding to purchase medical equipment as well as dressings and care products for the residents of the hospice.

The Energa Foundation supported promotion of education, science, culture and patriotic attitudes. It offered assistance to Poles living abroad. Jointly with Fundacja Cokolwiek Uczyniliście (Whatever You Did Foundation), the Energa Foundation handed out 400 food parcels and 120 school starter kits for Poles from the Soleczniki region in Lithuania. Furthermore, it also engaged itself in the Cross-Generational Christmas Parcel project of Adaptacja Foundation from Gdynia. Thanks to that initiative, a few hundred children received Christmas parcels and a shared Christmas Eve dinner was arranged for single senior citizens in a family atmosphere.

As part of the 8th edition of the Aktywni Charytatywni ENERGA SA campaign, in 2021 the Energa Foundation handed out a total of PLN 300,000 to 15 beneficiaries, including children's homes and nursing homes, PLN 20,000 each, to finance the homes' current needs and summer holidays for their residents.

In order to facilitate charity work, an organisational standard of supervision over the foundations, in which PKN ORLEN or the companies of the ORLEN Group acted as the benefactor, was implemented. The standard regulates reporting on charity work throughout the ORLEN Group.

In striving for the carbon neutral standard and to enforce the assumptions underlying the Paris Agreement, the Energa Group reduces production of energy from hard coal and regularly reduces consumption of energy, raw materials and water. The year 2021 also saw intensive work on the Decarbonization Strategy and development of the methodology for calculating Scope 1-3. At the same time, the Energa Group meets the most stringent environmental protection requirements. This is possible owing to the operation (since 2016) of the integrated environmental and energy management system in the Group's companies, based on the EU requirements of EMAS (Eco-Management and Audit Scheme), and in compliance with standards: ISO 14 001 and ISO 50 001. This system not only assures systematic reduction of emitted pollution, waste as well as dust and gases, including GHG, but also lowers the companies' operating costs, improves their energy efficiency and energy security. An independent external audit conducted by an accredited environmental reviewer who confirms compliance with and improvement of the environmental measures taken within the Energa Group is held on an annual basis. In 2021, that audit covered 386 locations and closed with another positive review of the environmental and energy activity of the Energa Group and its retention in the elite EU EMAS register kept by the Director-General for Environment.

The Energa Group not only strives to mitigate the impact of climate change through reduction of direct and indirect GHG (mainly CO₂) emissions but also adjusts to the consequences of climate change. Climate risks at Energa SA are physical risks (short-term and long-term) derived from variable weather conditions, including extreme situations, and risks inherent in transition toward a circular economy, i.e. a resource-efficient, low-emission economy that is resilient to climate change. In 2021, ESG Department of Energa SA developed, as part of the Integrated Corporate Risk Management System, a detailed Climate Change Risk Assessment Sheet which covered, among others, the impact of climate change on the operation of the distribution grid and productivity of the generation units of the Energa Group as well as adaptation of business operations to the climate risk management requirements. Development of the Climate Change Risk Assessment Sheet constitutes the point of departure for enforcing TCFD recommendations.

In 2021, the Climate Policy of the Energa Group until 2030 was developed. Its adoption by the Management Board of Energa SA is planned at the end of Q1 2022. The primary purpose of the developed document is to identify the leading measures aimed at both adapting the operations of the Energa Group to climate change and achieving emission neutrality, in compliance with the

Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

European Green Deal and the Strategy of the ORLEN Group until 2030. The Energa Group incorporates the costs of taking the measures to adapt to and mitigate climate change in its operation. Spending on environmental protection within the Energa Group in 2021 amounted to over PLN 457 million (approximately PLN 444 million in 2020), of which investment in reducing the environmental impact represented more than PLN 197 million (approximately PLN 238 million in 2020).

The area of non-financial activities of the Energa Group is very extensive and the activities described above performed in 2021 are only the most important elements of that area. All improvements and intensified efforts related to targets and tasks in the ESG and CSR operating area were described in the Report on Non-Financial Information of the Energa Group for 2021.

In line with the requirements of Article 49b of the Accounting Act, detailed non-financial information can be found in the Report on Non-Financial Information of the Energa Group for 2021, published on the Group's website on 31 March 2022.



Przykona Wind Farm

Regulatory and business environment

3. REGULATORY AND BUSINESS ENVIRONMENT

3.1. Macroeconomic situation

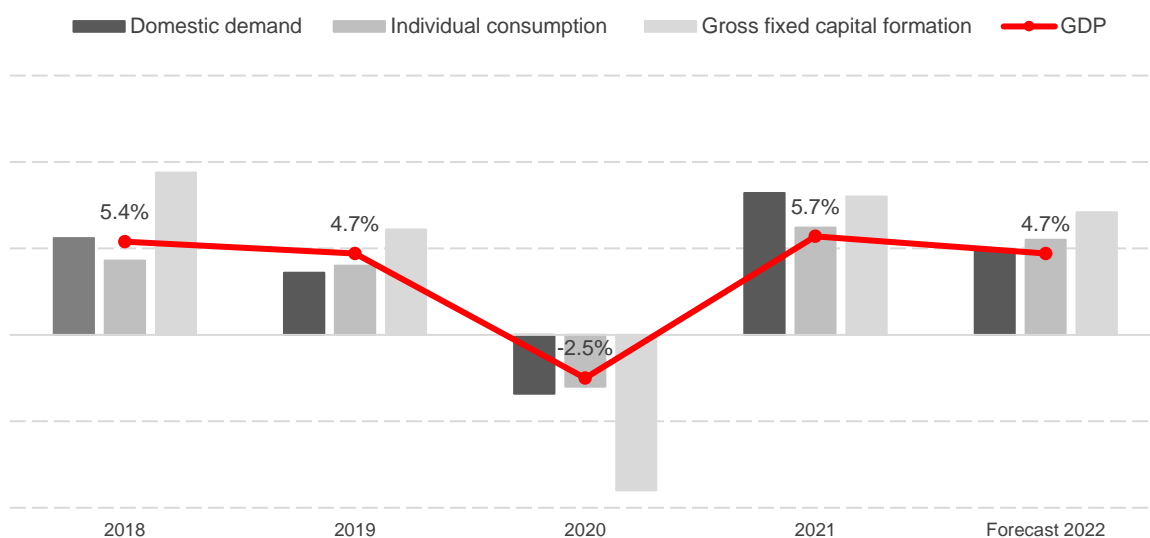
The key operating market for the Energa Group companies is the domestic market. Hence, economic fluctuations, expressed in terms of the rate of change of the gross domestic product (GDP), inflation or the unemployment rate, are reflected in the prices of electricity, gas and heat and in the shaping of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

According to the preliminary estimate of the Central Statistical Office (GUS), in 2021 GDP in Poland increased in real terms by 5.7% y/y compared to a decrease by 2.5% in 2020. The main driver of economic growth was domestic demand which was 8.2% higher than in 2020. Dynamic consumption growth was supported by the sounder income situation of households driven, among others, by the improved prospects in the labour market and generation of savings from the preceding quarters. Consumption in the household sector (6.2% growth y/y) and investment (gross capital expenditure on non-current assets rose by 8% compared to the preceding year) both had a positive impact on GDP. As indicated by the analysts of Bank Millennium, extensive utilization of production capacity, especially by the businesses manufacturing durable consumption goods, expansion and optimization of logistic processes accompanied by extremely good financial results, all contributed to the increased investment activity of companies, especially privately-held ones. Another investment impulse are rising costs of energy that motivate the companies to invest in improving energy efficiency.

The main risk factor currently affecting the economic situation is escalation of the Russia-Ukraine conflict as well as the extent of the financial and economic sanctions to be imposed on Russia and, probably, on Belarus. The impact of the Russian invasion of Ukraine can hardly be estimated for the time being. However, it may be assumed with a high degree of certainty that it shall contribute to halting the trade with Russia and Ukraine and, first and foremost, shall result in growth of prices of energy inputs and food. Meanwhile, the inflation rate and a decline in purchasing power of disposable incomes shall limit consumption. GDP growth may also be adversely affected by the stalling of global demand, further coronavirus transmissions in the context of low herd immunity and delays in the inflow of EU funding, especially the monies from the Recovery Fund.

In February 2022, the European Commission raised GDP growth forecast for Poland in 2022 from 5.2% up to 5.5%, indicating at the same time that Polish GDP would grow by 4.2% in 2023. The report stated that the Polish economy had positively surprised the analysts in the second half of 2021, confirming its resilience in spite of the recurring waves of COVID-19 and disruptions of supply chains. The European Commission foresees that the country's economic growth shall gather pace starting from Q2 2022 on the basis of increased consumption attributable to the positive outlook for the labour market and tax changes. Meanwhile, the lower robotization ratio in Poland, compared to other member states of the European Union, shall constitute an additional incentive for companies to invest, especially in the face of rising labour costs. However, according to the analysts of Santander Bank Polska SA, the estimates of the European Commission relative to Poland may be slightly overoptimistic. This is also confirmed by the Polish Economic Institute given that the forecast consensus points to a minor slowdown in Poland's GDP growth from 5.7% down to 4.8% y/y. Contrary to the Commission's commentary, research into consumer sentiment suggests a slowdown in household spending. It should be pointed out, however, that, in the context of the pandemic, the conflict in Ukraine and major fluctuations in input and energy markets, macroeconomic forecasts may rapidly become obsolete.

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



Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

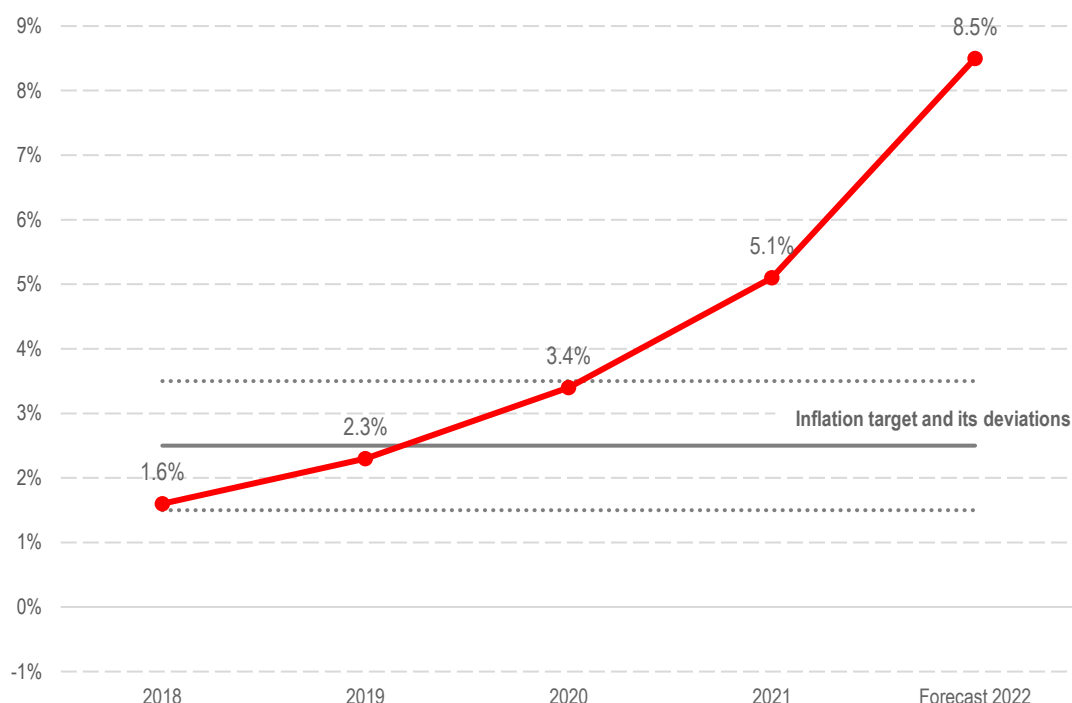
Source: Data from the GUS (January 2022) and forecasts by Santander Bank Polska SA (February 2022)

The research into PMI (the leading indicator of the Polish industry) suggests that the Polish manufacturing sector continued to grow at a rapid rate even though it reported a slowdown in January 2022. The PMI index was 54.5 points at the end of January 2022, declining by 1.6 points over the course of the month. A score above the neutral level of 50 points is a positive signal as it demonstrates an increase in the financial activity of individual market and economic entities for the nineteenth month in row. Positive business climate relating to future production encouraged companies to create new jobs. According to research findings, delivery times were extended and production costs and prices of finished goods increased in early 2022. The factors impairing production growth include also difficulties in purchasing materials, shortages of components and problems with goods transport, especially from China.

According to GUS, the situation in the labour market in 2021 improved slightly compared to the preceding year. Average employment in the enterprise sector rose by 0.5%. The unemployment rate recorded at the end of 2021 was 5.4%, which means that it was 0.7 percentage point lower compared to the end of 2020. According to the preliminary estimates of the Ministry of Family and Social Policy, the unemployment rate recorded in January 2022 increased to 5.6% but decreased by 0.9 percentage points compared to the end of January 2021. Analysts from Santander Bank Polska SA indicate that the rise in the unemployment rate is typical of January. The average (gross) monthly salary increased by 11.2% y/y, reaching PLN 6,644.39 at the end of December 2021. The labour market in Poland is in the recovery phase which justifies pressure on salary growth in the context of high inflation.

The consumer price index in 2021 grew by 5.1% y/y. The average annual price growth was reported at a record level in the space of last 20 years and was higher than assumed in the budget act, with the major contributing factors being rising prices of inputs across the world, including energy and agricultural inputs, the record level of prices of CO₂ emission allowances and supply bottlenecks. Goods appreciated by 4.6% and services by 6.8%. The February forecasts of the European Commission regarding HICP inflation stipulate that price growth in the current year shall amount to 6.8%, which represents the highest value amount the EU member states. The analysts from Santander Bank Polska SA forecast price growth in 2022 at an even higher level, i.e. 8.5% y/y, noting that the figure may still change substantially, among others, owing to the possible prolongation of indirect tax reductions and risk of occurrence of new disruptions in input markets or escalation of the Russia-Ukraine conflict that may translate into depreciation of the Polish zloty and contribute to an increase in the inflation rate in Poland.

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



Source: Data from the GUS (January 2022) and forecasts by Santander Bank Polska SA (February 2022)

In an attempt to reduce inflation down to the set target over the medium term, the Monetary Policy Council (RPP) raised interest rates three times in 2021. New interest rate hikes were announced in January and February 2022 prompting the reference rate of the National Bank of Poland (NBP) to rise up to 2.75%. The lombard rate was also increased to 3.25%, the deposit rate to

2.25%, the rediscount rate for bills of exchange to 2.8% and the discount rate for bills of exchange to 2.85%. At the same time, the Council decided to increase the rate of the compulsory reserve from 2.0% to 3.5%. In its announcement, the Council indicated that in the subsequent months its decisions would continue to be aimed at reducing inflation down to the level consistent with NBP inflation target over the medium term, while taking into consideration trends in the business climate so as to ensure medium-term price stability and simultaneously support sustainable economic growth following the global pandemic shock. The NBP may continue to intervene in the foreign exchange market and use other instruments provided for in the "Monetary Policy Guidelines". The dates and the scale of the activities will depend on the further development of market conditions.

In connection with the war waged by the Russian Federation on Ukraine, NBP's Financial Stability Committee observed that the Polish banking sector held substantial capital surpluses and liquidity buffers ensuring resilience against potential shocks impacting the national financial system.

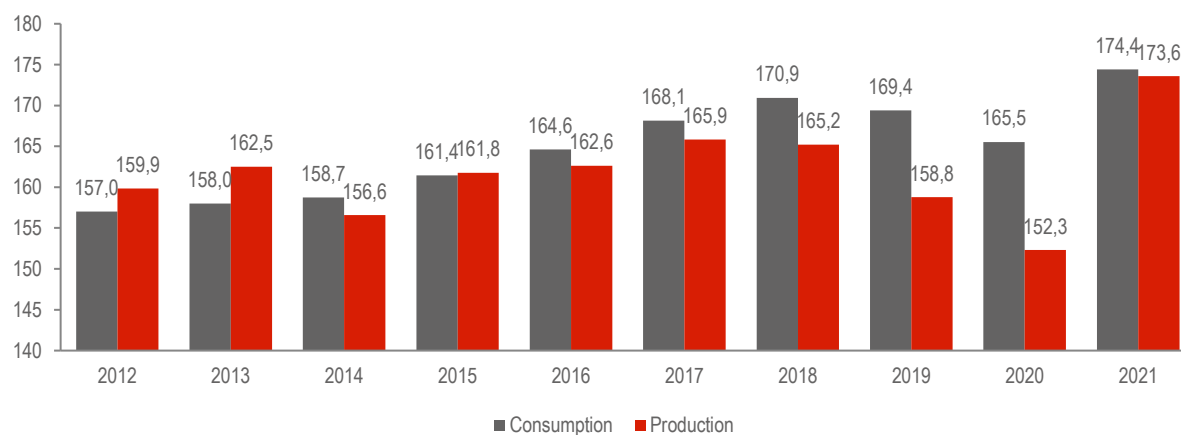
3.2. Electricity market in Poland

Developments in the market environment are of key importance for the financial performance of the Group. In this context, particular attention should be paid to price quotations for electricity, property rights, CO₂ emission allowances and coal (as a basic fuel for production in the Polish power generation system). Furthermore, the Group's results were determined by the regulatory mechanisms of the market, such as the Capacity Market as well as non-regulatory factors, e.g. weather conditions, in particular hydrometeorological and wind conditions. One can hardly overlook the COVID-19 pandemic and the post-pandemic recovery in demand for energy observed in 2021 and drastic growth of energy prices triggered by energy inputs supply shocks and declining power generation from RES sources in Western Europe.

Domestic production and consumption of electricity

According to data published by PSE, electricity consumption in Poland in 2021 increased by 8.9 TWh (5.4% y/y) compared to 2020, to 174.4 TWh. Production corresponded to the rising consumption and increased by 21.3 TWh in relation to 2020 to 173.6 TWh.

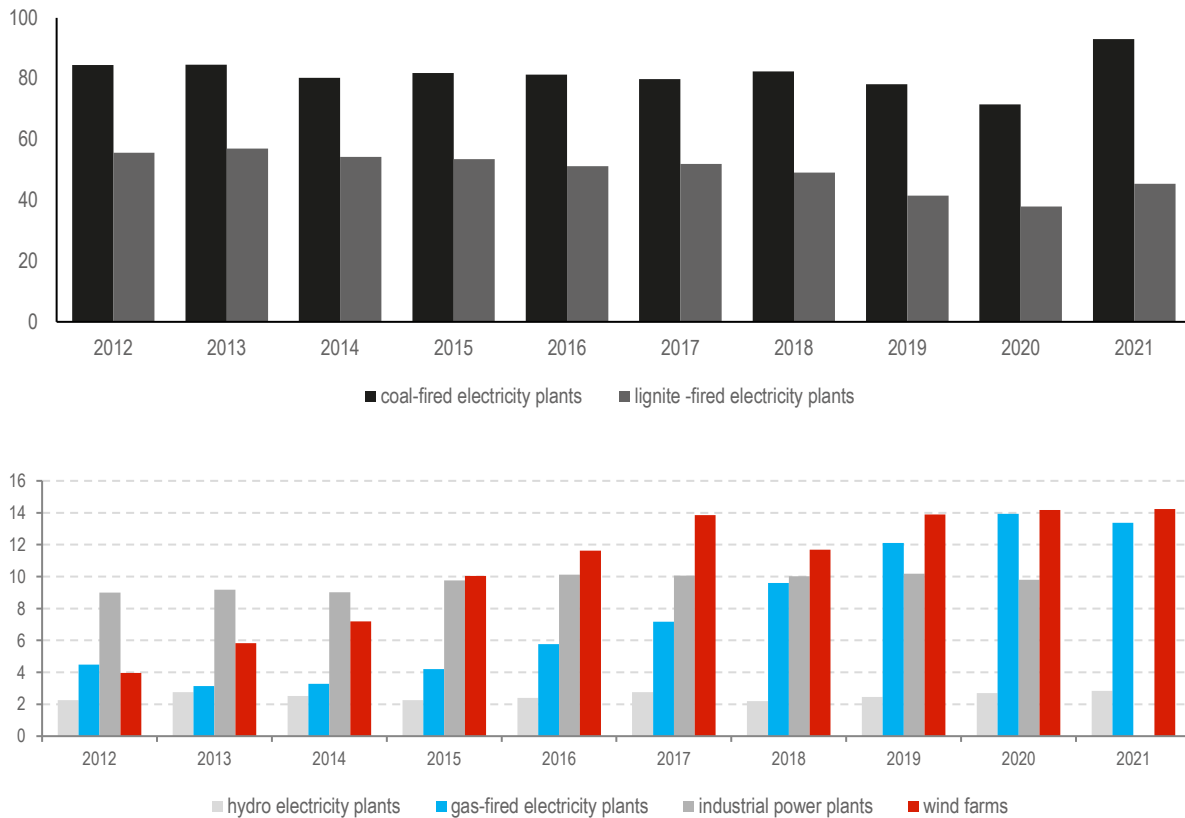
Figure 8: Production and consumption of electricity in Poland in 2012-2021 (TWh)



Source: PSE

In 2021, production of energy in wind power plants increased again in spite of weak performance in the first half of the year. The share of wind energy in the generation mix was approx. 8.4%, and the production of electricity by wind farms grew by approx. 0.4% in relation to 2020.

Figure 9: Power generation mix in Poland in 2012-2021 (TWh)



Source: PSE

Coal-fired main activity producer electricity plants held the highest share in the power generation mix in 2021. They accounted for 55.1% of the total production, while the share of lignite-fired main activity producer electricity plants was 26.9%. The highest increase in production, in percentage terms, in 2021 was recorded by coal-fired main activity producer electricity plants, where generation increased by 30% y/y to 93.0 TWh. At the same time, the importance of photovoltaic sources in the national energy mix is growing owing, among other things, to RES auctions and the launch of the “My current” government programme.

Poland's cross-border power exchange

A decline in electricity imports by over 5.3 TWh relative to the preceding year was noticeable in 2021, whereas electricity exports increased by 7.1 TWh in relation to 2020, which can be explained by price growth in Western Europe fuelled by energy inputs supply shock, rising demand for energy after the pandemic and unfavourable atmospheric conditions contributing to shrinking power generation from renewable sources. The above factors driving exports growth in relation to 2020 contributed to increases in power flow volumes along parallel exchange lines.

Figure 10: Annual cross-border power exchange volumes in Poland 2012-2021 (TWh)

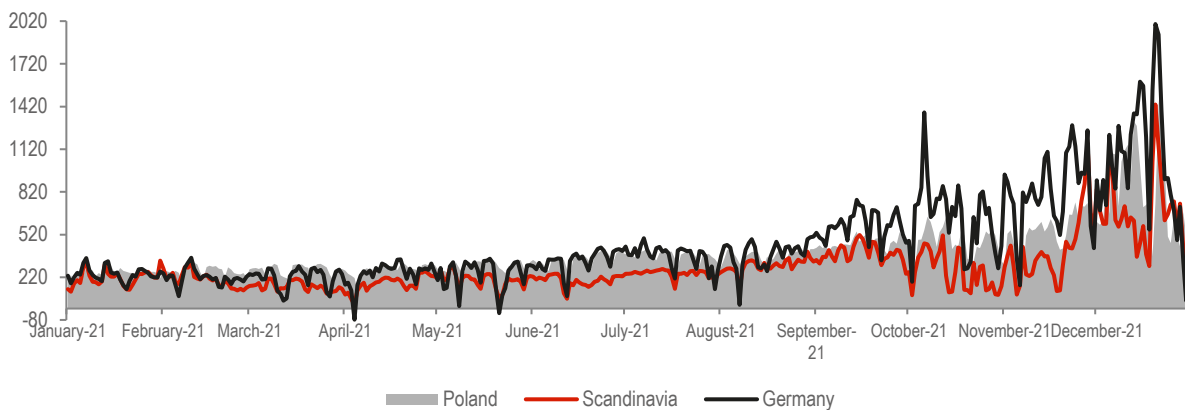


Source: PSE

Energy prices in selected countries neighbouring with Poland

In order to compare electricity prices in Poland against prices in neighbouring countries, SPOT market prices were used as a reference product. The price levels in Poland in 2021 were not substantially higher than in the neighbouring countries compared to previous years. The highest price differences were found in comparison to the Scandinavian market (+39.32%, or PLN 112.38/MWh), and lower differences were identified in comparison to the German market (-10.37%, or PLN -46.08/MWh). The fact that Poland's western neighbours have higher prices than those in the Polish market is noteworthy. Prices in the German market began to rise gradually starting from Q3 2021 at a definitely higher rate than the prices in the Polish market. The negative balance of exchanged power could be observed from that moment onward. The contributing factors included, among others, declining RES energy production in Western Europe, energy inputs supply shock and their price growth, emptied gas storage facilities in Western Europe, a substantial rise in demand for energy after consecutive lockdowns and rising prices of emission allowances.

Figure 11: Prices of energy in the SPOT market in Poland and in neighbouring countries in 2021 (PLN/MWh)

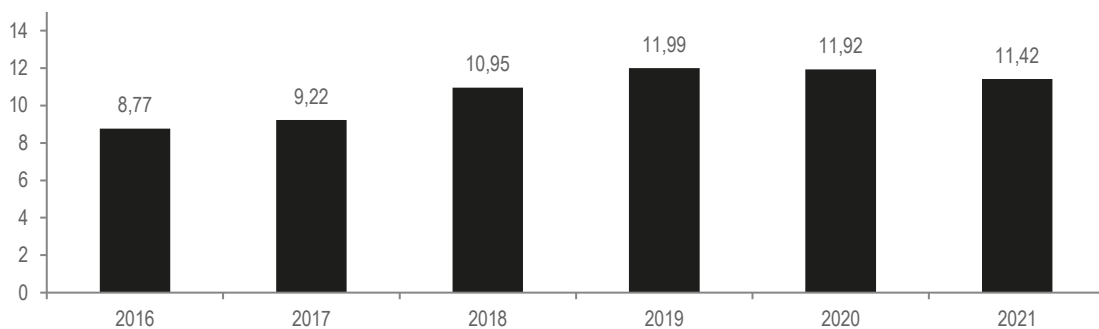


Source: Bloomberg, TGE

Coal prices in Poland

Over the recent years, a consistent decline in coal prices has been observed in Poland, driven by a global factor – the global decline in the price of this commodity and the oversupply of coal in Poland. In connection with promotion, especially in Europe, of low- and zero-emission power generation, demand is shrinking for coal which is displaced from the energy mix mainly by wind, photovoltaic and gas power plants. In 2021, coal prices quoted at main transshipment ports (ARA, Newcastle, Richards Bay) increased substantially. Increased use of coal in the energy sector was also attributable to lockdown of the global economy followed by a substantial rise in demand for energy that could not be satisfied by energy generated from RES sources. In the Polish market, coal selling prices for main activity producer electricity plants and industrial clients were falling gradually, returning to the levels from the beginning of the year at end 2021. The negative impact of this factor on the performance of the ENERGA Group was limited.

Figure 12: Prices of coal including cost of transport for coal-fired power plants at year-end in 2016-2021 (PLN/GJ)

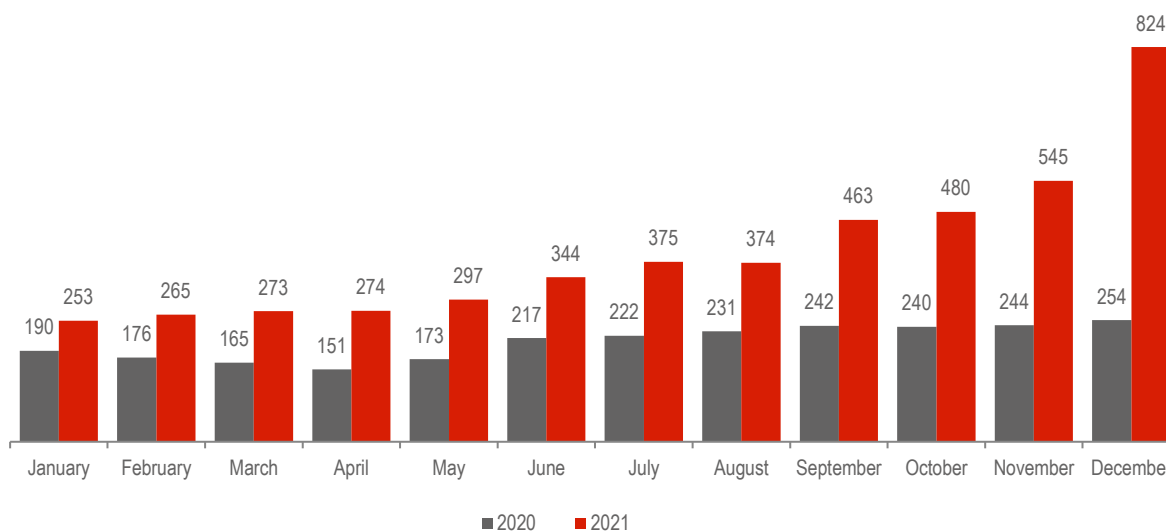


Source: Polski Rynek Węgla

Day-Ahead Market of electricity in Poland

The average TGeBase index for 2021 was PLN 398.23/MWh and was PLN 189.39/MWh higher than in 2020 (PLN 208.84/MWh). Increased post-pandemic demand for energy and substantial price rises in Western Europe were the key determinants of price growth in relation to 2020. Furthermore, rising prices of CO₂ emission allowances, only a slight decline in coal prices and high system deficiencies supported price growth in 2021.

Figure 13: Prices of the TGeBase index from 2020 to 2021 (PLN/MWh)



Source: TGE

The highest average monthly price for electricity on the commodity market was recorded in last December, when the average TGeBase index stood at PLN 824.20/MWh. The minimum was observed in January 2021 at 252.79 PLN/MWh.

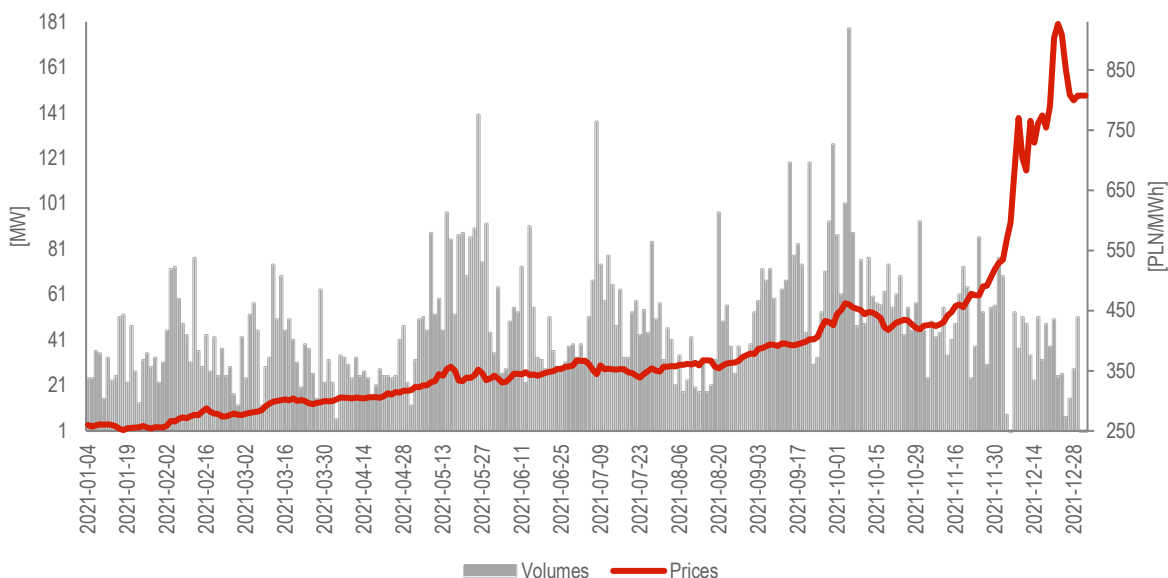
Electricity futures market in Poland

In order to assess the futures market in Poland, a one-year base-load future contract for 2022 (BASE 2022) has been selected as a reference product. In 2021, price levels showed a growth trend reaching record highs of PLN 926.40/MWh in December. Economic recovery after the pandemic coupled with rising demand for energy and rising prices of emission allowances reinforced in Q4 2021, among others, by temperatures falling below the multi-year average values, helped close the year at PLN 807.35/MWh. The trend on the futures market is particularly important from the perspective of the Group's contracting process for the next year.

The main determinants of the energy price increase in the future market were:

- rising prices of CO₂ emission allowances associated mainly with the compromise agreed in April between the EU Council and the European Parliament on the climate package, which was finally approved by the European Parliament at the end of June and announced by the European Commission in July; the target for reduction of greenhouse gas emissions in 2030 was raised from 40% up to 55%,
- the energy inputs supply shock and declining generation of energy from renewable sources in Western Europe contributing to significant growth of energy prices, which in turn led to changes in energy flows from August and, consequently, the negative balance of exchanged power,
- an increase in coal prices on global markets,
- high level of system losses,
- growing demand for electricity in the National Power System, showing increased levels compared to the previous year.

Figure 14: Base-load electricity futures price with delivery in 2022



Source: TGE

Emission allowance market

On 12 May 2021, the European Commission reported that more than 1,578 million emission allowances were in circulation at the end of 2020 (an increase in the number of allowances of less than 14% y/y is the result of the pandemic). This value formed the basis for determining the level of the so-called Market Stability Reserve (MSR), operating under the EU Emissions Trading System (EU ETS) from January 2019. Under the rules of the Market Stability Reserve, a total of nearly 379 million allowances was placed in the Market Stability Reserve over a 12-month period from 1 September 2021 to 31 August 2022. For the first 5 years of application of the MSR, the number of allowances is to be reduced annually by 24% of the total number of allowances in the auction pool (if the total number of allowances in circulation exceeds the threshold of 833 million allowances). In 2021, there was no available volume of emission allowances sold annually by the UK and no additional volume offered by Poland. The UK, after leaving the European Union, set up its own system, with the first auction, futures and SPOT market quotations taking place on 19 May 2021 on the ICE exchange. The key factor that determined the EUA price in 2021 was speculation and the compromise agreed in April between the EU Council and the European Parliament on the climate package, which was finally approved by the European Parliament at the end of June and announced in July by the European Commission. The legislation aims to accelerate reduction of greenhouse gas emissions from 40% to at least 55% in 2030 compared to 1990 levels. Rising EUA quotations, reaching new record levels, accelerated especially in Q4 2021. The main determinants of rising quotations were primarily price increases in the gas and coal market as well as high demand in the SPOT market (poor wind conditions and high energy generation from high-emission sources). As a result of an increase in the EUA rate in Q4 2021 to record high levels, the average price for 2021 (EUR 52.85/t) increased significantly in relation to the 2020 average price (EUR 24.49/t), representing 115% growth y/y.

