

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

***Polenergia S.A. Group***

**HALF-YEAR REPORT ON THE OPERATIONS OF THE POLENERGIA GROUP  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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Warsaw, 13 August 2019

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## 1. Combined statement of profit or loss for the 6-month period ended 30 June 2019

In the first half of 2019 the Polenergia Group's results in terms of the adjusted (normalized) EBITDA and net profit amounted to PLN 127.9m and PLN 51.3m, respectively, which means growth compared to the corresponding period of the preceding year of PLN 70.5m and PLN 63.4m.

Polenergia Group Income Statement (PLN m)	6M 2019	6M 2018	Difference YOY	Difference YOY [%]	Q2 2019	Q2 2018	Difference YOY	Difference YOY [%]
<b>Sales revenues, including:</b>	<b>1 304,2</b>	<b>1 573,8</b>	<b>(269,5)</b>	<b>-17%</b>	<b>589,6</b>	<b>826,9</b>	<b>(237,4)</b>	<b>-29%</b>
trading segment	991,2	1 298,1	(306,9)		456,1	693,9	(237,8)	
other	313,1	275,7	37,4		133,4	133,0	0,4	
<b>Cost of goods sold, including:</b>	<b>(1 209,9)</b>	<b>(1 546,3)</b>	<b>336,5</b>	<b>22%</b>	<b>(558,4)</b>	<b>(823,0)</b>	<b>264,6</b>	<b>32%</b>
trading segment	(980,8)	(1 314,9)	334,1		(450,8)	(711,9)	261,1	
other	(229,1)	(231,4)	2,3		(107,6)	(111,1)	3,5	
<b>Gross profit on sales</b>	<b>94,4</b>	<b>27,4</b>	<b>66,9</b>	<b>244%</b>	<b>31,1</b>	<b>3,9</b>	<b>27,2</b>	<b>697%</b>
Selling expenses and general overheads	(19,1)	(21,1)	2,0	9%	(9,7)	(11,9)	2,3	19%
Other operating revenue/expense	0,9	(1,3)	2,2	166%	0,4	(2,3)	2,6	117%
<b>A Operating profit (EBIT)</b>	<b>76,1</b>	<b>5,0</b>	<b>71,1</b>	<b>1424%</b>	<b>21,8</b>	<b>(10,3)</b>	<b>32,1</b>	<b>312%</b>
Depreciation/Amortization	51,0	48,1	2,9		25,5	24,1	1,4	
Impairment losses	0,8	16,9	(16,1)		0,3	16,6	(16,3)	
Profit on loss of control over subsidiaries***	-	(12,0)	12,0		-	(12,0)	12,0	
<b>EBITDA</b>	<b>127,9</b>	<b>58,0</b>	<b>69,9</b>	<b>120%</b>	<b>47,6</b>	<b>18,4</b>	<b>29,2</b>	<b>158%</b>
Normalizing adjustments:								
Purchase price allocation (PPA)	-	(0,7)	0,7	100%	-	-	-	
<b>Adjusted EBITDA*</b>	<b>127,9</b>	<b>57,3</b>	<b>70,5</b>	<b>123%</b>	<b>47,6</b>	<b>18,4</b>	<b>29,2</b>	<b>158%</b>
<b>B Financial income</b>	<b>3,3</b>	<b>3,1</b>	<b>0,2</b>		<b>1,5</b>	<b>1,8</b>	<b>(0,4)</b>	
<b>C Financial costs</b>	<b>(24,8)</b>	<b>(35,9)</b>	<b>11,1</b>		<b>(12,6)</b>	<b>(22,0)</b>	<b>9,4</b>	
<b>A+B+C Gross profit (loss)</b>	<b>54,6</b>	<b>(27,8)</b>	<b>82,3</b>	<b>296%</b>	<b>10,7</b>	<b>(30,5)</b>	<b>41,2</b>	<b>135%</b>
Income tax	(8,9)	(9,5)	0,6	6%	(2,1)	(6,9)	4,8	70%
<b>Net profit (loss)</b>	<b>45,6</b>	<b>(37,3)</b>	<b>82,9</b>	<b>222%</b>	<b>8,6</b>	<b>(37,4)</b>	<b>46,0</b>	<b>123%</b>
Normalizing adjustments:								
Purchase price allocation (PPA)	4,1	3,6	0,6		2,1	2,1	-	
Foreign exchange differences	0,2	0,4	(0,2)		0,0	0,4	(0,4)	
Loan valuation using the amortized cost method	0,7	7,4	(6,7)		0,3	6,7	(6,4)	
Impairment losses**	0,8	16,9	(16,1)		0,3	16,6	(16,3)*	
Net profit / loss on sale of offshore WF	-	(3,0)	3,0		-	(3,0)	3,0	
<b>Adjusted net profit (loss)*</b>	<b>51,3</b>	<b>(12,0)</b>	<b>63,4</b>	<b>526%</b>	<b>11,4</b>	<b>(14,6)</b>	<b>25,9</b>	<b>178%</b>
<b>Adjusted EBITDA*</b>	<b>127,9</b>	<b>57,3</b>	<b>70,5</b>	<b>123%</b>	<b>47,6</b>	<b>18,4</b>	<b>29,2</b>	<b>158%</b>
Adjusted EBITDA Margin*	9,8%	3,6%	6,2%		8,1%	2,2%	5,8%	
<b>Adjusted EBITDA (excl. trading segment)</b>	<b>121,9</b>	<b>78,9</b>	<b>43,0</b>	<b>55%</b>	<b>44,7</b>	<b>38,8</b>	<b>5,9</b>	<b>15%</b>
Adjusted EBITDA margin (excl. trading segment)	38,9%	28,6%	10,3%		33,5%	29,2%	4,4%	

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

\*\*) Reversal of impairment losses in development and implementation segment

\*\*\*) Refers to transfer of interest in offshore wind farms

Sales revenues of Polenergia Group in 1H 2019 were lower by PLN 269.5 due to lower revenues in the trading segment (by PLN 306.9m) partly offset by higher revenues mainly in the wind power segment (by PLN 44.9m).

The adjusted EBITDA in the period in question amounted to PLN 127.9m and exceeded by PLN 70.5m the one in the corresponding period of the preceding year, mainly due to better performance of the wind power segment (by PLN 44.1m) resulting from higher production volume and higher prices of green certificates and electricity, as well as due to better performance of the trading segment (by PLN 27.5m) resulting mainly from better result on electricity trading.

On the other hand, in the second quarter of 2019, the Polenergia Group's sales revenue dropped by 29% year on year, affected mainly by lower sales revenue in the trading segment.

