

Polenergia S.A. Group

**SEMI-ANNUAL REPORT ON THE OPERATIONS OF THE POLENERGIA GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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1. Consolidated statement of profit or loss for the six-month period ended 30 June 2021

In the first half of 2021 the results of Polenergia Group (the "Group"), in terms of the adjusted (normalized) EBITDA and net profit, amounted to PLN 187.2m and PLN 95.1m respectively, which means growth of PLN 39.4m and PLN 26.1m respectively, compared to the corresponding period of the preceding year.

Polenergia Group Income Statement (PLN m)		6M 2021	6M 2020	Difference YOY	Difference YOY [%]	Q2 2021	Q2 2020	Difference YOY	Difference YOY [%]
Sales revenues, including:		1 212,3	822,0	390,3	47%	575,3	363,0	212,3	58%
trading and sales segment		923,3	484,0	439,2		427,5	196,2	231,3	
other		289,0	338,0	(49,0)		147,8	166,8	(19,0)	
Cost of goods sold, including:		(1 047,7)	(704,9)	(342,8)	-49%	(474,2)	(323,1)	(151,1)	-47%
trading and sales segment		(886,4)	(467,0)	(419,4)		(403,3)	(187,6)	(215,7)	
other		(161,4)	(238,0)	76,6		(70,9)	(135,5)	64,6	
Gross profit on sales		164,5	117,1	47,5	41%	101,1	39,9	61,2	153%
Selling expenses and general overheads		(24,9)	(21,8)	(3,1)	-14%	(13,2)	(11,7)	(1,5)	-13%
Other operating revenue/expense		1,7	2,3	(0,7)	-28%	0,6	0,7	(0,1)	-14%
A Operating profit (EBIT)		141,3	97,6	43,7	45%	88,5	28,9	59,6	206%
Depreciation/Amortization		45,8	49,9	(4,2)		22,9	24,6	(1,7)	
Impairment losses		0,1	0,2	(0,1)		0,0	0,1	(0,1)	
EBITDA		187,2	147,7	39,4	27%	111,5	53,6	57,8	108%
Normalizing adjustments:									
Purchase price allocation (PPA)		-	-	-	-	-	-	-	-
Adjusted EBITDA*		187,2	147,7	39,4	27%	111,5	53,6	57,8	108%
B Financial income		227,2	3,6	223,6		226,4	0,3	226,1	
C Financial costs		(20,5)	(23,5)	3,0		(10,6)	(11,7)	1,1	
A+B+C Gross profit (loss)		347,9	77,6	270,3	348%	304,3	17,4	286,9	1646%
Income tax		(68,0)	(13,1)	(54,9)	-418%	(58,6)	(2,8)	(55,8)	-1962%
Net profit (loss)		279,9	64,5	215,4	334%	245,7	14,6	231,1	1583%
Normalizing adjustments:									
Purchase price allocation (PPA)		0,4	3,5	(3,2)		0,2	1,5	(1,3)	
Foreign exchange differences		0,1	0,1	0,0		0,7	1,4	(0,7)	
Loan valuation using the amortized cost method		0,7	0,7	(0,0)		0,4	0,4	(0,0)	
Impairment losses **		0,1	0,2	(0,1)		0,0	0,1	(0,1)	
Net result on sale of assets ***		(186,1)	-	(186,1)		(186,1)	-	(186,1)	
Adjusted net profit (loss)*		95,1	69,0	26,1	37,8%	60,8	18,0	42,9	239%
Adjusted EBITDA*		187,2	147,7	39,4	27%	111,5	53,6	57,8	108%
Adjusted EBITDA Margin*		15,4%	18,0%	-2,5%		19,4%	14,8%	4,6%	
Adjusted EBITDA (excl. trading segment)		158,1	137,1	21,0	15%	91,4	48,8	42,6	87%
Adjusted EBITDA margin (excl. trading segment)		54,7%	40,6%	14,1%		61,8%	29,2%	32,6%	

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

**) Reversal of the impairment losses connected with projects development in 2020

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

The sales revenues of Polenergia Group in the first half of 2021 were higher by PLN 390.3m year on year, mainly due to higher revenues in the trading and sales segment (by PLN 439.2m), which were partly offset by lower revenues in the gas and clean fuels segment (by PLN 16.3m) and the onshore wind farm segment (by PLN 28.6m).

The adjusted EBITDA in that period amounted to PLN 187.2m and was higher by PLN 39.4m compared to the corresponding period of the preceding year. This was mainly due to a higher result in the gas and clean fuels segment (an increase by PLN 55.4m) and in the trading and sales segment (an increase by PLN 18.4m) due to the implementation of the process of optimizing the operation of EC Nowa Sarzyna (Heat and Power Plant) in accordance with the provisions of the agreement on the Provision of Portfolio Management Services and Sales of Electricity, Gas Fuels and Emission Allowances ("SLA"). The higher result was partly offset by the lower result of the onshore wind farm segment (a decrease of PLN 32.6m) due to a lower production level resulting from worse wind conditions.