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



Source: Bloomberg

Market for property rights

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

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

Index (type of certificate)	Index value		Percentage of obligation (%)	Substitution fee (PLN)
	2020 (PLN/MWh) with 2020 index	2021 (PLN/MWh) with 2021 index		
OZEX_A (green)	137.5	191.27	19.5*	300.03*

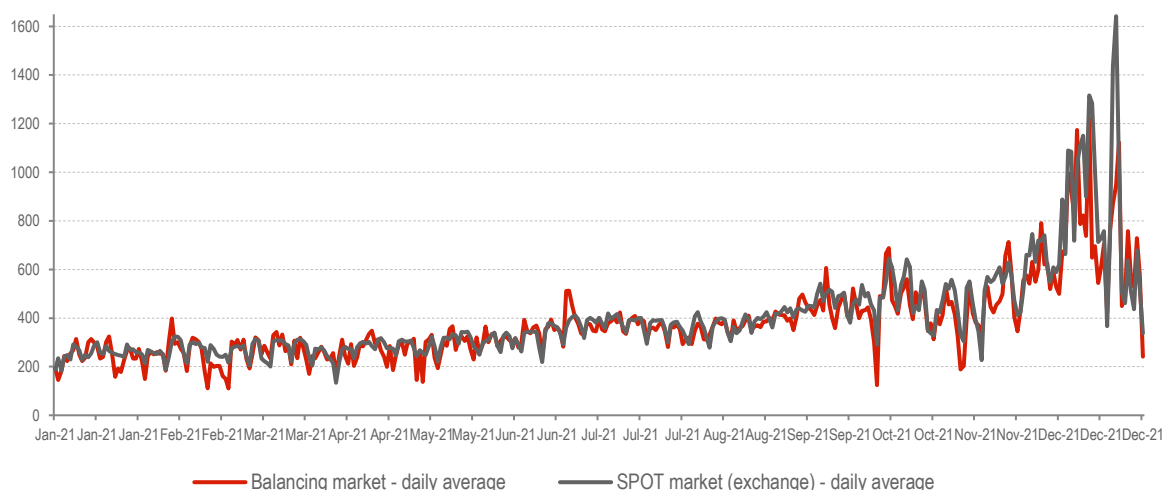
* value of the substitution fee and redemption obligation for 2021.

From the perspective of the Group's generation mix (its high share of RES), the prices of green property rights are of key importance. PM OZE certificate prices in session transactions remained in the vicinity of PLN 142.00/MWh in the initial two months of 2021. There was a strong upward price movement in March which continued during subsequent months peaking at PLN 300.42/MWh and closing at PLN 260.69/MWh in 2021. The volume of issued PM OZE certificates declined to 19.21 TWh down from 21.78 TWh in 2020.

The balancing market and the SPOT market

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

Figure 16: Comparison of prices on the balancing market and SPOT market (exchange) in 2021 (PLN/MWh)



Source: PSE

In 2021, the limits for electricity clearing prices on the balancing market were maintained in the range from PLN -50,000.00/MWh to PLN +50,000.00/MWh. In 2021, differences in prices on the balancing market and prices for instruments traded on the SPOT market were mostly attributable to strong variations in the wind generation output, increased demand for power and decommissioning in Poland and Western Europe. The average price level in 2021 on the balancing market was PLN 374.54/MWh vs. PLN 208.17/MWh in 2020.

3.3. Regulatory environment

Legislative processes handled and addressed in 2021

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

Legal act	Description and purpose of the regulations
<p>Notice of the Minister of Climate and Environment of 2 March 2021 on the national energy policy until the year 2040 Monitor Polski of 2021, item 264</p>	<p>On 2 February 2021, the Council of Ministers adopted a Resolution on the announcement of Poland's Energy Policy until the year 2040 (PEP), which was published in Monitor Polski on 10 March 2021.</p> <p>The statutory objective of the energy policy of the State is energy security, while ensuring the competitiveness of the economy, energy efficiency and a reduction of the environmental impact of the energy sector.</p> <p>The cost of implementing the EPP has been estimated at nearly PLN 1,600 billion until 2040, of which Poland may obtain about PLN 260 billion from EU funds in the 2030 perspective (additionally, expenditures from the state budget funds have been planned at the level of about PLN 28.5 billion in the years 2021-2025).</p> <p>The EPP sets the framework for the energy transition in Poland and is based on three pillars:</p> <ol style="list-style-type: none"> (1) A just transition; (2) Zero-emission energy system and good air quality; (3) Low carbon energy transition. <p>Selected elements of PEP:</p> <ol style="list-style-type: none"> (1) In 2030, RES share in gross final energy consumption shall be 23%, as a minimum, of which, for instance in electrical power engineering, not less than 32%; (2) In 2030, the share of coal in the generation of electricity shall not exceed 56%; (3) Utilization of coal in the economy shall be reduced in the manner ensuring a fair transformation; (4) Offshore wind power generation shall reach an installed capacity of approx. 5.9 GW in 2030 up to approx. 11 GW in 2040; (5) Installed capacity in photovoltaics (PV) shall expand substantially to approx. 5-7 GW in 2030 and approx. 10-16 GW in 2040; (6) Energy efficiency shall increase – a target of 23% reduction in primary energy consumption in relation to PRIMES 2007 forecasts has been set for 2030; (7) The first nuclear power plant unit with a capacity of approx. 1-1.6 GW shall be commissioned in 2033. Further units shall become operational every 2-3 years, with the entire nuclear program foreseeing construction of 6 units; (8) By 2040, the heating needs of all households shall be covered by district heating and by zero- or low-emission individual sources; (9) Natural gas shall be used as bridge fuel in the energy transition; (10) By 2030, GHG emissions shall be reduced by approx. 30% in relation to 1990. <p>The assumptions underlying the Energy Policy of Poland until 2040 provide guidelines for all strategic and aid activities in Poland in the area of energy and related areas.</p>
<p>Act of 15 April 2021 amending the Act on the Greenhouse Gas Emission Allowances Trading System and Certain Other Acts. Journal of Laws 2021 item 1047</p>	<p>The Act was promulgated in Dziennik Ustaw [Journal of Laws] on 10 June 2021 and came into force on 24 June 2021.</p> <p>The primary assumption underlying the act is the establishment of the so-called Modernisation Fund (the Fund). The Fund's activities have been planned for the 2021-2030 period. Its most important objective is to support the implementation of the greenhouse gas reduction target agreed within the European Union.</p> <p>Key assumptions regarding the Fund:</p> <ol style="list-style-type: none"> (1) The Polish operator of the MF monies shall be the National Fund for Environmental Protection and Water Management; (2) For priority investments, funding of up to 100% of eligible costs can be applied for. Non-priority investments can count on a maximum of 70%; (3) The European Investment Bank, which shall be the European operator of the MF, has the right to challenge the list or some projects from the list as not complying with the provisions of EU Directive 2018/410 of March 2018, which regulates the purpose of the fund; (4) The beneficiaries will be the 10 EU countries whose GDP is below 60% of the EU average; (5) The total pool of Fund resources that the sale of emission allowances will generate will not be known until the end of 2030. The amount of these resources will depend on the price of the emission allowances to be auctioned; (6) Poland shall receive approx. 43% of the monies originating from the Fund within the 2030 perspective. <p>The priority areas of support for the Fund are:</p> <ol style="list-style-type: none"> (1) Investments in networks of energy distribution; (2) Development of renewable energy sources; (3) Energy storage; (4) Energy efficiency.

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

<p>Act of 20 May 2021 amending the Energy Law and Certain Other Acts. Journal of Laws 2021, item 1093</p>	<p>The Act was promulgated in Dziennik Ustaw [Journal of Laws] on 18 June 2021 and came into force on 2 July 2021.</p> <p>Material amendments in the Energy Law concerning, among others:</p> <ol style="list-style-type: none"> (1) Appointment of an Energy Market Information Operator responsible for running a system collecting and processing information and metering data from the installed meters, the so-called Central Energy Market Information System; (2) The system operator shall be Polskie Sieci Elektroenergetyczne (PSE); the system is expected to be operational starting from 1 July 2024; (3) A detailed timetable for the installation of meters throughout Poland by distribution system operators (DSOs) has been envisaged. DSOs will be obliged to install smart meters: <ul style="list-style-type: none"> ✓ By the end of 2023 – at least 15% of customers; by the end of 2025 – at 25%; by the end of 2027 – 65%; by the end of 2028 – 80%; ✓ The DSOs will also cover the costs of installing these meters at customers connected to the network with a voltage of up to 1 kV (including households). (4) Introduction of closed distribution systems (CDS) - new solutions for entities selling and supplying electricity and gaseous fuels that are not typical energy companies. Operators, such as industrial plants or special economic zones, which use most of their energy for their own consumption, will no longer have to draw up development plans and submit tariffs to the regulator for approval. The condition, however, will be that the charges for energy and gaseous fuels are no higher than those of the local distribution system operator. The President of the Energy Regulatory Office (ERO) will be able to establish a CDS for a period of 10 years; (5) Regulation of the settlement for electricity returned to the overhead contact line following braking of traction vehicles; (6) Amendment on infringement of the collective interests of energy consumers. It will be a premise for revocation of the licence held by the power company. The Energy Regulatory Office will be able to revoke the licence of an energy company if the President of the Office of Competition and Consumer Protection (UOKiK) considers that its practices violate the collective interests of consumers. <p>Material amendments to the Capacity Market Act concern, among others:</p> <ol style="list-style-type: none"> (1) Introduction of a uniform definition of an electricity storage facility and addition of a reference to the obligation for the TSO to collect metering data for the CSIRE; (2) Extension of the deadline for achieving the Financial Milestone (FM) to 24 months; (3) Change of the termination rule for long-term power contracts for modernised units which have not reached the FM – shortening the contract to one year. (4) Limitation of penalties for new capacity market units that have not reached the Operational Milestone by the deadline. Fines under the new rules will amount to: <ul style="list-style-type: none"> ✓ 5% of the monthly value of the capacity obligation covered by the capacity contract - in the first year of supply; ✓ 15% of the monthly value of the capacity obligation covered by the capacity contract - in the second year of delivery; ✓ 25% of the monthly value of the capacity obligation covered by the capacity contract - in the third delivery year, calculated on the basis of the highest closing price of the capacity auction relating to a given delivery year. <p>Comprehensive regulatory framework governing electricity storage facilities, among others:</p> <ol style="list-style-type: none"> (1) Introduction of the possibility of charging transmission and distribution fees for the difference in e.e. drawn from and injected into the network; (2) Introduction of an obligation to hold a licence only for storage facilities with a capacity of more than 10 MW. Smaller installations (above 50 kW) shall have to be entered in the relevant register.
<p>Act of 23 July 2021 amending the Capacity Market Act and Certain Other Acts Journal of Laws 2021 item 1505</p>	<p>The Act was promulgated in Dziennik Ustaw [Journal of Laws] on 17 August 2021 and came into force on 1 September 2021, save for Article 6 which shall come into force on 1 July 2024.</p> <p>The main objective of the Act is to ensure compliance of the provisions of the Capacity Market Act of 8 December 2017 with the provisions of the so-called EU Market Regulation 943/2019 by introducing the emission standards EPS 550 g CO₂/kWh and EPS 350 kg CO₂/kW/year into the Polish support system.</p> <p>In addition, to support the implementation of new generation sources, including in particular low-carbon sources, and to increase incentives for demand reduction during peak demand times, the Act provides for:</p> <ol style="list-style-type: none"> (1) The possibility of converting a unit with an existing capacity contract and not meeting the 550g CO₂/kWh emission limit to a unit meeting this limit through a change in electricity generation technology, implemented under an existing contract or through the replacement of an existing contract with new capacity contracts; (2) The possibility of changing the capacity of a new capacity market unit if the capacity of such a unit after its implementation deviates slightly from the capacity that was assumed at the planning stage, thus avoiding an increase in specific emissions caused by the need to introduce less efficient installations to provide the missing capacity. <p>The act also provides for special solutions for energy-intensive customers. They will be able to pay a lower capacity fee if their consumption profile is sufficiently flat, i.e. the differences between peak and off-peak consumption are correspondingly small. If the difference in consumption by such a consumer at peak and off-peak does not exceed 5 per cent, the capacity fee may be lower by 83 per cent, with a difference of 5-10 per cent the fee may decrease by half, and with a difference of 10-15 per cent - by 17 per cent.</p>

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

<p>Regulation of the Minister of Climate and Environment on the parameters of the main auction for 2026 supply year and parameters of additional auctions for 2023 supply year Journal of Laws 2021 item 1480</p>	<p>The Regulation was promulgated in Dziennik Ustaw [Journal of Laws] on 13 August 2021 and came into force on 14 August 2021. Its key provisions are:</p> <ol style="list-style-type: none"> (1) demand for capacity in the main auction for the delivery period in 2026 is 7,991 MW (originally 7,085 MW); (2) the market entry price for a new generating unit in the main auction for the delivery period in 2026 is PLN 364/kW; (3) the price increasing ratio used to determine the maximum price in the main auction for the delivery period in 2026 is 1.1 (originally 1.4); (4) the maximum price set for the price taker, determined on the basis of capital and operating fixed costs in the main auction for the delivery period in 2026 is PLN 186 PLN/kW; (5) The unit level of net capital expenditures in relation to the net generating capacity that provides rights to offer capacity obligations in the main auction for the delivery period in 2026 for no more than: i) 15 delivery periods by the new generating unit in the capacity market is PLN 2,400/kW; ii) 5 delivery periods by the new and modernized generating unit in the capacity market or the DSR unit is PLN 400/kW. <p>Minimum capacity obligations planned for acquisition at additional auctions for the 2026 delivery year are: (1) 500 MW – for Q1; (2) 100 MW – for Q2; (3) 100 MW – for Q3; (4) 500 MW – for Q4.</p>
<p>Act of 17 September 2021 amending the Renewable Energy Sources Act and Certain Other Acts Journal of Laws 2021 item 1873</p>	<p>The Act was promulgated in Dziennik Ustaw [Journal of Laws] on 15 October 2021 and came into force on 30 October 2021, save for Article 1 section 4 letters b-d and section 16 letters b-f which shall come into force on 1 January 2022; 2) Article 1 section 6 takes effect on 1 February 2022; and 3) Article 1 section 33 letter c and Article 15 take effect on 16 October 2022. The most significant amendments in the Act include:</p> <ol style="list-style-type: none"> (1) Extension of the current auction support scheme for RES energy producers until 31 December 2027; (2) Defining a long-term schedule of providing support to RES producers for the next six years; (3) Change of the criterion permitting the equipment which generates energy from RES to be situated without the need to be provisioned for in the land use plan of the municipality, from the currently applicable installed capacity of 100 kW up to 500 kW; (4) Extension of a number of mechanisms for the maximum period of receiving support for the installation until 30 June 2047, including, among others, the obligation to purchase unused electricity at a fixed price or the right to have the electricity market price supplemented in the so-called FIT and FIP systems; the obligation to purchase electricity at a fixed price or the right to a surcharge to the electricity market price in the auction system; (5) The existing practice of the President of ERO regarding the method of determining the total installed electrical capacity of RES installations has also been confirmed at the level of the Act.
<p>Regulation of the Minister of Finance of 17 December 2021 amending the regulation on the goods and services for which the rate of tax on goods and services is reduced, and on the conditions of application of reduced rates Journal of Laws 2021 item 2350</p>	<p>Regulation of the Minister of Finance came into force on 1 January 2022. Under the provisions of the Regulation, temporary lower VAT rates, among others, for electricity as well as natural gas and heat were introduced:</p> <ol style="list-style-type: none"> (6) §10e. From 1 January 2022 to 31 March 2022, the tax rate reduced to 8% is applied to supply, intra-Community acquisition and imports of natural gas (CN 2711 11 00 or 2711 21 00) and heat, subject to Article 44 Point 2 and Article 45 Section 1 Point 10 of the act (i.e. the goods the importation of which on the terms defined in the regulations governing goods imports would be exempted from tax and gas in the gas system or gas loaded into the gas system or network of mine gas pipelines from gas transporting vessels as well as electricity in the electricity and power system, heat or cooling energy through heat or cooling energy distribution grids; (7) §10f. From 1 January 2022 to 31 March 2022, the tax rate reduced to 5% is applied to supply, intra-Community acquisition and imports of electricity (CN 2716 00 00), subject to Article 44 Point 2 and Article 45 Section 1 Point 10 of the act (the exception as indicated above).
<p>Act of 29 October 2021 amending the Act on Renewable Energy Sources and Certain Other Acts Journal of Laws of 2021 item 2376</p>	<p>The Act was promulgated in Dziennik Ustaw [Journal of Laws] on 21 December 2021 and came into force on 1 April 2022. Under the provisions of the Act:</p> <ol style="list-style-type: none"> (1) The existing prosumers as well as the entities that enter the system by 31 March 2022 are guaranteed their acquired rights and they shall be able to benefit from the discount system over a period of 15 years from the moment of generation of the first kWh in PV installation and its introduction into the power grid. (2) The prosumers who have filed a connection request by 31 March 2022 and have not been connected as scheduled through the fault of the distribution system operator shall also be eligible to benefit from the existing discount system. (3) The discount system shall also serve as a transition settlement model for the new prosumers entering the market during the period from 1 April 2022 to 30 June 2022. At the end of that period, energy surpluses, if any, shall be settled at the average monthly price from June 2022 and the prosumers shall automatically join the value settlement system. (4) The Net-billing model based on monthly prices shall operate in the period from 1 July 2022 to 30 June 2024. During that period, energy shall be settled consistently with the monthly market price of electricity set for a given calendar month. The Net-billing model based on hourly prices shall operate from 1 July 2024. It shall be the target settlement system based on separate settlement of energy loaded into and collected from the grid. The value of energy loaded into the grid shall be determined based on the hourly exchange price in day ahead markets. Setting those prices shall be the responsibility of the energy information market operator (PSE) that is already setting the prices today. (5) For the prosumers covered by the new system, distribution fees shall be borne in 100% by prosumers. (6) The act expands the catalogue of prosumer system entities to include: <ul style="list-style-type: none"> ✓ a virtual renewable energy prosumer; ✓ a collective renewable energy prosumer; and ✓ a representative of prosumers.

Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

<p>European regulations. Taxonomy. Commission Delegated Regulation 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852</p>	<p>In the Official Journal of the European Union of 9 December 2021, with effect from 29 December 2021, the following document was published: <i>Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.</i></p> <p>Under the Taxonomy Regulation, the European Commission was obligated to prepare an actual list of environmentally sustainable actions through definition of technical eligibility criteria for each environmental objective by way of delegated acts.</p> <p>The Regulation establishes the technical criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.</p>
--	--

Regulatory issues handled in 2021 and continuing in 2022

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

Legal act	Description and purpose of the regulations
<p>National Recovery and Resilience Plan</p>	<p>The National Recovery and Resilience Plan was adopted at a special meeting of the Council of Ministers on 30 April 2021. At the same time, the government authorized the Ministry of Development Funds and Regional Policy to make further amendments to the document. The National Recovery and Resilience Plan was sent to the European Commission (EC) on 3 May 2021.</p> <p>Legislative and political context:</p> <ol style="list-style-type: none"> (1) The Commission has the right to negotiate the individual National Recovery and Resilience Plans submitted by the governments of EU member states; (2) The Polish document was not approved by the Commission by the end of 2021; (3) The negotiations between the European Commission and the Polish government are ongoing. <p>Assumptions underlying development of the energy sector:</p> <ol style="list-style-type: none"> (1) In 2030, every third generated unit of electricity shall originate from renewable sources. Among others: <ul style="list-style-type: none"> ✓ development of offshore wind energy generation the launch of which is forecast within the 2024/25 perspective; ✓ further dynamic development of PV sources. (2) Expansion of the electricity and power transmission infrastructure as well as development of new technologies, inter alia, energy storage facilities. <p>The National Recovery and Resilience Plan foresees the spending of EUR 23.9 billion in the form of subsidies and EUR 12.1 billion in the form of loans.</p> <p>Subsidies / energy sector (in EUR million):</p> <ol style="list-style-type: none"> (1) Energy storage facilities (200); (2) Energy efficiency and RES in enterprises (300); (3) Offshore wind energy generation (3,250); (4) Energy efficiency of local activity facilities (67); (5) Energy communities (97); (6) Thermal modernization of schools and replacement of heat sources (290); (7) Development of transmission grids (300); (8) Investment in district heating systems (300); <p>Loans / energy sector (in EUR million):</p> <ol style="list-style-type: none"> (1) Construction of offshore terminal infrastructure (437); (2) Hydrogen technologies (800); (3) Clean Air Program and energy efficiency (3,201).
<p>Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Fit for 55': Delivering the EU's 2030 Climate Target on the way to climate neutrality COM/2021/550 final</p>	<p>On 14 July 2021, the European Commission presented a Communication in which it presented legislative proposals to achieve the goal of reducing net emissions (of greenhouse gases) by at least 55% by 2030 compared to 1990 levels - on the way to climate neutrality in 2050.</p> <p>The legislative proposals have been dubbed Fit for 55 (Package). Key proposed changes include:</p> <ol style="list-style-type: none"> (1) Road transport and construction industry to be subject to the emissions trading system from 2026; (2) Only zero-emission vehicles can be registered from 2035; (3) Need to provide a charging points of specific capacity for electric vehicles in the TEN-T network every 60 km and hydrogen refuelling points every 150 km (from 2025/2030/2035 depending on the capacity level and TEN-T area); (4) End to allocation of free aviation allowances by the end of 2026; (5) Maritime transport to be subject to the emissions trading system (from 20% in 2023 to 100% in 2026); (6) Introduction of a border climate tax from 2026; (7) New energy efficiency target for 2030 - 36%; (8) New RES target for 2030 - 40%. <p>All these proposals are interrelated and complement each other. While the benefits of the EU's climate policy clearly outweigh the costs of this transition in the medium and long term, there is a risk that this policy will put additional pressure on vulnerable households, micro-enterprises and transport users in the short term. It is proposed to create a new Social Climate Fund that will provide Member States with specific funding to help citizens finance investments in energy efficiency, new heating and cooling systems and cleaner mobility. The Social Climate Fund would be financed from the EU budget with an amount corresponding to 25% of expected revenues from emissions trading with regard to fuels used in the construction industry and road transport. It will provide Member States with EUR 72.2 billion in funding from 2025 to 2032, based on a targeted revision of the Multiannual Financial Framework. With a proposal to use matched Member States funding, the Fund would mobilize EUR 144.4 billion for a socially just transition.</p> <p>The key regulations from Fit for 55 Package / a set of proposals on the review and update of EU legislation, enhancing EU climate ambitions to reduce emissions by a minimum of 55% by 2030 on the road to EU climate neutrality.</p>

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

	<p>EU ETS / CO2 Emissions Allocation and Trading System / Application Directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757;</p> <p>CBAM / Carbon Border Adjustment Mechanism (CBAM)/ Application Regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism;</p> <p>ETD / taxation of energy products and electricity / Application Council Directive restructuring the Community framework for the taxation of energy products and electricity (restated version);</p> <p>RED III / promotion of RES / Application Directive of the European Parliament and of the Council amending Directive (EU) 2018/2001 of the European Parliament and of the Council, Regulation (EU) 2018/1999 of the European Parliament and of the Council and Directive 98/70/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources and repealing Council Directive (EU) 2015/652;</p> <p>AFIR / deployment of alternative fuels infrastructure / Application Regulation of the European Parliament and of the Council on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU of the European Parliament and of the Council;</p> <p>EED / energy efficiency / Application Directive of the European Parliament and of the Council on energy efficiency (restated version).</p>
<p>(Draft) - Program of the Ministry of State Assets entitled "Transformation of the electricity and power sector in Poland".</p>	<p>On 23 July 2021, the representatives of Energa SA, ENEA SA, Tauron SA and PGE SA reached an agreement with the Minister of State Assets to begin the next stage of work on the transformation of the electricity and power sector in Poland.</p> <p>(1) The agreement defines co-operation in the process of separating coal energy assets and their integration in Narodowa Agencja Bezpieczeństwa Energetycznego SA (NABE), as well as supports the process of developing the optimum model of NABE operations;</p> <p>(2) The concept of transformation of the electricity and power sector in Poland was presented by the Ministry of State Assets this April. The key assumption of the project is to integrate electricity generation assets in conventional coal-fired units within a single entity, i.e. NABE;</p> <p>(3) The concluded agreement will support preparation of companies for the separation of coal assets in a uniform manner for all entities, will support selection of one professional adviser for all entities, and will also reduce the costs of the process being carried out. The agreement will also constitute the basis for the development of the target NABE organisation, taking into account the final content of the document adopted by the Council of Ministers and arrangements as part of the social accord for energy and lignite.</p>
<p>European regulations. Taxonomy. The European Commission consultations re. a delegated act covering some types of nuclear and gas operations C(2022) 631 / 3</p>	<p>(1)</p> <p>On 31 December 2021, another draft of a delegated act of the European Commission (EC implementing regulation) on taxonomy covering some types of nuclear and gas operations was sent by the European Commission to the EU member states for consultation. The document was officially published on 2 February 2022.</p> <p>The draft foresees recognition of gas as transition technology which supports transformation toward climate neutrality:</p> <p>1. For electric power plants, the activity satisfies one of the following criteria:</p> <p>a) GHG emissions throughout the lifecycle originating from generation of electricity using fossil gas fuels are lower than 100 g CO₂e/kWh;</p> <p>b) Facilities (power plants) for which the building permit has been issued by 31 December 2030 satisfy all the conditions below:</p> <ul style="list-style-type: none"> ✓ Direct GHG emissions associated with the pursued activity are lower than 270 g CO₂e/kWh of output energy or annual direct GHG emissions associated with the pursued activity do not exceed on average 550 kg CO₂e/kW of the plant's capacity over the course of 20 years; ✓ The capacity to be replaced cannot be generated from renewable energy sources based on the comparative assessment against the most financially viable and technically feasible alternative to renewable energy for the same identified capacity; the findings of such comparative assessment are published and subject to consultation with the interested parties; ✓ The activity replaces the existing activity in the area of high-emission electricity generation that rely on solid or liquid fossil fuels; ✓ The newly-installed generation capacity does not exceed the capacity of the replaced plant by more than 15%; ✓ The installation has been designed and built in such manner as to make use of renewable energy sources or low-emission gas fuels, with transition to full utilization of renewable or low-emission gas fuels being scheduled until 31 December 2035. The undertaking and the verifiable plan shall be approved by the plant's managing body. ✓ Replacement results in reduction of emissions by a minimum of 55% of GHG throughout the period of operation of the newly-installed production capacity; ✓ When the activity takes place in the territory of a member state in which coal is being used to generate energy, that member state undertakes to phase out coal-based energy generation and makes the relevant declaration in its integrated national energy and climate plan; ✓ Compliance with the aforesaid criteria is verified by an independent third party. <p>2. For CHP plants, the activity satisfies one of the following criteria:</p> <p>a) Lifecycle GHG emissions from co-generation of heat/cooling and gas fuels energy are lower than 100 g CO₂e per 1 kWh of output energy from co-generation;</p> <p>b) Facilities (CHP plants) for which the building permit has been issued by 31 December 2030 satisfy all the conditions below:</p> <ul style="list-style-type: none"> ✓ The activity generates savings in primary energy at the minimum level of 10% compared to the references to separated heat and electricity production; primary energy savings are calculated based on the formula contained in Directive 2012/27/EU; ✓ Direct GHG emissions associated with the pursued activity are lower than 270 g CO₂e/kWh of output energy; ✓ Electric power and heat generated as a result of the activity cannot yet be effectively replaced with electric power and heat generated from renewable energy sources of the same capacity; ✓ The plant replaces an existing heat/cooling and high-emission energy co-generation plant, a separate heat/cooling generation plant or a separate power generation plant which relies on solid or liquid fossil fuels; ✓ The plant's production capacity cannot exceed the capacity of the plant being replaced; <p>✓ The facility has been designed and built in such manner as to make use of renewable or low-emission gas fuels, with transition to full utilization of renewable energy sources or low-emission gas fuels being scheduled until 31 December 2035. The undertaking and the verifiable plan shall be approved by the plant's managing body;</p>

	<ul style="list-style-type: none"> ✓ The replacement results in reduction of emissions by a minimum of 55% of GHG per kWh of output energy; ✓ Renovation of the facility does not increase its production capacity; ✓ The activity takes place in the territory of a member state which has undertaken to phase out coal-based energy generation and made the relevant declaration in its integrated national energy and climate plan referred to in Article 3 of Regulation EU/2018/1999 or another instrument; ✓ Compliance with the aforesaid criteria is verified by an independent third party. <p>The Commission expects the delegated act to come into force on 1 January 2023. The European Parliament and the Council (that had vested the powers to adopt delegated acts in the Commission under the related regulation) shall have four months to analyze the document and, if they deem so appropriate, to file an objection thereto. They may apply for two additional months to carry out an audit. The Council shall have the right to file an objection to the act by way of reinforced qualified majority, which means that at least 72% of the member states, i.e. at least 20 member states representing, as a minimum, 65% of the EU population, must file an objection to the delegated act. The European Parliament may express its objection if the majority (i.e. 353) of European MPs vote against during the plenary session.</p> <p>New stricter regulations may represent a very important barrier to securing debt financing for growth of investment in new CCGT power plants.</p>
--	--

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

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

Figure 17: Distribution territories of top energy groups



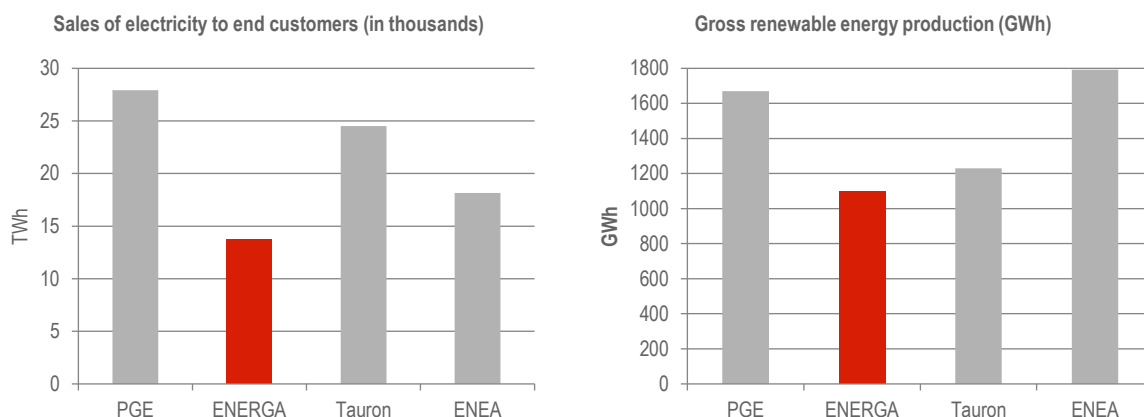
In the Distribution Segment, the Energa Group ranks third after the PGE Group and the Tauron Group in terms of the volume of electricity supplied, network length and number of customers. Owing to intensive upgrading efforts, the Energa Group's network quality indicators are among the best in Poland and are continually improving. There was an increase in the volume of distributed energy compared to the same period of the preceding year in all energy groups during the first three quarters of 2021. The key factor responsible for that state of affairs was rising demand for energy in the economies coming out of lockdowns associated with COVID-19 pandemic.

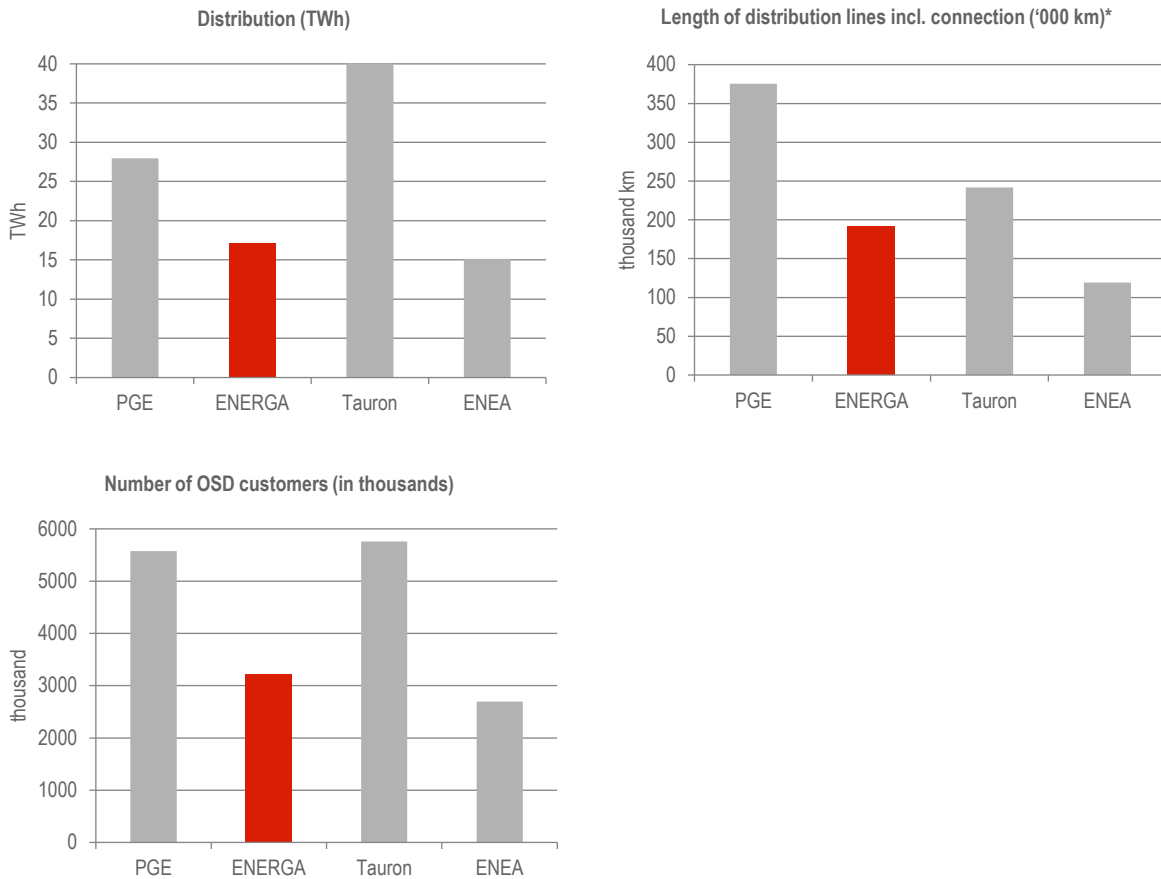
For historic reasons, the coverage of the distribution networks is correlated with the number of customers in the sales segment. In this respect, the ENERGA Group ranks fourth. Sales by value to end customers is more volatile than the number of customers, depending on the commercial

strategy chosen for the largest users. Over the first three quarters of 2021, the Energa Group ranked fourth in terms of sales volume, behind PGE, Tauron and Enea.

Compared to the other groups, the Energa Group has a low share in conventional generation. The Group has a single baseload generating unit with an installed capacity of 690 MWe (the Ostrołęka B Power Plant). This is significantly less than what the other groups have. In terms of energy production from RES, its share in own energy mix is the highest in the Energa Group among the audited groups and amounts to nearly 40%.

Figure 18: Comparison of operating data for the ENERGA Group and the other energy groups (data from Q1 to Q3 2021)¹



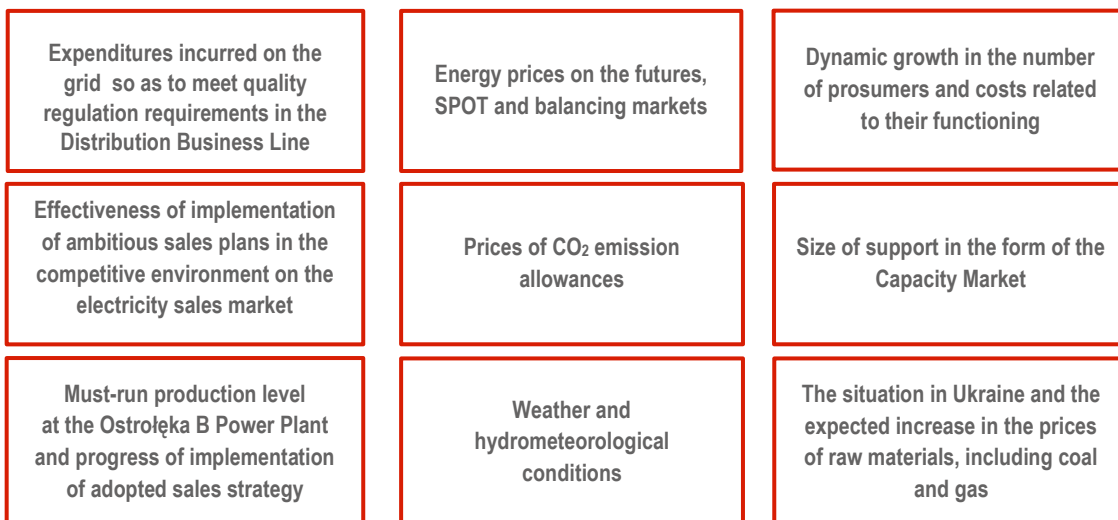


*PTPiREE data, end of 2020

3.5 Factors relevant to the development of the Energa Group

In the opinion of the Management Board of Energa SA, the factors described below will affect the results and activities of the Company and the Energa Group at least throughout 2022:

Figure 19: Factors relevant to the development of the Energa Group at least throughout 2022





Photovoltaic farm – Bystra, municipality of Gdańsk

Financial and assets situation of the Energa Group

4. FINANCIAL AND ASSETS SITUATION OF THE ENERGA GROUP

4.1. Rules of preparing the annual consolidated financial statements

The consolidated financial statements of the Energa Group for the year ended 31 December 2021 were prepared:

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

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

The parent company's Management Board applied the standards and interpretations as well as the valuation approaches and principles for each item of the consolidated financial statements of the Energa Group to the best of their knowledge, in line with the IFRS EU for the year ended 31 December 2021. Due diligence was applied in the preparation of the accompanying supplementary information and notes.