Adjusted EBITDA for said period amounted to PLN 47.6m, and was higher by PLN 29.2m year on year, mainly due to a better result of the wind power and trading segments.

## 2. Detailed comments regarding financial performance for the 6-month period ended 30 June 2019 and other significant information on the position of the Group

The wind power segment experienced a PLN 44.1m year-on-year increase in EBITDA, with the EBITDA increase by PLN 6.8m in the second quarter alone. Better performance of this segment was due to

higher production volumes of green certificates (by 78.1GWh) and electricity (by 77.1GWh), as well as higher average prices of green certificates and electricity. The above was partly offset by higher operating costs triggered by one-off events that occurred in 2018: it was in that year that some of the historical costs of technical service were reversed in Mycielin following an amicable settlement with Vestas and the positive adjustment of the real estate tax return for the period Jan.-Jun. 2018 in Gawłowiec, Skurpie, Rajgród and Mycielin wind farms was recognized.

EBITDA of the conventional energy segment declined by PLN 1.2m year on year, with a reduction of PLN 0.7m in the second quarter alone. The worse result is the consequence of the fact there have been no revenues from yellow certificates after the existing support scheme for gas cogeneration had expired with the end of 2018. The impact of this factor has been partly offset by higher revenues from stranded costs compensation (negative impact of the update of long-term natural gas prices and CO<sub>2</sub> emission allowances in 1H 2018). Lower EBITDA in the second quarter results, in addition, from lower revenues from gas costs compensation (lower gas price) and lower production of electricity in Q2 2019 (overhaul).

The 2019 1H EBITDA in the trading segment was higher by PLN 27.5m year on year, due to better performance of electricity trading, better sales of green certificates resulting from higher sales prices and lower operating costs, as well as lower commission costs. The impact of those factors was inhibited by the increase of the profile and balancing costs (which are not fully allocated to wind farms), resulting in a worse result on electricity sales by wind farms.

The 1H EBITDA of the distribution segment was higher by PLN 0.1m year on year, with the figure remaining unchanged in the second quarter alone. The result was impacted by higher distribution margin, lower operating costs (lower real estate tax and salaries cost) and the refund of the real estate tax, offset by lower margin on electricity sales.

Following the sale of assets of Biomasa Południe and Biomasa Północ plants in 2018 and in view of the ongoing restructuring process in the biomass segment, the Group refrained from disclosing the result of the biomass segment in its financial reports under a separate item. The financial performance of Biomasa Wschód, the only plant continuing operations, has been recorded under Unallocated item. Biomasa Wschód has been continuing its performance under the contracts for the delivery of pellet, with ongoing prospecting of the buyer for this plant.

The result under the Unallocated item was better by PLN 0.2m compared to the corresponding period of the preceding year due to lower cost of external services at headquarters in 2019, offset by the recognition of a negative difference of PLN 0.5m resulting from the impact of the biomass segment recognized under said item after the decision had been made to discontinue disclosure of biomass under a separate item in 2019.

As a consequence of the abovementioned developments, the adjusted EBITDA margin excluding the trading segment amounted to 38.9%, and was higher by 10.3pp year on year. In Q2 2019, in turn, the adjusted EBITDA margin amounted to 33.5% and was higher by 4.4pp year on year.

The result on financial operations in 1H and Q2 was better compared against the preceding year by PLN 11.3m and PLN 9.1m, respectively, predominantly due to lower finance costs (by PLN 11.1m). The reduction of the finance costs was mainly attributable to the loan measurement in Amon and Talia using the effective interest rate (PLN 8.2m) in the second quarter of 2018 following completion of debt reprofiling at the end of the second quarter of 2018, lower interest expense (by PLN 2.5m) and lower f/x difference cost (by PLN 0.4m).

Lower income tax (by PLN 0.6m) has been mainly due to the impact of the income tax on the sale of shares in offshore wind farm projects in 2018.

In addition, the net profit was impacted by impairment losses of non-financial fixed assets in the development and implementation segment amounting to PLN 0.8m.

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**Other significant information on the Group's condition**

The debt situation in the portfolio companies is being permanently monitored.

On 29 March 2019 Amon Sp. z o.o. and Talia Sp. z o.o. subsidiaries entered into service agreements with Siemens Gamesa Renewable Energy Sp. z o.o. for the term of 23 years. Execution of said agreements permits extending the service term of the wind turbines of the a/m wind farms up to 30 years.

On 8 May 2019 the subsidiaries Polenergia Farma Wiatrowa 1 Sp. z o.o., Polenergia Farma Wiatrowa 4 Sp. z o.o. and Polenergia Farma Wiatrowa 6 Sp. z o.o. signed annexes to the service agreements with Siemens Gamesa Renewable Energy Sp. z o.o. Said agreements cover the servicing of turbines until 31 January 2045 for the projects of Gawłowice, Rajgród and Skurpie. Execution of said annex permits extending the service term of the wind turbines of the a/m wind farms up to 30 years.

On 4 April 2019 the subsidiary Elektrociepłownia Nowa Sarzyna Sp. z o.o. entered into an agreement with the related party Polenergia Obrót S.A for the sale of electricity with a one-year term since 1.01.2020 until 31.12.2020. Also, on 4 April 2019, Elektrociepłownia Nowa Sarzyna, acting under the framework agreement with PGNiG Supply & Trading GmbH Sp. z o.o. Oddział w Polsce, entered into a contract for the supply of gas fuel with a one-year term since 1.01.2020 until 1.01.2021.

Biomass projects restructuring has been continued. The company Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o. is currently in liquidation, while the prospecting process for the investing company for Biomasa Energetyczna Wschód Sp. z o.o. is continued, in cooperation with the lending bank. The company Polenergia Biomasa Energetyczna Wschód Sp. z o.o. intends to participate in tenders for the supply of pellet in and beyond 2020. In addition, an annex was signed with the lending bank under which the investment loan repayment schedule was modified to reflect the company's position.

On 25 July 2019 the District Court in Gdańsk issued a partial and preliminary judgment in the case instituted by Amon Sp. z o.o. versus PKH. In such judgment the Court granted the claim of Amon Sp. z o.o. in that part which referred to ruling ineffective notices of termination made by the company Polska Energia – Polska Kompania Handlowa Sp. z o.o. of the Contract for the Sale of Proprietary Interest in Certificates of Origin Confirming Generation of Electrical Energy in a Renewable Energy Source and the Contract for the Sale of Electrical Energy Generated in a Renewable Energy Source. The court ruled the PKH's notices of termination ineffective and decided they had no legal effect of terminating both contracts. Thus, both contracts, after the expiry of the termination period, i.e. following 30 April 2015, shall remain in full force with respect to all their provisions and they shall be binding upon parties. The Court also determined that in principle the claims for damages raised by Amon against PKH on account of non-performance by PKH of the Contracts for the Sale of Proprietary Interest were justified. Said judgment is not yet valid and binding and may be complained against.