In the second quarter of 2021 sales revenues of Polenergia Group were higher by PLN 212.3m year on year, due to higher revenues in the trading and sales segment (by PLN 231.3m) partly offset by a drop in revenues in the gas and clean fuels segment (by PLN 5.1m) and in the onshore wind farm segment (by PLN 13.2m).

The adjusted EBITDA in that period amounted to PLN 111.5m and was higher by PLN 57.8m compared to the corresponding period of the preceding year. This was mainly due to higher results in the gas and clean fuels segment (by PLN 44.8m) and in the trading and sales segment (by PLN

15.2m) in connection with the implementation of the ENS work optimization process in accordance with the provisions of the SLA.

2. Detailed commentary regarding financial performance for the 6-month period ended on 30 June 2021 and other significant information on the Group's standing.

In H1 2021, the onshore wind farm segment recorded EBITDA lower by PLN 32.6m compared to the previous year's result, and in the second quarter alone, the decrease in EBITDA amounted to PLN 1.2m. The decline in the segment's result in 2021 is mainly a consequence of a lower production volume (worse wind conditions) and slightly higher operating costs of wind farms, partly offset by higher electricity sales prices at the segment level.

EBITDA in the photovoltaic segment in H1 was lower by PLN 0.4m than in H1 2020 due to increased costs in connection with the development of the PV projects in the Group. EBITDA generated by the portfolio of projects in operation (Sulechów I) was at a similar level compared to the result in the first half of 2020 (a decrease by PLN 0.1m due to lower irradiation). EBITDA in the photovoltaics segment in Q2 2021 was lower by PLN 0.3m than in Q2 2020 due to increased costs in connection with the development of the PV projects in the Group. EBITDA generated by the portfolio of projects in operation was at a similar level compared to the result in the second quarter of 2020 (a decrease by PLN 0.1m due to lower irradiation).

In the first half of 2021, EBITDA in the gas and clean fuels segment increased by PLN 55.4m compared to the same period last year, and in the second quarter alone, it increased by PLN 44.8m, mainly due to optimization of ENS work. As a result of the optimization, a decision was made to start the process of "reversing" forward transactions hedging the production and revenues of ENS in Q3 and Q4 2021 and Q1 2022. Changes in the level of margin resulting from the changes in the level of prices of electricity, gas and CO₂ allowances in connection with the generation of electricity in ENS - Clean Spark Spread (CSS) permitted to make a decision to curb the planned generation and gradually close the position in the forward market for the a/m periods. As a consequence, the valuation of relevant financial instruments was carried out in accordance with IFRS 9, resulting in the recognition in the result of the second quarter of 2021 at the Group level of: (i) the result on the anticipated generation by ENS in the a/m periods which the forward transactions related to (PLN 18.5m) - this involves a time shift, and (ii) the impact of additional optimization and favorable CSS changes (as at the end of June CSS had negative result) amounting to PLN 33.2 m. The effect of these efforts is disclosed in the trading and sales segment (PLN 13.9m) and in the gas and clean fuels segment (PLN 37.8m). In addition, the increase in results compared to the previous year was influenced by revenues from the capacity market (the performance of the capacity obligation started in January 2021), partly set off by the lack of revenues from compensation of stranded costs (compensation system ended in May 2020).

In H1 2021, the trading and sales segment recorded an increase in EBITDA by PLN 18.4m compared to last year's result, and in the second quarter alone, the increase was PLN 15.2m, mainly due to: i) the result on optimization carried out under the SLA, resulting in the valuation of forward transactions hedging the ENS production and sales in Q3 and Q4 2021 and in Q1 2022, ii) the increase of the result on optimization of medium and short-term volume hedging, iii) the effect of implementing a new strategy in sales to strategic clients. Such increase was partly offset by: i) decrease in the result on the trading of green certificates recognized in Q1 2021 due to a lower supply of certificates and a lower impact of the valuation of the green certificate inventory, ii) lower result on the trading book by recognizing one-off events, iii) lower result from the RES aggregation activity, iv) higher operating costs resulting from the increase in the scale of operations and higher commission costs. In addition, in the second quarter, an increase in the result on trade in green certificates from wind farms was recognized due to the PLN 3.9m higher impact of the valuation of the green certificate inventory compared to the second quarter of last year, partly offset by a lower supply of certificates in the 2nd

quarter (lower wind conditions level and higher cost of sales).