The accounting principles (policy) applied to prepare the annual consolidated financial statements are presented in note 9 to the annual consolidated financial statements of the Energa Group for the year ended 31 December 2021.

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

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

PLN m	2018*	2019*	2020*	2021	Change 2021/2020	Change 2021/2020 (%)
Sales revenues	10 275	11 381	12 401	14 016	1 615	13%
The result on financial instruments measured at fair value through profit or loss	-	-	-	(324)	(324)	-
Revenue from the Price Difference Payment Fund	-	693	57	-	(57)	-100%
Cost of sales	(7 998)	(10 038)	(10 233)	(10 971)	(738)	7%
Gross profit	2 277	2 036	2 225	2 721	496	22%
Other operating income	430	311	509	214	(295)	-58%
Selling and distribution expenses	(786)	(641)	(954)	(953)	1	-0%
General and administrative expenses	(355)	(364)	(377)	(325)	52	-14%
Other operating expenses	(390)	(883)	(739)	(379)	360	-49%
Operating profit	1 176	459	664	1 278	614	92%
Result on financial activity	(313)	(722)	(619)	(194)	425	-69%
Share in profit/(loss) of entities measured by the equity method	90	(496)	(264)	185	449	< -100%
Profit or loss before tax	953	(759)	(219)	1 269	1 488	< -100%
Income tax	(209)	(242)	(225)	(332)	(107)	48%
Net profit or loss for the period	744	(1 001)	(444)	937	1 381	< -100%
EBITDA	1 877	2 039	2 038	2 449	411	20%

*restated

Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021

PLN m	Q4 2020*	Q4 2021	Change	Change (%)
Sales revenues	3 296	4 030	734	22%
The result on financial instruments measured at fair value through profit or loss	-	(324)	(324)	-
Revenue from the Price Difference Payment Fund	54	-	(54)	-100%
Cost of sales	(2 695)	(3 226)	(531)	20%
Gross profit	655	480	(175)	-27%
Other operating income	225	69	(156)	-69%
Selling and distribution expenses	(273)	(283)	(10)	4%
General and administrative expenses	(100)	(84)	16	-16%
Other operating expenses	(142)	(141)	1	-1%
Operating profit	365	41	(324)	-89%
Result on financial activity	(56)	(78)	(22)	39%
Share in profit/(loss) of entities measured by the equity method	5	64	59	> 100%
Profit or loss before tax	314	27	(287)	-91%
Income tax	(76)	(53)	23	-30%
Net profit or loss for the period	238	(26)	(264)	< -100%
EBITDA	482	340	(142)	-29%

*restated

Figure 20: EBITDA bridge by Business Lines (PLN m) in 2018-2021



The Group's EBITDA in 2021 was PLN 2,449 m vs. PLN 2,038 m in 2020.

The highest rise in EBITDA by PLN 258 m to PLN 2,048 m was seen in the Distribution Business Line. That was mainly related to an increase in the margin on distribution of electricity, higher revenues from connections and advantageous measurement of actuarial provisions at end 2021. It is worthwhile to note that in 2020 the performance of that Business Line was improved by a non-recurring item, namely a change in recognition of the infrastructure obtained free of charge in connection with the alignment of the accounting policy with the policy applied by the ORLEN Group.

A major improvement in EBITDA by PLN 187 million up to PLN 343 million was reported by the Sales Business Line. Growth of the margin on the sales of electricity made a substantial contribution here. This is mainly due to an overall improvement in the margins of electricity sales to final customers compared to last year.

The Generation Business Line recorded a decrease in EBITDA by PLN 53 million. It was mainly caused by the negative valuation of the open electricity sales position in ENERGA Elektrownie Ostrołęka (impact of PLN -99 million).

The Distribution Business Line was the greatest contributor to the Group's EBITDA in 2021 (84%), while the contributions of the Generation Business Line and the Sales Business Line were, respectively, at 5% and 14%.

The Group's EBIT in 2021 amounted to PLN 1,278 million compared to PLN 664 million in 2020. In addition to the factors described above, the largest contributor to the change in EBIT y/y were unfavorable balance of impairment losses on non-financial non-current assets and company value in the Generation Business Line at the level of PLN 90 million in 2021 that covered Ostrołęka Power Plant B, district-heating assets associated with heat distribution in Ostrołęka and the assets of Energa OZE and Energa Kogeneracja.

Meanwhile, an impairment loss on the value of assets in Ostrołęka Power Plant B for the total amount of PLN 414 million was recognized and the impairment losses on the value of wind and CHP assets were reversed (the total value of reversed impairment losses was PLN 82 million) in 2020.

In 2021, a share in the results of associated entities and joint ventures was recognized at PLN 185 m, the corresponding figure for 2020 being PLN -264 m. In 2021, in connection with the signing of an annex to the agreement that regulates the rules of settlement of the coal project of Ostrołęka Power Plant C, the provision for that settlement was partially released (originally established in the amount of PLN 218 million in 2020).

The result on financial activity in 2021 was higher by PLN 425 million y/y. The improved balance was primarily the low base effect given that in 2020 the write-off of the loan granted to Elektrownia Ostrołęka Sp. z o.o. was recognized following the decision to discontinue construction of Ostrołęka Power Plant C in the coal-fired technology. Consequently, an impairment loss on the value of the investment in the joint venture in PGG and Polimex Mostostal SA, an affiliate, was made.

As a result, the Group's net income/loss amounted to PLN 937 m in 2021 compared to PLN -444 m in 2020.

In 2021, the Group generated PLN 13,692 million in sales, 9% or PLN 1,234 million more than in 2020. The primary factor contributing to the improved revenues y/y was the increase in revenues within the Generation Business Line, which in turn was the result of higher revenues from electricity sales in connection with higher energy production by the Ostrołęka power plant and from hydro sources, higher electricity selling prices, as well as higher revenues from system services, among others, in connection with the effect of the launch of the settlement mechanism in the form of the Capacity Market in early 2021 that is used by the Group's sources. The Energa Group's revenues from the Capacity Market in 2021 amounted to PLN 237 million (PLN 60 million in Q4 2021 alone). The above-mentioned valuation of the open sales position in electricity in ENERGA Elektrownie Ostrołęka had a negative impact on the Line's revenues.

The Group's EBITDA in Q4 2021 was PLN 340 m vs. PLN 482 m in the same period last year. The result was negatively affected by the Sales Business Line the EBITDA of which contracted by PLN 173 million, mainly as a result of the lower margin on electricity in connection with the situation in the electricity market in December 2021. Meanwhile, the Distribution Business Line recorded EBITDA higher by PLN 107 million y/y. It was the effect of a higher margin on distribution with grid losses included and lower OPEX costs. On the other hand, the Generation Business Line dropped by PLN 81 million and it was mainly the result of the above-mentioned valuation of the open sales position on electricity in ENERGA Elektrownie Ostrołęka.

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

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

EBITDA (PLN m)	
12 months of 2021	
EBITDA	2,449
Adjusted EBITDA	2,387
<i>including:</i>	
<i>Actuarial reserves</i>	<i>(57)</i>

12 months of 2020

EBITDA	2,038
Adjusted EBITDA	2,096
<i>including:</i>	
Actuarial reserves	25
Legal disputes with wind farms	55
Provision for onerous contracts	(125)
"Electricity" Act of 2019 – final settlement of compensations	(57)
Revenue loss due to G Tariff	188
Estimated impact of COVID-19	66
Change of recognising the infrastructure obtained free of charge (alignment of the accounting policy with PKN Orlen Group)	(94)

**EBITDA
(PLN m)**

Q4 2021

EBITDA	340
Adjusted EBITDA	323

Q4 2020

EBITDA	482
Adjusted EBITDA	459
<i>including:</i>	
Legal disputes with wind farms	59
Provision for onerous contracts	(30)
"Electricity" Act of 2019 – final settlement of compensations	(60)
Revenue loss due to G Tariff	48
Estimated impact of COVID-19	(34)

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

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

	As at 31 December 2018*	As at 31 December 2019*	As at 31 December 2020*	As at 31 December 2021	Change 2021/2020	Change 2021/2020 (%)
ASSETS						
Non-current assets						
Property, plant and equipment	14,396	14,262	14,565	15,281	716	5%
Intangible assets	796	814	926	974	48	5%
Right-of-use assets	-	847	907	1,063	156	17%
Goodwill	15	11	11	-	(11)	-100%
Investments in associates and joint ventures measured by the equity method	1,029	336	105	128	23	22%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Deferred tax assets	313	262	207	237	30	14%
Other non-current financial assets	65	190	77	254	177	>100%
Other non-current assets	118	144	141	289	148	>100%
	16,732	16,866	16,939	18,226	1,287	8%
Current assets						
Inventories	137	165	140	111	(29)	-21%
Current tax receivables	4	61	30	102	72	>100%
Trade receivables	1,792	1,802	1,941	2,074	133	7%
Contract assets	-	-	-	-	-	-
Other current financial assets	22	203	60	105	45	75%
Cash and cash equivalents	2,724	1,461	221	,340	119	54%
Other current assets	188	409	337	231	(106)	-31%
	4,867	4,101	2,729	2,963	234	9%
Assets classified as held for sale			-	49	49	-
TOTAL ASSETS	21,599	20,967	19,668	21,238	1,570	8%
EQUITY AND LIABILITIES						
Equity						
Share capital	4,522	4,522	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	-	-	5	5	-	-
Reserve capital	1,018	1,018	1,018	821	(197)	-19%
Supplementary capital	1,540	2,035	1,661	1,661	-	-
Cash flow hedge reserve	(34)	(52)	(96)	87	183	>100%
Retained earnings	3,249	1,730	1,669	2,912	1,243	74%
Equity attributable to equity holders of the Parent	10 295	9,253	8,779	10,008	1,229	14%
Non-controlling interests	61	11	(36)	(66)	(30)	-83%
	10,356	9,264	8,743	9,942	1,199	14%
Non-current liabilities						
Loans and borrowings	2,384	2,047	1,690	1,309	(381)	-23%
Liabilities for debt securities issued	4,484	2,326	2,520	2,501	(19)	-1%
Non-current provisions	642	786	923	734	(189)	-20%
Deferred tax liabilities	593	738	777	910	133	17%
Deferred income and non-current grants	262	284	214	301	87	41%
Lease liabilities	16	637	704	838	134	19%
Other non-current financial liabilities	45	82	22	9	(13)	-59%
Contract liabilities	12	12	11	9	(2)	-18%
	8,438	6,912	6,861	6,611	(250)	-4%
Current liabilities						
Trade liabilities	746	941	792	1,067	275	35%
Contract liabilities	85	88	131	297	166	> 100%
Current portion of loans and borrowings	189	393	1,742	1,395	(347)	-20%
Liabilities for debt securities issued	108	2,219	41	31	(10)	-24%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Current income tax liability	65	-	-	13	13	-
Deferred income and grants	186	186	187	180	(7)	-4%
Short-term provisions	942	583	763	1,073	310	41%
Other financial liabilities	300	235	249	448	199	80%
Other current liabilities	184	146	159	161	2	1%
	2,805	4,791	4,064	4,665	601	15%
Liabilities directly related to assets classified as held for sale	-	-	-	20	20	-
Total liabilities	11,243	11,703	10,925	11,296	371	3%
TOTAL EQUITY AND LIABILITIES	21,599	20,967	19,668	21,238	1,570	8%

*restated

As at 31 December 2021, the balance sheet total of the Energa Group was PLN 21,238 million, up by PLN 1,570 million compared to the year-end figure for 2020.

In assets, the most significant change was recorded under non-current assets, in particular property, plant and equipment. The increase mainly concerned expenditures less depreciation in the Distribution Business Line (expenditures on expansion and modernisation of the grid) and in Other Activities (transaction of disposal of assets connected with the gas power plant construction process concluded between Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o.).

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

The Energa Group's equity as at 31 December 2021 was PLN 9,942 m and its share in the financing of the Group was 47%.

Compared to the end of 2020, the structure of obtained financing changed. In H1 2021, the financing from PKN ORLEN was activated, while the debt under the syndicated loan and the loan from Bank Gospodarstwa Krajowego was reduced. Furthermore, a material change affected provisions on the liabilities side. The increase in the value of short-term provisions was caused in particular by the rising provision for gas emission liabilities and the obligation relating to property rights. The increase in this item was partially offset with dissolution of the provision relating to settlement of the coal project in Ostrołęka. Meanwhile, the decline in non-current provisions was associated with the decline in employee benefit provisions attributable specifically to the higher discount rate.

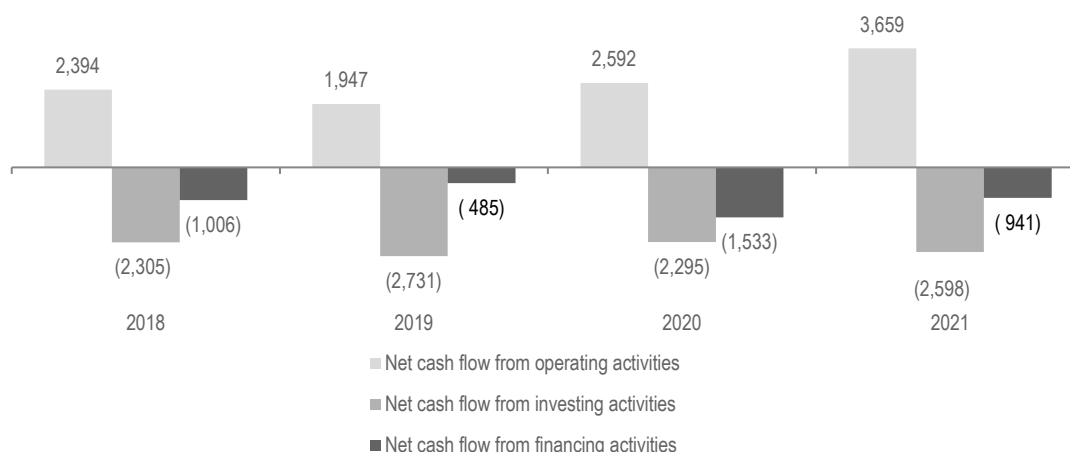
As at 31 December 2021, the following line items were identified in the consolidated statement of financial position: Assets classified as held for sale and liabilities directly associated with assets classified as held for sale, which is connected with the actions taken by the Group to sell shares in Energa Invest Sp. z o.o., a subsidiary.

Table 9: Consolidated cash flow statement (PLN m)

PLN m	2018*	2019*	2020*	2021	Change 2021/2020	Change 2021/2020 (%)
Net cash flow from operating activities	2,394	1,947	2,592	3,659	1,067	41%
Net cash flows from investment activities	(2,305)	(2,731)	(2,295)	(2,598)	(303)	-13%
Net cash flows from financial activities	(1,006)	(485)	(1,533)	(941)	592	39%
Net increase / (decrease) in cash	(917)	(1,269)	(1,236)	120	1,356	> 100%

*restated

Figure 21: Cash flows of the Group in 2018-2021 (PLN m)



Total net cash flows from operating, investment and financing activities of the Group in 2021 were positive and stood at PLN 120 million, compared to negative flows of PLN (1,236) million in the corresponding period of 2020.

Cash flows from operating activities amounted to PLN 3,659 million compared to PLN 2,592 million in 2020. The increase in cash flows from operating activities was mainly due to a profit before tax of PLN 1,269 million compared to a loss of PLN (219) million in 2020 with a simultaneous decrease in trade payables on account of received advance payments and payables on account of contracts in the total amount of PLN 563 m compared to increase of PLN (51) m in 2020. Those items exceeded the other negative flows, the most significant of which concerned the increase in receivables by PLN (75) m against decrease of PLN 53 m in 2020 and payment of income tax of PLN (345) million compared to PLN (83) million paid in 2020.

Net flows on investment activities in 2021 totalled PLN (2,598) million and were PLN 303 million lower than the expenses in the previous year, which resulted mainly from expenses on the purchase of property, plant and equipment which amounted to PLN (2,673) million in 2021 compared to PLN (2,317) million in 2020.

Cash flows from financing activities amounted to PLN (941) million and resulted mainly from the schedule of repayment of current debt instruments at PLN (3,458) million compared to receipts from incurring new financial obligations at PLN 2,718 million, repayment of lease debt at PLN (70) million, current interest payments at PLN (204) million and commission expenses at PLN (12) million. In 2020 there was also a negative cash flow from financing activities in the amount of PLN (1,533) m, which resulted mainly from the higher balance of redemption of debt securities as well as repayment of credit and lease debt with interest of PLN (5,530) m against the acquisition of external credit of PLN 3,943 m. Repayments of the debt incurred during the periods under review were made in accordance with the applicable schedules.

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

Figure 22: Structure of assets and liabilities from 2018 to 2021

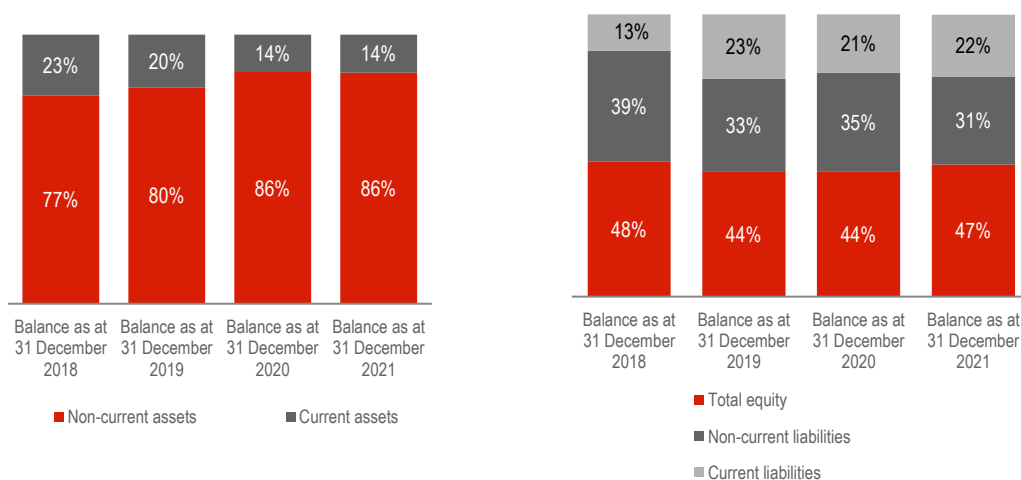


Table 10: Financial ratios of the Energa Group

Ratio	Definition	2018	2019	2020	2021
Profitability					
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets/ sales revenues (taking into account the result on financial instruments measured at fair value through profit or loss and the revenue from the Price Difference Payout Fund)	18.3%	16.9%	16.4%	17.9%
return on equity (ROE)	net profit for the period / total equity at the end of period	7.2%	-10.8%	-5.1%	9.4%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the result on financial instruments measured at fair value through profit or loss and the revenue from the Price Difference Payout Fund)	7.2%	-8.3%	-3.6%	6.8%
return on assets (ROA)	net profit for the period / total assets at the end of the period	3.4%	-4.8%	-2.3%	4.4%

*Net profit for the last 12 months

Ratio	Definition	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021
Liquidity					
current liquidity ratio	current assets/current liabilities	1.7	0.9	0.7	0.6
Debt					
financial liabilities (PLN m)*	total liabilities due to loans and borrowings, debt securities and leases (both long- and short-term)	7,183	7,661	6,736	6,113
net financial liabilities (PLN m)	financial liabilities – cash and cash equivalents	4,459	6,200	6,515	5,773
net debt**/ EBITDA ratio	net financial liabilities/EBITDA	1.8	2.2	2.3	1.6

* in connection with the first-time adoption of IFRS 16, lease liabilities increased significantly; therefore, starting from 1 January 2019, this line item has been included in the calculation of financial liabilities; the figures for 2018 have been restated;

** *net financial liabilities included in the calculation of the net debt/ EBITDA ratio include the key elements defined in the financing agreements; the figures for the year 2018 have been restated.*

Both sales revenue and EBITDA recorded an increase in 2021 compared to the same period of the previous year (the factors contributing to those changes have been described in the section discussing the financials). As a result of greater EBITDA growth, the EBITDA margin ratio improved. On the other hand, the improvement of the net result, and hence the profitability ratios, was influenced by the level of impairment losses in 2021 being lower compared to the preceding year as well as the higher balance on financial activities and a positive share in the result of entities recognized using the equity method.

Higher level of short-term liabilities, including provisions for gas emission liabilities and the obligation relating to property rights contributed to the lowering of the current ratio.

The net debt/EBITDA ratio improved as a result of both a decrease in financial liabilities as at 31 December 2021 compared to 31 December 2020 and higher EBITDA.

4.4. Description of significant off-balance sheet items

For details please see section 9.1. *Information on material contracts, agreements and transactions* of this Report and note 37 to the consolidated financial statements: *Contingent assets and liabilities*.

4.5. Projected financial results

The Management Board of Energa has not yet published projections for separate and consolidated financial results for the financial year of 2021.



Włocławek Hydroelectric Power Station

Operations of the Energa Group Segments

5. OPERATIONS OF THE ENERGA GROUP SEGMENTS

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

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

EBITDA in PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
DISTRIBUTION	1,704	1,648	1,790	2,048	258	14%
GENERATION	329	262	165	112	(53)	-32%
SALES	(85)	182	156	343	187	> 100%
OTHER and consolidation eliminations and adjustments	(71)	(53)	(73)	(54)	19	26%
Total EBITDA	1,877	2,039	2,038	2,449	411	20%

EBITDA in PLN m	Q4 2020	Q4 2021	Change	Change (%)
DISTRIBUTION	438	545	107	24%
GENERATION	30	(51)	(81)	< -100%
SALES	42	(131)	(173)	< -100%
OTHER and consolidation eliminations and adjustments	(28)	(23)	5	18%
Total EBITDA	482	340	(142)	-29%

5.1. Distribution Business Line

5.1.1. Business and operating activities

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

Distribution of electricity by tariff groups (billed sales) in GWh	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Tariff group A (HV)	3,503	3,274	3,187	3,512	325	10%
Tariff group B (MV)	8,905	8,818	8,558	9,129	571	7%
Tariff group C (LV)	4,522	4,397	4,129	4,289	161	4%
Tariff group G (LV)	5,611	5,666	5,889	6,143	255	4%
Total distribution of electricity	22,542	22,155	21,763	23,074	1 311	6%

Distribution of electricity by tariff groups (billed sales) in GWh	Q4 2020	Q4 2021	Change	Change (%)
Tariff group A (HV)	824	882	58	7%
Tariff group B (MV)	2,250	2,363	113	5%
Tariff group C (LV)	1,094	1,121	27	2%
Tariff group G (LV)	1,484	1,513	29	2%
Total distribution of electricity	5,652	5,880	227	4%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

In 2021, the volume of electricity supplied was on average 6% higher than in the previous year. The largest volume increases were reported in A and B groups but all tariff groups recorded growth. Those changes were related to the restrictions resulting from the COVID-19 pandemic, namely the partial lockdown of the economy and an increase in the scope of remote work and learning in households in 2020. Those restrictions did not apply in 2021 for the greater part of the year.

In Q4 2021, the volume of energy supplied was also higher than in the corresponding period of the previous year.

Table 13: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q4 2020	21.9	5.8	27.7	0.4	0.0	0.4
Q4 2021	48.8	6.2	55.0	0.7	0.0	0.8
Change	26.9	0.3	27.2	0.3	(0.0)	0.3
Change (%)	> 100%	6%	98%	82%	-2%	74%
2018	107.2	43.8	151.0	1.9	0.3	2.1
2019	98.2	28.7	126.9	1.8	0.2	2.0
2020	96.0	20.8	116.8	1.7	0.1	1.9
2021	186.0	22.1	208.1	2.3	0.2	2.4
Change 2021/2020	90.0	1.3	91.3	0.6	0.0	0.6
Change 2021/2020 (%)	94%	6%	78%	34%	9%	32%

In 2021, the Energa Group's SAIDI (planned and unplanned incl. catastrophic) was 208.1 minutes per consumer compared to 116.8 minutes per consumer in 2020. The value of SAIFI index also deteriorated. The aggregate values of SAIDI and SAIFI supply reliability indices obtained in 2021 are the effect of materially greater, compared to the years 2018-2020, weather anomalies associated with hurricanes that caused mass power outages, especially in July 2021. The above situation also translates into deterioration of quarterly indicators y/y, mainly in terms of unscheduled disruptions.

Excluding mass interruptions (for HV and MV) the above mentioned indicators of the Energa Group were as follows:

- SAIDI (minutes per customer) – 106.9 in 2021 (vs. 85.6 in 2020) and 32.6 in Q4 2021 (vs. 20.9 in Q4 2020),
- SAIFI (disruptions per customer) – 2.0 in 2021 (vs. 1.7 in 2020) and 0.6 in Q4 2021 (vs. 0.4 in Q4 2020).

Table 14: Number of customers of Energa Operator SA in 2018-2021 (by tariff groups)

Tariff groups at Energa Operator [units]	As at 31 December				Change 2021/2020	Change 2021/2020 (%)
	2018	2019	2020	2021		
Tariff group A	94	108	129	174	45	35%
Tariff group B	7,425	8,056	8,433	8,983	550	7%
Tariff group C	288,231	290,080	292,926	295,591	2,665	1%
Tariff group G	2,792,187	2,836,927	2,891,025	2,934,776	43,751	2%
TOTAL	3,087,937	3,135,171	3,192,513	3,239,524	47,011	1%

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

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

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

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

In 2021, Energa Operator recorded an increase in the number of customers by 1% compared to the end of the previous year. There was an increase in the number of customers in all tariff groups.

5.1.2. Financial results

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

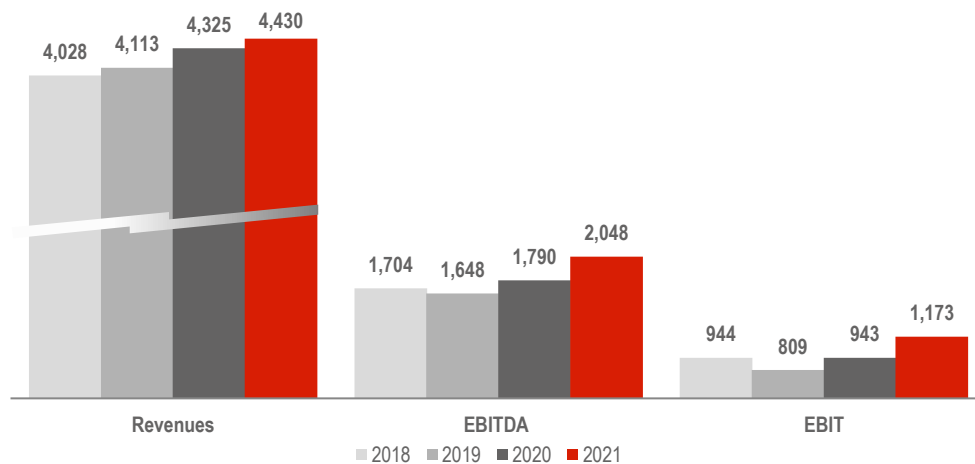
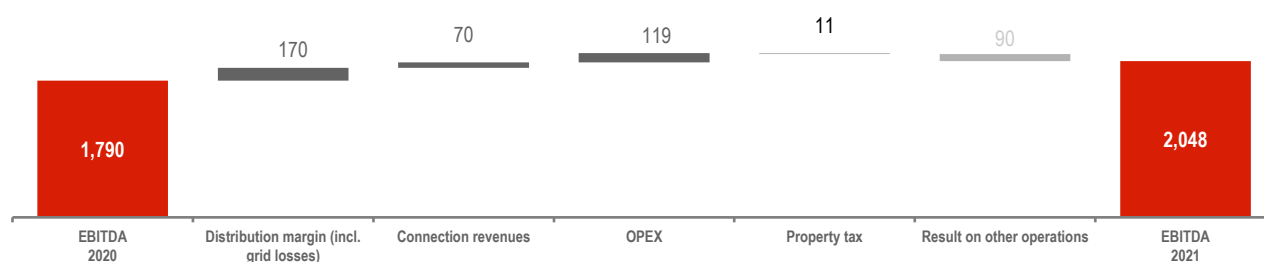


Table 15: Results of the Distribution Business Line (PLN m)

PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	4,028	4,113	4,325	4,430	105	2%
EBITDA	1,704	1,648	1,790	2,048	258	14%
amortization and depreciation	760	839	847	875	28	3%
impairment of non-financial non-current assets	-	-	-	-	-	0%
EBIT	944	809	943	1,173	230	24%
Net result	647	547	614	780	166	27%
CAPEX	1,368	1,334	1,350	1,526	176	13%

PLN m	Q4 2020	Q4 2021	Change	Change (%)
Revenues	1,136	1,145	9	1%
EBITDA	438	545	107	24%
amortization and depreciation	219	225	6	3%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	219	320	101	46%
Net result	135	227	92	68%
CAPEX	453	504	51	11%

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



Throughout 2021, the Distribution Business Line generated 84% of the EBITDA for the Energa Group (vs. nearly 88% in 2020).

Sales revenues of the Distribution Business Line in 2021 totalled PLN 4,430 million, a 2% increase year on year, resulting primarily from an increase in revenues from the connection service and from sales of distribution services. The rate for the distribution service that was lower by 3% (payable to the DSOs) had the opposite effect.

EBITDA for this Line amounted to PLN 2,048 m and was higher than in the previous year by approx. 14%.

An increase in the distribution margin by PLN 170 million (taking into account grid losses) had a significant impact on the increase in the EBIT operating result by 24% y/y (to PLN 1,173 million). That was primarily the effect of the distribution service sales volume being higher by approx. 6%. The lower volume of energy for coverage of grid losses and the lower price at which that energy was purchased in 2021 also made a beneficial contribution.

Furthermore, the OPEX costs on that Business Line were lower by PLN 119 million y/y in 2021. This was primarily attributable to the effect of advantageous measurement of actuarial provisions in connection with rising discount rates as well as a single non-recurring event in the form of release of actuarial provisions on account of the Company Social Benefit Fund for pension and disability benefit claimants.

The remaining factors contributing to the change in the level of EBIT operating result include a substantial increase in income from connections, an increase in the cost of real property tax, and unfavourable balance of random losses in connection with mass breakdowns reported in 2021 as well as absence of an advantageous non-recurring event that improved the Line's results in 2020 - at the time, recognition of the infrastructure received free of charge was changed (previously settled under deferred income) in connection with the bringing of the accounting policy in compliance with the ORLEN Group.

In 2021, the Distribution Business Line reported net profit of PLN 780 m, 27% higher y/y. The improvement was mainly the result of the change in EBIT.

Capital expenditure of that Line totalled PLN 1,526 million and was 13% higher than in 2020.

The EBITDA of the Distribution Business Line in Q4 2021 alone totalled PLN 545 million and was 24% higher, or PLN 107 million, compared to the corresponding period of the preceding year. It was the effect of a higher margin on distribution with grid losses in connection with a 4% higher volume of that service as well as lower costs of electricity to cover grid losses (the effect of lower purchase price y/y). OPEX costs were also materially lower, this being the effect of advantageous measurement of actuarial provisions mentioned above.

5.2. Generation Business Line

5.2.1. Business and operating activities

Table 16: Gross electricity production (GWh)

Gross electricity production (GWh)	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Power plants – coal-fired	2,546	2,054	1,609	2,599	990	62%
Power plants - biomass co-fired	-	57	156	-	(156)	-100%
CHP plants - coal-fired	127	106	78	31	(47)	-61%
CHP plants - biomass-fired	15	150	45	83	37	82%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Power plants – hydro	785	707	740	894	154	21%
Pumped storage plant	34	54	62	67	5	8%
Power plants – wind	385	446	488	458	(30)	-6%
Power plants - photovoltaics	6	5	5	5	(0)	-2%
Total production of electricity	3,896	3,578	3,184	4,136	953	30%
<i>including from RES</i>	<i>1,190</i>	<i>1,365</i>	<i>1,434</i>	<i>1,439</i>	<i>5</i>	<i>0%</i>

Gross electricity production (GWh)	Q4 2020	Q4 2021	Change	Change (%)
Power plants – coal-fired	533	799	266	50%
Power plants - biomass co-fired	51	-	(51)	-100%
CHP plants - coal-fired	12	8	(4)	-31%
CHP plants - biomass-fired	10	23	14	> 100%
Power plants – hydro	203	172	(30)	-15%
Pumped storage plant	26	22	(3)	-13%
Power plants – wind	142	146	4	3%
Power plants - photovoltaics	0	1	0	23%
Total production of electricity	977	1,172	195	20%
<i>including from RES</i>	<i>405</i>	<i>342</i>	<i>(64)</i>	<i>-16%</i>

The generating assets of the Energa Group produced 4.1 TWh of electricity in 2021 compared to 3.2 TWh in 2020, or 30% more y/y. The growth trend related mainly to the Ostrołęka power plant and hydro power plants. In 2021, 64% of the Group's gross electricity production originated from coal, 23% from hydro, 11% from wind and 2% from biomass.

The level of production at the Ostrołęka power plant resulted from the must-run production for the Transmission System Operator in Poland and the availability of these units. Energy production in hydro sources is the effect of hydrological conditions, while the level of production in wind sources resulted from the prevailing weather conditions. Energy production in the Group's CHP plants was connected with the production of heat, which was mainly dependent on the heat demand from the Group's local consumers and the availability of the co-generation units

When comparing the size of gross electricity production between Q4 2021 and Q4 2020, there is evidently higher production from hard coal in the Ostrołęka power plant and lower production from RES (by 16%), especially from hydro sources.

Table 17: Gross heat production (TJ)

Gross heat production in TJ	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
ENERGA Kogeneracja Sp. z o.o.	2,342	2,326	2,160	2,281	121	6%
ENERGA Elektrownie Ostrołęka S.A.	1,294	1,258	1,161	1,263	102	9%
ENERGA Ciepło Kaliskie Sp. z o.o.	291	266	272	312	40	15%
Total gross heat production	3,928	3,850	3,593	3,856	263	7%

Gross heat production in TJ	Q4 2020	Q4 2021	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	670	654	(16)	-2%
ENERGA Elektrownie Ostrołęka S.A.	360	405	44	12%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

ENERGA Ciepło Kaliskie Sp. z o.o.	110	117	7	6%
Total gross heat production	1,141	1,176	35	3%

In 2021, the Group produced 3,856 TJ of heat energy, up by 7% compared to the previous year, which was influenced, among others, by the ambient temperature shaping the demand for heat from the Group's consumers in local markets in the cities of Ostrołęka, Elbląg and Kalisz.

In Q4 2021, the production of heat increased by approx. 35 TJ y/y (or 3%) due to the same factor.