The Group continues work to create a 199 MW wind farms projects portfolio based on the revenue from the energy market or its long term contracts. The Group has not excluded its participation in any potential auction for wind farm that may take place in 2019.

The construction process is continued with respect to 8 photovoltaic farms with total capacity of 8 MW that were successful bidders in the 2018 auction and thus were granted the right to cover the negative balance with reference to the price for the produced electricity quoted in the auction for a 15-year period. The Group prepares its photovoltaic farm projects of the total capacity of 12 MW to participate in further auctions (anticipated in 2019), with discussions being at an advanced stage regarding financing of both projects with the capacity totaling 20MW. More projects with the capacity of 30 MW are at their early stage of development.

In the distribution segment, the President of ERO approved new distribution tariff for Polenergia Dystrybucja Sp. z o.o., that has been established based on the justified, forecasted operating costs for

the period of following 12 months. Prices of electricity supply for final customers in household segment are regulated by the “Act on the freezing of electricity prices”. Also, the approved investment plan for the years 2019-2022 totaling PLN 51m has been under implementation.

The Group prepares three offshore wind farms (Polenergia Bałtyk I S.A., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.) located on the Baltic Sea with total capacity up to 3000 MW for construction. The date of construction of those farms will depend on the effective date of the relevant regulatory framework. According to the contract executed in Q2 2018 with Statoil Holding Netherlands B.V (currently Equinor), the Group currently holds a 50% interest in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. With respect to Polenergia Bałtyk I S.A., a preliminary agreement was entered into for the transfer of a 50% interest in the company dealing with the development and construction of offshore wind farms onto Wind Power AS, a company within the Equinor group. According to the current report 10/2019 dated 5 March 2019, one of the conditions precedent was fulfilled in that an unconditional consent of the President of the Completion and Consumer Protection Authority was obtained for the establishment of a joint venture.

On 28 January 2019 the company MFW Bałtyk II Sp. z o. o. was granted connection terms allowing to connect an offshore wind farm with the total capacity of 240 MW. The fact the abovementioned connection terms have been obtained means that a potential increase of the total capacity of the offshore wind farms developed by MFW Bałtyk II Sp. z o. o. and MFW Bałtyk III Sp. z o. o. from 1200 MW to 1440 MW is possible.

On 30 January 2019 the company Polenergia Bałtyk I S.A. was granted the connection terms for the developed project of an offshore wind farm Bałtyk Północny. According to those terms, connection has been provided for of an offshore wind farm of the total capacity of 1560 MW. The fact the abovementioned connection terms have been obtained means that a potential increase of the total capacity of the offshore wind farms developed by MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o. and Polenergia Bałtyk I S.A. up to 3000 MW is possible. Further, on 14 March 2019 MFW Bałtyk III sp. z o.o. obtained a decision on the environmental conditions for the construction of offshore electricity transmission infrastructure to connect the intended offshore power stations with the National Energy System. The total output power to be transmitted through the infrastructure is up to 1440 MW.

On the following page a presentation is given of the distribution of the total Group results in 1H 2019 and Q2 broken down into the operating segments.