In H1 2021 the EBITDA of the distribution segment advanced by PLN 0.1m YOY, while in Q2 alone YOY it was higher by PLN 0.6m. The increase in the result is mainly a consequence of the higher distribution margin, due above all to the higher sales volume and the entry into force of the new distribution tariff, as well as the higher margin on additional services provided to the Company's customers. The result was partly offset by a lower margin on energy sales and a lower result of Polenergia Kogeneracja on gas distribution (mainly due to the lower volume), as well as the costs incurred for the implementation of the pilot project in electromobility.

The result in the unallocated segment in the first half of the year was lower by PLN 1.4m, and in the second quarter of 2021 alone it was lower by PLN 1.3m compared to the result in the corresponding period of 2020. The change in EBITDA is due to the discontinuation of activities in the Biomass segment and higher operating costs in the Headquarters.

As a consequence of the above events, the adjusted EBITDA margin excluding the trading and sale segment amounted to 54.7%, that is 14.1 p.p more than the margin recognized in the analogous period last year. In Q2 in turn, the adjusted EBITDA margin amounted to 61.8% and was higher by 32.6 pp year on year.

The result on financial activities in H1 2021 was higher than last year's result by PLN 226.6m, which was mainly due to financial income from additional payments (earn-out) in the amount of PLN 225.8m received in connection with the sale shares in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. carried out in 2018, higher foreign exchange result (by PLN 0.2m), revenues from sureties (by PLN 0.2m) and liquidation of an associated company (by PLN 0.3m), lower interest cost (by PLN 4.7m), partly offset by lower interest income on deposits (by PLN 2.1m), valuation of financial contracts (by PLN 0.6m) and higher commission costs (by PLN 0.6m) and valuation of financial instruments in the gas and clean fuels segment (PLN 1.1m).

The higher level of income tax in both analyzed periods is due to higher gross result of the Group in 2021 (higher operating profit and financial income) and the failure to create an asset concerning tax loss accounted for in selected wind farms.

Impact of COVID-19 pandemic

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

The Management Board is of the opinion that Polenergia Group has so far been resilient to adverse economic environment caused by the COVID-19 outbreak. Very good financial performance achieved in the first half year of 2021 shows that the continued pandemic did not materially affect the operation of the companies within the Group.

Most of the Group's staff continued teleworking using remote communication means. All vital operating processes have been on schedule, with significant management processes handled remotely. The Company identifies risk factors related to the variable scale of COVID-19 infections, in particular with respect to activities and processes that cannot be fully performed remotely. This is true, in particular, of the gas and clean fuels segment which is largely dependent on the individual manufacturing staff traffic and of the wind farm projects in their construction phase. In order to mitigate the impact of the risk on the operation of Elektrociepłownia Nowa Sarzyna, strict OHS rules were applied to operating activity and renovation works. Moreover, an emergency plan has been prepared for the Company to maintain the production process continuity by the staff working with accommodation on-site. The implementation of wind farm projects in construction phase has so far experienced no significant

adverse impact of COVID-19. Safety procedures and occupational health measures have been implemented on site, such as questionnaires and statements to verify good health conditions and no contact with infected individuals, the distancing requirement, the measuring of temperature, points of disinfection, weekly testing for COVID-19 of staff members working on the construction site of Szymankowo wind farms, testing for COVID-19 of new staff member as well as invariable composition of worker teams on site (it is prohibited to exchange staff members among the sites).

Until the end of Q1 2021, the impact of the COVID-19 epidemic on the results achieved in the distribution segment was noticeable through a decrease in electricity demand, which was caused, inter alia, by a decrease in energy consumption in production plants and shopping malls. In Q2 2021, due to the reduction of sanitary restrictions, a gradual increase in energy consumption was observed. In view of the extended pandemic period in Poland, entailing high uncertainty, the Company has been monitoring in detail the collection of receivables and has been maintaining an increased bad debt provision established in 2020.

In the trading and sales segment, due to the COVID-19 epidemic and the situation related to shortages of goods and inflationary pressure on the markets after the lock-down period, an increased risk of running commercial activity remains. This has mainly been due to high volatility of prices of CO₂ allowances, electrical energy, raw materials and the currency exchange rates. In addition, a factor that increases the risk of commercial business is the increased risk of counterparty insolvency. The above mentioned risk factors may also materially affect liquidity by increasing the requirements concerning the security deposits and the bad debt level. In the face of increased likelihood of those risks materializing, ongoing monitoring and analytical activities were intensified in those areas and more stringent verification methods have been applied when entering into new transactions.