Table 18: Volume and cost of consumption of key fuels

Consumption of fuels*	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Hard coal						
Quantity (thous. of tonnes)	1,297	1,059	826	1,259	434	52%
Cost (PLN m)	357	319	248	357	109	44%
Biomass						
Quantity (thous. of tonnes)	13	148	147	85	(62)	-42%
Cost (PLN m)	7	84	73	40	(32)	-45%
Total fuel consumption (PLN m)	364	402	321	398	77	24%

Consumption of fuels*	Q4 2020	Q4 2021	Change	Change (%)
Hard coal				
Quantity (thous. of tonnes)	257	384	128	50%
Cost (PLN m)	75	111	37	49%
Biomass				
Quantity (thous. of tonnes)	50	22	(28)	-56%
Cost (PLN m)	25	13	(12)	-47%
Total fuel consumption (PLN m)	99	124	25	25%

* including the cost of transport

In 2021, the Group's producers consumed 434 thousand tons more hard coal and 62 thousand tons less biomass compared to 2020. The reduction in production from biomass is mainly due to the termination of production from co-firing at the Ostrołęka Power Plant. The higher coal consumption was an effect of higher electricity production, mainly by the Ostrołęka power plant. At the same time, lower unit costs of coal and biomass purchase were recorded.

While analysing the data for Q4 2021 compared to the corresponding period of the previous year, it is evident that the above described trends in unit prices of hard coal (increase by 1%) and biomass (increase by 19%) were reversed. At the same time, an increase should be noted in coal consumption (mainly because of higher production at the Ostrołęka power plant) and a y/y decrease in biomass consumption (the effect of discontinuance of production at the cogeneration unit at the Ostrołęka power plant).

5.2.2. Financial results

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

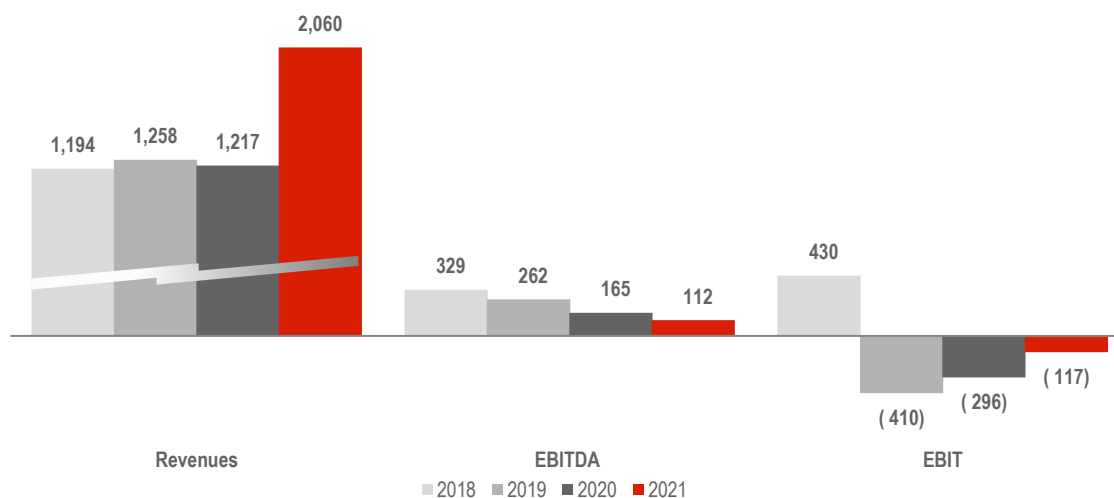


Table 19: Result of the Generation Business Line (PLN m)

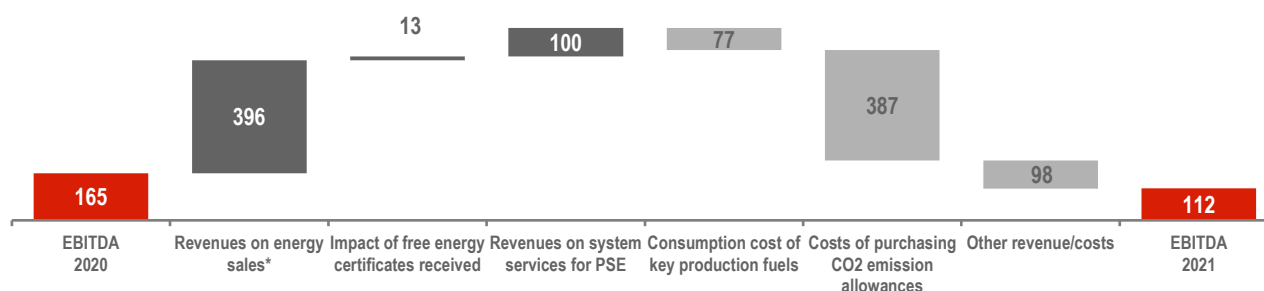
PLN m	2018*	2019*	2020*	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	1,194	1,258	1,217	2,060	843	69%
EBITDA	329	262	165	112	(53)	-32%
amortization and depreciation	166	176	131	139	8	6%
impairment of non-financial non-current assets	(267)	496	330	90	(240)	-73%
EBIT	430	(410)	(296)	(117)	179	60%
Net result	306	(477)	(391)	(216)	175	45%
CAPEX	238	175	274	233	(41)	-15%

* restated

PLN m	Q4 2020*	Q4 2021	Change	Change (%)
Revenues	389	498	109	28%
EBITDA	30	(51)	(81)	< -100%
amortization and depreciation	23	35	12	52%
impairment of non-financial non-current assets	(142)	24	166	> 100%
EBIT	149	(110)	(259)	< -100%
Net result	113	(155)	(268)	< -100%
CAPEX	42	113	71	> 100%

* restated

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



* includes net electricity trading (revenue less cost).

The following table presents EBITDA breakdown of the Generation Business Line into individual Generation Segments. The statement presents unit data with the elimination of mutual transactions among business segments and consolidation adjustments.

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

EBITDA in PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Water	103	123	114	205	91	80%
Wind	88	110	106	146	40	38%
Ostrołęka power plant	124	39	(37)	(207)	(169)	< -100%
Other and adjustments	13	(10)	(17)	(32)	(15)	-89%
Generation total	329	262	165	112	(53)	-32%

EBITDA in PLN m	Q4 2020	Q4 2021	Change	Change (%)
Water	23	50	27	> 100%
Wind	31	58	27	86%
Ostrołęka power plant	(5)	(134)	(130)	< -100%
Other and adjustments	(19)	(25)	(6)	-28%
Generation total	30	(51)	(81)	< -100%

The EBITDA of the Generation Business Line in 2021 was PLN 112 million, (or 32% less y/y) accounting for 5% of the total Group EBITDA (against 8% in 2020). The Line's EBITDA in 2021 was mainly driven by a range of factors, including revenue from the sale of electricity and green property rights, revenues from regulatory system services, cost of consumption of key fuels for production, and costs of purchase of emission allowances. In addition, the results for 2021 were affected by the negative valuation of the open sales position in electricity in ENERGA Elektrownie Ostrołęka (impact of PLN -99 million).

The higher revenues from electricity sales are mainly the result of higher energy production by the Ostrołęka power plant and hydro sources, as well as higher electricity sales prices.

The higher impact of obtained free certificates of origin was attributable mainly to the higher prices prevailing on the market.

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

The higher revenues from system services were mainly due to the implementation at the beginning of 2021 of a clearing mechanism in the form of the Capacity Market used by the Group's sources. Total revenues from system services in 2021 amounted to PLN 198 million compared to PLN 98 million in the same period last year.

The cost of key fuel consumption for generation was mainly driven by the higher volume of electricity generation at the Ostrołęka power plant, the lower unit cost of fuel consumption and the efficiency of the generation facilities.

Higher costs of purchasing CO₂ emission allowances were driven by an increase in the market prices of emission allowances, increased production from conventional sources (mainly the Ostrołęka power plant) and a decline in the number of granted free emission allowances.

In addition, in 2021 the valuation of the open sales position in electricity was made in ENERGA Elektrownie Ostrołęka (impact of PLN -99 million). As at the balance sheet date on 31 December 2021 the company had open Peak Sell contracts, which are assigned to the optimization portfolio in line with the strategy. Contracts assigned to this portfolio may be reduced by entering into a counter-contract on the futures market. In connection with the above, PEAK contracts opened as at the balance sheet date on 31 December 2021 were measured at fair value through the financial result.

The EBIT of that Business Line was impacted by unfavorable balance of write-downs of non-financial non-current assets of PLN 90 million in 2021 (compared to PLN 330 million in 2020). The above in 2021 were associated, among others, with the assets impairment tests conducted at the Ostrołęka B power plant (a total assets impairment write-down, excluding land and perpetual usufruct), tests of district-heating assets associated with heat distribution in Ostrołęka (Energa Ciepło Ostrołęka company), among others as a result of disconnection of the main consumer of process steam and lower profitability of that asset, tests results for the assets of Energa Kogeneracja as well as tests results for the assets of Energa OZE, i.e. energy storage facility impairments and impairment reversals for the assets of PV Czernikowo and PV Delta farms.

The Line's capital expenditures in 2021 were lower by PLN 41 million y/y, mainly due to the development of district heating assets in Elbląg and the tasks associated with securing new capacities at PV sources within the Group.

In Q4 2021, higher volumes of energy generation at the Ostrołęka power plant and higher selling prices of energy from the Group's main sources had an impact on the company's performance. Additionally, that effect was strengthened also by obtained free certificates of origin and higher revenue from sales of system services (the revenue from the Capacity Market). Meanwhile, the positive impact of the above factors was partially mitigated by the higher cost of purchasing emission allowances (higher prices and higher production volume) and the higher cost of using key fuels for production (higher production and higher unit cost). Nevertheless, the key factor turned out to be the valuation of the open sales position in electricity in ENERGA Elektrownie Ostrołęka (impact of PLN -99 million).

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

PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	193	226	222	318	96	43%
EBITDA	103	123	114	205	91	80%
EBIT	72	90	80	170	90	> 100%
CAPEX	11	16	22	13	(9)	-40%

PLN m	Q4 2020	Q4 2021	Change	Change (%)
Revenues	57	86	29	52%
EBITDA	23	50	27	> 100%
EBIT	15	41	26	> 100%
CAPEX	15	7	(8)	-52%

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

PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	122	154	144	97	(47)	-33%
EBITDA	88	110	106	146	40	38%
EBIT	305	69	59	80	21	36%
CAPEX	9	21	130	4	(126)	-97%

PLN m	Q4 2020	Q4 2021	Change	Change (%)
Revenues	44	30	(14)	-32%
EBITDA	31	58	27	86%
EBIT	29	42	13	46%
CAPEX	0	1	0	52%

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

PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	746	762	766	1,416	650	85%
EBITDA	124	39	(37)	(207)	(169)	< -100%
EBIT	64	(450)	(473)	(265)	208	44%
CAPEX	168	109	83	16	(67)	-81%

PLN m	Q4 2020	Q4 2021	Change	Change (%)
Revenues	258	311	53	21%
EBITDA	(5)	(134)	(130)	< -100%
EBIT	46	(139)	(185)	< -100%
CAPEX	23	3	(20)	-87%

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

PLN m	2018*	2019*	2020*	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	133	116	84	229	144	> 100%
EBITDA	13	(10)	(17)	(32)	(15)	-89%
EBIT	(11)	(119)	39	(102)	(140)	< -100%
CAPEX	50	29	38	200	161	> 100%

PLN m	Q4 2020*	Q4 2021	Change	Change (%)
Revenues	30	70	40	> 100%
EBITDA	(19)	(25)	(6)	-28%

EBIT	59	(54)	(113)	< -100%
CAPEX	3	102	98	> 100%

* restated

5.3. Sales Business Line

5.3.1. Business and operating activities

Table 25: Sale of electricity (GWh)

Sales of electricity by the Sales Business Line in GWh	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Retail sales of electricity	19,777	19,681	18,782	18,578	(204)	-1%
Sales of electricity in the wholesale market, including:	3,991	4,508	4,058	2,915	(1,143)	-28%
<i>Sales of energy to the balancing market</i>	631	943	1,254	1,318	64	5%
<i>Sales of energy to cover network losses to Enega Operator</i>	1,490	1,000	-	-	-	-
<i>Other wholesale</i>	1,871	2,565	2,804	1,597	(1,207)	-43%
Total sales of electricity	23,769	24,188	22,841	21,493	(1,348)	-6%

Sales of electricity by the Sales Business Line in GWh	Q4 2020	Q4 2021	Change	Change (%)
Retail sales of electricity	4,896	4,855	(41)	-1%
Sales of electricity in the wholesale market, including:	742	719	(23)	-3%
<i>Sales of energy to the balancing market</i>	307	221	(85)	-28%
<i>Sales of energy to cover network losses to Enega-Operator</i>	-	-	-	-
<i>Other wholesale</i>	435	498	62	14%
Total sales of electricity	5,638	5,574	(64)	-1%

In 2021, the total volume of electricity sold by the Sales Business Line declined by 6% (or 1.3 TWh) vs. 2020. It resulted from lower sales on the wholesale- and retail markets.

In 2021, the sale volume on the retail market dropped by 1% (or, 0.2 TWh) y/y. Within retail sales, a decrease was noted in the volume of sales to business customers (down by 3%) along with an increase in sales to households (by 4%). In 2021, COVID-19 pandemic was not of such material importance for the trends in electricity consumption by end users as in 2020. Its impact was limited primarily to the structure of consumption, which resulted in lower consumption of energy by business clients (continuing restrictions, especially in the first half of the year) accompanied by increased consumption of energy by households (limited operation in some business areas, remote work and schooling as well as the winter effect).

As at the end of 2021, the number of end consumers of electricity (Energy Consumption Points) of the Sales Business Line amounted to 3.2 million, an increase by approx. 64,000 clients y/y. The customer base increased mainly in the G tariff group (households) and C tariff group (micro businesses and small businesses).

Meanwhile, electricity sales to the wholesale market in 2021 fell by 1.1 TWh (or 28%) compared to 2020. The reason for that decline in volume was the limited scale of operations on the energy portfolio and, partially, the high base effect as in 2020, due to the pandemic and lower energy consumption by end consumers, the need arose for selling out in the wholesale market (mainly in Q2 2020) the energy that had previously been contracted to meet the demand from end consumers.

In Q4 2021, the trend was analogical to the full-year trends although the rate of the decline was significantly lower. The total volume of electricity sold by the Sales Business Line declined by 1% (or 0.1 TWh) vs. Q4 2020. Retail sales dropped 1% y/y,

which represented a rate of decline of the same scale as throughout the whole year. The volume of energy sales in the wholesale market fell by 3% compared to Q4 2020, which in turn represented a significantly slower rate of decline than the all-year trend. The reason for such meaningful halting of the rate of decline in sales was primarily the low base effect with the weakening impact of the pandemic translating into a lower scale of sellout of electricity surpluses than in the preceding quarters of 2020.

Customer service

Product offers for individual customers

In 2021, product offers applied whose period of validity was extended starting from 1 February 2021. The portfolio included offers with the best sales and those dedicated to specific target groups of customers.

Example product offers valid in 2021 by category are presented below:

Offers with Home Assistance (Handyman):

- Basic Offer - incorporating the Home Assistance insurance package,
- Savings Package - incorporating the Home Assistance insurance package and a discount card for ORLEN and BLISKA petrol stations,
- Eco Home package - incorporating the Home Assistance insurance package and 5 energy-saving LED bulbs.

Offers without Home Assistance (without Handyman):

- Basic Offer - incorporating a PLN 100 overpayment in the electricity settlement account and a discount card for ORLEN and BLISKA petrol stations,
- Green Energy Package (Pakiet zielonej energii) - incorporating a RES guarantee of origin and 5 energy-saving LED bulbs,
- Discount Package (Pakiet z rabatem) - incorporating a discount card for ORLEN and BLISKA petrol stations.

Supplementary offers dedicated to specific customer groups:

- Standard Plus Handymen on Stand-By (Fachowcy pod ręką Standard+) - incorporating Standard Plus Home Assistance insurance package, an offer dedicated for garages and summer houses,
- Prepaid Handymen on Stand-By (Fachowcy pod ręką Pre Paid) - incorporating the Premium Home Assistance insurance package, an offer dedicated to customers with prepaid meters,
- Together Pays Off (Wspólnie się opłaca) - an offer dedicated to customers who are not consumers, i.e. Tenants' Associations and Housing Cooperatives,
- Anti-Smog Offer with Handymen Package (Oferta antysmogowa z pakietem fachowców) - an offer dedicated to customers consuming electricity for household needs who sign a contract with intention to consume electricity for heating purposes.

Additionally, new product offers were launched starting from 1 July 2021 based on the findings of the marketing research conducted in Q4 2020:

- Sports package (Pakiet sportowy) - 24-month access to over 3,000 sports facilities situated throughout the country,
- Happy to Help (Radość pomagania) - offering a PLN 100 cash support to children in need from the area of operation of Energa Obrót SA and the Standard Home Assistance insurance package,
- Package for Prosumers (Pakiet dla prosumentów) - offer of electricity together with PV installation insurance.

Product offers for the SOHO segment customers (small enterprises)

Throughout 2021, sales of products based on the assumptions of the "New Product Policy for SOHO Customers" were continued to maintain the existing sales strategy aimed at cross-selling and winning customer loyalty as part of existing Mass Offerings.

Example product offers in force in 2021:

- 1) Standard Price List for Enterprises - non-loyalty offer as per the price list.
- 2) Basic Offer:

- consumption up to 10 MWh - an offer with a guaranteed fixed level of OH,
 - consumption >10 MWh - an offer with a fixed discount on prices from the Price List and a fixed value of OH lower than in the Price List,
- 3) Product loyalty offers:
- Safe Company Package (Pakiet Bezpieczna Firma) - the client is granted a fixed discount on the Price List,
 - Eko Firma Package and Eko Firma+ Package - the client is granted a fixed discount on the Price List and fixed OH,
 - Fixed and certain price (Stała i pewna cena) - an offer featuring a fixed price throughout the term of the contract was launched on 1 March 2021 in response to the findings of consumer research. Clients are granted a fixed discount on the Standard Price List for Enterprises,
 - Basic Offer with Fuel Discount (Oferta Podstawowa z rabatem na paliwo) - an offer incorporating a discount card for ORLEN and BLISKA petrol stations launched on 1 July 2021.

Gas offers for individual and SOHO customers

Starting from January 2021, sales of gas offers to retail customers and SOHO clients (in W1-W4 tariff groups) were discontinued. The Company applied a tariff for retail customers that was updated in accordance with the process and approved by the ERO as well as a standard gas fuel price list for enterprises that was adjusted to the legal framework associated with price reduction procedure in 2020 and subsequently updated in 2021.

Development of digital sales channels and customer service

The Modernization of Digital Customer Contact Channels project, initiated in 2021, was given a positive opinion by the IT Projects Board and was referred to implementation.

During the SARS-CoV-2 pandemic, the WWW platform was one of the main channels for concluding contracts. The system maintained continuity of operation (without a single breakdown) and transferred customer data to the domain system. In 2021, Stage I of automation of online applications on energa.pl was completed, which permitted the launch of the first Internet campaign promotion online sales. As a result, compared to 2020, in 2021 the online channel saw:

- increase in power supply points (PPE),
- increase in user sessions on the platform,
- increased sales to SOHO clients.

Sale of efficiency products

In 2021 Energa Obrót obtained many customers for new efficiency products comprising solutions that support reasonable, conscious and responsible use of existing energy resources in the Business Market area, dedicated to business customers interested in improving their energy efficiency. The following products from the portfolio were most popular: enterprise energy audits, energy consumption profile visualization, engineering design and photovoltaic installations.

Process optimisation

To improve efficiency of business processes at Energa Obrót, efforts initiated in 2020 were continued to automate and eliminate redundancies in accordance with the Lean Management methodology. Optimisation work enabled introduction of system and organisational changes that significantly reduced the time required for completion of individual tasks. Owing to the observations made, analytical work and practical workshops, effectiveness of the company's operations was raised, among others, in the customer service and debt collection areas.

Development of Robotics Process Automation (RPA) area also continued.

Numerous training courses in Lean Management tools were delivered in 2021. Among the pursued educational initiatives, the Lean Week learning initiative should be highlighted whereby numerous employees attended training sessions and workshops devoted to work efficiency enhancement and process improvement. The employees had the opportunity to leverage the newly acquired knowledge in the new edition of the Employee Ideas Program. Some 200 ideas for organisational and system improvements were submitted as part of the program's first and second editions. Forty-five ideas were implemented, generating substantial savings. New initiatives promoting the Lean culture as well as implementation of optimization activities across new business processes of the company are planned in 2022.

5.3.2. Financial results

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

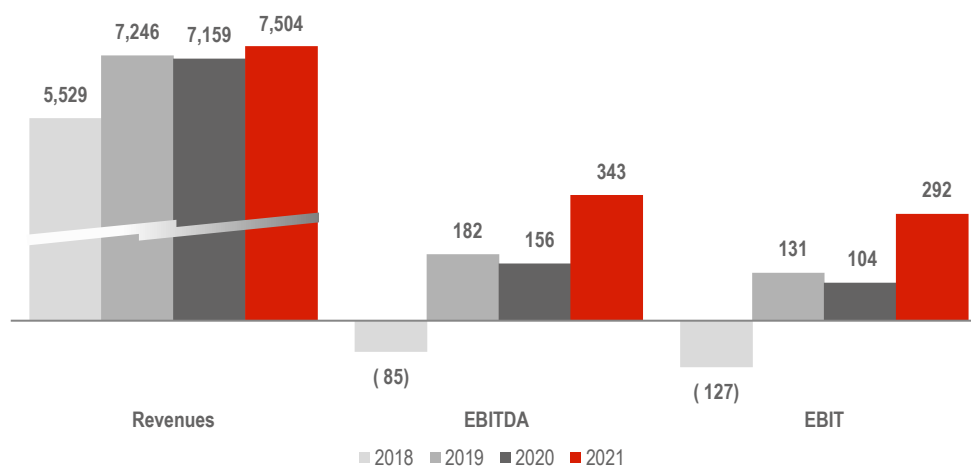
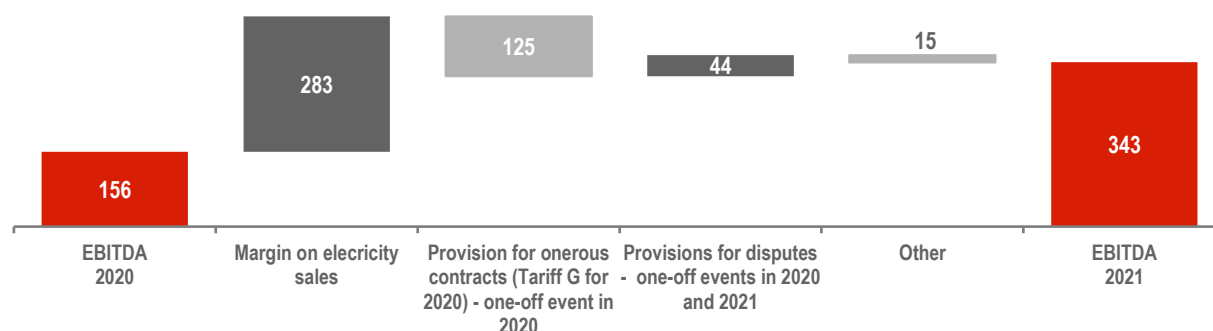


Table 26: Results of the Sales Business Line (PLN m)

PLN m	2018	2019	2020	2021	Change 2021/2020	Change 2021/2020 (%)
Revenues	5,529	7,246	7,159	7,504	345	5%
EBITDA	(85)	182	156	343	187	> 100%
amortization and depreciation	39	52	52	49	(3)	-6%
impairment of non-financial non-current assets	3	(1)	-	2	2	0%
EBIT	(127)	131	104	292	188	> 100%
Net result	(100)	90	68	230	162	> 100%
CAPEX	45	44	66	64	(2)	-3%

PLN m	Q4 2020	Q4 2021	Change	Change (%)
Revenues	1,891	2,139	248	13%
EBITDA	42	(131)	(173)	< -100%
amortization and depreciation	14	12	(2)	-14%
impairment of non-financial non-current assets	-	2	2	0%
EBIT	28	(145)	(173)	< -100%
Net result	14	(117)	(131)	< -100%
CAPEX	33	29	(4)	-12%

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



The EBITDA of the Sales Business Line in 2021 totalled PLN 343 million, up by PLN 187 million (>100%) compared to the result achieved in 2020 (EBITDA of PLN 156 million). The Business Line's EBITDA in 2021 represented 14% of the Group's EBITDA compared to 8% in 2020.

Revenues of the Sales Business Line in 2021 amounted to PLN 7,504 million, up by PLN 345 million (5%) in comparison to 2020. The increased revenues were attributable mainly to higher selling prices of electricity and gas as well as higher volume of gas sales.

The y/y increase in EBITDA of the Sales Business Line was mainly driven by an increase in the margin on electricity sales (by PLN 283 million). This is mainly due to an overall improvement in the margins of electricity sales to final customers compared to last year. This improvement in margins was influenced, among others, by the positive financial outcome of the sellout of surplus RES energy originating from the local market at high market prices (especially in Q3 2021). Moreover, increased energy margins were also attributed to a low base effect. In 2020, there was an unfavourable tariff from the President of ERO for households billed under this tariff, and also the 2020 results were reduced due to the pandemic - an unplanned loss was then recorded on the sale of surplus energy resulting from a reduction in customer demand for electricity..

The change in EBITDA of the Business Line was also significantly affected by the following non-recurring events reported in 2020 and 2021:

- Provision for burdensome tariff G contracts in connection with the approval of the tariff by the President of the Energy Regulatory Office for the year 2020. This provision, created at the end of 2019, was successively dissolved in 2020 due to the materialisation of this event within the energy sales margin (achievement of lower revenues from energy sales from customers billed under the G tariff). As a result, PLN 125 million of this provision were released in 2020, while no such event took place in the reporting period, which generated a negative impact on the y/y change in EBITDA.
- Provisions for disputes, involving also wind farms, the aggregate financial consequences of which in 2020 and 2021 contributed, mainly through an increase in provisions, to a PLN 44 million rise in EBITDA y/y.

The EBITDA of the Sales Business Line in Q4 2021 totalled PLN -131 million, down by PLN 173 million compared to the corresponding period of 2020. The y/y decline in EBITDA and its negative value in Q4 2021 were attributable to the margin on electricity being PLN 201 million lower y/y. The decline in the margin was driven by the situation in the electricity market in December 2021. Extremely high SPOT and balancing market prices for energy were recorded in that period. Furthermore, electricity consumption by customers increased more than usual in relation to the volume contracted by the Business Line. These factors contributed considerably to the balancing costs of the energy portfolio.



Karcino Wind Farm

Financial and assets situation of Energa SA

6. FINANCIAL AND ASSETS SITUATION OF ENERGA SA

6.1. Rules of preparing the separate consolidated financial statements

The separate financial statements of Energa SA for the twelve months ended 31 December 2021 were prepared:

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

To the extent not covered by the IFRS, Energa maintains its accounting books in accordance with the accounting policy (principles) set forth by the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047) and its secondary legislation (the "Accounting Act", "Polish Accounting Standards", "PAS").

The accounting principles (policy) applied to prepare the annual separate financial statements are presented in note 8 to the annual separate financial statements of Energa SA for the twelve months ended 31 December 2021.

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

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

	2020	2021	Change	Change (%)
Sales revenues	87	64	(23)	-26%
Cost of sales	(67)	(55)	12	-18%
Gross profit	20	9	(11)	-55%
Other operating income	11	18	7	64%
General and administrative expenses	(111)	(99)	12	-11%
Other operating expenses	(30)	(9)	21	-70%
Dividend income	510	201	(309)	-61%
Other financial income	241	375	134	56%
Impairment losses for shares	(176)	(59)	117	-66%
Other financial costs	(674)	(250)	424	-63%
Profit or loss before tax	(209)	186	395	-189%
Income tax	12	24	12	100%
Net profit/(loss)	(197)	210	407	-207%

Energa's operating income arises mainly from services provided by the Company to other Group companies, in particular in the area of marketing, IT, finance and lease of office space (in the form of recharge). In 2021, a 26% decline y/y was reported in that revenue category. It was associated with the introduction of the new model for marketing settlements and exclusion therefrom of Energa Operator SA which, according to the compliance program approved by the President of the Energy Regulation Office, was supposed to engage independently in the activities aimed at promoting the "Energa Operator" trade mark.

The main source of the Company' financial income in 2021 was dividend income, which amounted to PLN 201 million (down by PLN 309 million compared to 2020). Interest income contracted by PLN 27 million y/y, with a simultaneous decline in interest expense by PLN 49 million y/y.

In 2021, the Company generated non-interest financial income mainly as a result of release of the provision for the General Contractor's claims (PLN 172 million). Additionally, income was also generated from the sale of Energa Ochrona Sp. z o.o. (PLN 2.6 million) and Energa Centrum Usług Wspólnych Sp. z o.o. (PLN 5.5 million).

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

In 2021, the companies' shares were written down: Energa Invest Sp. z o.o. – PLN 48 million, Energa Green Development Sp. z o.o. – PLN 7 million and Electromobility Poland SA – PLN 4 million. Additionally, write-downs were made for capital contributions: Energa Kogeneracja Sp. z o.o. – PLN 25 million and Energa Invest Sp. z o.o. – PLN 34 million. In the case of Energa Ochrona Sp. z o.o. and Energa Centrum Usług Wspólnych Sp. z o.o., capital contributions were used to cover the losses of, respectively, PLN 2 million and PLN 6 million. These operations were reflected in the financial costs.

These factors affected Energa's net result, which was PLN 210 million.

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

	As at 31 December 2020	As at 31 December 2021	Change	Change (%)
ASSETS				
Non-current assets				
Intangible assets	8	9	1	13%
Right-of-use assets	40	28	(12)	-30%
Shares in subsidiaries, associates and joint ventures	6,539	6,898	359	5%
Bonds	1,716	1,134	(582)	-34%
Other non-current financial receivables	2,810	2,964	154	5%
Deferred tax assets	44	-	(44)	-100%
Derivative financial instruments	68	219	151	> 100%
Other non-current assets	201	112	(89)	-44%
	11,426	11,364	(62)	-1%
Current assets				
Cash pooling receivables	1 181	778	(403)	-34%
Trade receivables and other current financial receivables	335	456	121	36%
Bonds	42	26	(16)	-38%
Current tax receivables	27	100	73	> 100%
Cash and cash equivalents	89	89	-	-
Derivative financial instruments	1	52	51	> 100%
Other current assets	97	77	(20)	-21%
	1,772	1,578	(194)	-11%
Non-current assets classified as held for sale	-	20		
TOTAL ASSETS	13,198	12,962	(236)	-2%
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Share capital	4,522	4,522	-	-
Reserve capital	1,018	821	(197)	-19%
Supplementary capital	1,661	1,661	-	-
Cash flow hedge reserve	(96)	87	183	> 100%
Retained earnings/(non-covered losses)	(153)	254	407	> 100%
	6,952	7,345	393	6%

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Non-current liabilities				
Loans and borrowings	2,674	1,857	(817)	-31%
Liabilities for debt securities issued	1,154	1,139	(15)	-1%
Non-current provisions	16	13	(3)	-19%
Deferred tax liabilities	-	3	3	
Non-current deferred income and grants	43	34	(9)	-21%
Derivative financial instruments	5	-	(5)	-100%
Non-current lease liabilities	32	20	(12)	-38%
Other non-current financial liabilities	2	-	(2)	-100%
	3,926	3,066	(860)	-22%
Current liabilities				
Cash pooling liabilities	266	512	246	92%
Trade liabilities and other financial liabilities	22	19	(3)	-14%
Current lease liabilities	13	14	1	8%
Derivative financial instruments	12	-	(12)	-100%
Current portion of loans and borrowings	1,660	1,815	155	9%
Liabilities for debt securities issued	11	-	(11)	-100%
Short-term provisions	221	49	(172)	-78%
Deferred income and grants	9	9	-	-
Accruals	12	10	(2)	-17%
Other current liabilities	94	123	29	31%
	2,320	2,551	231	10%
Total liabilities	6,246	5,617	(629)	-10%
TOTAL EQUITY AND LIABILITIES	13,198	12,962	(236)	-2%

As at 31 December 2021, the balance sheet total of Energa was PLN 12,962 m, down by PLN 236 m (2%) vs. 31 December 2020. In non-current assets, the most significant change involved the "Bonds" item which related to the buyout of HYDRO III series bonds by Energa OZE SA. Shares in subsidiaries, associates and joint ventures also represented a major item incorporating shares in the companies established in 2021: CCGT Ostrołęka Sp. z o.o. (PLN 415 million) and Energa Green Development Sp. z o.o. (PLN 24 million - following a write-down of PLN 7 million). Additionally, the mentioned item incorporated a PLN 31 million write-down of shares in Energa Kogeneracja Sp. z o.o., a subsidiary, and a PLN 4 million write-down of shares in Electromobility Poland SA, an affiliate. For Energa Invest Sp. z o.o., shares were reclassified into assets held for sale and a write-down of PLN 48 million was made. Due to the 2021 sale of Energa Ochrona Sp. z o.o. and Energa Centrum Usług Wspólnych Sp. z o.o., their shares were not shown as at 31 December 2021 (respectively, PLN 1 million and PLN 6 million). On the current assets side, changes involved primarily reduction of cash pooling receivables.

Furthermore, with respect to Energa Invest Sp. z o.o., non-current assets reclassified into assets held for sale were shown in 2021 in the amount of PLN 20 million.

On the liabilities side, a significant change was recorded under loans and borrowing (in the long-term part).

Energa's result for 2020 totalling PLN -197 million was fully covered from the supplementary capital, which resulted in the decrease in that item in equity. As at 31 December 2021, 56.7% of the Company's operations were financed by equity, vs. 52.7% at the end of 2020.

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

	2020	2021	Change	Change (%)
Net cash flow from operating activities	(17)	(38)	(21)	> -100%
Net cash flows from investment activities	182	237	55	30%
Net cash flows from financial activities	(902)	(199)	703	78%
Net decrease in cash and cash equivalents	(737)	-	737	100%
Cash and cash equivalents at the end of the reporting period	89	89	-	0%

As at 31 December 2021, Energa held PLN 89 m in cash. Total net cash flows from operating, investing and financial activities of the Company in 2021 amounted to PLN 0 million compared to PLN -737 million in 2020.

The negative cash flows from operating activities in 2020 and 2021 resulted mainly from a lower operating result adjusted for non-cash items.

The investing activities recorded a positive flow. This was primarily the effect of the dividend received from Energa Operator SA, the interest earned on the granted loans and advances and the buyout of bonds by Energa OZE SA. Positive cash flows were partially compensated with the purchase of shares in subsidiaries, associates and joint ventures.

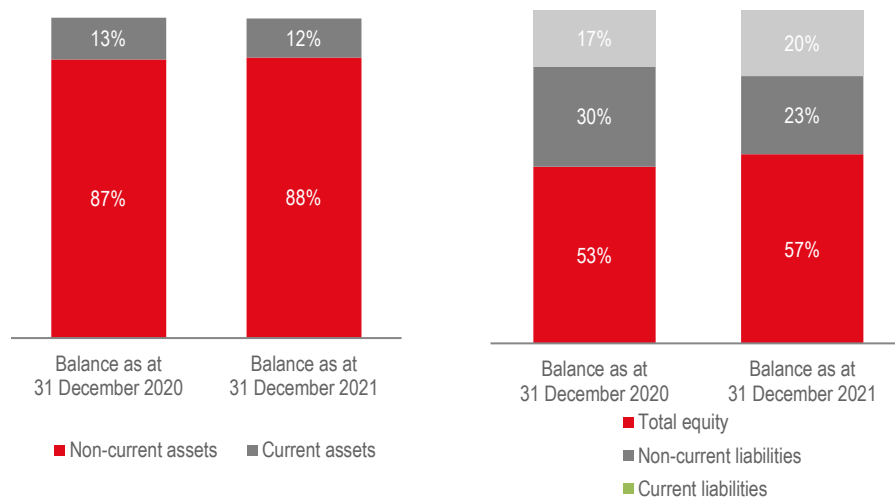
The negative net cash flows from financing activities were mainly related to repayment of loans, which to a large extent were compensated with proceeds from the same title (per balance amount of PLN 666 million). In relation to the previous period, the negative value of the position was reduced owing to cash pooling receipts in the amount of PLN 649 million (no such receipts were recorded in 2020).