6M 2019 (PLN m)	Wind Power	Conventional Energy	Trading	Distribution	Development and implementation activity	Unallocated	Purchase price allocation	TOTAL
Sales revenues	115,8	144,0	991,2	46,2	0,0	7,0	-	1 304,2
Operating costs	(54,0)	(121,1)	(980,8)	(39,3)	(0,2)	(9,5)	(5,1)	(1 209,9)
including depreciation/amortization	(31,4)	(10,8)	(0,0)	(2,5)	-	(1,2)	(5,1)	(51,0)
<b>Gross profit on sales</b>	<b>61,8</b>	<b>22,9</b>	<b>10,4</b>	<b>6,9</b>	<b>(0,2)</b>	<b>(2,5)</b>	<b>(5,1)</b>	<b>94,4</b>
Gross profit on sales margin	53,4%	15,9%	1,0%	15,0%	"n/a"	"n/a"	"n/a"	7,2%
General overheads	(1,6)	(3,3)	(4,7)	(2,8)	(0,3)	(6,1)	-	(18,8)
Other operating activities	1,8	(0,6)	0,2	0,6	(0,8)	(0,6)	-	0,5
including impairment losses	-	-	-	-	(0,8)	-	-	(0,8)
<b>Operating profit</b>	<b>62,1</b>	<b>19,0</b>	<b>5,9</b>	<b>4,7</b>	<b>(1,2)</b>	<b>(9,3)</b>	<b>(5,1)</b>	<b>76,1</b>
<b>EBITDA</b>	<b>93,5</b>	<b>29,8</b>	<b>5,9</b>	<b>7,2</b>	<b>(0,4)</b>	<b>(8,1)</b>	-	<b>127,9</b>
EBITDA Margin	80,7%	20,7%	0,6%	15,5%	"n/a"	"n/a"	"n/a"	9,8%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>93,5</b>	<b>29,8</b>	<b>5,9</b>	<b>7,2</b>	<b>(0,4)</b>	<b>(8,1)</b>	-	<b>127,9</b>
Adjusted EBITDA Margin	80,7%	20,7%	0,6%	15,5%	"n/a"	"n/a"	"n/a"	9,8%
Profit (loss) on financial activities	(21,8)	(0,8)	(1,6)	(1,0)	0,7	3,0	-	(21,5)
<b>Profit (loss) before tax</b>	<b>40,2</b>	<b>18,2</b>	<b>4,3</b>	<b>3,6</b>	<b>(0,5)</b>	<b>(6,3)</b>	<b>(5,1)</b>	<b>54,6</b>
Income tax	-	-	-	-	-	-	-	(8,9)
<b>Net profit (loss) for period</b>								<b>45,6</b>
Normalizing adjustments:								
Purchase price allocation (PPA)								4,1
Foreign exchange differences								0,2
Loan valuation using amortized cost method								0,7
Impairment losses								0,8
<b>Adjusted net profit</b>								<b>51,3</b>
6M 2018 (PLN m)	Wind Power	Conventional Energy	Trading	Distribution	Development and implementation activity	Unallocated	Purchase price allocation	TOTAL
Sales revenues	71,0	148,6	1 298,1	43,5	0,0	12,0	0,7	1 573,8
Operating costs	(51,0)	(124,4)	(1 314,9)	(36,2)	(0,2)	(14,6)	(5,1)	(1 546,3)
including depreciation/amortization	(28,4)	(10,8)	(0,0)	(2,3)	0,0	(1,5)	(5,1)	(48,1)
<b>Gross profit on sales</b>	<b>20,0</b>	<b>24,2</b>	<b>(16,8)</b>	<b>7,3</b>	<b>(0,2)</b>	<b>(2,6)</b>	<b>(4,4)</b>	<b>27,4</b>
Gross profit on sales margin	28,1%	16,3%	-1,3%	16,7%	"n/a"	"n/a"	"n/a"	1,7%
General overheads	(1,4)	(3,3)	(5,0)	(2,7)	(0,2)	(8,3)	-	(20,8)
Other operating activities	2,3	(0,6)	0,2	0,3	0,0	(3,8)	-	(1,6)
including impairment losses	-	-	-	-	(0,0)	(16,8)	-	(16,9)
<b>Operating profit</b>	<b>20,9</b>	<b>20,2</b>	<b>(21,6)</b>	<b>4,8</b>	<b>(0,3)</b>	<b>(14,7)</b>	<b>(4,4)</b>	<b>5,0</b>
<b>EBITDA</b>	<b>49,3</b>	<b>31,1</b>	<b>(21,6)</b>	<b>7,1</b>	<b>(0,3)</b>	<b>(8,3)</b>	<b>0,7</b>	<b>58,0</b>
EBITDA Margin	69,5%	20,9%	-1,7%	16,4%	"n/a"	"n/a"	100,0%	3,7%
Purchase price allocation (PPA)	-	-	-	-	-	-	(0,7)	(0,7)
<b>Adjusted EBITDA</b>	<b>49,3</b>	<b>31,1</b>	<b>(21,6)</b>	<b>7,1</b>	<b>(0,3)</b>	<b>(8,3)</b>	-	<b>57,3</b>
Adjusted EBITDA Margin	69,5%	20,9%	-1,7%	16,4%	"n/a"	"n/a"	"n/a"	3,6%
Profit (loss) on financial activities	(33,2)	(0,6)	(2,5)	(0,9)	0,0	4,3	-	(32,8)
<b>Profit (loss) before tax</b>	<b>(12,3)</b>	<b>19,6</b>	<b>(24,1)</b>	<b>3,9</b>	<b>(0,3)</b>	<b>(10,4)</b>	<b>(4,4)</b>	<b>(27,8)</b>
Income tax	-	-	-	-	-	-	-	(9,5)
<b>Net profit (loss) for period</b>								<b>(37,3)</b>
Normalizing adjustments:								
Purchase price allocation (PPA)								3,6
Foreign exchange differences								0,4
Loan valuation using amortized cost method								7,4
Impairment losses								16,9
Net profit / loss on sale of offshore WF								(3,0)
<b>Adjusted net profit</b>								<b>(12,0)</b>
<b>Change of adjusted EBITDA yoy</b>	<b>44,1</b>	<b>(1,2)</b>	<b>27,5</b>	<b>0,1</b>	<b>(0,2)</b>	<b>0,2</b>	<b>-</b>	<b>70,5</b>

Q2 2019 (PLN m)	Wind Power	Conventional Energy	Trading	Distribution	Development and implementation activity	Unallocated	Purchase price allocation	TOTAL
Sales revenues	44,0	63,3	456,1	22,4	0,0	3,7	-	589,6
Operating costs	(27,0)	(53,6)	(450,8)	(19,2)	(0,1)	(5,2)	(2,5)	(558,4)
including depreciation/amortization	(15,7)	(5,4)	(0,0)	(1,2)	-	(0,6)	(2,5)	(25,5)
<b>Gross profit on sales</b>	<b>17,0</b>	<b>9,8</b>	<b>5,3</b>	<b>3,2</b>	<b>(0,1)</b>	<b>(1,6)</b>	<b>(2,5)</b>	<b>31,1</b>
Gross profit on sales margin	38,7%	15,4%	1,2%	14,1%	"n/a"	"n/a"	"n/a"	69,4%
General overheads	(0,8)	(1,6)	(2,6)	(1,4)	(0,0)	(3,2)	-	(9,6)
Other operating activities	1,0	(0,2)	0,1	0,4	(0,3)	(0,6)	-	0,3
including impairment losses	-	-	-	-	(0,3)	0,0	-	(0,3)
<b>Operating profit</b>	<b>17,2</b>	<b>7,9</b>	<b>2,9</b>	<b>2,2</b>	<b>(0,4)</b>	<b>(5,4)</b>	<b>(2,5)</b>	<b>21,8</b>
<b>EBITDA</b>	<b>32,9</b>	<b>13,3</b>	<b>2,9</b>	<b>3,4</b>	<b>(0,1)</b>	<b>(4,8)</b>	-	<b>47,6</b>
EBITDA Margin	74,8%	21,0%	0,6%	15,3%	"n/a"	"n/a"	-	8,1%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>32,9</b>	<b>13,3</b>	<b>2,9</b>	<b>3,4</b>	<b>(0,1)</b>	<b>(4,8)</b>	-	<b>47,6</b>
Adjusted EBITDA Margin	74,8%	21,0%	0,6%	15,3%	"n/a"	"n/a"	"n/a"	8,1%
Profit (loss) on financial activities	(10,8)	(0,4)	0,4	(0,5)	0,0	0,2	-	(11,1)
<b>Profit (loss) before tax</b>	<b>6,4</b>	<b>7,5</b>	<b>3,3</b>	<b>1,6</b>	<b>(0,4)</b>	<b>(5,2)</b>	<b>(2,5)</b>	<b>10,7</b>
Income tax	-	-	-	-	-	-	-	(2,1)
<b>Net profit (loss) for period</b>								<b>8,6</b>
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	2,1
Foreign exchange differences	-	-	-	-	-	-	-	0,0
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,3
Impairment losses	-	-	-	-	-	-	-	0,3
<b>Adjusted net profit</b>								<b>11,4</b>

  