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

Table 29: Structure of the annual separate statement of financial position

	As at 31 December 2020	As at 31 December 2021
ASSETS		
Non-current assets	87%	88%
Current assets	13%	12%
TOTAL ASSETS	100%	100%
EQUITY AND LIABILITIES		
Total equity	53%	57%
Non-current liabilities	30%	23%
Current liabilities	17%	20%
Total liabilities	47%	43%
TOTAL EQUITY AND LIABILITIES	100%	100%

Figure 29: Structure of assets and liabilities



As at 31 December 2021, non-current assets represented 88%, and current assets 12% of total assets. Equity accounted for 57% of equity and liabilities as at 31 December 2021. The remaining portion of equity and liabilities were liabilities, with financial liabilities as the main item.

6.4. Description of significant off-balance sheet items

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



Pierzchały Hydroelectric Power Station

Risk management

7. RISK MANAGEMENT

7.1. Integrated Risk Management System of the Energa Group

The Integrated Risk Management System (“IRMS”) has been in place at the Energa Group since 2011 and is supervised centrally by Energa.

The IRMS has been implemented on the basis of a risk management process which is harmonised across the whole Group. It is based on international standards (ISO 31000, COSO, FERMA) and spans all organisational levels and business lines. The risk management process consists of various interrelated stages that form a continuous process. It starts at the level of organisational units and moves on to top executives and from the level of Group companies to Energa as the Parent Company.

Figure 30: The Energa Group risk management process



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



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



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



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



Employees: report risks and incidents.



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



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

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



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



cyclical monitoring of key risks – involving verification of validity of risk factors and effects as well as the status of implementation of action plans, affecting assessment of key risks in the Energa Group, in a monthly basis.



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

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

As part of the development of the IRMS in the Energa Group, an e-learning training course was held in 2021, familiarizing the employees with the topic of risk management. The course also includes a module dedicated to Risk Owners, which deals in greater detail with methodological issues in the description and assessment of risks. A poster campaign was also held reminding the employees of the obligation to report risk events, which translated into a substantial increase (by over 230% y/y) in the number of events registered under the Integrated Risk Management System. Additionally, intensive work is underway to migrate the Energa Group Register of Events to the new IT system and possibilities are being analysed for transferring the entire risk management process, which should enable automation of a large scope of activities currently performed manually by Risk Units and facilitate supervision over risk changes and ongoing risk updates.

7.2. Description of major factors and risks

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

Strategic area

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

Risk	Description of the risk and its potential effects	Control mechanisms used
Risk relating to the political and economic situation in the territory of Ukraine	Risk associated with the military conflict in the territory of Ukraine contributing to increased cyber threats, price growth, in particular with respect to electricity, gas and fuel prices, deteriorating PLN exchange rates against key currencies (EUR and USD) as well as to disruptions in supplies of energy inputs and market availability of workforce.	<ul style="list-style-type: none"> The crisis team at the Energa Group responding to all events likely to impact the operation of the Group's companies and task forces at individual companies of the Group Ongoing monitoring of the ICT area for potential occurrence of events threatening uninterrupted operation of IT and telecommunications systems.

		<ul style="list-style-type: none"> • Ongoing cooperation with the bodies, services and institutions competent for the matters of security and crisis management • Preparation of the additional personnel required to perform critical processes in the scope of assurance of continued provision of key services • Awareness-building activities targeting the employees and designed to render them sensitive to potential threats and remind them of the response rules in place at the Group's companies
<p>Risks involved in implementation of the Multi-Year Strategic Investment Plan and the Strategic Development Plan of the Energa Group</p>	<p>Key risks in that area relate to disruptions of and material deviations from the pre-defined KPI goals designated, among others, in the generation area, namely construction of new RES capacities, optimization of utilization of Energa Elektrownie Ostrołęka SA after 2025, reduction of CO2 emission levels, investment in gas assets, in the area of distribution, namely development of the distribution grid, connection of new consumers to the grid, adjustment to RES capacity growth, maintenance of quality of electricity supplies, and in the sales area, namely improved performance in the core retail business, expansion of customer base and development of offered services and products. Materialization of risks may lead to a deterioration of the Group's competitive position, failure to achieve the assumed EBITDA growth or a decrease in operating costs. This risk may also result in regulatory fines, contractual penalties, environmental fines, increased variable costs, asset impairment or ineffectiveness of incurred capital expenditure.</p>	<ul style="list-style-type: none"> • Implementation of investment projects identified in the Multi-Annual Plan of Strategic Investments of the Energa Group for 2021-2030 - in line with the investment plans' criteria • Ongoing supervision over the implementation of the investment plan in accordance with the Energa Group Asset Management Policy and the Energa Group IT Policy, audit of corporate bodies; • Monitoring of the Group's objectives and capital expenditure defined in the Strategic Development Plan of the Energa Group by 2030. • Contracts with contractors, suppliers, securing schedule changes and budget revisions
<p>Project / investment risks</p>	<p>Risks associated with investments carried out within the Energa Group aimed at increasing the Energa Group's generation, distribution and sales potential, consisting in failures to meet the planned delivery dates, time schedules, budgets or scopes. Materialization of risks may lead to the absence of return on investment at the assumed level, the need to incur additional expenses or write off project costs, the need to reimburse the received co-financing, loss of potential revenue, escalation of claims pursued through the courts, the need to incur penalties or to suffer negative image consequences.</p>	<ul style="list-style-type: none"> • Implementation of investments in a project structure or through dedicated special purpose vehicles • Ongoing monitoring and control of investments at the operating and strategic levels (Committees and Top Executives) • A series of workshops on major CAPEX deviations • Contracts and agreements concluded • Market environment monitoring of projects, pre-implementation monitoring.
<p>Market risks</p>	<p>Risks involved in electricity trading, including, in the context of unexpected price volatility, liquidity in the futures and SPOT market. Risks also include the issues of securing CO2 emission allowances and fuel price fluctuations as well as volatility of clients' demand for electricity or gas in relation to the contracted volume, and dynamic prosumer growth and losses caused by erosion of distribution charges. Materialization of these risks may give rise to problems in achieving strategic objectives, an unexpected change in risk exposure, financial losses due to conclusion of transactions on unfavourable terms, a decrease in the mass of margins, loss of competitive position, increased selling costs, reduced flexibility of operations in specific markets or sanctions imposed by regulators.</p>	<ul style="list-style-type: none"> • Risk management in core selling activities • Processes and internal regulations connected with the areas of contracting, trading and purchasing • Monitoring of trade in electricity, property rights, guarantees of origin, CO2 emission allowances; • Use of advisory and legal services • Involvement in the process of consulting draft legislative acts or cooperation within the Energy Trading Association • Implementation of projects in individual Companies aimed at cost and efficiency optimisation • Production cost control

Legal and regulatory area

Table 31: Key legal and regulatory risks identified at the level of Energa SA and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Regulatory risk	<p>The risk concerns legislative changes affecting the functioning of the Energa Group's individual Business Lines. Materialization of this risk may give rise to a modification of investment plans, generation of lower than planned revenues or a rise in operating expenses, imposition of additional obligations or occurrence of losses on sales as well as imposition of fines in the case of incorrect enforcement of legal regulations. The risk additionally offers an opportunity to adopt new legal solutions which could enable raising of additional funds or guarantee a support system for the Group's assets.</p>	<ul style="list-style-type: none"> • Monitoring of changes in law • Participation in the legislative process, including monitoring and issuing opinions regarding legislative initiatives • Cooperation within the ORLEN Group in the area of formulation of positions • Participation of the Group's representatives in the activities of industry associations
Risk of fraud	<p>The risk concerns situations and conduct involving fraud, including conflicts of interest, corruption or misappropriation on the part of the employees and/or collaborators of the Energa Group companies. The risk involves potential threat of fraudulent and corrupt practices in the operational processes, as well as in connection with implementation of projects subsidised from the EU funds. Materialization of this risk may lead to financial losses or loss of assets and may entail proceedings conducted by law enforcement authorities against the employees or governing bodies of the Group's companies. The risk may have an adverse effect on the Energa Group's image and reputation, result in prohibition in applying for public funds (EU or domestic funds), and undermine employees' trust in supervisors, colleagues and the organisation as a whole.</p>	<ul style="list-style-type: none"> • Internal regulations in the field of fraud, creating and settling orders for projects co-financed with EU funds, and regulations applicable to the procurement process • Training for employees (related to, among others, corruption prevention) • A dedicated contact channel for reporting symptoms and fraud • The organisation's three lines of defence (internal control system, risk management system and internal audit) • Security units at key subsidiaries • obligatory anti-corruption and conflict of interest clauses in agreements with business partners • Co-operation with the Legal Bureau concerning compliance management process in the area of fraud and reporting suspected crimes.
Legal risk	<p>The risk is associated with court and administrative proceedings carried out by or against the Group companies. The risk is also connected with the possibility of claims for damages filed by land owners. Materialisation of risks may give rise to an obligation to pay damages and sanctions, or to grant customer discounts arising from the provisions of law. Legal risk may also result in additional legal and attorneys' costs, criminal and/or administrative sanctions, inability to carry out line investments, as stipulated in the Development Plan of Energa Operator SA, and/or to make energy supplies in the case of an order to remove HV and MV grid equipment.</p>	<ul style="list-style-type: none"> • Cooperation with law firms and verification of the quality of legal services rendered • IT systems to monitor and report material issues • Internal regulations in the field of legal aid co-ordination in the Energa Group, as well as legal statuses of energy real property • Compliance Management System at the Energa Group • Issuing of compliance opinions on contracts • Obligation or legal and material agreements which govern establishing of transmission/land easement
Personal data protection risk	<p>The risk involves assuring privacy and security of data subjects' details. Materialisation of risks may impair operating activities conducted by the company and give rise to penal sanctions, including financial and administrative ones, control of supervisory bodies, costs of proceedings at law and damages.</p>	<ul style="list-style-type: none"> • Enforcement of provisions of internal regulations governing the personal data protection area, among others, handling of breaches, securing of data processing consents, performance of disclosure obligations, exercise of data subjects' rights or management of personal data protection risks • Periodic training and informative communication on the core responsibilities of employees • Recommendations of the ODO Forum

Contractual risk	<p>The risk is related to the conclusion of agreements by the Company under unfavourable conditions, failure to perform or improper performance of contracts and possible claims/complaints or penalties arising therefrom. Materialization of this risk may result in financial losses, court proceedings or the inability to cover the costs of the contract's performance with the revenues generated thereunder.</p>	<ul style="list-style-type: none"> • Internal procedures for contracting and procurement • Central Register of Contracts and Mandates • Register and assessment of qualified subcontractors • Monitoring the progress of services and deliveries • Defining the rules of the Partners' liability within the Consortium toward the Contracting Authority
-------------------------	--	--

Operations area

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

Risk	Description of the risk and its potential effects	Control mechanisms used
Risks involving core business of individual companies of the Energa Group	<p>Core business risks, such as asset failure and production or distribution continuity risk, IT system disruption and stagnation risk, supply chain disruption risk and coal and biomass shortage risk. The materialisation of risks may lead to additional costs of restoring the equipment to its former condition or restarting it and loss of revenue due to equipment unavailability, as well as penalties imposed if the required stock levels are not maintained. A failure to adjust strategic IT systems will give rise to a risk of penalties and disruptions of core processes, such as invoicing, as well as information security threats.</p>	<ul style="list-style-type: none"> • Periodic inspections according to manuals and existing technical expertise • Overhaul and investment plans • Assets insurance • Provisions of contracts with generation equipment suppliers concerning response to warranty defects • Certificates of staff member competence • Supplier diversification • Monitoring of the fuel market and fuel production and consumption plans • Long-term agreements for raw material purchases and transport • Coordination of IT Projects Portfolio • Securing of IT resources
Coronavirus risk and its impact on the Energa Group	<p>The risk is related to the SARS-CoV-2 virus and the spread of COVID-19 disease caused by this virus, as well as the possible consequences of the virus/ disease affecting the operations of the Energa Group companies. The potential consequences of this risk may affect the health and life of employees as well as stakeholders of the Group. The risk may also lead to increased operating costs (higher prices of goods and services), extended process times (e.g. as a result of waiting for administrative decisions) or lost revenues (fluctuations of energy sales volume, losses on sale of surplus energy, need to make additional energy purchases in SPOT market and overdue receivables growth).</p>	<ul style="list-style-type: none"> • The COVID-19 risk monitoring team and working teams in each company • Purchase of protective equipment and disinfectants • Suspension (reduction to a minimum) of business trips • Replacing traditional meetings with remote communication tools • Restriction of access for outsiders to the facilities of Energa Group companies • Accession of the ORLEN Group to the National Vaccination Program • Guidance on movement of persons and materials within the ENERGA Group facilities due to the potential risk of coronavirus spread
Risk to the security of persons and property	<p>The risk associated with unauthorised access to facilities, including power equipment. The risk additionally involves the safety and security of employees and third parties present on the premises of the Group's companies, as well as incidents related to terrorism and sabotage. Potential consequences of the risk may involve threats to the security of the grid's operation, disorganisation of ongoing operational processes, loss/destruction of property or interruption of operational continuity.</p>	<ul style="list-style-type: none"> • Assurance of safety and security of persons and corporate assets by a dedicated Group company • Security Plans, including Critical Infrastructure Security Plans • Internal safety and security policies • Business Continuity Plans of the Group Companies • Property insurance, third party liability insurance and insurance for lost revenues • Physical and technical security systems for the Group's facilities

		<ul style="list-style-type: none"> • Security incident monitoring within the Group • Inspections of physical and technical protection
Risk of disruption of business continuity	<p>Risks associated with a breach in the continuity of operation of key processes in Group entities or the occurrence of unexpected disruptions in the operation of these processes. The risk takes into account issues related to the availability of devices, their efficiency and performance, as well as the impact of atmospheric and hydrological factors and random events. Materialisation of risks may put human life and property in danger, cause disruptions to production, and lead to unavailability of critical process resources (sites, systems, employees) carrying out critical processes or breakdowns of other technologically connected equipment. This risk may also result in contractual penalties, and in extreme cases – loss of the license.</p>	<ul style="list-style-type: none"> • Business Continuity Strategy • Emergency Procedures • Critical Infrastructure Security Plan • Rules of proceeding in emergency • Backup sites • Periodic testing within the business continuity management system • Insurance • Provisions of contracts with contractors pertaining to responding to faults • Preventive actions, such as periodic inspections of infrastructure, performance of planned repairs and investments
Risk associated with social relations and trade unions	<p>This risk involves dialogue with the social partner, specifically trade unions, on the process of maintenance of the relationship between the employer and employees, as well as the process of communication with employees. Materialisation of risk may give rise to claims, business impairments or costs associated with possible downtime (strikes or protests) or employee departures, as well as image-related impacts.</p>	<ul style="list-style-type: none"> • Conducting the social dialogue • Enforcing provisions of collective bargaining agreements and collective agreements • Communicating with trade union organisations and informing employees about planned changes • Negotiations
Customer settlements risk	<p>The risk is associated with disruption of the invoicing process due to unavailability of billing systems, ongoing migrations, incorrect records of reading data, which may lead, among other things, to lower customer satisfaction (increased number of complaints, abandonment of the Group's products and services), deterioration of the Group's image, disruption of cash flows, distortion of financial and statistical data, additional costs of rectifying errors/irregularities, or proceedings before the Energy Regulatory Office and the Office for Competition and Consumer Protection.</p>	<ul style="list-style-type: none"> • Monitoring of supplied measurement data/issued invoices • Servicing agreement with vendors of billing systems enabling swift elimination of critical errors • Internal instructions governing, among other things, adjustments, interest, double invoicing control mechanism, prosumer sales and settlements or closing of a month • System control mechanisms

Finance area

Table 33: Key financial risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Liquidity risk	<p>Risk associated with the ability to meet payment obligations in the short and long term, also involves the capacity to settle uncertain tax liabilities. Materialisation of the risk may hinder the achievement of strategic objectives and organisational development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.</p>	<ul style="list-style-type: none"> • Financial policy, including the market risk management policy • Financial projections • Long-term financial model • Financing of the Energa Group in a diverse form • Cash pooling • Cash flow projections • Analysis of variances • Work of dedicated Teams • Co-operation with a third party adviser • Monitoring of ongoing changes in the tax law and case law

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

<p>Foreign exchange risk</p>	<p>The risk concerns changes in the exchange rate of foreign currencies in relation to the Polish zloty in view of debts contracted in a foreign currency or foreign currency surpluses held and investments or purchase contracts settled in a foreign currency. Failure to hedge currency risk can lead to increased cash management costs, increased capital expenditure as well as fluctuations in financial performance from period to period.</p>	<ul style="list-style-type: none"> • Setting, monitoring and reporting limits on exposure to foreign exchange risk • Entering into transactions hedging against foreign exchange risk • Application of hedge accounting • Use of the natural hedging mechanism
<p>Pricing policy risk</p>	<p>The risk associated with incorrect calculation of selling prices (including the risk of incorrect algorithms and source data), preparation of customer offers for future years based on cost data resulting from current market prices and current legal status, which are not or cannot be fully secured and the President of ERO approval of the tariff rates at the level not guaranteeing profitability of sales. Materialization of this risk may contribute to loss of market share (margin, volume, revenue) and lead to financial losses, e.g. due to market price volatility or regulatory changes, as well as costs associated with potential expansion of IT systems.</p>	<ul style="list-style-type: none"> • Ongoing market investigation for developments in the market, legal and regulatory environment • Ongoing examination of the planned financial result and other selected ratios, and ongoing analysis of the impact of the adopted price calculation principles on that result/ratios • Ongoing examination of offering mechanisms (including the Coupled Model) and proper performance of commercial IT systems and databases • Internal regulations on the rules of calculation of electricity prices and margin management, securing minimum margin levels • Offering monitoring system
<p>Credit risk related to collections</p>	<p>The risk involves the counterparties' failure to fulfil the liabilities resulting from the concluded contracts (no payment, late payment) or customers' attempts at renegotiation of the predetermined conditions. Materialization of this risk may lead, among others, to an increase in disputed and overdue receivables, cash flow disruptions, additional costs of debt collection activities and partial loss of revenues.</p>	<ul style="list-style-type: none"> • Increased frequency of cash flow monitoring • Creating schedules/ paths of debt collection activities • Cooperation with law firms • Assessing the reliability of business customers and counterparties in the wholesale market • Debt collection blockades in IT systems • Acquisition of collateral from debtors or negatively assessed counterparties, monitoring of debtors • Reports on the assessment of the situation of the largest debtors with regard to the repayment of existing debts and preventing an increase in debt.
<p>Insurance risk</p>	<p>Risk associated with a failure to adjust the subject-matter and scope of insurance to the specific nature of operations of the Group's individual Business Lines or exhaustion of the sum insured in a policy and failure to obtain an acceptable supplementary offer. Climate changes and increasingly frequent mass damage events have a significant impact on risk. The materialisation of the risk may force the company to deal with losses on its own and reduce the funds available for asset replacement.</p>	<ul style="list-style-type: none"> • Carrying out activities resulting from the Energa Group Policy on Insurance, including but not limited to: implementation of harmonised insurance schemes and insurance procurement procedures in accordance with the principles of the Policy, cooperation with insurance brokers and supervision over their activities by insurance coordinators appointed by the companies or other persons authorised by the Company's Management Board • Use of insurance broker services, a broker policy



Energa Wind Farm

Shares and shareholding structure

8. SHARES AND SHAREHOLDING STRUCTURE

8.1. Energa's shareholding structure

Energa SA shares have been listed on the Warsaw Stock Exchange (WSE) since 2013. As at 31 December 2021 and as at the preparation date of this Report, PKN ORLEN is the strategic shareholder, holding 90.92% of the Company's shares, which translates to 93.28% of votes at the GM.

Table 345: Company's shares by series and type as at 31 December 2021 and as at the date of this Report

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

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

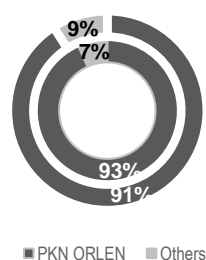
Table 35: Shareholding structure of the Energa Company as at 31 December 2021 and as at the date of this Report

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

* PKN ORLEN holds 144,928,000 registered series BB shares, with preference as to voting rights at the General Meeting, where one preferred share entitles to two votes at the General Meeting.

Figure 31: Shareholding and voting structure at the General Meeting of Energa as at 31 December 2021 and as at the date of this Report

Structure of votes at the General Meeting



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

In 2021, neither the Company nor its subsidiaries purchased Energa's own shares. As at 31 December 2021, neither the Company nor its subsidiaries held any shares in Energa.

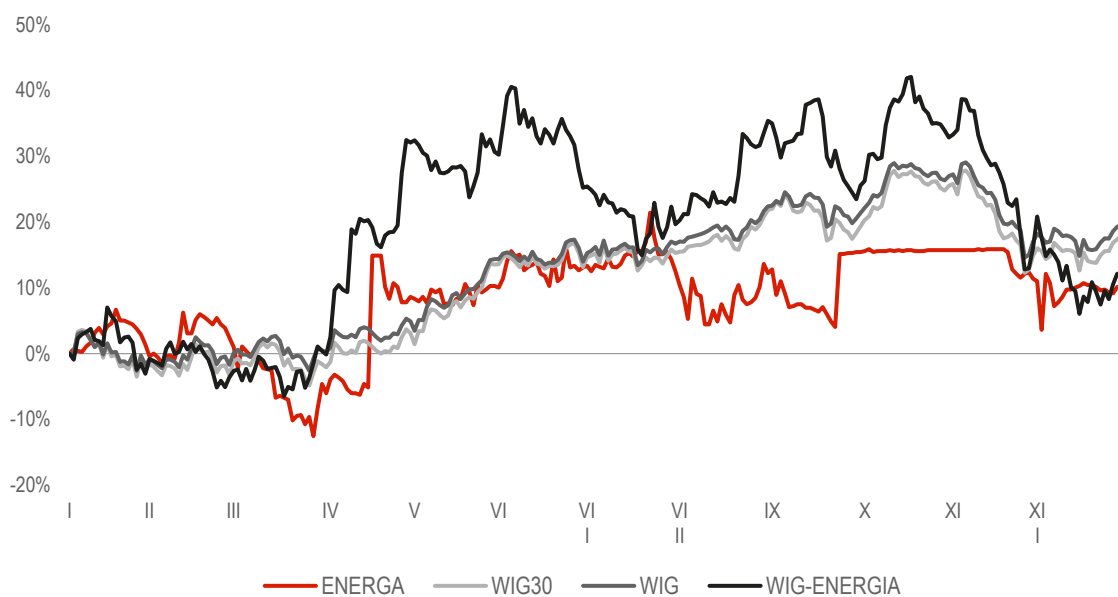
8.2. The Company's stock prices on the Warsaw Stock Exchange

Table 36: Data for Energa shares as at 31 December 2021

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 7.65
Capitalization at the end of the period	PLN 3.16 billion
Q4 2021 minimum at market close	PLN 7.60
Q4 2021 maximum at market close	PLN 8.24
2021 minimum at market close	PLN 7.60
2021 maximum at market close	PLN 8.38
Average trading value in 2021	PLN 0.27 million
Average trading volume in 2021	33.5 thousand
Average number of transactions in 2021	0.07 thousand

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

Figure 32: Changes in Energa stock prices compared to changes in WIG, WIG30 and WIG-ENERGIA indices in 2021



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

Energa's stock price at the close of the stock exchange session held on 30 December 2021 amounted to PLN 7.65, which means that it went down by 2.9% in comparison with the exchange rate applicable on the last business day of the year 2020 (i.e. on 30 December). During the discussed period, WIG increased by approximately 22% and WIG-Energia by approximately 18%.

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

8.3. Investor relations at Energa

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

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

In 2021, 42 current reports were published, concerning, among others, signing of agreements and annexes on the Ostrołęka C Project, changes in composition of the Management Board and the Supervisory Board of Energa, information about the impairment losses, estimated results of the Energa Group, resolutions of the General Meeting or results of the capacity market auction for 2026.

8.4. Ratings

Two ratings were provided in 2021 and until the date of this Report.

On 23 September 2021, Moody's (the "Agency") issued a credit opinion which confirmed the Company's long-term rating in the national currency at Baa2 with a stable outlook. The Agency justifies its rating by the low business risk of the Distribution Business Line, which has a dominant share in Energa Group's EBITDA and operates in an established regulatory environment and with a projected moderate leverage. At the same time, Moody points to the fact that the impact of these factors on the rating offsets the higher business risk profile of the Generation Business Line and Sales Business Line and the investment plan for 2021–2030 which, according to the Agency, is likely to place an increasing burden on the Issuer's currently strong financial profile. Assessment of the Company's rating also extends to the credit portfolio of its strategic shareholder, i.e. PKN ORLEN S.A.

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

Table 37: Valid ratings of Energa as at 31 December 2021

Series	Fitch	Moody's
Long-term rating of the Company	BBB-	Baa2
Rating outlook / Watch list	Rating watch positive	Stable

Rating date	19 January 2012	3 November 2011
Rating last changed on	29 May 2020	29 April 2020
Rating last reviewed on	20 January 2022	23 September 2021

8.5. Dividend

Since 2017 Energa SA has not paid dividends.



Włocławek Hydroelectric Power Station

Other information about the Group

9. OTHER INFORMATION ABOUT THE GROUP

9.1. Information on material contracts, agreements and transactions

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

All transactions within the Enega Group are entered into based on arm's-length prices of the goods, products or services delivered, which result from the cost of production. For details, please see Note 34 to the Consolidated financial statements for year ended 31 December 2021.

Agreements for loans and borrowings

Lending agreements with multilateral financial institutions

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

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

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

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

- to EIB – PLN 291.4 m with a final maturity date on 15 December 2025,
- to EBRD – PLN 277.8 m with a final maturity date on 18 December 2024,
- to NIB – PLN 10.8 m with a final maturity date on 15 June 2022.

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

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

- an agreement with EBRD for a PLN 800 m facility – as at 31 December 2021 PLN 285.8 m were utilised (of which PLN 113.3 m by Enega and PLN 172.5 m by Enega Operator SA). The facility's final maturity date is 18 December 2024,
- an agreement with EIB for a PLN 1,000 m facility – as at 31 December 2021, PLN 662.5 m were utilised (of which PLN 500 m by Enega and PLN 162.5 m by Enega Operator SA). The final maturity date of the drawn facility is 15 September 2031.

Nordic Investment Bank

On 23 October 2014, Enega signed a bank credit facility agreement with the Nordic Investment Bank for a PLN 67.5 m facility to finance a wind farm construction project in Myślino. As at 31 December 2021, PLN 29.8 m were utilised under the facility. The facility's final maturity date is 15 September 2026.

Revolving ESG-linked credit facility

On 17 September 2019, Enega signed a revolving ESG-linked credit facility agreement totalling PLN 2,000 m. The agreement was made with a consortium of banks, namely: Santander Bank Polska S.A. with its registered office in Warsaw, Bank Gospodarstwa Krajowego with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw, Caixabank SA (Spółka Akcyjna) Oddział w Polsce with its registered office in Warsaw and MUFG Bank (Europe) N.V. with its registered office in Amsterdam.

The funding under the facility may be spent, among other things, on growth of RES capacity and further modernisation of power lines, and may also be partially allocated towards repayment of related prior indebtedness. The facility is granted on the condition that the provided funds are not spent on coal-based power generation. The facility is granted for a term of 5 years from the date of signing of the agreement which may be extended by one-year periods twice. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. The credit facility is unsecured. As at 31 December 2021 the credit was not utilised.

BGK renewable loan

On 3 July 2020 Energa and Bank Gospodarstwa Krajowego concluded a revolving facility agreement worth PLN 500 million for financing of corporate objectives of Energa SA, including financing of day-to-day operations and the CapEx programme, and refinancing of financial debt. The facility's final maturity date is 3 July 2022. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. As at 31 December 2021, the loan was utilised in amount of PLN 100 m.

SMBC renewable loan

On 28 July 2020 Energa and SMBC Bank EU concluded a revolving facility agreement worth EUR 120 million in the ESG-linked loan formula, based on the assessment of the borrower's involvement in the area of sustainable development and responsible business, intended for the financing of the Company's corporate goals, including financing of day-to-day operations, financing of the CapEx programme, and refinancing of financial debt, excluding capital expenditure on coal-fired energy. The facility's final maturity date is 28 July 2025. The credit facility's interest was set on the arm's length principle based on the EURIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. As at 31 December 2021, the loan was not utilised.

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

On 16 December 2021, Energa and its subsidiary Energa Operator signed a long-term investment loan agreement with the European Investment Bank up to the amount representing the PLN equivalent of EUR 150 million. The Facility proceeds will be used to fund the Energa Operator's investment programme in 2021–2023, including projects such as connections of new consumers, distribution network upgrades, construction and upgrades of distribution assets to connect new renewable energy sources, smart grid components etc. As at 31 December 2021, the loan was not utilised.

Loans granted by Energa Finance AB (publ)

In 2021, two loans originally totalling EUR 499 m, granted to the Company by subsidiary Energa Finance AB (publ) in March 2013 and maturing on 28 February 2023 were continued. As at 31 December 2021, EUR 110 million was drawn down under these loans.

The loan granted to Energa in June 2017 by Energa Finance AB (publ) at EUR 200 million maturing on 28 February 2027 was also continued.

PKN ORLEN SA loan

On 31 May 2021, Energa SA signed a loan agreement with PKN ORLEN SA in the amount of PLN 1,000 million, with maturity falling on 30 May 2022. The rolling loan was granted for the financing of general corporate objectives by Energa. As at 31 December 2021 PLN 900 million of the loan was utilized.

Loans granted

On 23 December 2019, a loan agreement was made between Energa and Enea S.A. on the one hand, and Elektrownia Ostrołęka Spółka z o.o. on the other hand, for the total sum of PLN 340 million. Granting of the loan constituted partial performance of Energa's obligations under the Memorandum of Understanding of 30 April 2019 between Energa and Enea on the financing of the construction of the Ostrołęka C Power Plant, further detailing the declarations of financial commitment made by Energa and Enea in the Memorandum of Understanding of 28 December 2018. As at 31 December 2021 liability of Elektrownia Ostrołęka spółka z o.o. to Energa under the loan was PLN 170 million.

On 31 December 2019 Energa entered into a long-term lending agreement with Energa Operator SA, its subsidiary, in the amount of PLN 4,900 m, intended for the refinancing of Energa Operator SA debt towards Energa on account of long-term bonds up to PLN 1,566 m and financing of the borrower's investment programme pursued in 2020-2023, up to the amount of PLN 3,334 m. As at 31 December 2021 PLN 2,793.4 million of the loan was utilized.

On 8 June 2021 Energa and its subsidiary Energa OZE concluded a long-term loan agreement in amount of PLN 579.2 m, intended for the refinancing of Energa OZE's debt towards Energa under long-term bonds. As at 31 December 2021, the loan was utilised in amount of PLN 543.9 m.

Furthermore, the Energa Group serviced its internal bond issue programmes during the reporting period. The following table presents the par values of bonds taken up by Energa SA and not redeemed, broken down by individual Energa Group issuer companies, as at 31 December 2021.

Table 1: Par value of bonds taken up by Energa and not redeemed, by issuer, as at 31 December 2021

No.	Company name	Par value of the bonds taken up (PLN '000)
1.	Energa Operator	1,066,000
2.	Energa OZE	68,000
3.	Energa Kogeneracja	3,140
TOTAL		1,137,140

Insurance contracts

The Group has a common insurance policy in place, which provides for insurance coverage for the companies against risks involved in their business and assets, conforming to the highest market standards, at a fairly calculated market premium. The adopted sums insured are set at an adequate level for the diagnosed own risks and external factors and correspond to the profile of energy sector companies in Poland.

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

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

Guarantees and sureties granted

Table 2: Information on Energa's guarantee and surety business as at 31 December 2021

No.	Date guarantee or surety granted	End date of guarantee or surety	Entity for which guarantee or surety was granted	Entity in favour of which guarantee or surety was granted	Form of surety or guarantee granted	Amount of guarantee or surety (PLN million)	Amount of liability as at 31 December 2021 covered by surety or guarantee (PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5,749.3	1,308.8
2.	2018-10-31	2026-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.1	1.5
3.	2019-11-15	2027-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.8	10.8
4.	2020-03-17	2023-03-24	Energa Ochrona Sp. z o.o.	Carfleet	surety agreement	0.1	0.1
5.	2021-08-30	2021-12-31	Energa Obrót SA	QSUN Group	surety agreement	4.7	4.7
6.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	17.2	17.2
7.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0
8.	2021-01-05	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2.0	2.0

Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

9.	Other Energa Group companies	surety** - guarantee agreement	56.6	19.4
TOTAL			5,852.8	1,366.5

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

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

The remaining guarantees granted on the instruction of Group companies include, without limitation, PLN 140.3 m granted to Energa Obrót by Pekao SA.

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

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

The execution of investment projects was based on the use of own funds combined with debt financing. The structuring of the projects implemented by the Energa Group assumes that its financial security will be maintained, which is reflected in the use of long-term debt financing sources, pursuing a dividend policy aligned with the strategy, maintaining financial covenants as agreed with debt capital providers, and maintaining the investment-grade rating. The two latter represent restrictions that determine the investment capabilities of the Energa Group, which are defined in the long-term perspective. Such a conservative approach allows to carry out the investing policy in a way that minimises any risk of violation of financial covenants or rating downgrades, while optimising the financial structure of the Group in consideration of the current and projected financial market trends.

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

In 2021, the Energa Group continued the optimisation of liquidity management using zero-balancing cash pooling, which took over the functions associated with short-term bond issuances, and additionally maximised the Group's ability to use its surplus cash to finance the current activities of its individual companies.

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

As at 31 December 2021, the Energa Group was a party to 12,154 court proceedings. The Group was a plaintiff in 9,911 cases where the aggregate amount in dispute was approx. PLN 458 m. The Group was a defendant in 1,345 cases where the aggregate amount in dispute was approx. PLN 631 m. Information on the total litigated value does not include proceedings where the claim is non-pecuniary.

As at 31 December 2021, the total amount of claims involving the location of power installations on third-party properties without a legal title, awarded by final judgments, was approx. PLN 39.1 m in 1,600 cases. 872 court cases with amounts in dispute totalling approx. PLN 82.4 m were pending.

Based on the available data pertaining to the value of pending proceedings, the Company assumes that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 69.3 m, which is subject to change if new court cases involving power installations located on third-party properties without a necessary legal title are brought against Energa Operator SA.

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

As at 31 December 2021, the aggregate value of the cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases amounted to approx. PLN 211.1 m, of which:

Type of receivables	Balance at 31 December 2021 (PLN m)
court and enforcement-based	131.2
bankruptcies	69.8
non-billed	7.5
non-billed – bankruptcies	2.6
TOTAL	211.1

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2021. The Company's previous periodic reports contain details of the legal steps taken during earlier years.