Q2 2018 (PLN m)	Wind Power	Conventional Energy	Trading	Distribution	Development and implementation activity	Unallocated	Purchase price allocation	TOTAL
Sales revenues	33,9	72,2	693,9	20,6	0,0	6,4	-	826,9
Operating costs	(22,4)	(61,7)	(711,9)	(17,2)	0,4	(7,7)	(2,5)	(823,0)
including depreciation/amortization	(14,2)	(5,4)	(0,0)	(1,1)	0,0	(0,7)	(2,5)	(24,1)
<b>Gross profit on sales</b>	<b>11,5</b>	<b>10,4</b>	<b>(18,0)</b>	<b>3,4</b>	<b>0,4</b>	<b>(1,3)</b>	<b>(2,5)</b>	<b>3,9</b>
Gross profit on sales margin	33,9%	14,5%	-2,6%	16,5%	"n/a"	"n/a"	"n/a"	0,5%
General overheads	(0,8)	(1,7)	(2,4)	(1,3)	(0,0)	(5,7)	-	(11,8)
Other operating activities	1,2	(0,2)	0,0	0,2	0,3	(3,8)	-	(2,4)
including impairment losses	-	-	-	-	0,2	(16,8)	-	(16,6)
<b>Operating profit</b>	<b>11,9</b>	<b>8,6</b>	<b>(20,4)</b>	<b>2,3</b>	<b>0,6</b>	<b>(10,8)</b>	<b>(2,5)</b>	<b>(10,3)</b>
<b>EBITDA</b>	<b>26,1</b>	<b>14,0</b>	<b>(20,4)</b>	<b>3,4</b>	<b>0,4</b>	<b>(5,2)</b>	-	<b>18,4</b>
EBITDA Margin	77,1%	19,3%	-2,9%	16,7%	"n/a"	"n/a"	"n/a"	2,2%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>26,1</b>	<b>14,0</b>	<b>(20,4)</b>	<b>3,4</b>	<b>0,4</b>	<b>(5,2)</b>	-	<b>18,4</b>
Adjusted EBITDA Margin	77,1%	19,3%	-2,9%	16,7%	"n/a"	"n/a"	"n/a"	2,2%
Profit (loss) on financial activities	(20,5)	(0,3)	(1,2)	(0,5)	0,1	2,2	-	(20,2)
<b>Profit (loss) before tax</b>	<b>(8,6)</b>	<b>8,3</b>	<b>(21,6)</b>	<b>1,8</b>	<b>0,7</b>	<b>(8,5)</b>	<b>(2,5)</b>	<b>(30,5)</b>
Income tax	-	-	-	-	-	-	-	(6,9)
<b>Net profit (loss) for period</b>								<b>(37,4)</b>
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	2,1
Foreign exchange differences	-	-	-	-	-	-	-	0,4
Loan valuation using amortized cost method	-	-	-	-	-	-	-	6,7
Impairment losses	-	-	-	-	-	-	-	16,6
Net profit / loss on sale of offshore WF	-	-	-	-	-	-	-	(3,0)
<b>Adjusted net profit</b>								<b>(14,6)</b>
<b>Change of adjusted EBITDA yoy</b>	<b>6,8</b>	<b>(0,7)</b>	<b>23,2</b>	<b>(0,0)</b>	<b>(0,5)</b>	<b>0,3</b>	<b>-</b>	<b>29,2</b>

### 3. Description of the issuer group's organization, consolidated entities, as well as changes in the group's organization and reasons for such changes

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

Except as described in section 4 below, no material changes in the issuer group's organization took place in the reporting period.

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

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

On 13 March 2019 the company PPG Pipeline Projektgesellschaft mbH was wound up.

Following the sale of the assets of Biomasa Południe plant, Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o. has been undergoing the winding-up process.

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

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

Major economic and financial data (PLN m)	6M 2019	6M 2018	Change
Sales revenues	1 304,2	1 573,8	(269,5)
EBITDA	127,9	58,0	69,9
Adjusted EBITDA with the elimination of the effect of purchase price allocation	127,9	57,3	70,5
Net profit (loss)	45,6	(37,3)	82,9
Adjusted net profit with the elimination of the effect of purchase price allocation, unrealized f/x differences, impairment losses, loan valuation and net gain/loss on disposal of assets	51,3	(12,0)	63,4

The year-on-year changes in 1H 2019 performance were driven by the following factors:

#### a) EBITDA (increase by PLN 69.9m):

- Better performance in the wind power segment (by PLN 44.1m) due to higher production volumes of green certificates (by 78.1 GWh) and electricity (by PLN 77.1 GWh) and higher average sales prices of green certificates and electricity, partly offset by higher operating costs resulting from one-off events in 2018;
- Worse performance of the conventional energy segment (by PLN 1.2m) resulting predominantly from lack of revenues from yellow certificates after the expiration of the existing gas cogeneration support system with the end of 2018; the impact of that factor was partly offset by higher stranded cost compensation revenues;
- Better performance in the trading segment (by PLN 27.5m) due to better performance of electricity trading, better sales of green certificates at higher sales prices and lower operating costs, as well as lower commission costs; the impact of those factors was inhibited by the increase of the profile and balancing costs (which are not fully allocated to wind farms), resulting in a worse result on electricity sales by wind farms;

- Better performance in the distribution segment (by PLN 0.1m), due to a higher distribution margin, lower operating costs (lower real estate tax and salaries costs) and the refund of the real estate tax offset by lower energy sales margin;
- Higher costs in the development and implementation segment (by PLN 0.2m) allocated to profit and loss account;
- Better result under the Unallocated item (by PLN 0.2m) due to lower cost of external services at headquarters in 2019, offset by the recognition of a negative difference of PLN 0.5m resulting from the impact of the biomass segment recognized under said item after the decision had been made to discontinue disclosure of biomass under a separate item in 2019.

**b) Adjusted EBITDA (increase by PLN 70.5m):**

- The EBITDA effect described above (better result by PLN 69.9m);
- Elimination of the purchase price allocation effect (plus PLN 0.7m);

**c) Net profit (increase by PLN 82.9m):**

- Impact of EBITDA (better result by PLN 69.9m);
- Higher depreciation (by PLN 2.9m) resulting mainly from higher depreciation in the wind farm segment given the reversal of impairment losses at Mycielin WF and the change of presentation method of lease cost required by the change of the accounting standards (after IFRS 16 came into force);
- Impact of impairment losses (delta of PLN 16.1m compared to 1H 2018) resulting mainly from recognition of impairment loss on the biomass projects in 2018;
- Lower finance costs (by PLN 11.1) as a result of the loan measurement in Amon and Talia using the effective interest rate (PLN 8.2m) in Q2 2018, lower interest expense (by PLN 2.5m) and lower f/x differences (by PLN 0.4m);
- Higher financial revenues (by PLN 0.2m) due to the positive result on the winding-up of a subsidiary (by PLN 0.7m), partly offset by smaller impact of exchange rate differences (by PLN 0.3m) and lower interest gains (by PLN 0.2m).
- Impact of the transfer of shares in offshore wind farm projects in 2018 (minus PLN 12.0);
- Lower income tax (by PLN 0.6m) mainly due to the impact of the income tax on the sale of shares in offshore wind farm projects in 2018.

**d) Adjusted net profit with the removal of the effects of purchase price allocation, unrealized f/x differences, impairment losses, loan measurement and discount measurement (increase by PLN 63.4m):**

- Net profit effect (better result by PLN 82.9m);
- Reversal of the effect of impairment losses (minus PLN 16.1);
- Elimination of the effect of measurement of bank loans (minus PLN 6.7m);
- Elimination of the purchase price allocation effect (plus PLN 0.6m);
- Elimination of the effect of unrealized f/x differences (minus PLN 0.2m);

- Elimination of the effect of sale of shares in offshore wind farm projects (plus PLN 3.0m, of which PLN 12m represents gain on the sale and PLN 9m relates to income tax recognized in Polenergia S.A.).

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

Outline of significant achievements or failures of the Issuer in the reporting period including a list of related major events has been provided in section 2 hereof - *Detailed comments regarding financial performance for the 6-month period ended 30 June 2019 and other significant information on the position of the Group.*

**7. Management Board's position on the feasibility of meeting the previously published forecasts for a given year in light of the results presented in the half-year report**

The Company publishes no financial performance forecasts.

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

Compared to the risks described in the Directors' Report on the operations of the Polenergia Group in the year ended 31 December 2018, the Group's risk exposures have largely remained unchanged, except for the following changes and updates:

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

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

On 19 July 2019 the Polish lower chamber of Parliament (Sejm) passed an amendment to the Renewable Energy Sources Act and on 2 August 2019 the upper chamber (Senate) approved it without amendments. The act was passed to the President and is awaiting for signing. The amendment provides for additional measures leading to the achievement of a 15% share of RES-originating energy in the total gross energy consumption by 2020 by way of enacting regulations supporting the development of prosumer-based generation of electrical energy and promoting the development of energy cooperatives. The amendment deals, among others, with the rules for holding RES auctions; it also governs the provisions and deadlines for project implementation. The wording of the amendments specifies the maximum volumes and amounts of RES energy with an intention to permit a RES auction still in 2019.

On 28 December 2018 the Act on the amendment to the excise tax act and certain other acts was published in PL OJ 2018 item 2538, followed by its amendments in subsequent months (PL OJ 2019 item 412 and item 1210) and an executive regulation which becomes effective as of 13 August 2019 (hereinafter legislative acts). The Act impacts the operation of the Group companies which sell energy to end-users.

Polenergia Dystrybucja Sp. z o.o. has been updating the impact of regulatory changes on the Company's operations on an ongoing basis. A complete set of the cost and revenue indicators will be known in August 2019 after a pertinent notification. To the best of our knowledge, the provisions established so far fully reflect the impact of the regulations on the performance of the Company

achieved in 1H 2019. Impact, if any, of the contracts creating burdens in the second half of the year will not be material. Price Settlement Authority (Zarządca Rozliczeń Cen), responsible for verification of the applications will have 40 days for payment of funds from the filing of duly made application through a dedicated Internet platform.

The legislative acts require that the sales prices be reduced down to the level of June 2018 which makes it necessary to adjust some of the existing invoices. The deadline for the alignment of the contractual price terms is 12 September 2019 (30 days from the effective date of the regulation).

Factors relevant to the Group's operations also include decisions issued by competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes. The Group is exposed to the risk of failure to align its business to changing laws and regulations, with all the resulting consequences, and of enactment of new regulations that would curtail the support system for the technologies developed in Poland.

#### Risk of volatility of electricity market prices

The Group's financial performance is dependent on the market prices of electricity. The Group keeps monitoring the electricity market, making decisions to secure a customer base for electricity generated by the wind power and conventional energy segments on an ongoing basis.

The Group also trades in electricity on the wholesale market. The performance on such operations depends on trends in electricity market prices and the structure of open positions on the market. Given the significant increase of electricity prices volatility risk, the Group took measures to limit the scale of the electricity wholesale business. Until the electricity market stabilizes and the monitoring scope is extended with performance reporting and risk measurement, the decision to suspend the wholesale in electricity will be upheld.

Structural changes on the electricity market (e.g. change of the production assets structure, increased international trading) may have their impact on the profile cost of the Group's production assets. Higher profile costs are the risk that remains beyond the Group's control and such risk may have a significant impact on the long-term performance of the Group.

#### Risk of volatility in market prices of green certificates

The Group's financial results depend on the market prices of green certificates. The Group keeps monitoring the green certificate market, making decisions to secure the sales of green certificates generated by the wind power segment on an ongoing basis.

Excess supply of green certificates has continued on the market, with a potential adverse impact on the market prices. In January 2019 an announcement showed in the list of legislative and program works of the Council of Ministers pertaining to the works on the draft law amending the renewable energy sources law and other acts. The purpose of the amendment was, without limitation, to reduce the amount of the compensatory payment, and as a result, the price of property rights, by implementing a new formula for calculating unit compensatory payment in Ozjo index. Finally, the amendment of the law adopted by Sejm on 19 July 2019 and approved by Senate on 2 August 2019 does not take into account any changes concerning the method of determination of the compensatory payment.

If the prices of green certificates decline, the Group will be at risk of underperforming and failing to satisfy financial covenants under credit facility agreements concluded to finance specific wind farm projects. If the prices of green certificates are maintained at a low level for a long time, the Group's

ability to meet its obligations under certain credit facility agreements may be periodically impaired or drawing on guarantees provided by Polenergia S.A. for certain projects may become necessary.

#### Risk related to RES auctions

Under the new RES (auction-based) support scheme, to receive support for energy generation from RES a producer is required to win an auction, which also determines the extent of such support. Thus a risk exists that the Group's wind farm projects ready for construction will receive insufficient support or no support at all. At the same time the support granted under the auction system as a rule makes the producer independent from the market risk (guaranteed fixed price of energy indexed by inflation) during the support period.

The Group holds a portfolio of wind farms projects of the total capacity of 199 MW and photovoltaic power plants of the capacity of 12 MW ready to participate in the auction.

In case of winning the auction, obtaining the support is conditional upon starting the sale of electricity from onshore wind farms within 33 months, and from photovoltaic farms within 24 months.