Table 3: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute and details of the case
Energa Operator SA (plaintiff); Arcus SA (defendant)	<p>Claim for payment of contractual penalties under the a contract for the delivery and start-up of metering infrastructure during Stage I</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 23.1 million</i></p> <p>Evidence proceedings before the Court of the first instance are pending. As at the date of update of the case, two opinions prepared by court experts were received by Energa Operator: one in the field of meteorology and one in the field of metrology. The court plans to commission a supplementary opinion in the field of metrology.</p>
Energa Operator SA (defendant) Arcus SA (plaintiff);	<p>Claim for declaration of annulment of the contract of delivery and commissioning of the metering infrastructure at Stage II</p> <p><i>Litigated value: approx. PLN 78 million</i></p> <p>Counterclaim for payment of contractual penalties for a delay in performance of the contract of delivery and commissioning of the metering infrastructure</p> <p><i>Litigated value: approx. PLN 157 million</i></p> <p><i>Regional Court in Gdańsk</i></p> <p>Energa Operator SA does not admit any part of the claim. Evidence proceedings before the Court of the first instance are pending. As at the date of update of this case, the court is looking for experts capable of preparing an opinion in the field of information technology.</p>
Energa Operator SA (defendant) Arcus SA (plaintiff);	<p>Claim for payment of compensation for unlawful acts/unfair competition practices</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 174 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and in response to the statement of claim dated 30 April 2018 applied for the claim to be dismissed. Pursuant to Article 177 § 1 Clause 1 of the Code of Civil Procedure, the court suspended the related proceedings. Energa Operator SA appealed against this decision in a complaint, which was dismissed. The proceedings have been stayed.</p>
Energa Operator SA (defendant) Arcus SA (plaintiff);	<p>Claim for payment for additional works under the contract of delivery and commissioning of the metering infrastructure</p> <p><i>Regional Court in Gdańsk</i></p> <p><i>Litigated value: approx. PLN 4.7 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and has moved for it to be dismissed.. The court did not grant the motion to dismiss the lawsuit</p>

<p>Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority <i>Regional Court in Warsaw</i> <i>Litigated value: PLN 11 million</i></p> <p>The Company received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on Energa Operator SA for misleading the President of the URE. On 24 May 2019, the Regional Court in Warsaw issued a judgment reducing the fine to PLN 5.5 million. Both parties filed appeals in this case.</p>
<p>Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority <i>Regional Court in Warsaw</i> <i>Litigated value: approx. PLN 13.2 million</i></p> <p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13.6 million for breaching the Traffic and Distribution Grid Operation Manual through: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failure to meet the deadlines to provide measurement data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (5) failure to meet the deadlines for the final settlement of electricity sales agreements; and (6) failure to restart power supplies to one of the customers. With its judgment of 8 December 2020 the Regional Court in Warsaw dismissed the appeal. The company filed an appeal which was dismissed by the Court of Appeal in Warsaw by a judgment of 7 September 2021. The company filed a motion for justification.</p>
<p>Energa Kogeneracja Sp. z o.o. (plaintiff), Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction <i>Regional Court in Gdańsk, file No. IX GC 494/17</i> <i>Litigated value (after expansion of the claim): approx. PLN 114.4 million, with approx. PLN 7.8 million under the counterclaim</i></p> <p>Energa Kogeneracja Sp. z o.o. moved to the court to award the amount of approx. PLN 114.4 million from Mostostal Warsaw S.A., which includes: approx. PLN 22.6 million in contractual penalties, approx. PLN 90.3 million in reduced remuneration and approx. PLN 1.5 million in capitalised interest. In its statement of defence of 15 December 2017, Mostostal Warszawa SA moved to the court to dismiss the claims in their entirety and filed a counterclaim to award the amount of approx. PLN 7.8 million from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 7.4 million in repayment of bank guarantee unduly withdrawn and approx. PLN 0.4 million in capitalised interest.</p> <p>There was only one hearing in the case regarding opposition by Mostostal Warszawa S.A. against third-party respondent entering the case, namely the Minister of Energy (whose tasks, after reorganisation, were taken over by the Minister of Climate). Objection by Mostostal Warszawa S.A. to third-party respondent entering the case was dismissed, so the third-party respondent is still present in the case.</p> <p>The court admitted evidence from the opinion of a scientific and research institute for the purpose of securing evidence. So far, the opinion has not been drawn up because none of the institutes which the court asked about the possibility of drawing up an opinion has confirmed such a possibility (both in Poland and abroad).</p> <p>Currently, the parties are waiting for a response from institutes in Stockholm, Hamburg and Vienna. Negotiations between the parties aimed at reaching the settlement have been unsuccessful yet. The information portal states that in the first days of June 2021 the expert delivered his opinion to the court. It should be sent to the parties soon.</p>
<p>Mostostal Warszawa SA (plaintiff) Energa Kogeneracja Sp. z o.o. (defendant)</p>	<p>Claim for payment of remuneration <i>Regional Court in Gdańsk, file No. IX Gc 190/18</i> <i>Litigated value: approx. PLN 26.3 million</i></p> <p>Mostostal Warszawa SA filed for awarding the amount of approx. PLN 26.3 m from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 20 m in remuneration (in part) and approx. PLN 6.3 m in capitalised interest. Initially a writ of payment in writ-of-payment proceedings was issued, but following an objection by Energa Kogeneracja Sp. z o.o. the case was referred to regular proceedings. There were 7 hearings in the case and all witnesses were heard.</p> <p>The court allowed evidence from an opinion prepared by an expert in construction industry. In the course of preparing his opinion, the expert requested the parties to provide additional documents, an obligation which both parties complied with. The opinion of an expert was delivered to the parties</p>

together with an obligation to express their opinion. The expert's opinion confirms the circumstances favorable to Mostostal Warszawa S.A. The parties responded to the expert's opinion.

On the hearing of 28 January 2022 the expert upheld the opinion in full and the court dismissed the motion of Energa Kogeneracja Sp. z o.o. for exclusion the expert, did not admit the request of Energa Kogeneracja Sp. z o.o. for granting a deadline to comment on the supplementary expert's opinion and closed the hearing. The court set the date for sentencing on 28 February 2022. On this date the court opened the hearing because it did not rule on all requests for evidence and set the next date of hearing on 27 April 2022.

**shareholders of the Company
(plaintiffs)**

Energa SA (defendant)

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

Regional Court in Gdańsk, file No. IX GC 1158/20

The claim is financial and non-pecuniary.

On 9 December 2020, the Management Board of Energa SA learned of the issuance on 7 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution.

The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 21 January 2021 and 7 January 2021 respectively). The Chairman of the Polish Financial Supervision Authority joined the case.

On 24 February 2021, Plaintiffs filed a reply to the statement of defence. By way of an order of 21 September 2021, the Court obliged the Company's attorney to submit a pleading addressing the claims made in the reply. In a letter dated 25 October 2021, a reply was submitted on behalf of the Company to the reply to the statement of defence (a rejoinder).

On 21 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 7 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in the amount of PLN 1,360,326.23. As at 9 February 2022, no information was available as to whether the security deposit had been lodged.

On 28 April 2021, the Plaintiffs' attorney filed a motion for the grounds for the 12 April 2021 order. On 11 May 2021, the grounds for the order of 12 April 2021 were prepared.

The hearing date was set for 11 April 2022.

**shareholders of the Company
(plaintiffs)**

Energa SA (defendant)

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

Regional Court in Gdańsk, file No. IX GC 1164/20

The claim is financial and non-pecuniary.

On 16 December 2020, the Management Board of Energa SA learned of the issuance on 10 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution. The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing or annulling the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 12 January 2021 and 25 February 2021, respectively). On June 8, 2021, the Court received Plaintiffs' reply to the statement of defence. By order of 16 November 2021, the Court obligated the Company to address the claims made in the reply and obligated the parties' attorneys to submit a list of questions to witnesses requested in the statement of claim. On 13 December 2021, the Company filed a reply to the

statement of defence (a rejoinder). On the same day, a list of questions to specific witnesses was submitted on behalf of the Company in response to the Court's requirement.

On 14 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. With its decision of 12 April 2021 the Court changed to decision to grant a security of 10 December 2020 by conditioning performance of the decision on the Plaintiffs submitting a deposit of PLN 1,360,326.23. The deposit of PLN 1,360,326.23 to secure claims of the Company resulting from complying with the injunction order was paid by one of the Plaintiffs to the account of the Circuit Court in Gdańsk.

On 29 December 2021, the Company's attorneys received a request for a reduction of the security deposit dated 20 December 2021. In an order of 24 January 2022, the Court set a time limit for the Company to respond to the request. On 1 February 2022, a response to the Plaintiffs' request for the reduction of the security deposit was submitted on behalf of the Company. By way of a decision of 24 January 2022, the Company was obligated to submit documents within 14 days. On 8 February 2022, a response to the Court's requirement was submitted on behalf of the Company.

The hearing date was set for 13 May 2022.

Energa SA (applicant)

Komisja Nadzoru Finansowego (Polish Financial Supervision Authority)

On 30 October 2020 the Company applied to the Polish Financial Supervision Authority for withdrawal of Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

On 19 January 2021 the Company learned that on 15 January 2021 the Polish Financial Supervision Authority decided to stay the procedure. The proceedings before the Polish Financial Supervision Authority were stayed due to proceedings pending before the Regional Court in Gdańsk concerning a demand to repeal Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020, case numbers: IX GC 1158/20 and IX GC 1164/20. In the explanatory memorandum to its decision dated 19 January 2021, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the stay of the proceedings, and indicated that review of the case and issue of the decision depends on the prior resolution of the preliminary issue by the court.

**Energa Obrót SA (party);
PRESIDENT OF THE ENERGY
REGULATORY OFFICE
(authority)**

Appeal against the decision refusing to approve the 2020 tariff change for electricity for customers in the G tariff group

Court of Competition and Consumer Protection; file No. AmE 229/20

Litigated value: approx. PLN 152.5 million

Energa Obrót SA appealed against the decision of the President of the Energy Regulatory Office ("ERO") of 8 July 2020 refusing to approve the amendment pursuant to Art. 155 of the Code of Civil Procedure decision of the President of the ERO of 30 December 2019 published in the Industry Bulletin of the Energy Regulatory Office - Electricity No. 319 (2954). In September 2020, the President of the ERO submitted an appeal to the Court of Competition and Consumer Protection ("SOKiK"). In November 2020, the President of ERO submitted to SOKiK his position on the appeal. The ruling was published on 31 January 2022. Energa Obrót SA's appeal was dismissed. Currently, the Company is at the stage of preparing an appeal.

**Eco dla firm (reason)
Energa Obrót SA (defendant)**

Action for payment of remuneration in connection with Agency Agreement No. 1/2012, concerning the sale of electricity and gas products to Energa Obrót SA.

Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 319/21

The value of the claim is approx: PLN 5.4 million

On 30 June 2021 Energa Obrót SA was served with a suit for the payment of PLN 5,440,904.06 with interest on account of remuneration in connection with the concluded Agency Agreement No. 1/2012 for the sale of energy and gas products to Energa Obrót SA. Energa Obrót SA prepared responses to the claim within the required deadline. Subsequently, pleadings were exchanged. In August 2021, the claimant received a letter requesting the suspension of the proceedings. The case has been suspended until the case brought by Energa Obrót SA against Eco dla Firm has been examined.

**Boryszewo Wind Invest Sp. z
o.o. (plaintiff), Energa Obrót
SA (defendant)**

Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in certificates of origin for renewable electricity.

Regional Court in Gdańsk, file No. IX GC 701/17

Litigated value: approx. PLN 31,8 million (amount appealed: approx. PLN 17,8 million)

On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót SA for payment of approx. PLN 31.9 m plus interest as damages for a failure to perform part of the Framework Agreement for the Sale of Property Rights under Certificates of Origin No. W/HH/210/2010/1.

The case was concluded in the first instance with a judgment awarding approx. PLN 17.8 m plus statutory interest accruing from 26 July 2017 in favour of Boryszewo Wind Invest and dismissing the remaining part of the claim. Energa Obrót SA filed an appeal. Judgment of the Court of second instance announced on 28 October 2019, appeal by Energa Obrót SA was dismissed. On 22 July 2020, Energa Obrót SA filed a cassation appeal, and on 7 September 2020 Boryszewo Wind Invest filed a response to the cassation appeal. By the decision of December 16, 2020, the Supreme Court accepted the cassation appeal for examination.

**Jeżycski Wind Invest ("JWI"),
Wind Invest ("WI"),
Stary Jarosław Wind Invest
("SJWI"),
Krupy Wind Invest ("Krupy
Wind Invest"), Boryszewo
Wind Invest ("BWI")
(plaintiffs),
Energa Obrót SA (defendant)**

Claim for payment of damages on account of Energa Obrót SA failure to perform the contracts for the sale of property rights derived from certificates of origin ("CPA")

Regional Court in Gdańsk, 9th Commercial Department

Case reference no. IX GC 1263/20

Value of the object of litigation: approx. PLN 56.6m

Statement of claim was filed on 30 December 2020.

Statement of defence was issued in time, i.e. on 13 April 2021.

On 16 June 2021, Plaintiffs filed a reply to the statement of defence.

On 31 May 2021 and then again on 25 June 2021 Energa Obrót SA filed a motion regarding an obligation to submit a preparatory writ.

On 6 August 2021 a decision on referring the case for mediation was received, along with a court writ stating that the decision regarding the motion by Energa Obrót SA to grant a consent to submit a preparatory writ would be taken after the mediation proceedings end.

On 12 August 2021 a pleading from plaintiffs was received refusing the consent to mediation. A hearing was held on 7 February 2022, and the next one is scheduled for 6 June 2022.

On 30 November 2021, a decision was received via an information portal which permitted Energa Obrót SA (after it had submitted a relevant request) to file a preparatory document in which Energa Obrót SA would address the reply to the statement of defence.

On 1 December 2021, a letter from the Plaintiffs was delivered in which they objected against Energa Obrót SA's request for a permission to file a preparatory document.

On 30 December 2021, Energa Obrót SA filed a preparatory document constituting a reply to the response to the statement of defence.

On 7 February 2022 the hearing was held in this case and the next hearing date was set on 6 June 2022.

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

Claim for payment of damages on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin ("CPA")

Regional Court in Gdańsk, 9th Commercial Division

File number IX GC 1057/21.

Litigated value: PLN 1,5 million

The case is now pending in the first instance. On 17 December 2021, Zonda filed a statement of claim, which was delivered to Energa Obrót SA on 26 January 2022. On 25 February 2022 Energa Obrót SA filed the reply to the statement of claim.

**AKKA Aneta Kwaśniewska
(plaintiff)
Energa Obrót SA
P. Dorawa, A. Czarnecki, E.
Bugaj, M. Piątek
(defendants)**

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

Regional Court in Gdańsk, 9th Commercial Division

File number IX GNc 747/21

Litigated value: PLN 8,5 million

The case is now pending in the first instance.

On 30 November 2021, Energa Obrót SA filed a statement of defence on behalf of Energa Obrót SA and the other defendants.

On 16 December 2021, the plaintiff was obligated to file a reply to the statement of defence.

On 24 January 2022 the plaintiff's reply to the statement of defence was received.

On 21 February 2022 (in response to the court's order of 1 February 2022), on behalf of Energa-Obrót S.A. and Members of the Management Board, a pleading with the position on the plaintiff's reply to the statement of defence was filed.

Wind Invest Group companies: Boryszewo Wind Invest, Dobieszewo Wind Invest, Gorzyca Wind Invest, Krupy Wind Invest, Nowy Jarosław Wind Invest, Pękanino Wind Invest (plaintiffs)
Energa Obrót SA (defendant)

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

Regional Court in Gdańsk, 9th Civil Law Department
Case reference no. IX GC 1/21
Value of the object of litigation: approx. PLN 6.9 million in total

On 13 April 2021, a statement of defence to the action of 30 December 2020 (delivered to the Company on 11 February 2021) was filed together with a request for a stay of proceedings. On 24 May 2021, the Plaintiffs filed a preparatory writ upholding their position.

On 11 March 2022 the hearing was held. The parties took a stand – the plaintiff maintains the claim. The company maintained the caveat, in particular pointing on allowing the cassation appeal (the plaintiff appealed for dismissal of this motion). The parties also took a stand on an expert who is to calculate the damage. The court adjourned the hearing for ex officio date.

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

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

Regional Court in Gdańsk, file No. IX GC 735/19
Litigated value: approx. PLN 2.1 million

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

Energa Obrót SA filed a cassation appeal on 30 August 2021.

On 11 October 2021, Elektrownia Wiatrowa Zonda Sp. z o.o. filed a response to the cassation appeal.

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

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

Regional Court in Gdańsk, file No. IX GC 740/19
Litigated value: approx. PLN 6.8 million

On 20 August 2019, Elektrownia Wiatrowa EOL filed a statement of claim for payment by Energa Obrót SA of contractual penalties on account of Energa Obrót SA's failure to perform the Agreement for the Sale of Property Rights under Certificates of Origin (CPA). The case is now pending in the first instance. Energa Obrót SA filed a statement of defence. The proceedings were stayed. Subsequently, on 20 September 2021, a court decision was received via an information portal which:

- 1) resumed the stayed proceedings,
- 2) granted EW EOL the permission to file a preparatory document
- 3) obligated Energa Obrót SA to file a preparatory document
- 4) obligated EW EOL and Energa Obrót SA to file preparatory documents presenting their position concerning the appropriateness of referring the parties to mediation and nominating the mediator.

On 27 September 2021, Energa Obrót SA filed a letter stating that the referral to mediation was not appropriate.

A hearing date was set for 27 January 2022. On 15 December 2021, EW EOL extended its claims to new contractual penalties totalling PLN 7,211,809.42, including statutory late payment interest accrued from 15 December 2021 to payment date, due to Energa Obrót SA's failure to acquire rights in property in later periods. On 12 January 2022, Energa Obrót SA filed a response to the extended lawsuit. On 17 March the hearing was held, during which the parties filed a number of formal motions, and the evidence from witnesses testimony was taken. The hearing was adjourned until 29 June 2022.

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

Energa Obrót SA (plaintiff) MEGAWATT BALTICA SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)	<p><i>Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 128/17</i></p> <p><i>Second instance file No: I Aga 35/19</i></p> <p><i>Litigated value: approx. PLN 23.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 5 December 2017, MEGAWATT BALTICA filed a statement of defence accompanied by a counterclaim, among others for payment of contractual penalties. On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to the summons for a settlement attempt. No settlement was signed. On 16 January 2018 the Court determined it was not competent with regard to the action against Powszechna Kasa Oszczędności Bank Polski SA.</p> <p>On 4 June 4, a partial judgment was issued dismissing the claim of Energa Obrót SA.</p> <p>On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded from Energa Obrót SA in favour of Megawatt Baltica SA. The amount of the contractual penalties awarded was reduced by 10% (i.e. approx. PLN 15.3 m).</p> <p>On 26 September 2019, hearings were held regarding Energa Obrót SA's complaints for reversing the partial and final judgment. On 10 October 2019 the Court issued judgments dismissing complaints filed by Energa Obrót SA to repeal the partial and final judgment. On 11 October 2019, Energa Obrót SA filed a request for the statements of grounds for the judgments. The company decided not to file the cassation appeal in the case of the appeal to reverse the partial judgment. On the other hand, the cassation appeal relating to the appeal to reverse the final judgment was filed on 17 February 2020. By a decision of 17 July 2020, the Supreme Court accepted the cassation appeal for examination.</p>
Energa Obrót SA (plaintiff) BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 799/17</i></p> <p><i>Second instance file No VII AGa 8/19</i></p> <p><i>Litigated value: approx. PLN 10.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The defendants filed statements of defence.</p> <p>In September 2018, the Court dismissed the action with its judgment. On 2 November 2018, Energa Obrót SA filed an appeal.</p> <p>On March 10, 2021, the Court of Appeal in Warsaw dismissed the appeal of Energi Obrót SA. Energa Obrót SA submitted an application for delivery of the judgment with justification. On 12 November 2021, the judgment with statement of grounds was received via an information portal. On 12 January 2022, Energa Obrót SA filed a cassation appeal. On 21 February 2022 mBank filed a response to the cassation appeal.</p>
Energa Obrót SA (plaintiff) JEŻYCZKI WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 805/17</i></p> <p><i>Second instance file No VII AGa 1998/18</i></p> <p><i>Litigated value: approx. PLN 15.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties submitted a response to the counterclaim. On 6 June 2018 the court issued a judgment dismissing the statement of claim. On 13 July 2018 Energa Obrót SA submitted an appeal, which was subsequently dismissed with judgment of the court of the second instance. On 29 March 2021, Energa Obrót SA filed a cassation appeal. On 13 December 2021, a decision of the Supreme Court dated 17 November 2021 was delivered, which refused to allow the appeal to proceed.</p>
Energa Obrót SA (plaintiff) WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 798/17</i></p> <p><i>Second instance file No VII AGa 1004/19</i></p> <p><i>Litigated value: approx. PLN 15.2 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 19 September 2019 the court dismissed the statement of claim filed by Energa Obrót SA. On 27 November 2019 Energa Obrót SA submitted an appeal, which was subsequently dismissed with judgment of the court of the second instance. On 22 March 2021, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 25 August 2021 the cassation appeal brought by Energa Obrót SA was accepted for review. On 27 December 2021, a copy of a letter from Wind Invest was delivered, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the</p>

	<p>case against Jeżyczki Wind Invest and mBank. Wind Invest presented that decision along with its letter.</p>
<p>Energa Obrót SA (plaintiff) STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 802/17</i> <i>Second instance file No.: VII AGa 61/20</i> <i>Litigated value: approx. PLN 13.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 17 November 2017, the defendants filed statements of defence</p> <p>With its judgment of 24 September 2019, the court dismissed the action for declaration. On 17 December 2019, Energa Obrót SA filed an appeal against the judgment.</p> <p>On 15 April 2021, the court of second instance issued a verdict dismissing the appeal filed by Energa Obrót SA. Energa Obrót SA filed an application for the delivery of the verdict together with the statement of grounds. The verdict with justification was delivered on 12 October 2021. On 13 December 2021, Energa Obrót SA filed a cassation appeal.</p> <p>On 8 February 2022 mBank filed a response to the cassation appeal.</p> <p>On 22 February 2022 Stary Jaroslaw Wind Invest filed a response to the cassation appeal.</p>
<p>Energa Obrót SA (plaintiff) KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 803/17</i> <i>Second instance file No.: VII AGa 572/19</i> <i>Litigated value: approx. PLN 5.6 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded by the court of first instance with a judgment dismissing the Company's action. Energa Obrót SA appealed on 2 July 2019. On 15 September 2020, the Court dismissed the appeal of Energa-Obrót SA. On 30 December 2020, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 27 December 2021, a copy of a letter from Krupy Wind Invest was delivered to Energa Obrót SA, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżyczki Wind Invest and mBank. Krupy Wind Invest presented that decision along with its letter.</p> <p>On 14 January 2022, Energa Obrót SA filed a pleading in response to the letter from Krupy Wind Invest which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżyczki Wind Invest and mBank.</p> <p>On 28 February 2022 the order of the Supreme Court of 28 January 2022 on the consent to the permission to file above mentioned pleadings by Krupy Wind Invest and Energa Obrót SA was delivered.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) EW CZYŻEWO sp. z o.o. (defendant 1/counter-plaintiff), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p><i>Regional Court in Gdańsk, file No. IX GC 736/17</i> <i>Second instance file No I AGa 56/19</i> <i>Litigated value: approx. PLN 3.9 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW CZYŻEWO sp. z o.o. also submitted a counterclaim for payment of contractual penalties. The Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. The court of second instance dismissed the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. Energa Obrót SA filed a cassation appeal. On 16 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót S.A. was accepted for review – awaiting the decision to be delivered. On 8 November 2021, a decision of the Supreme Court allowing the cassation appeal of Energa Obrót SA to proceed was delivered.</p>
<p>Energa Obrót SA (plaintiff), ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XXVI GC 712/17</i> <i>Litigated value: approx. PLN 3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded in the first instance by dismissal of the action. On 7 July 2020 Energa Obrót SA submitted an appeal, which on 25 June 2021 was dismissed with judgment of the Appeal Court of the second instance. On 6 July 2021 Energa Obrót SA submitted a pleading in response to a motion from defendants received on 1 July 2021 regarding a decision to be issued by the court clerk stating procedural costs in accordance with judgment of the Court of the first instance and adjudicating the triple rate of the costs of court representation.</p>

On 30 September 2021 Energa Obrót SA received the judgment with the reasons for judgment. On 30 November 2021, Energa Obrót SA filed a cassation appeal.

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

Regional Court in Gdańsk, file No. IX GC 735/17

Second instance file No I AGa 74/19

Litigated value: approx. PLN 3 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 15 and 19 December 2017 statements of defence were filed.

On 6 December 2018 judgment dismissing the action was submitted. On 12 February 2019, ENERGA Obrót SA filed an appeal. On 13 August 2019 judgment dismissing the appeal was issued. Energa Obrót SA filed a cassation appeal on 5 August 2020. In September 2020, Wielkopolskie Elektrownie Wiatrowe and BNP Paribas filed a response to the cassation appeal.

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

Regional Court in Gdańsk, file No. IX GC 738/17

Second instance file No I AGa 21/19

Litigated value: approx. PLN 2.8 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW KOŹMIN sp. z o.o. also submitted a counterclaim for payment of contractual penalties.

On 30 August 2018, the Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. On 24 June 2020, the court of second instance delivered a judgment dismissing the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. The judgment with reasoning was served on 10 August 2020. On 12 October 2020, Energa Obrót SA filed a cassation appeal. . On 22 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót SA was accepted for review. On 8 October 2021, a decision allowing the cassation appeal to proceed was delivered

9.3. HR and payroll situation

9.3.1. Energa Group

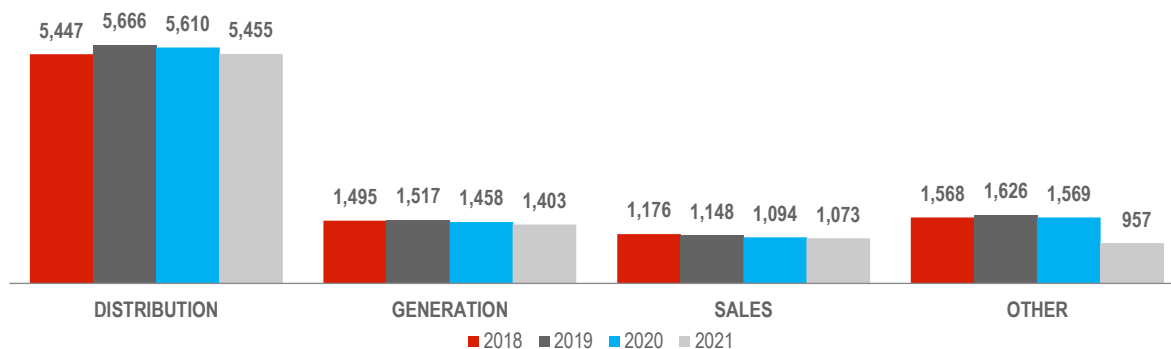
Employment

At the end of 2021, the Energa Group employed 8,888 persons under employment contracts, which represents a decline in employment by 843 persons, i.e. 8.7% compared to the end of 2020.

This was driven by a decision to merge Energa Ochrona with Orlen Ochrona and Energa CUW with Orlen CUK (hence the noticeable steepest decrease shown in the chart below in other services) and natural turnover (including retirements).

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

Figure 33: Energa Group's headcount as at 31 December in 2018-2021*



* data for 2018 and 2019 refer to employment contracts, to the exclusion of unpaid leaves, parental leaves and rehabilitation benefits; data for 2020 and 2021 are presented without any exclusions (active and inactive combined).

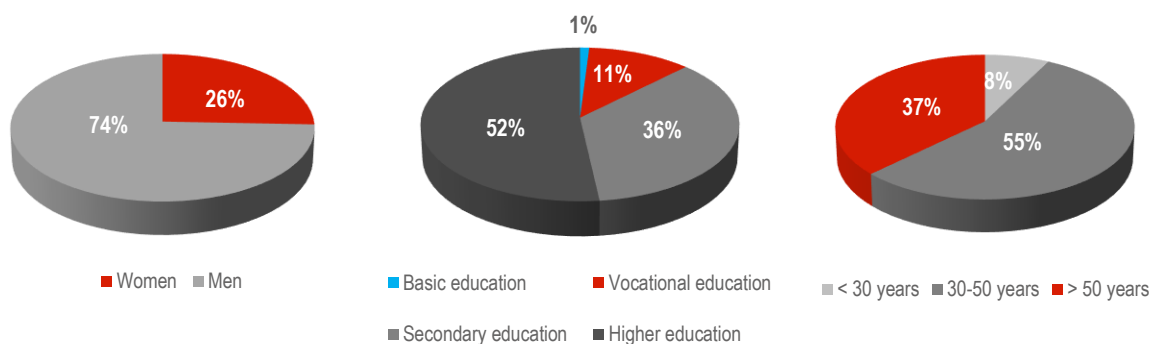
The Enega Group possesses an employment structure typical for its business profile. As much as 74% of its employees are men, which is attributable to the specific nature of the sector.

Over 99% of the employees of the Enega Group are employed on a full-time basis and 92% of them are retained under an employment contract signed for an indefinite term, which renders the Enega Group a solid employer which guarantees stable employment.

Given the extensive geographic scope of activities of the Enega Group as well as the new possibilities created by its merger with the ORLEN Group and the resulting benefits such as, for instance, the mobility program, the employees have gained new professional development opportunities that take into consideration their professional expectations and private circumstances.

Detailed employment structure figures by gender, age and education have been presented on the charts below.

Figure 34: Structure of employment in the Enega Group in 2021 by sex, education and age



Compensation plans

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

Changes in the remuneration system in 2021

On 21 September 2020 employer Enega-Operator SA Branch in Plock submitted a termination notice to trade unions regarding the Company Collective Bargaining Agreement ("Agreement"). Together with the declaration of termination of the Agreement, the employer called on the trade unions to start negotiations on a new collective bargaining agreement and for this purpose submitted its proposal based on solutions applied in the Orlen Group. In 2021, discussions relating to the amendments to the Agreement were conducted in the mode of a collective dispute. This collective dispute is currently at the mediation stage.

On 21 September 2020 employer Energa Logistyka sp. z o.o. in Plock submitted a notice of partial termination to trade unions regarding the Company Collective Bargaining Agreement ("Agreement"). The termination was made within the scope of the remuneration system in force. Only the current ranges of basic salaries assigned to individual pay grades remain in force. Together with the declaration of partial termination of the Agreement, the employer called on the trade unions to start negotiations on the additional protocol to the Agreement. For this purpose, the employer submitted its proposal for an additional protocol comprehensively governing the new system of remuneration based on solutions applied in the ORLEN Group. In 2021, discussions relating to the amendments to the Agreement were conducted in the mode of a collective dispute. This collective dispute is currently at the mediation stage.

In 2021, negotiations were additionally pursued over the introduction of a Company Collective Bargaining Agreement at the following employers: Energa-Obrót, Energa-Operator Wykonawstwo Elektroenergetyczne Sp. z o.o. Oddział w Plocku and Oddział w Słupsku.

In 2021, the new Compensation Policies were introduced by the following employers: Energa Green Development Sp. z o.o. and CCGT Ostrołęka Sp. z o.o. The work also begun on the arrangements with the trade union organisations relating to the adoption of the new Compensation Policy at Energa Invest Sp. z o.o.

Material information relevant to the HR and payroll situation

Principles of setting and monitoring the objectives

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

Standardisation of HR processes

In 2021, the fact of integration with the ORLEN Group continued to play a key role in shaping the processes performed by the Energa Group. Many activities in the HR area were rendered consistent across the organisation with a view to creating an equal opportunities environment for the employees and ensuring fair and safe working conditions throughout the ORLEN Group. The Group's priorities and key tasks related to the HR policy are pursued on an ongoing basis, based on the best market practices.

Key documents implemented and developed in 2021 that govern the HR processes:

- Policy for managing potential of the employees of the ORLEN Group
- Recruitment policy in Energa Group companies
- Employee adaptation policy in Energa Group companies
- Training delivery policy for Energa Group companies
- Best practices in employee mobility in Energa Group
- Age Management Policy
- Direction ORLEN Trainee Program
- Family-Friendly Employer Program
- Rules for awarding the Distinguished Employee title in Energa Group companies
- The Code of Ethics of the ORLEN Group replaced the Code of Ethics of the Energa Group on 29 December 2021.

Employee benefits

In 2021, the system of additional employee benefits at the Energa Group included, without limitation:

1. The 'employee tariff' for electricity offered once an employee reaches 1 year of service in the power industry,
2. Benefits granted under the Company Social Benefit Fund,
3. Benefits granted to employees for the Easter, the Power Engineers' Day and the Christmas,
4. Employee Pension Plans within the Group companies funded by employers at the rate of 7% of employee remuneration,
5. Employee Capital Plans within the Group companies funded by employers at the rate of 1.5% of employee remuneration,
6. The Additional Medical Services Plan,
7. ORLEN Shopping Cards,

8. Life insurance policies on preferential terms.

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

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

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

The Energa Group offers a range of non-financial benefits available to employees and their families.

Those related to parenthood that are part of the Family-Friendly Employer Program include:

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

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

Extra day off for vaccination against COVID-19.

In connection with a programme aimed at fostering the National Vaccination Programme and encouraging employees to get the COVID-19 vaccine, employees of the Energa Group were given an additional paid day off.

To use this entitlement, employees had to present a document confirming that they had received two doses, or in the case of single dose vaccines, one dose of a COVID-19 vaccine.

In 2021, Training Rules for Energa Group Companies were adopted across the Energa Group companies. These are consistent training rules relating to scheduling of training activities, the training application process and co-funding levels. Employees have the opportunity to improve their specialist skills owing to subsidies to university studies, post-graduate programmes, hard skill training, as well as the development of soft skills and linguistic competencies.

In 2021, the management staff of the Energa Group joined the 'Engaging Leadership' management development programme. The programme is based on the Leadership Performance Pipeline (LPP) concept and has been adjusted to the specific needs of the Energa Group.

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

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

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

6. Length of service bonus.

Changes in wage conditions

Under the Agreement on the determination of the Energa Group Employees' salary increase in 2021 of 25 November 2020, the Group's employees, employed at the employers being parties to the Agreement securing employee, social and trade union rights for the Employees of the Energa Group, received base pay raises starting from 1 January 2021.

Collective dismissals

No collective dismissals occurred within the Group companies in 2021.

Unionization

At the end of 2021, there were 33 trade union organisations in the Energa Group companies. As at 31 December 2021 unionization at Energa Group reached 61.7%. Approx. 5,500 employees were members of trade unions.

Collective disputes

Twenty-eight collective disputes were pending within the Energa Group in 2021:

1. 3 collective disputes pursued with Energa Operator SA Oddział w Płocku Sp. z o.o. employer initiated by the notices filed by trade union organisations on 30 September 2020, 9 November 2020 and 23 July 2021, concerning the amendments to the Agreement and employee benefits.
2. 2 collective disputes pursued with Energa Logistyka Sp. z o.o. employer initiated by the notices filed by trade union organisations on 24 and 30 September 2020, concerning the amendments to the Agreement.
3. 23 collective disputes concerning employee pay increases in 2022 pursued with the majority of the Energa Group's employers, parties to the Agreement securing employee, social and trade union rights for the Employees of the Energa Group.