The Group does not exclude the participation in an auction for wind farms and photovoltaic farms in 2019. In case of wind farm projects, no auction support obtained may prevent their performance. This is because some of the permits and agreements required for the performance of wind farm projects outside the auction system may expire in 2021.

#### Risk of proposed regulatory changes under which a support system for conventional generation sources would be created – 'capacity market'

The Polish energy market is characterized by a high degree of decapitalization of production assets and insufficient degree of new replacement investments in the scope of conventional generation sources. The above is mainly due to long period of preparation of new investments, high capital expenditure associated with coal-fired units, low margins on electricity generation (in particular, natural gas- and hard coal-based generation), and reducing capacity utilization in large capacity generation units. Therefore, the decision was made to implement long-term measures to mitigate the risk of disruptions on the electricity market by stimulating investment in the construction of new generation capacities and retaining the existing sources in operation. In 2017 the Capacity Market Act was adopted. In the second half of 2018 first capacity auctions took place for deliveries in the years 2021-2023. In the second half of 2019 capacity auctions for deliveries in 2024 are planned to be performed. The economic viability of the existing facilities (such as Elektrociepłownia Nowa Sarzyna and Elektrownia Mercury, and also wind farms after the support period) will largely depend on the amount of support from the capacity market. Furthermore, it cannot be ruled out that the capacity market will exert an adverse impact on electricity market prices, which can potentially affect projects whose economic viability rests on revenue from sale of electricity (existing wind farms).

#### Risk related to the unstable tax regime

The fact that many tax regulations lack an unambiguous interpretation is particularly problematic if such regulations change. The new thin capitalization rules implemented in the legal system from the beginning of 2018 may serve as an example: it is unclear how the limit for the eligibility of interest as deductible expenses should be determined. With reference to the above, during the year 2018 the Ministry of Finance issued interpretations and clarifications contradictory to the non-final judgments of the Higher Administrative Court (WSA).

From the beginning of 2019 the criteria of using the general anti-avoidance rules clause (GAAR) have changed, the obligation of reporting tax schemes and additional tax obligations (sanctions) have been implemented. All the above changes were heavily criticized by the market, as the

regulations are not clearly formulated, enabling free interpretation by tax bodies to the detriment of taxpayers. As a result of such actions taxpayers may be exposed to numerous tax risks.

#### Risk related to credit facility agreements

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

The Group has continued to analyze the indebtedness level and the risk of non-fulfillment of the requirements set forth in the credit facility agreements on an on-going basis, and has remained in contact with the financing institutions.

Due to the worsening situation on the biomass market in 2018, Grupa PEP – Biomasa Energetyczna Wschód Sp. z o.o. with the registered address in Warsaw, operating a pellet production plant in Zamość, ceased meeting the DSCR covenant under the investment facility agreement. In accordance with the applicable accounting standards, the investment credit facility contracted to finance the project was fully recognized under current liabilities in the Polenergia Group's balance sheet. In virtue of the agreement entered into with Enea Elektrownia Połaniec, the Company produces and sells pellets, and use the revenues gained to regularly repay the debt on account of such credit facility.

#### Risk related to customers' actions

Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o., the Company's subsidiary, is seeking to recover receivables amounting to approximately PLN 420k and PLN 65k. The composition agreement signed by the Company with reference to the above receivables provide in the first case for the payment of EUR 90k in six installments in the second part of 2019, and in the second case for payment in three installments, of which the first one was paid, and the next two of PLN 30k will be paid at the end of October of 2019 and of October 2020. Moreover, the Company seeks to recover the payment of PLN 146k submitted to mediation in the court. The above amounts are not reflected in the company's balance sheet.

In view of specific nature of its business consisting in supply of electricity to end customers, Polenergia Dystrybucja Sp. z o.o., the Company subsidiary, recovers receivables on account of the sale and distribution of electricity from a number of customers. The value of receivables to be recovered totals about PLN 360k. The above amount is not reflected in the company's balance sheet. Furthermore, Polenergia Dystrybucja Sp. z o.o. brought an action against one of its electricity suppliers, demanding a refund of overpayments for electricity delivered. The amount of the claim is approximately PLN 550k. The respondent recognized the claim, but also filed a counterclaim pointing to an alleged set-off of its receivables for energy supplied in a different period. Polenergia Dystrybucja Sp. z o.o. considers the counterclaim as ungrounded. In the Company's opinion the total amount of receivables for the supplied energy was paid. On 4 September 2018 the Regional Court in Gdańsk adjudged the entire amount of the pursued claim in favor of Polenergia Dystrybucja Sp. z o.o. An appeal was made against a part of the judgment, as a result the remaining part of the claim totaling over PLN 171k became final and adjudged in favor of Polenergia Dystrybucja Sp. z o.o., and was paid by the respondent to Polenergia Dystrybucja Sp. z o.o. in 2019.

The Company's subsidiary Polenergia Obrót S.A. has an enforceable title against one customer for the amount of PLN 5m, with respect to which enforcement proceedings are pending. The above amount is not reflected in the company's balance sheet.

Polenergia Elektrownia Północ Sp. z o.o., the Company subsidiary, held proceedings for payment of a PLN 100k penalty for breach of contract. The proceedings ended with a judgment of the Court

of Appeal in Gdańsk of 7 February 2018, dismissing the respondent's appeal. Under the judgment, a bailiff enforcement led to the recovery of almost entire amount of the receivables.

Energopep Sp. z o.o. Sp. k., the Company subsidiary, initiated the proceedings for payment of PLN 100k against the member of the customer's management board. The grounds for the claim consisted in delayed filing of the petition in bankruptcy. On 4 April 2019 the Court of Appeal in Poznań adjudicated the amount of PLN 100k in favor of Energopep Sp. z o.o. Sp. k.

#### Risk related to cash flow hedging

As at 30 June 2019 the Group held the following instruments hedging against interest rate risk for cash flow hedge accounting purposes:

Date of maturity of hedging instrument	Hedged value in kPLN	Interest rate hedged	Instrument
2021-06-15	120,404	3.07%	IRS

The fair value of the hedging instruments as at the reporting date amounted to PLN 3,023k, disclosed in long term liabilities.

The purpose of the hedging transactions is to mitigate the effect of interest rate movements on highly probable future payments of credit installments.

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time when gains or losses on a hedging instrument and those on the hedged item are recognized. The result on a hedging transaction will be taken to profit or loss on exercise of the hedge.

As at 30 June 2019 the Group recognized PLN 411k (30 June 2018: PLN 189k) in other comprehensive income being a component of equity, on account of the effective portion of the hedging instrument's fair value.