9.3.2. Energa

Employment

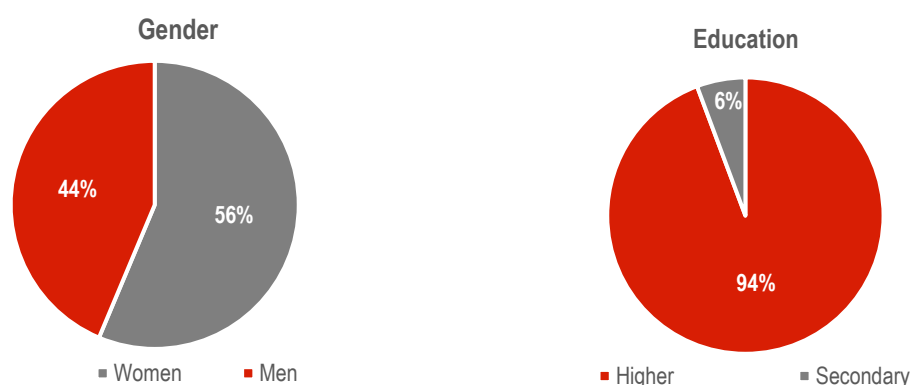
Table 38: Energa's headcount as at 31 December 2018, 2019, 2020 and 2021*

Employment as at 31 Dec 2018*	Employment as at 31 Dec 2019*	Employment as at 31 Dec 2020*	Employment as at 31 Dec 2021*
headcount	headcount	headcount	headcount
163	187	172	158

* data for 2018 and 2019 refer to employment contracts, to the exclusion of unpaid leaves, parental leaves and rehabilitation benefits; data for 2020 and 2021 are presented without any exclusions (active and inactive combined)

Changes in employee headcount were attributable, among others, to natural rotation and transfers to the other Companies of the Group.

Figure 35: Employment structure at Energa SA as at 31 December 2021



Compensation plans

The Company's compensation system is defined in the Energa SA Employee Compensation Policy approved by way of Resolution No. 46/I/2007 of the Energa SA Management Board on 25 July 2007, Annex No. 7 of 5 December 2017 which introduced, as an attachment to the Employee Compensation Policy, the Rules of Energa SA Employee Prize Fund, Annex No. 8 to the Energa SA Employee Compensation Policy of 28 August 2019 introducing a new grading table of positions and monthly remuneration rates at Energa SA and the Agreement securing the employee, social and trade union rights for the Employees of the Energa Group, dated 18 September 2017.

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

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

As at 31 December 2021, 36 managers were employed under contracts for management services, including five members of the Company's Management Board. The costs of services are not charged to the payroll fund.

Material information relevant to the HR and payroll situation

Employee benefits

In 2021, the system of additional employee benefits at the Company included, among others:

1. An annual bonus equal to 8.5% of the previous year's annual payroll fund, payable in proportion to the length of employment,
2. The 'employee rates' for electricity offered after one year of employment in the power industry,
3. Holiday benefits paid to employees for Easter, the Power Engineers' Day and Christmas,
4. The Employee Pension Plan funded by the employer at the rate of 7% of employee remuneration,
5. Employee Capital Plans within the Group companies funded by employers at the rate of 1.5% of employee remuneration,
6. A supplement to the base remuneration, depending on years of service,
7. Anniversary bonus,
8. The Additional Medical Services Plan. All employees are entitled to additional medical services under the Guaranteed Package, which is funded by the employer,
9. The Company Social Benefits Fund permitting contributions equal to twice the annual basic contribution set out in the Act on the Company Social Benefits Fund (CSFB).

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

Furthermore, under the Collective Bargaining Agreement of 19 February 2021 on the allocation of monies earmarked for pay increases in 2021, the Company's employees received an additional benefit in the form of ORLEN Shopping Card in addition to a base salary increase.

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

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

Changes in wage conditions

Based on the Agreement of 25 November 2020 on determining pay increases for Energa Group Employees in 2021 and the Agreement of 19 February 2021 on the allocation of monies earmarked for pay increases in 2021, the Company's employees benefited from a base salary increase as of 1 January 2021.

Collective dismissals

In 2021, there were no lay-offs at the Company.

Collective disputes

In 2021, the Company did not engage in any labour disputes.

9.4. Information on the statutory audit firm

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

The agreement between Energa SA and KPMG was concluded on 28 June 2019 and covers, among others, the audit of separate and consolidated financial statements of the Company and of the Group for 2020 and 2021 and a review of the statements for H1 2021. In addition to the audit of financial statements, in 2021 KPMG provided services consisting in implementing the agreed procedures relating to the audit of covenants for Energa SA. Conclusion of the related agreement was preceded by the assessment of independence of the audit firm by Energa SA Audit Committee which granted its consent to the provision of that service.

Table 39: Remuneration of the auditor for services provided to the Group ('000 PLN)*

	Year ended 31 December 2020	Year ended 31 December 2021
Audit of annual statements	713	799
Other assurance services, including review of financial statements	352	362
Other services	81	21
TOTAL	1,146	1,183

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



Water power station in Gałężnia Mała on river Stupia

Corporate Governance Statement

10. CORPORATE GOVERNANCE STATEMENT

In 2021, the Company and its corporate bodies followed two sets of corporate governance principles:

- until 30 June 2021, the document titled Good Practices for WSE Listed Companies in 2016 (hereinafter: "2016 Good Practices" [DPSN 2016]) adopted by way of Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych in Warszawie SA of 13 October 2015 was in force;
- starting from 1 July 2021, the document titled Good Practices for WSE Listed Companies in 2021 (hereinafter: "2021 Good Practices" [DPSN 2021]) adopted by way of Resolution No. 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych in Warszawie SA of 29 March 2021 is in force.

Both documents have been published on WSE's website.

10.1. Application of rules of corporate governance

During the term of 2016 Good Practices, in 2021 ENERGA failed to apply Rule III.Z.3 – the Company did not comply with the requirement of Standard 1110-1, only with regard to the organisational independence of appointing and dismissing the Internal Audit Manager (IAM) and approval and changes of the remuneration of IAM. The standard referred to above has been defined in the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors. Moreover, IAM does not functionally report to the Supervisory Board. In the absence of a decision on the publication of forecasts and considering the provisions of the Regulation of the Minister of Finance on Current and Interim Information of 29 March 2018, the Specific Principle I.Z.1.10 did not apply, either.

Following the start of application of 2021 Good Practices, Energa published the relevant current report on 29 July 2021 in which it reported its failure to apply 10 rules (current report no. 1/2021, available on the Company's website in the *Good Practices for WSE Listed Companies* tab).

As at 31 December 2021, the Company, analogically to the situation described in the aforesaid current report, failed to apply 10 rules, namely:

- 1.4.2. - as part of the ongoing integration of the Energa Group with the Orlen Group, the process of unification of the methodology for calculating remuneration-related ratios is under way; therefore, the ratio mentioned in this rule is not published on the corporate website. The Company complies with the applicable national laws and regulations, including the Labour Code; moreover, the Company has taken measures and implemented good practices by applying internal policies to ensure the application of the principles of equality, respect and prevention, among others: Policy Against Mobbing and Discrimination in the Energa Group, Code of Ethics of the ORLEN Group, Policy for Compliance Management in the Energa Group, Policy for the Management of Employee Potential of the ORLEN Group. Furthermore, regular audits and improvement and remedial actions are carried out at the company.
- 1.5. - the non-application of the rule stems from the fact that the Company classifies the data indicated as sensitive information constituting trade secrets and does not publish separate statements in this respect.
- 1.6. - in connection with: (i) resolution of the Extraordinary Meeting of Energa SA of 29 October 2020 to withdraw the Company's shares from trading on the regulated market operated by the WSE, (ii) reduction on 30 November 2020 of the number of the Company's freely floated shares below 10% and (iii) WSE's decision to remove the Company's shares from all stock indices, effective after the session held on 3 December 2020, the decision was made to renounce from organisation of a conference for the investors;
- 2.1., 2.2 and 2.11.6.- the Company's employee diversity policy is presented in several internal documents. However, it has not been adopted in a document form by the Supervisory Board or the General Meeting. Despite that, gender diversity has been ensured at an appropriate level in the Company's bodies: as at 31 December 2021, there were two women and three men on the Management Board, and five women and two men on the Supervisory Board. The Company seeks to ensure diversity on its bodies through the selection of diverse and professional managerial and supervisory team. Moreover, the Company respects the dignity of every person regardless of race, nationality, religion, gender, age, education, professional position, sexual orientation, degree of disability or political affiliation, and does not accept any form of discrimination.
- 2.11.5. - an assessment of reasonableness of the expenditure referred to in Rule 1.5. is carried out by the Company's Supervisory Board. However, due to the non-application by the Company of Rule 1.5. (as explained above), the annual report of the Company's Supervisory Board, presented to the Company's Ordinary General Meeting, does not contain the above assessment.
- 4.9.2. - as provided for in the Company's Articles of Association, a candidate member of the Supervisory Board intending to perform a function on the Audit Committee submits to the Company, before their appointment to the

Supervisory Board, a written declaration of fulfilment of the statutory conditions listed in that rule. A candidate is not required to submit a declaration as to the existence of any actual and significant relationship of the candidate with a shareholder holding at least 5% of the total number of votes in the Company.

- 4.11. - Members of the Company's Management Board take part in General Meetings and provide expert answers to the questions asked at the General Meeting. At an Ordinary General Meeting ("OGM"), the Company's Management Board answers questions concerning the financial results and other significant information contained in the financial statements and the report on activities for the past financial year, which is subject to approval by the OGM. The Company's Management Board does not present financial or non-financial data at the OGM,
- 6.4 - The guideline rules of remuneration of the Supervisory Board members are laid down in the Remuneration Policy for Members of the Management Board and Supervisory Board of Energa SA adopted by the Company's Ordinary General Meeting. The remuneration of the Members of the Company's Supervisory Board does not depend on the number of meetings held. The remuneration is fixed and paid on a monthly basis. Whereas the Members of the Supervisory Board Committees are not paid any additional remuneration.

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

10.2. Significant shareholders

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

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

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

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

10.4. Restrictions on voting rights

As at the date of preparation of these Statements, no restrictions on the exercise of voting rights exist.

10.5. Restrictions on transfer of ownership of securities

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

10.6. Amendments to the Articles of Association

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

On 14 June 2021, the Ordinary General Meeting of Energa SA amended § 16 section 1 item 16 letter h, § 16 section 1 item 16 letter i and § 16 section 2 item 4 letter b, giving them a new wording. On 21 July 2021 the changes were entered into the Register of Entrepreneurs of the National Court Register.

10.7. Corporate bodies

The General Meeting

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

Manner of convening the General Meeting

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

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

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

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

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

Conduct of the Ordinary General Meeting

The General Meeting is opened by the Chairperson or Vice-Chairperson of the Supervisory Board, and in their absence – by the President of the Management Board or a person designated by the Management Board. Subsequently, the Chair of the Meeting is elected from among the persons entitled to participate in the General Meeting, in accordance with the Rules of Procedure of the General Meeting.

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

Voting is open. Voting by secret ballot is ordered in the case of elections and motions to dismiss members of the Company's governing bodies or liquidators, motions to hold them liable, as well as in personnel-related matters. Further, a secret ballot must be ordered at the request of at least one of the shareholders present or represented at the General Meeting.

Resolutions of the General Meeting are adopted by an absolute majority, unless the CCC or the Articles of Association provide otherwise.

The General Meeting may order adjournments (by a two-thirds majority), which may not last longer than 30 days altogether.

Powers and responsibilities of the General Meeting

Key powers and responsibilities of the General Meeting, as prescribed by the CCC and the Articles of Association, include in particular:

1. reviewing and approving the reports of the Management Board on the activities of the Company and the Energa Group, standalone financial statements of the Company and the consolidated financial statements of Energa Group for the previous financial year,
2. granting discharge to the members of the corporate bodies,
3. distribution of profit or coverage of loss,
4. changing the line of business of the Company,
5. amending the Articles of Association,
6. share capital increases or decreases,
7. merger, demerger or transformation of the Company,
8. dissolution or liquidation of the Company,
9. issue of convertible bonds or bonds with the right of priority and subscription warrants referred to in art. 453 § 2 of the Code of Commercial Companies,
10. disposal or lease of the enterprise or a branch of activities and creation of limited property rights thereon,

11. the establishment, use or dissolution of the capital accounts or funds referred to in § 31 section 1 item 5 and section 2 of the Company's Articles of Association, created by way of a General Meeting resolution,
12. appointment and dismissal of members of the Supervisory Board and determining the rules and level of their remuneration,
13. conclusion of the agreement referred to in art. 7 of the Code of Commercial Companies,
14. the Company's acquisition of its treasury stock in the situation referred to in Article 362 § 1 Item 2 of the Commercial Companies Code,
15. execution by the Company of a loan, advance or surety agreement or another similar agreement with a member of the Management Board, a member of the Supervisory Board, a commercial proxy or a liquidator, or in favour of any such person,
16. shifting of the dividend record date, indication of the dividend payable date or splitting of the dividend payment into instalments,
17. all decisions concerning claims for damage caused in the course of the formation of the Company or the exercise of management or supervision,
18. adopting a policy specifying the principles of remuneration for members of the Management Board and Supervisory Board of the Company,
19. establishing the rules for determining the remuneration of members of the Management Board.

The Ordinary General Meeting of the Company took place on 14 June 2021. The content of the resolutions adopted by that Meeting was published in Current Report No. 22/2021 dated 14 June 2021.

The Supervisory Board

Composition

In FY 2021 and until the date of this Report, the composition of the Energa SA Supervisory Board has been as follows:

1. between 1 January 2021 and 5 May 2021:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński - Secretary of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Marta Marchewicz - Member of the Supervisory Board,
 - h) Michał Róg - Member of the Supervisory Board.
2. between 5 May 2021 and 1 June 2021:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Trajan Szuladziński - Secretary of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Marta Marchewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board.
3. between 1 June 2021 and 14 November 2021:
 - a) Paula Ziemecka-Księżak - Chairperson of the Supervisory Board,
 - b) Trajan Szuladziński - Secretary of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Marta Marchewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,

- h) Agata Piotrowska - Member of the Supervisory Board.
4. between 14 November 2021 and 22 November 2021:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Trajan Szuladziński - Secretary of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Member of the Supervisory Board.
5. between 22 November 2021 and 1 February 2022:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Trajan Szuladziński - Member of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - d) Agnieszka Żyro - Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - f) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board.
6. between 1 February 2022 and 28 February 2022:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Member of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.
7. between 28 February 2022 and 1 March 2022:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Member of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.
8. between 1 March 2022 and 27 March 2022:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
 - e) Agnieszka Żyro - Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz - Member of the Supervisory Board,
 - g) Michał Róg - Member of the Supervisory Board,
 - h) Barbara Hajdas - Member of the Supervisory Board,
 - i) Agata Piotrowska - Secretary of the Supervisory Board.
9. from 28 March 2022 until the date of preparation of the Statements:
- a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
 - b) Jarosław Dybowski - Vice-Chairperson of the Supervisory Board,
 - c) Trajan Szuladziński - Member of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,

- | | |
|------------------------|---------------------------------------|
| e) Agnieszka Żyro | - Member of the Supervisory Board, |
| f) Sylwia Kobyłkiewicz | - Member of the Supervisory Board, |
| g) Michał Róg | - Member of the Supervisory Board, |
| h) Agata Piotrowska | - Secretary of the Supervisory Board. |

Mr Jarosław Dybowski tendered his resignation from the Supervisory Board as of 5 May 2021.

On 28 May 2021, the majority shareholder of the Company, PKN ORLEN SA, submitted a statement on appointment of Ms Agata Piotrowska to the Supervisory Board of the Company of 6th joint term of office, pursuant to art. 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association starting from 1 June 2021.

Ms Marta Marchewicz tendered her resignation from the Supervisory Board as of 14 November 2021.

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

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

Ms. Barbara Hajdas submitted a statement of resignation as of 27 March 2022 from the position of Member of the Supervisory Board of the Company.

Ms Paula Ziemecka-Księżak, Ms Agnieszka Terlikowska-Kulesza and Mr Trajan Szuladziński satisfy the independence criteria envisaged for independent supervisory board members in accordance with requirements of the Best Practices of WSE Listed Companies, and also for independent members of the Audit Committee, within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089).

The current term of office of the Supervisory Board of the Company shall end on the day on which the General Meeting approves the financial statements for the financial year 2022.

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

Agnieszka Terlikowska-Kulesza graduated from the Warsaw University of Life Sciences and postgraduate studies at the Warsaw School of Economics in finance and European economic and legal relations. In 1997, she started work at the Ministry of State Treasury, in the Department of Commercialisation and Direct Privatisation. Between 1997 and 2002, she worked for the Privatisation Agency as the chief specialist and then as the Section Manager. During that period, she oversaw and executed privatisation projects of companies with State Treasury holdings, verified economic and financial analyses and valuations of privatized companies with State Treasury holdings. Between July 2002 and June 2016, again she was the chief specialist in State Treasury-owned corporate supervision departments at the State Treasury Ministry. She supervised companies from the ceramic, construction and vehicle transportation industries. In 2009–2016, she supervised chemical sector companies, including companies from Grupa Azoty S.A. The main responsibilities included the analysis, preparation and performance of corporate governance in relation to companies with State Treasury holdings and preparation of ownership decisions in relation to the supervised companies. From July 2016 to November 2019, she was employed as the chief specialist at the Energy Ministry where she supervised strategic companies in the mining sector. At present she is the chief specialist in the Department of Supervision I at the Ministry of State Assets. She gathered additional experience by serving in 2001–2016 in supervisory bodies of companies with State Treasury holdings such as: "Chłodnia Szczecińska" Sp. z o.o., Zakłady Ceramiczne "Bolesławiec" w Bolesławcu Sp. z o.o., Przedsiębiorstwo Komunikacji Samochodowej w Białymstoku SA, Przedsiębiorstwo Robót Drogowych Sp. o.o. in Mielec, Przedsiębiorstwo Elektryfikacji i Robót Instalacyjnych "ELTOR-Warszawa" Sp. z o.o. in Wołomin. Since 2016, he has been a member of the Supervisory Board of ENERGA S.A.

Trajan Szuladziński is a graduate of the Faculty of Law, in 2009 he obtained the title of Master of Business Administration at postgraduate studies conducted by the University of Gdańsk and the Business Center Club and RSM Erasmus University as a validation institution. In 2004, he obtained the title of tax advisor. He is a court-appointed expert at the Regional Court in Warsaw in the field of accounting, finance and book-keeping. From August 2017 to November 2019, he was the President of the Management Board at Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol SA – responsible for the financial, accounting and legal division, as well as mining and railway plant. Between 2006 and 2007, he was the President of the Management Board of Bankowe Towarzystwo Kapitałowe SA – a private equity company dealing in capital investments in the sector of small and medium enterprises. From 2007 to 2008, he was a Vice President responsible for the finance and accounting division at Centrum Finansowe Puławska Sp. z o.o. (a company dealing in management of and investment in real estate). Between 2008 and 2010, he was a Deputy Director in the Office of the President of the National Bank of Poland. Chairman or member of the supervisory boards of such companies as: Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol SA, Zakłady Chemiczne „Zachem” SA, Agencja Inwestycyjna CORP SA, Konsorcjum Ochrony Kopalń sp. z o.o., Finder SA, PL Energia sp. z o.o., Management Board of Pałac Kultury i Nauki sp. z o.o., Holding Wars SA. Wrote articles and studies on tax law. Lectured in tax law, among others during notary applications.

Jarosław Dybowski is an experienced manager with more than 20 years of management experience in companies with Polish and foreign capital. Graduate of the Gdańsk University of Technology, majored in Power Engineering. Graduate of a Postgraduate Management Course at the Warsaw School of Economics and The Management Training Program for Eastern Europe at Lovanium International Management Center. Has been professionally involved in the power engineering sector since 1985. An active participant in strategic development processes of Polish and European energy. Co-author of Poland's first Power Engineering System Integrated Development Plan. Introduced new standards for trading in electricity based on EFET contracts. Negotiated long-term contracts for the modernization and development of manufacturing sources in Poland, including contracts in the Project Finance process. Has extensive expertise in the field of energy markets (electricity, gas, coal, certificates) in Poland and Central and Southern European countries. Co-developed and implemented strategies in the field of energy generation, trading and sales in many domestic and foreign companies.

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

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

Michał Róg has been a Member of the Management Board of PKN ORLEN since 1 September 2018. Graduate of the Cracow University of Economics, faculty of Management and Marketing and Canadian International Management Institute and Harvard Business School. Graduate of Executive MBA organised by the Cracow University of Technology and Central Connecticut State University. More than 20 years of professional experience at TELE-FONIKA KABLE S.A., where he worked as: Sales Vice-Director - Sector of Distribution and Power Engineering, Director of Sales and Product Development, Medium and High Voltage, Sales Director, the Balkans, Domestic Trade Director, Director of the Domestic Market Office. Member of the Management Board responsible for Trade at ORLEN OIL Sp. z o.o. with its registered office in Kraków from March 2018 to August 2018. Member of the Management Board of Paramo a.s. with its registered office in Pardubice, Czech Republic, from April to August 2018.

Agata Piotrowska graduated from the Faculty of Management and Marketing at the Warsaw School of Economics. She completed postgraduate studies at the Academy of Capital Companies at the College of Management and Finance of the Warsaw School of Economics. She has over 10 years of professional experience in corporate governance, coordination of management processes, supervision of processes and projects in the area of planning, optimisation, restructuring, investments and divestments in companies of the ORLEN Capital Group. Between 2010 and 2021, she served as a Member of the Supervisory Board of ORLEN Capital Group companies, such as: ORLEN Medica Sp. z o.o., ORLEN Automatyka Sp. z o.o., ORLEN Budonaft Sp. z o.o., ORLEN Projekt S.A., ORLEN Eko Sp. z o.o., ORLEN Laboratorium S.A., Baltic Power sp. z o.o., ORLEN Wind 1 sp. z o.o., ORLEN Wind 2 sp. z o.o., ORLEN Wind 3 sp. z o.o. Currently, she is a Member of the Supervisory Board of the following companies: ORLEN Laboratorium S.A. and ORLEN Wind 3 sp. z o.o. She is currently an employee of the PKN ORLEN S.A. Capital Group Office, where she is responsible for ownership supervision of companies belonging to the ORLEN Capital Group, including in particular companies from the energy sector.

None of the above members of the Supervisory Board are engaged in any activities competitive to the business of Energa, participate in any competitive company as a partner of a partnership or as a member of a body of a corporation, or participate in any other competitive legal person as a member of its corporate bodies, neither is any of them listed in the Registry of Insolvent Debtors maintained pursuant to the Act on the National Court Register.

Powers and responsibilities of the Supervisory Board

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

1. assessing the Management Board's report on the Company's and Group's operations as well as the financial statements for the previous financial year and the consolidated financial statements of the Group in terms of their consistency with the records, relevant documents and the facts, assessing the Management Board's recommendations on allocation of profit or coverage of loss,
2. submitting annual written reports on the assessment results to the General Meeting, referred to in point 1,
3. preparation of reports in connection with oversight of the investments carried out by the Management Board and ensuring that investment spending is incurred in a correct and effective manner,
4. preparing, at least once per year, together with a report on the results of the assessment of the annual financial statements and the consolidated financial statements of the capital group, an opinion of the Supervisory Board on the economic viability of the Company's capital exposure to other commercial companies effected in the relevant financial year,
5. preparation and presentation, once a year, to the Annual General Meeting of a brief assessment of the Company's standing, including an evaluation of the internal control system and the system for managing the Company's material risks,
6. reviewing of and expressing opinion on issues which are to be the subject of resolutions of the General Meeting,
7. selecting the audit firm to examine the financial statements and the consolidated financial statements of the capital group,
8. specifying the scope and deadlines for submission of annual/long-term material and financial plans, other long-term plans and strategies for the Company and its capital group by the Management Board,
9. approving strategies for the Company and its capital group,
10. approving annual/long-term material and financial plans and investment plans for the Company and its capital group,
11. adopting rules of procedure detailing the procedures applicable to the activities of the Supervisory Board,
12. approving the rules of procedure of the Company's Management Board,
13. approving the Company's organisation policy,
14. approving the principles of the Company's sponsoring activity and assessing its effectiveness,
15. agreeing the consolidated text of the Company's Articles of Association,
16. granting consent to the Management Board to acquire and dispose of specific non-current assets as well as concluding specific contracts,
17. determining the individual conditions for the provision of services by members of the Management Board, as part of the resolution of the General Meeting of Shareholders as referred to in § 27 section 1 clause 8) of the Articles of Association,

18. determining the Rules of the Bonus System for members of the Management Board,
19. suspending, for major reasons, individual or all members of the Management Board, as well as delegating members of the Supervisory Board, for a period not exceeding three months, to perform temporarily the duties of Management Board members who are at the time unable to perform their duties and setting their remuneration, provided that the total remuneration received by the delegated person for his or her performance of the function of a Supervisory Board member and his or her temporary performance of the duties of a Management Board member does not exceed the salary set in respect of the Management Board member being filled in for by the delegated member of the Supervisory Board, granting consent for the establishment of the Company's branches abroad,
20. authorizing Management Board members to assume positions in corporate bodies of other companies and collecting resulting remuneration,
21. authorizing the Management Board to subscribe to, sell or acquire shares, within the meaning of the Act on State Property Management of 16 December 2016, of another company,
22. defining the mode for exercising the voting right by the Company at the general meetings or shareholders' meetings of companies,
23. granting the consent to conclude a material transaction with an entity related to the Company within the meaning of the Act of 29 July 2005 on Public Offering and on the Terms of Introducing Financial Instruments into Organised Trading and on Public Companies,
24. developing a procedure for periodic assessment whether material transactions with a related party of the Company are concluded on an arm's length basis as part of the ordinary business of the Company or a subsidiary of the Company.

A detailed description of the powers and responsibilities of the Supervisory Board is provided in the Company's Articles of Association, published on the Company's website.

Method of operation of the Supervisory Board

The Supervisory Board consists of 5 to 9 members. The Supervisory Board is responsible for the permanent supervision of the operations of the Company, in accordance with the CCC and the Articles of Association. The detailed operating procedure is defined in the Rules of Procedure of the Supervisory Board, available on the corporate website.

The Supervisory Board carries out its activities as a body. Members of the Supervisory Board participate in meetings, exercise their rights and perform their obligations in person.

As a general rule, the Supervisory Board adopts its resolutions at meetings held at least once every two months.

Meetings of the Supervisory Board shall be convened by the Chairman or another authorised member of the Supervisory Board, presenting a detailed agenda. A meeting should also be convened at the request of any Supervisory Board member or of the Management Board.

Meetings of the Supervisory Board are chaired by the Chairperson, and in his or her absence – by the Vice-Chairperson.

Supervisory Board members may attend meetings and vote on resolutions adopted during such meetings by direct remote communication.

In accordance with the Articles of Association, the Supervisory Board may adopt resolutions if at least half of its members are present at the meeting and all Supervisory Board members have been invited to the meeting.

The Supervisory Board may adopt resolutions independently of its meetings, either by circulation or by means of distance communication, including in particular e-mail. Such resolution is valid if all members of the Supervisory Board have been notified of the wording of the draft resolution.

Supervisory Board resolutions are passed by an absolute majority of votes, and in the event of a tie vote, the Chairperson's vote is decisive.

The Supervisory Board adopts resolutions in an open ballot.

For important reasons, the Supervisory Board may delegate individual members to perform certain supervisory activities on their own.

The Supervisory Board may delegate its members, for no longer than three months, to perform temporarily the duties of Management Board members who are unable to perform their duties.

A detailed description of the activities of the Supervisory Board is contained in the Report on the activities of the Supervisory Board, submitted annually to the General Meeting and published on the corporate website of the Company.

The Supervisory Board appoints the Audit Committee and the Nomination and Compensation Committee.

From 1 January to 31 December 2021, the Supervisory Board of Energa SA held 13 meetings and adopted 132 resolutions. In 2021, seven meetings of the Supervisory Board took place without all members in attendance. Each time the Supervisory Board made a decision in the form of a resolution to excuse the absence of a given Supervisory Board member, based on the information provided by that member about reasons for the absence.

The Audit Committee

The operating principles of the Audit Committee are defined in the Articles of Association of Energa SA and the Rules of Procedure of the Supervisory Board, available on the Company's website.

The Audit Committee operates as a body and provides advice and opinion to the Supervisory Board.

The tasks of the Audit Committee shall in the first instance include:

- 1) monitoring of:
 - a) the financial reporting process,
 - b) the effectiveness of the internal control system and the risk management and internal audit systems, including in the area of financial reporting,
 - c) the performance of audit activities, in the first instance audits carried out by an audit firm, taking into account any conclusions and findings of the Audit Supervision Committee arising from the inspection conducted in the audit firm,
- 2) inspecting and monitoring the independence of the registered auditor and the audit firm,
- 3) communicating audit findings to the Company's Supervisory Board and explaining how the audit contributed to the reliability of financial reporting in the Company, and what the role of the Audit Committee was in the audit process,
- 4) assessing the independence of the registered auditor and giving consent to the provision of permitted non-audit services to the Company thereby,
- 5) developing a policy for the selection of an audit firm to carry out an audit,
- 6) developing a policy for the provision of permitted non-audit services by an audit firm carrying out an audit, by entities affiliated to the audit firm and by a member of the audit firm's network,
- 7) defining the procedure for the selection of an audit firm by the Company,
- 8) making recommendations to the Supervisory Board regarding the appointment of an audit firm, in accordance with the policies referred to in sub-paragraphs 5 and 6 above,
- 9) making recommendations intended to ensure the reliability of the financial reporting process in the Company,
- 10) monitoring the operation of the Compliance Management System at the Company and in ENERGA Group.

The Audit Committee includes at least three members of the Board, where at least one member of the Audit Committee should have knowledge and skills in the field of accounting or auditing of financial statements. In addition, the majority of members of the Audit Committee, including the chairman of the Committee, should be independent and meet the criteria listed in art. 129 (3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089). Members of the Audit Committee shall also have skills and knowledge relating to the industry in which the Company operates. This condition is considered to be fulfilled if at least one member of the Audit Committee has skills and knowledge of the industry or if individual members, to specific extent, have skills and knowledge of the industry.

In FY 2021 and to date, the composition of the Audit Committee has been as follows:

1. From 1 January 2021 until the date of the Report:
 - a. Trajan Szuladziński - Chairman of the Committee,
 - b. Paula Ziemiecka-Księżak,
 - c. Sylwia Kobyłkiewicz,
 - d. Agnieszka Terlikowska-Kulesza.

A description of the Audit Committee's activities in the previous financial year, together with a detailed description of the activities undertaken by the Committee, are provided in the Report on the activities of the Audit Committee, which is an Appendix to the

Report on the Activities of the Supervisory Board, submitted annually to the General Meeting and published on the Company's corporate website.

In 2021, the Audit Committee held 6 meetings, of which 4 took place with all members in attendance.

The Nomination and Remuneration Committee

The scope of the Nomination and Compensation Committee's operations covers expressing opinions and conducting analyses to support the Supervisory Board in the performance of its duties defined by the Articles of Association in respect of the overall compensation policy for Management Board members, the Company's upper level management and in the other companies in Energa Group, and to articulate recommendations on appointing Management Board members.

The powers and responsibilities of the Nomination and Remuneration Committee shall in the first instance include:

1. conducting activities related to the recruitment of members of the Company's Management Board within the scope indicated by the Supervisory Board,
2. preparing draft contracts and templates of other documents in connection with serving as members of the Company's Management Board and supervising the performance of the contractual obligations assumed by the parties,
3. supervising the implementation of the Management Board's remuneration system, in the first instance preparing accounting documents concerning variable and bonus elements of remuneration,
4. monitoring and analysis of the compensation plan for the Management Boards and executives of Energa Group companies,
5. supervising the correct provision of contractual extra benefits to the Company's Management Board.

In FY 2021, the composition of the Nomination and Compensation Committee was as follows:

1. from 1 January 2021 until the date of the Report:
 - a. Agnieszka Żyro - Chairwoman of the Committee,
 - b. Sylwia Kobyłkiewicz,
 - c. Agnieszka Terlikowska-Kulesza.

3 meetings of the Nomination and Compensation Committee were held in 2021, all of which had all members in attendance.

A description of the Nomination and Compensation Committee's activities in the previous financial year is provided in the Report on the Activities of the Nomination and Compensation Committee, which is an attachment to the Report on the activities of the Supervisory Board.

The Management Board

Rules of appointing and dismissing the members of the Management Board

The Management Board may consist of one to five persons, including the President and optionally one or more Vice-Presidents of the Management Board. The term of office of the Management Board is common and ends on the date of the General Meeting approving the financial statements for the second full financial year of the term of office.

In accordance with the Articles of Association, Management Board members are appointed and dismissed by the Supervisory Board, which appoints one member as the President and may appoint one or more members as the Vice-President.

A member of the Management Board can also be:

1. dismissed or suspended from duty by the General Meeting,
2. suspended from duty for important reasons by the Supervisory Board.

The Supervisory Board appoints members of the Management Board following a qualification procedure.

A Management Board member may submit his or her resignation to another member of the Management Board or to the commercial proxy. The resignation notice should be submitted in writing. The member of the Management Board must inform at least one member of the Supervisory Board of the resignation.

Composition

Throughout 2021 and until the date of this Report, the Management Board of the Company has had the following members:

Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2021

1. in the period from 1 January 2021 to 16 July 2021:
 - a. Jacek Goliński - President of the Management Board,
 - b. Marek Kasicki - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Dominik Wadecki - Vice-President of the Management Board for Operations,
 - e. Iwona Waksmundzka-Olejniczak - Vice-President of the Management Board for Corporate Matters.
2. in the period from 16 July 2021 to 27 October 2021:
 - a. Iwona Waksmundzka-Olejniczak - Acting President of the Management Board, Vice-President of the Management Board for Corporate Matters,
 - b. Marek Kasicki - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Dominik Wadecki - Vice-President of the Management Board for Operations,
3. in the period from 27 October 2021 to 15 November 2021:
 - a. Iwona Waksmundzka-Olejniczak - President of the Management Board,
 - b. Marek Kasicki - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Dominik Wadecki - Vice-President of the Management Board for Operations,
4. in the period from 15 November 2021 until the date of preparation of the Statements:
 - a. Iwona Waksmundzka-Olejniczak - President of the Management Board,
 - b. Marek Kasicki - Vice-President of the Management Board for Finance,
 - c. Adrianna Sikorska - Vice-President of the Management Board for Communication,
 - d. Janusz Szurski - Vice-President of the Management Board for Corporate Matters,
 - e. Dominik Wadecki - Vice-President of the Management Board for Operations.

In connection with the dismissal of Jacek Goliński by the Supervisory Board from the office of the President of the Management Board of Energa SA on 16 July 2021, on the same day, the Supervisory Board of the Company passed a resolution delegating the duties of the President of the Management Board of Energa SA to Iwona Waksmundzka-Olejniczak, Vice-President of the Management Board for Corporate Matters.

On 27 October 2021, the Company's Supervisory Board passed a resolution delegating to Iwona Waksmundzka-Olejniczak, Member of the Management Board of Energa SA of 6th term of office, the duties of the President of the Management Board instead of the previously held position of the Vice-President of the Management Board for Corporate Matters.

On 27 October 2021, the Company's Supervisory Board initiated the qualification procedure to appoint the Vice-President of the Management Board for Corporate Matters that was completed on 4 November 2021.

The procedure to appoint the Vice-President of the Management Board for Corporate Matters ended with the appointment of Janusz Szurski on 15 November 2021.

The current 6th Term of Office of the Management Board of Energa SA will end on the day on which the General Meeting approves the financial statements for the financial year 2021.

Iwona Waksmundzka-Olejniczak – President of the Management Board

Ms. Iwona Waksmundzka-Olejniczak has long-standing experience in managing large teams and corporate structures, in particular in the oil & gas and banking sectors. She has an in-depth knowledge of the rules of the capital market, corporate governance, management of large projects as well as building and implementing company strategies. She joined PKN ORLEN SA in February 2018, first as Director of the Investor Relations Office, and since February 2019 as Executive Director, Strategy and Investor Relations, where her responsibilities include the development and implementation of the PKN ORLEN strategy and supervision over the implementation of strategic projects, preparation and execution of investment projects and divestitures, as well as the design and execution of the information policy and relationships with capital market participants. In 2016–2017, as a Director of successive departments at Bank Ochrony Środowiska SA, she supervised the bank's private banking and subsequently corporate banking business. From 2013 to 2016, as Brand Manager at Plus Bank SA, she was responsible for the creation, design and execution of the marketing strategy and external communication policy. From 2002 to 2012, she worked for Invest Bank SA, where she managed the sales network, was responsible for the development of the product range, design and execution of the bank's strategy, and managed key account relationships, in the following successive positions: Retail Banking Manager, Marketing and Analysis Manager and finally Brand Manager. From 2001 to 2002 she was the Key Account Manager at ComputerLand. In 1998–2001 she worked for Bank Współpracy Europejskiej, where she was responsible for key account relationships. She is a graduate of the Cracow University of Economics (Management and Marketing) and the University of

Insurance and Banking in Warsaw (Finance and Banking). She holds an Executive MBA diploma awarded by the University of Commerce and Services in Poznań. She also completed a postgraduate Project Management programme at the Warsaw School of Economics. She is certified as a Financial Adviser by the European Financial Planning Association. She completed a wide range of courses and trainings in the field of financial market and managerial skills. She serves on the supervisory boards of UNIPETROL, a.s., ORLEN Upstream Sp. z o.o. and is the Vice Chairperson of the Supervisory Board at Baltic Power sp. z o.o. She was also a member of the Supervisory Board of ORLEN Centrum Usług Korporacyjnych Sp. z o.o.

Marek Kasicki – Vice-President of the Management Board for Finance

A graduate of the Faculty of Management and Economics at the Gdańsk University of Technology (1995), French-Polish Postgraduate Studies in Banking and Finance (1995), Postgraduate Tax Studies (2001), Postgraduate Management Studies – Executive MBA (2010) organized by the Gdańsk Foundation for Management Education and Rotterdam School of Management Erasmus University. He started his professional career in 1995, first in the Financial Department of Danone Polska Sp. z o.o. and then in the Enterprise Analysis Department of Credit du Nord bank in France. In 1996, he joined Agencja Rozwoju Pomorza SA (ARP SA), initially as an investment specialist and, subsequently, he became its financial director and authorized representative. In 2007, he took the position of the Vice-President of the Management Board for Finance. As part of his work for ARP SA, he also dealt with the restructuring of state-owned enterprises, which included organization of the financing of their operations, preparation and implementation of effectiveness and remedial programs, budgeting and controlling systems. From 2009 to 2016, he also managed the ARP S.A. Capital Fund, under which investments in innovative projects (start-ups) were implemented. At the same time, from 2000 to 2007, he worked as Financial Director, Vice-President, President of the Management Board of the Pomerania SA Management Group. In that capacity, he implemented investment projects in the area of commercial real estate. From March 2016, as the Vice President of the Management Board of Energa Operator SA, he was responsible for the Finance and Regulation Division and the Distribution Services Division. In the Finance and Regulation Division, he supervised the budgeting and controlling of the company's operations as well as the entire Distribution Business Line of Energa SA. He also managed the company's financial liquidity in cooperation with Energa SA. He supervised the organisation and monitoring of financing of operational and investment activities from financial institutions, including the European Investment Bank and the European Bank for Reconstruction and Development, as well as regulatory policy, including the determination of all elements of regulated income of DSOs. Within the Distribution Services Division, he supervised the area of metering, issues related to customer service and the area of settlements with customers and the balancing market. He was a member of the supervisory boards of Mikrostyk SA, MODE SA, Pomorski Regionalny Fundusz Poręczeń Kredytowych Sp. z o.o., INVENO Sp. z o.o., i-Find.pl Sp. z o.o. and i-Trends Sp. z o.o. He has undergone training in IAS, corporate mergers and acquisitions. He has a state diploma for Candidates for Supervisory Board Members in State Treasury Companies.

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

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

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

Manager responsible for handling complex projects and teams, and attorney-at-law with over 20 years' professional experience in providing professional legal, corporate, and regulatory services to major commercial law entities and public institutions. Professionally associated with PKN ORLEN S.A. since February 2018 as Director of the Legal Office, with responsibilities including the provision of legal services to over 30 ORLEN Capital Group companies operating in Europe, Asia and North America. Chairman of the Supervisory Board of ANWIL S.A. and ENERGA-OPERATOR S.A. as well as Deputy Chairman of the Supervisory Board of ORLEN Unipetrol a.s. Director of the Legal Office at Energa SA between July 2017 and February 2018. From 2004 to 2017, he held the position of attorney-at-law, Deputy Director, and Director of the Legal Department at the Agency for Restructuring and Modernization of Agriculture, where he was responsible for providing comprehensive legal and litigation services to Europe's largest accredited paying agency implementing transformation processes and pursuing activities oriented towards the development of Polish agriculture and rural areas. Between 1999 and 2003, employed as a legal advisor in the area

of organization, investment and operation at PTC Sp. z o.o. (currently T-Mobile Polska S.A). Graduate of the Faculty of Law and Administration, University of Warsaw; completed his attorney-at-law training at the District Bar Association of Attorneys-at-Law in Warsaw. Holder of Executive MBA diploma awarded by the Gdańsk Foundation for Management Development in cooperation with the University of Gdańsk; validated by IAE Aix-en-Provence Graduate School of Management. In December 2019, he was recognized among the best lawyers in Central and Eastern Europe (Legal 500/GC Powerlist ranking) in the "Energy & Utilities in Poland" category.

Dominik Wadecki – Vice-President of the Management Board for Operations

Graduate of the Faculty of Law of the Catholic University of Lublin. Completed controller apprenticeship at the Supreme Audit Office with honours and postgraduate studies at the Collegium of Business Administration of the SGH Warsaw School of Economics. He began his professional career in 1997 in the banking sector, working for Pierwszy Komercyjny Bank S.A. in Lublin. From 1999 to 2007, he worked for the Supreme Audit Office, where he was responsible for examining the implementation of the state budget and monetary policy, privatization of banks, operation of capital market supervision authorities, the investment operations of banks, and the effectiveness of the tax relief and exemptions system. Has been involved in the energy sector since 2008. As an internal auditor at Polska Grupa Energetyczna, he examined the full range of operations of the companies belonging to the group, and participated in the development of the PGE operating model. In 2010, he was a member of the Supervisory Board and of the Management Board of PGE Zamojska Korporacja Energetyczna S.A. He gained executive experience at PGE Polska Grupa Energetyczna, as well as at Polska Spółka Gazownictwa sp. z o.o. and the National Fund for Environmental Protection and Water Management. Has worked for the Energa Group since 2017. He worked at Energa Logistyka Sp. z o.o. as the managing director, a management board member and, most recently, as the president of the management board.

None of the above members of the Management Board is engaged in any activities competitive to the business of Energa, participates in any competitive company as a partner of a partnership or as a member of a body of a corporation, or participates in any other competitive legal person as a member of its corporate bodies, neither is any of them listed in the Registry of Insolvent Debtors maintained pursuant to the Act on the National Court Register.

Powers and responsibilities of the Management Board

The Management Board proceeds in compliance with the CCC and the Articles of Association. The organisation and operating principles of the Management Board, including the matters which require resolutions, are set out in the Rules of Procedure of the Management Board approved by the Supervisory Board, published on the corporate website of the Company.

The Management Board administers the Company's business and represents the Company outside. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised to make statements of will on behalf of the Company in the case of a multi-person Management Board. In the case of a single-person Management Board, only a member of the Management Board is authorised to make statements of will on behalf of the Company.

Members of the Management Board supervise the areas of activity assigned to them and are responsible for the independent management of the Company's affairs as part of ordinary management, within the scope resulting from the division of competences determined in the resolution of the Management Board. As at the date of this Report, members of the Management Board, in order to manage matters falling within their competence individually, have functionally divided specific areas of the Company's activities, delegating:

- 1) to the President of the Management Board – functional oversight of the following areas of activity:
 - a) Strategy of the ENERGA Group,
 - b) strategic asset management,
 - c) market analysis and Group development,
 - d) mergers and acquisitions,
 - e) audits and inspections,
 - f) strategic risk management,
 - g) safety and security,
 - h) HR policy of the Group, including recruitment of members of corporate bodies of the ENERGA Group companies,
 - i) social dialogue,

- j) management by objectives.
- 2) To the Vice-President of the Management Board for Corporate Matters – functional oversight of the following areas of activity:
- a) organisational management,
 - b) legal services,
 - c) corporate governance within the Group,
 - d) management of organisational/corporate governance within the Group.
- 3) To the Vice-President of the Management Board for Finance – functional oversight of the following areas of activity:
- a) planning and financial analysis,
 - b) financial reporting and consolidation,
 - c) financial policy,
 - d) financial risk management within the Group,
 - e) business controlling,
 - f) investor relations,
 - g) stakeholder relations.
- 4) To the Vice-President of the Management Board for Operations – functional oversight of the following areas of activity:
- a) regulatory policy,
 - b) environmental policy,
 - c) research, development and innovation,
 - d) IT,
 - e) operational supervision over the implementation of property investments through membership in steering committees.
- 5) To the Vice-President of the Management Board for Communications – functional oversight of the following areas of activity:
- a) marketing and sponsoring,
 - b) internal and external communication,
 - c) CSR and relations with the environment,
 - d) press relations.

Method of operation of the Management Board

Resolutions of the Management Board, as a general rule, are adopted at meetings. Meetings are held as scheduled, when required, however no less frequently than once every month.

Meetings of the Management Board are convened by the President of the Management Board.

As a general rule, meetings of the Management Board are chaired by the President of the Management Board. The meeting venue is either the registered office or a different venue specified by the President of the Management Board. Rules of the Management Board allow members of the Management Board to participate in the meeting by means of direct remote communications.

Management Board resolutions are passed by an absolute majority of votes. In the event of a tie vote, the vote of the President of the Management Board is decisive. Resolutions of the Management Board are valid provided that all members of the

Management Board have been properly notified of the planned meeting and at least half of the members of the Management Board are present at the meeting.

The Management Board may adopt resolutions in a circular procedure or by means of direct communication at a distance. The detailed procedure for adopting resolutions in this way is specified in the Management Board's By-laws. A resolution adopted outside the meeting is valid when all members of the Management Board are effectively notified of the content of the draft resolution in the manner specified in the Rules of the Management Board and when at least half of the members of the Management Board participated in voting on the resolution.

In 2021, the Management Board of Energa SA held 47 meetings and adopted 510 resolutions.

10.8. Salaries of executive and supervisory staff

The Management Board

On 29 June 2020, the Ordinary General Meeting adopted Resolution 33 on the adoption of the rules for setting the remuneration of Members of the Management Board of ENERGA Spółka Akcyjna and repealing resolution 20 of the Ordinary General Meeting of Shareholders of 25 June 2019. On the same day, under Resolution No 32 the Ordinary General Meeting adopted Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA SA.

In accordance with the rules adopted by the General Meeting of Shareholders, remuneration of a Member of the Management Board shall consist of a fixed part (hereinafter: Fixed Remuneration) and a variable part, which is supplementary remuneration for the financial year of the Company (hereinafter: Variable Remuneration).

The amount of the monthly Fixed Remuneration of Members of the Management Board of the Company shall be determined as an amount and may not exceed 15 times the average remuneration in the enterprise sector without payment of awards from profit, as specified in the Act of 9 June 2016 on the Rules of Structuring Remunerations of Persons Managing Certain Companies. The amount of the Fixed Remuneration for individual Members of the Management Board of the Company shall be determined in a resolution of the Supervisory Board.

The Variable Remuneration shall depend on the level of achievement by the Member of the Management Board of managerial goals set by the Supervisory Board and shall not exceed 100% of the Fixed Remuneration.

Based on the adopted remuneration principles, contracts for the provision of management services are concluded with members of the Management Board, which provide, among others, that:

1. subject to exceptions, if the contract is terminated or withdrawn from by the Company, the Member of the Management Board may be granted a severance pay in the amount not higher than 3 times the Fixed Remuneration, provided that the Member performed the function for at least 12 (twelve) months before the Contract is terminated;
2. A non-competition agreement in force after termination of the function may be concluded with a Member of the Management Board, where such an agreement shall enter into force after at least 3 (three) months of performance of the function by a Member of the Management Board, and the amount of non-competition compensation may not exceed 100% of monthly Fixed Remuneration received by a Member of the Management Board before the termination of the function, for a period corresponding to the period of non-competition. The non-compete period shall not exceed 6 (six) months after the member of the Management Board ceased to perform their function.

The individual salaries of the members of the Company's Management Board for 2021 are presented in the table below.

Table 40: Salaries of members of the Management Board of Energa SA in the period from 1 January to 31 December 2021 (in PLN '000)

Name	Period in office	Wages and salaries	Other benefits*	Total
Goliński Jacek	from 1 January to 16 July 2021	431.57	1,031.71	1,463.28
Kasicki Marek	from 1 January to 31 December 2021	739.84	400.93	1,140.77

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Sikorska Adrianna	from 1 January to 31 December 2021	739.84	478.04	1,217.88
Szurski Janusz	from 15 November to 31 December 2021	47.27	0.82	48.09
Wadecki Dominik	from 1 January to 31 December 2021	739.84	491.46	1,231.3
Waksmundzka-Olejniczak Iwona	from 1 January to 31 December 2021	369.92	189.96	559.88
TOTAL		3,068.28	2,592.92	5,661.2

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

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

1. 100% coverage of the cost of VIP medical care package for the member of the Management Board and 50% of his or her immediate family
2. tied accommodation, in justified situations, or partial reimbursement of rental costs,
3. financing or reimbursement of individual training relating to the scope of activities performed for the Company,
4. use of the Company's assets that support performance of management operations.

The compensation plan for the members of the Management Board of Energa is based on management by objectives. Objectives are set on the basis of the current Energa Group Strategy, the Multi-Annual Plan of Strategic Investments and the internal and external challenges faced by the Energa Group. The payment of variable pay components to members of the Management Board of Energa SA depends on the degree and level of achievement of objectives. Additionally, the objectives of the Management Boards of Lead Entities of Business Lines and Company management are aligned with the objectives of the Management Board of Energa and cascaded in a top-down fashion. The existing model offers incentives and integrates the executives and managers around the objectives, encouraging co-ownership.

The system design allows both a focus on activities that are important from the perspective of the Energa Group and the fulfilment of the Group's ambitions. It is also important for the Company's shareholders, allowing to create long-term value for Energa and ensuring the stability of business operations.

The Supervisory Board

On 29 June 2020, the Ordinary General Meeting of Shareholders adopted Resolution No. 34 determining the rules for setting the remuneration of the Members of the Supervisory Board of ENERGA Spółka Akcyjna and repealing Resolution No. 21 of the Ordinary General Meeting of Shareholders of 25 June 2019. On the same day, under Resolution No 32 the Ordinary General Meeting adopted Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA SA.

In accordance with the Articles of Association, members of the Supervisory Board are entitled to a monthly salary at a rate set by the General Meeting.

In accordance with rules adopted by the General Meeting of Shareholders, the monthly remuneration of Members of the Supervisory Board is set as the product of the assessment basis referred to in Article 1(3)(11) of the Act of 9 June 2016 on the Rules of Determining Remuneration for Persons Managing Certain Companies and a multiplier of 1.5. Remuneration shall not be payable for the month in which a Member of the Supervisory Board of the Company was not present at any of the properly convened meetings of the Supervisory Board of the Company, and their absence was not justified in the manner specified by the By-laws of the Supervisory Board of the Company.

Salaries of the members of the Supervisory Board of Energa SA for 2021 are presented in the table below.

Table 41: Salaries of members of the Supervisory Board of Energa SA in the period from 1 January to 31 December 2021 (in PLN '000)

Name	Period in office in 2021	Wages and salaries	Other benefits*	Total
Dybowski Jarosław	from 1 January 2021 to 5 May 2021	27.52	0	27.52
Kobyłkiewicz Sylwia	from 1 January 2021 to 31 December 2021	79.27	0	79.27
Marchewicz Marta	from 1 January 2021 to 14 November 2021	69.14	0	69.14
Piotrowska Agata	from 1 June 2021 to 31 December 2021	46.24	0	46.24
Róg Michał	from 1 January 2021 to 31 December 2021	0	0	0
Szuladziński Trajan	from 1 January 2021 to 31 December 2021	79.27	0	79.27
Terlikowska-Kulesza Agnieszka	from 1 January 2021 to 31 December 2021	79.27	0	79.27
Ziemiecka-Księżak Paula	from 1 January 2021 to 31 December 2021	79.27	0	79.27
Żyro Agnieszka	from 1 January 2021 to 31 December 2021	79.27	1.09	80.36
Pawłowski Andrzej	salary adjustment 2018-2020	14.74	0	14.74
Wtulich Zbigniew	salary adjustment 2018-2021	14.74	0	14.74
TOTAL		568.73	1.09	569.82

* Employee Capital Plan employer

Number and par value of Company shares and shares in the Company's related entities held by management and supervisory staff

None of the members of the Management Board or Supervisory Board of Energa SA had any Company shares as at 31 December 2021.

10.9. Diversity policy

The Company's employee diversity policy is presented in several internal documents. However, it has not been adopted in a document form by the Supervisory Board or the General Meeting. Energa respects the dignity of every person regardless of race, nationality, religion, gender, education, professional position, sexual orientation, degree of disability or political affiliation, and does not accept any form of discrimination. The Company seeks to ensure diversity through the selection of diverse and professional managerial and supervisory talents. Furthermore, inspiring ideas put forward by employees encourage action, while stimulating the Company's development. This diverse human potential is a source of innovation.

Another cornerstone of diversity management at Energa involves ensuring equal access to professional development and promotions. Based on equal principles, rights and obligations, the Company ensures that everyone can be fairly and fully involved in the Energa Group's fields of activity.

10.10. Main features of internal control and risk management systems in relation to the financial reporting process

The Company runs an internal control system which ensures credibility and reliability of financial reporting and compliance with the laws and internal regulations. As regards preparation of financial statements, the system of internal control includes:

- control activities performed by employees in the scope of duties entrusted to them,
- functional control carried out as part of the supervision duties over reporting organisational units,
- audit of compliance of the Company's actions with the provisions of law and internal regulations.

The internal audit function is an important element of the internal control system. Internal auditing is an independent, objective activity designed to add value and improve an organisation's operations, bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It helps an organisation accomplish its objectives, giving assurance as to the effectiveness of these processes, also through consulting.

The Company has an internal audit unit. It performs audit functions in companies of the Energa Group in line with the Energa Group's Internal Audit Policy. As part of its tasks, the unit carries out an annual Assessment of the internal control, risk management and compliance system at the Company. The purpose of this Assessment is to strengthen the internal control system by identifying good practices, while identifying areas where the system should be strengthened. The area of financial reporting is part of the annual Appraisal of the Internal Control System, risk and compliance management in Energa SA.

The purpose of an effective internal control system in financial reporting is to ensure the adequacy and accuracy of the financial information disclosed in periodic reporting. For that purpose, the Company has designed, implemented and used financial reporting process control matrices.

The area of financial reporting is part of the annual Appraisal of the Internal Control System, risk and compliance management in Energa SA, which was conducted by employees of the Audit and Internal Control Office for 2021. The assessment of the financial reporting aspects was positive.

Financial information used for financial reporting, Management Board reports and Energa's monthly management and operational reporting is derived from the Company's financial accounting system. Following the completion of all predefined end-of-month ledger closing processes, detailed management reports on finance and operations are prepared. The reports are drafted with the involvement of managers and executives from each organisational unit. For past reporting periods, the Company's financial performance is thoroughly analysed against budget estimates, and any identified deviations are properly clarified.

Both financial and management reporting of the Company and the Energa Group are based on the Accounting Policy (according to the International Financial Reporting Standards), which is updated as required and adopted for application by means of a resolution of the Company's Management Board.

The Company carries out annual reviews of strategies and economic and financial plans. Managers and executives are engaged in a detailed planning and budgeting process, which spans all areas of operation. When prepared, the economic and financial plan is adopted by the Management Board and approved by the Supervisory Board.

The selection of an auditor to audit the separate and consolidated financial statements of the Company is the responsibility of the Supervisory Board. A statutory auditor licensed to audit the financial statements of the Company is understood as the entity defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

The Company adopted a document entitled "Policy and procedure for the appointment of the auditor and policy of provision of additional services by the auditor, the entity related to the auditor and by a member of the network", the provisions of which meet requirements of the Act of on Statutory Auditors, Audit Firms and Public Supervision. In compliance with § 23a of the Company's Articles of Association, the Audit Committee recommends to the Supervisory Board an entity authorized to audit the Company's financial statements and the Supervisory Board appoints and dismisses such entity. In previous practice, the Company did not cooperate for a continuous period of more than 5 years with any statutory audit firm.

The auditor selection procedure as a whole is carried out by the Audit Committee of the Supervisory Board and it includes the definition of auditor selection criteria, carrying out the selection procedure and authorising the Management Board to enter into a contract for auditing services with the auditor of choice. The Supervisory Board awards the contract for auditing services following a procedure aimed at selecting an independent auditor and a proposal in which the quote reflects the auditor's workload, its position on the market for auditing services and understanding of the Company's industry.

Due to the entry into force of Regulation (EU) of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and the amendment of the Accounting Act providing for a minimum term of two years for auditing services contracts, the Supervisory Board decided to carry out the auditor firm selection procedure for the period from 2019 to 2021. As a result of the procedure, on 29 June 2018, the Company's Supervisory Board selected statutory audit firm

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k., with registered office in Warsaw, ul. Inflancka 4A ("KPMG") as the statutory auditor to audit and review the separate and consolidated financial statements of Energa SA and the Energa Group for annual periods ended, respectively, 31 December 2019, 31 December 2020 and 31 December 2021.

On 22 January 2022, the Company's Supervisory Board initiated the procedure for selecting the auditor to examine the financial statements for the years 2022 and 2023.

The audit report is presented to the Management Board, Audit Committee and Supervisory Board. Following the annual audit, the statutory auditor presents the Company with the 'Audit Management Letter', describing the deficiencies and irregularities which have been identified in the course of the audit but do not have any significant impact on the reliability and accuracy of the financial statements.

Risk management in the process of preparing financial statements is based on the identification and assessment of risk along with the definition of further risk response and its ongoing monitoring. As part of the Energa Group Integrated Risk Management System, financial reporting risk relating to the timely and error-free preparation of the Company's and Group's financial statements, as well as reporting and management information risk involved, for instance, in obtaining and preparation of management, operating and financial information required for management decisions, are identified and managed. The control mechanisms for the above risks include, without limitation: The Accounting Policy of the Energa Group and Energa SA, ledger accounting instructions, ongoing consultations with the auditor relating to interpretation of accounting regulations, automatic controls embedded in IT systems, manual controls, principles of drawing up financial plans, financial and management reporting calendar or hedge accounting principles.

The risk management process, which is described in more detail in a separate chapter herein, spans all business lines and corporate levels across the Group. It assumes ongoing and cyclical risk reviews and monitoring as well as an independent periodic assessment of effectiveness and efficiency of the system and its continuous improvement.

The findings of risk identification and assessment, including reporting risks, are adopted by the Company's Management Board in the form of a resolution of the Management Board, which additionally covers the definition of the risk appetite and management strategies for individual risks, while obligating Risk Owners to implement adopted action plans. Additionally, as part of the monitoring of the effectiveness of the Energa Group risk management system, a summary risk review report is submitted to the Audit Committee of the Energa Group's Supervisory Board.



Registered office of Energa SA in Gdańsk in al. Grunwaldzka

Management Board representation and information

11. MANAGEMENT BOARD REPRESENTATION AND INFORMATION

Gdańsk, 30 March 2022

The Management Board of Energa SA hereby informs and represents that:

- (1) to the best of its knowledge, the annual separate financial statements, the annual consolidated financial statements and reference data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear view of the assets and financial position of Energa SA and the Energa Group, and of their financial results. The Management Board's Report on the operations of the Energa Group and Energa SA gives a true view of the development, achievements and condition of the Energa Group and Energa SA, and includes a description of the key risks and threats;
- (2) KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k., the entity authorized to examine financial statements, which audited the separate financial statements of Energa SA for the financial year ended 31 December 2021 and the consolidated financial statements of the Energa Group for the financial year ended 31 December 2021, was selected in accordance with the applicable laws and regulations. That entity and the auditors who audited the aforesaid statements met the conditions for expressing an impartial and independent opinion from the audit of the separate financial statements and the consolidated financial statements in accordance with the applicable laws and regulations and professional standards,
- (3) the selection of the audit firm examining the annual separate financial statements and the annual consolidated financial statements was compliant with legal provisions, including those governing the selection and the procedure for selecting audit firms, and states that:
 - a) the audit firm and the members of the audit team met the conditions required for preparing an impartial and independent auditor's report from the audit of the annual separate financial statements and the annual consolidated financial statements in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics,
 - b) the Group complies with the applicable legal provisions governing the rotation of audit firms and lead auditors as well as with the mandatory cooling-off periods,
 - c) the issuer has a policy in place governing the selection of audit firms and a policy on the provision of non-audit services by audit firms, their related parties or members of their service networks to the issuer, including services conditionally exempted from the prohibition on provision by audit firms.

Signatures of Energa SA Management Board Members

Iwona Waksmundzka-Olejniczak
President of the Management Board of Energa SA

Marek Kasicki
Vice-President of the Energa SA Management Board
for Finance

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

Dominik Wadecki
Vice-President of the Energa SA Management Board
for Operations

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

Magdalena Kamińska
Director of the Finance Department

List of tables

Table 1: Status of implementation of the investment programme in 2021	21
Table 2: Energa Group's awards in 2021	28
Table 3: Average price levels of green property rights listed on the Polish Power Exchange	41
Table 4: Overview of legislation having a material effect on the Group	42
Table 5: Overview of legislation with a potential material effect on the Group	45
Table 6: Consolidated statement of profit or loss (PLN m)	50
Table 7: EBITDA after material one-off events* (PLN m)	52
Table 8: Consolidated statement of financial position (PLN m)	53
Table 9: Consolidated cash flow statement (PLN m)	55
Table 10: Financial ratios of the Energa Group	57
Table 11: EBITDA of the Energa Group, by Business Lines (PLN m)	60
Table 12: Distribution of electricity by tariff groups (GWh)	60
Table 13: SAIDI and SAIFI indicators	61
Table 14: Number of customers of Energa Operator SA in 2018-2021 (by tariff groups)	61
Table 15: Results of the Distribution Business Line (PLN m)	62
Table 16: Gross electricity production (GWh)	63
Table 17: Gross heat production (TJ)	64
Table 18: Volume and cost of consumption of key fuels	65
Table 19: Result of the Generation Business Line (PLN m)	66
Table 20: EBITDA for Generation Business Line broken down to Generation Segments (PLN m)	67
Table 21: Results of the Hydro Power Division (PLN m)	68
Table 22: Results of the Wind Power Division (PLN m)	69
Table 23: Results of the Ostrołęka Power Plant Division (PLN m)	69
Table 24: Results of the Other and Adjustments Division (PLN m)	69
Table 25: Sale of electricity (GWh)	70
Table 26: Results of the Sales Business Line (PLN m)	73
Table 27: Separate statement of profit or loss (PLN m)	76
Table 28: Standalone statement of financial position (PLN m)	77
Table 30: Structure of the annual separate statement of financial position	79
Table 31: Key strategic risks identified at the level of Energa and Group companies	83
Table 32: Key legal and regulatory risks identified at the level of Energa SA and Group companies	85
Table 33: Key operational risks identified at the level of Energa and Group companies	86
Table 34: Key financial risks identified at the level of Energa and Group companies	87
Table 34: Company's shares by series and type as at 31 December 2021	90
Table 35: Shareholding structure of the Energa Company as at 31 December 2021 and as at the date of this Report	90
Table 36: Data for Energa shares as at 31 December 2021	91
Table 38: Valid ratings of Energa as at 31 December 2021	92
Table 42: Energa's headcount as at 31 December 2018, 2019, 2020 and 2021*	111
Table 43: Remuneration of the auditor for services provided to the Group ('000 PLN)*	113
Table 44: Salaries of members of the Management Board of Energa SA in the period from 1 January to 31 December 2021 (in PLN '000)	130
Table 45: Salaries of members of the Supervisory Board of Energa SA in the period from 1 January to 31 December 2021 (in PLN '000)	132

List of figures

Figure 1: Business locations and main assets of the Group.....	6
Figure 2: Number of Energa Operator SA customers as at 31 December 2018-2021 (000s).....	6
Figure 3: Structure of Energa Obrót's end customers by customer type	7
Figure 4: Simplified organisational chart of the Energa Group as at 31 December 2021	8
Figure 5: Organisational chart of Energa as at 31 December 2021	12
Figure 6: Annual changes in the GDP, domestic demand, individual consumption and investments	34
Figure 7: Annual growth rate of the quarterly consumer price index.....	35
Figure 8: Production and consumption of electricity in Poland in 2012-2021 (TWh)	36
Figure 9: Power generation mix in Poland in 2012-2021 (TWh).....	37
Figure 10: Annual cross-border power exchange volumes in Poland 2012-2021 (TWh).....	37
Figure 11: Prices of energy in the SPOT market in Poland and in neighbouring countries in 2021 (PLN/MWh)	38
Figure 12: Prices of coal including cost of transport for coal-fired power plants at year-end in 2016-2021 (PLN/GJ)	38
Figure 13: Prices of the TGeBase index from 2020 to 2021 (PLN/MWh)	39
Figure 14: Base-load electricity futures price with delivery in 2022.....	40
Figure 15: Prices for emission allowances (EUA DEC 2021) in 2021	40
Figure 16: Comparison of prices on the balancing market and SPOT market (exchange) in 2021 (PLN/MWh).....	41
Figure 17: Distribution territories of top energy groups.....	47
Figure 18: Comparison of operating data for the ENERGA Group and the other energy groups (data from Q1 to Q3 2021) ¹	47
Figure 19: Factors relevant to the development of the Energa Group at least throughout 2022	48
Figure 20: EBITDA bridge by Business Lines (PLN m) in 2018-2021	51
Figure 21: Cash flows of the Group in 2018-2021 (PLN m).....	56
Figure 22: Structure of assets and liabilities from 2018 to 2021.....	57
Figure 23: Results of the Distribution Business Line of the Energa Group (PLN m).....	62
Figure 24: EBITDA bridge of the Distribution Business Line (PLN m).....	63
Figure 25: Results of the Generation Business Line of the ENERGA Group (PLN m)	66
Figure 26: EBITDA bridge of the Generation Business Line (PLN m).....	67
Figure 27: Results of the Sales Business Line (PLN m).....	73
Figure 28: EBITDA bridge of the Sales Business Line (PLN m).....	74
Figure 29: Structure of assets and liabilities	80
Figure 30: The Energa Group risk management process.....	82
Figure 31: Shareholding and voting structure at the General Meeting of Energa as at 31 December 2021 and as at the date of this Report	90
Figure 32: Changes in Energa stock prices compared to changes in WIG, WIG30 and WIG-ENERGIA indices in 2021	91
Figure 33: Energa Group's headcount as at 31 December in 2018-2021*	107
Figure 34: Structure of employment in the Energa Group in 2021 by sex, education and age	108
Figure 35: Employment structure at Energa SA as at 31 December 2021	112

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

GLOSSARY OF TERMS AND ABBREVIATIONS

AMI (Advanced Metering Infrastructure)	An integrated set of smart electricity meters, modules and communication systems enabling the collection of data on energy consumption for specified users.
Billing	A detailed receipt, a statement of all charges for value-added services used by a subscriber in a billing period.
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials.
CAPEX (Capital Expenditures)	Capital expenditures.
CBRF	Centrum Badawczo-Rozwojowe im. M. Faradaya (Faraday Research and Development Centre), established for the purpose of implementation of Energa's Innovation Strategy for 2017-2020, with a perspective beyond 2025.
CO2	Carbon dioxide.
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets. Since the EBITDA definition changed in 2016, EBITDA for comparable periods (2013-2015) has been recalculated according to the new definition.
EBIT (earnings before interest and taxes)	Operating profit.
EBOR	European Bank for Reconstruction and Development
Issuer, issuer	Energa SA
EMTN	The Euro Medium Term Note (EMTN) programme
Energa SA, Energa, Energa SA	Parent company of the Energa Group.
Energa Operator, Energa Operator SA, EOP	Energa Operator SA, a subsidiary of Energa SA and the Lead Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, Energa Obrót SA, EOB	Energa Obrót SA, a subsidiary of Energa SA and the Lead Entity of the Sales Business Line in the Energa Group.
Energa OZE, Energa OZE SA	Energa OZE SA, a subsidiary of Energa SA and the Lead Entity of the Generation Business Line in the Energa Group. Energa Wytwarzanie SA was renamed Energa OZE SA on 3 September 2019.
	The Euro Medium Term Notes issuance programme.
ESG	Environmental, Social, Governance
EU	The European Union.
EUR	Euro, the currency used in European Union's eurozone countries.
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange)
The Energa Group, the Group, Energa	A group of companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialised transport, hotel and IT services.
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable.
GUS	Główny Urząd Statystyczny (the Central Statistical Office).
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W.
GWe	Gigawatt of electric power.
GWh	Gigawatt hour.
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate.
KNF	Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority).

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

Cogeneration, CHP	An engineering process of simultaneous production of heat and electric or mechanical energy in the course of the same engineering process.
Covenants	Contract clauses used as safeguards, especially in lending agreements.
KRS	Krajowy Rejestr Sądowy (the National Court Register).
NPS	National Power System
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ.
MEW	Small hydro power plant.
MSP	Ministerstwo Skarbu Państwa (the Ministry of Treasury).
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ W.
MWe	Megawatt of electric power.
MWh	Megawatt hour.
MWt	Megawatt of electric power.
NBP	Narodowy Bank Polski (the National Bank of Poland), Poland's central bank.
NFOŚiGW	Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (the National Fund for Environmental Protection and Water Management).
NIB	Nordic Investment Bank
EGM	The Extraordinary General Meeting of Energa SA.
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity.
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems.
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in a gas or electricity transmission system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the transmission network, including connections to other gas or electricity systems.
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session.
PGE	PGE Polska Grupa Energetyczna SA.
PGG	Polska Grupa Górnicza SA
GDP	Gross Domestic Product.
PLN	Polish zloty; national currency.
PMI	Forward-looking index of the Polish industry
PMOZE_A	Property rights in certificates of origin for renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin.
p.p.	Percentage point.
ECP	Electricity connection point
GCP	Gas connection point
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from cogeneration.
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company

**Energa SA's Management Board Report on the activities
of the Energa Capital Group and Energa SA in 2021**

	designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the electricity transmission system operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014.
yoy	Year on year.
DAM	Day-Ahead Market
SAIDI (System Average Interruption Duration Index)	System Average Interruption Duration Index.
SAIFI (System Average Interruption Frequency Index)	System Average Interruption Frequency Index.
Smart Grid	An electricity system that integrates in an intelligent way the behaviours of all participants of generation, transmission, distribution and use processes in order to supply electricity in an economic, sustainable and safe manner. Comprehensive power industry solutions allowing for linking, mutual communication and optimal control of previously dispersed elements of energy networks.
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D.
Certificate of origin	Certificate of origin from renewable energy sources, a green certificate, and a certificate of origin from cogeneration.
Certificate of origin from cogeneration	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a cogeneration unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a cogeneration unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another cogeneration unit (known as a red certificate).
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate).
Tariff G	A tariff group for individual customers – households.
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions.
TPA (Third Party Access)	A principle under which the owner or operator makes its network infrastructure available to third parties in order to provide services to customers. In the case of electricity, this means the possibility of using the network of a local energy distributor to deliver energy purchased from any seller to the indicated location.
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
EU	The European Union.
URE	The Energy Regulatory Office.
WACC	Weighted average cost of capital.
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate.
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner can be deemed to be energy generated in a renewable energy source.