#### **9. Number of Company shares or rights to Company shares held by the management and supervisory staff as at the date of issue of the semiannual report, with information on any changes in the management and supervisory staff's holdings after the issue of the previous report**

Mansa Investments Sp. z o.o. as the majority shareholder of Polenergia S.A. is indirectly controlled by Ms Dominika Kulczyk, Chairman of the Supervisory Board of Polenergia S.A.

#### **10. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights at the Company's General Meeting, including information on the number of shares held by those shareholders, their ownership interests, the resulting number of votes at the General Meeting and their share in total voting rights at the General Meeting, and any changes in the ownership structure of major holdings of Company shares after the issue of the previous quarterly report**

For information on the Company's shareholding structure, see Note 15 to the consolidated financial statements of the Polenergia Group.

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**11. Proceedings pending before common courts of law, arbitration courts or public administration authorities concerning the liabilities and receivables of the Company or its subsidiary**

Amon Sp. z o.o. and Talia Sp. z o.o., the Company's subsidiaries, each brought an action to state ineffectiveness of the declarations on termination by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o., of:

- 1) the Agreement on Sale of Property Rights Incorporated in Certificates of Origin for Electricity Generated in a Renewable Energy Source – the Łukaszów Wind Farm of 23 December 2009 and the Agreement on Sale of Electricity Generated in a Renewable Energy Source – the Łukaszów Wind Farm of 23 December 2009, in respect of Amon;
- 2) the Agreement on Sale of Property Rights Incorporated in Certificates of Origin for Electricity Generated in a Renewable Energy Source – the Modlikowice Wind Farm of 23 December 2009 and the Agreement on Sale of Electricity Generated in a Renewable Energy Source – the Modlikowice Wind Farm of 23 December 2009, in respect of Talia.

The above situation did not deprive Amon and Talia from the possibility of selling electricity and green certificates, as such sale can currently be made to other entities. Market prices are volatile. As it is not possible to foresee future market prices, the consequences of the change of customer for electricity and green certificates sold by Talia and Amon cannot be reliably predicted. The proceedings are pending.

On 25 July 2019 the Regional Court in Gdańsk issued a partial and preliminary judgment in the case Amon versus PKH. In its judgment, the Court recognized the claim of Amon Sp. z o.o. with the registered address in Łebcz, in the part pertaining to the determination of ineffective termination by Polska Energia – Polska Kompania Handlowa spółka z ograniczoną odpowiedzialnością of the Agreements indicated in item 1) above. The Court considered the declaration on termination of the agreements by PKH as ineffective, and having no legal effect in terms of the termination of both agreements. As a consequence, after the termination notice period, that is after 30 April 2015, all provisions of such agreements remain valid and binding upon the parties. At the same time the Court considered as grounded, as a principle, the claims for compensation lodged by Amon against PKH on account of non-performance by PKH of the agreement for the Sale of Property Rights. The judgment is not final and is subject to appeal.

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

Amon is claiming payment of PLN 47,556,025.51 in damages, together with interest and litigation costs, and determination of Tauron's liability for future losses, estimated at over PLN 158m, so that the total amount claimed in the action by Amon exceeds PLN 205m.

Talia is claiming payment of PLN 31,299,188.52 in damages, together with interest and litigation costs, and determination of Tauron's liability for future losses, estimated at just under PLN 107m, so that the total amount claimed in the action by Talia exceeds PLN 138m.

In the opinion of Amon and Talia, Tauron, as the sole shareholder of PKH and the entity behind the steps to terminate the long-term contracts, submit groundless termination notices and discontinue purchases by PKH of electricity and property rights under the contracts, as well as the entity which entrusted PKH and its liquidators with certain actions and knowingly benefited from the damage inflicted upon Amon and Talia, is responsible for the losses which Amon and Talia have incurred and are incurring as a result of the termination of the long-term contracts. In the opinion of Amon

and Talia, their claims are therefore reasonable and deserve to be awarded in accordance with the actions brought by both companies.

Eolos Polska Sp. z o.o. filed for joint and several payment by the Company's subsidiaries, Certyfikaty Sp. z o.o. and Polenergia Obrót S.A., of contractual penalties and amounts due totaling PLN 27,895,009 under an alleged breach of contracts which expired on 5 January 2016. It should be noted that in the statement of claim the plaintiff indicated that its claim could be higher due to the fact that the claimed contractual penalties would increase in subsequent years. The subsidiaries denied the claim in its entirety. Moreover, Polenergia Obrót S.A. maintains that the allegation of its joint responsibility for Certyfikaty Sp. z o.o.'s liabilities is groundless.

For other disputes with contracting parties see item 8 „Risk pertaining to customers' actions”.

- 12. Transaction or a series of transactions concluded by the Company or its subsidiaries with related parties, where such transaction or all such transactions jointly are material and were not concluded at arm's length (excluding transactions concluded with a related party by an issuer which is a fund), and the value of such transactions; the information about individual transactions can be grouped by type, except where information on individual transactions is necessary to understand their impact on the Company's assets, financial position and profit or loss**

For information on the Company's related-party transactions, see Note 28 to the interim consolidated financial statements.

- 13. Loan sureties or guarantees issued by the Company or the Company's subsidiary to a single entity or its subsidiaries**

For information on loan or credit sureties or guarantees issued by the Company or the Company's subsidiary to a single entity or its subsidiaries, see Note 20.1 to the interim consolidated financial statements.

- 14. Other information the Company considered material to the assessment of its human resources, assets, financial condition and financial performance, and changes in any of the foregoing, as well as information material to the assessment of the Company's ability to fulfill its obligations**

In the Company's opinion, there are no information material to the assessment of the Company's ability to fulfill its obligations, other than the information disclosed in its prospectus, as well as current and periodic reports.

- 15. Factors which in the Company's opinion will affect its performance over at least the next quarter**

In the Company's opinion, the following factors will have a material effect on the Company results (consolidated and separate) in the coming quarters:

- macroeconomic situation in Poland,
- final wording of legal regulations which have effect on the Company's business,
- prices of electricity and green certificates,
- wind conditions in the areas where the Puck, Łukaszów, Modlikowice, Gawłowice, Rajgród, Skurpie, Mycielin and Krzęcin Wind Farms are located,

- changes in the prices of CO<sub>2</sub> emission allowances, natural gas and biomass and their availability,
- financial condition of the Company's customers,
- ability to raise financing for the planned projects,
- the level of EUR exchange rate and WIBOR/EURIBOR interest rate.