The wind power segment remains in 2021, and will remain in 2022, largely immune to the current volatility of electricity prices, given the fact that for the large portion of the portfolio the prices of energy sales and green certificates have been hedged on the forward market. Should the drop in energy and green certificate prices continue for a long time and result in a forward contract quotes reduction, the financial performance potential of the segment may be limited in subsequent years.

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

The implementation of the Polenergia Group Strategy for the years 2020-2024 progressed without significant disruptions.

The Group continues works aimed at implementation of wind farm projects of the total capacity of 199 MW which secured auction offtake under the RES support auction scheme.

Construction of the Szymankowo, Dębask and Kostomłoty wind farms has been progressing according to the schedule. At the Szymankowo wind farm, construction works related to the construction of roads, assembly yards and foundations were completed, the construction of the electrical part (medium voltage lines and a substation) was completed, all turbines were assembled and put into operation (11/11). On 23 June 2021 the report on construction works completion report was signed. Applications for use permit and concession were filed.

Construction works are in progress in the Dębask wind farm. Foundations, maneuvering areas and roads for all turbines were made (55/55). The construction of high voltage lines and medium voltage lines was completed. The preparation of the turbine route is in progress - deliveries of components for turbines should start in September 2021.

Construction works are in progress in Kostomłoty wind farm. 100% of the service roads were built, foundation pile works were completed (9/9), and the preparation for laying the reinforcement and concreting the foundations is in progress. Works related to laying medium voltage and high voltage lines are in progress.

As part of the December 2020 RES auction, the Company obtained 15-year support for three portfolios of photovoltaic projects: Sulechów II, Sulechów III and Buk I, providing for the construction of 29 PV plants in total, with the aggregate capacity of ca. 28 MW. In May 2021 all three companies obtained financing to implement the projects, and all key contracts for their implementation were entered into. The Sulechów II and Sulechów III projects are currently under construction. The construction of Buk I project will commence in August 2021. The construction of these projects is planned to be completed in H1 2022.

Pursuant to the Information from the President of the Energy Regulatory Office of 25 June 2021, the subsidiaries: Polenergia Farma Wiatrowa Olbrachcice sp. z o.o. developing the Świebodzin photovoltaic farm projects of the capacity totaling 10.5 MW, Polenergia Obrót 2 sp. z o.o. developing the Strzelino photovoltaic farm project of the capacity totaling 45.15 MW and Polenergia Farma Wiatrowa Grabowo sp. z o.o. developing the Grabowo photovoltaic farm project of the capacity totaling 37.4 MW did not win the auction for the sale of energy from renewable sources. The Group does not rule out alternative forms of securing revenues for the aforementioned projects, i.e. concluding PPA (Power Purchase Agreement) agreement or sales based on market risk supported by hedging on the futures market, as well as participation in subsequent auctions.

The Group continues further development of wind and photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020-2024. As a consequence, the Group does not exclude the participation of subsidiaries developing wind and photovoltaic farm projects in subsequent RES auctions. Various forms of commercialization of their production will be considered for individual projects, including decisions on participating in auction, sale of energy to industrial customers in PPAs or sale of energy on the futures market along with the successive advancement of the projects.

Development works in the offshore wind power segment were continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW. On 4 May 2021 the President of the Energy Regulatory Office issued the decisions to grant to each of MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. project companies the right to cover the negative balance for electricity generated in the MFW Bałtyk II and MFW Bałtyk III offshore wind farms holding a capacity of 720 MW each.

As of 1 January 2021 the EC Nowa Sarzyna (Heat and Power Plant), as the participant in the Capacity Market, has been performing its capacity obligation, as per the contract with Polskie Sieci Elektroenergetyczne and has been continuing to provide the black start and system restoration services for PSE. ENS has also been successfully participating in the capacity aftermarket, where trading in capacity obligations takes place, as well as re-allocation of capacity obligations among capacity suppliers. On top of that, based on the SLA, EC Nowa Sarzyna has been dynamically operating on the energy market due to its optimized model of operation.

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

In May 2021 the large-scale hydrogen project submitted by Polenergia SA in the competition for projects in the area of hydrogen technologies and systems (organized under the IPCEI scheme) after passing formal verification and assessment for compliance with the criteria (by the Minister of Development, Labor and Technology and the Minister of Climate and Environment) was approved for

further implementation.

Polenergia S.A. and ENS will co-create the first hydrogen valley in Poland. The letter of intent signed in June 2021 in Jasionka near Rzeszów for the creation of the Subcarpathian Hydrogen Valley is to help build a coordinated and integrated ecosystem of connections focusing on the development of technology, knowledge, research and business.

In addition, in 2021 Elektrociepłownia Nowa Sarzyna joined an international consortium co-operating to use hydrogen as a zero-emission fuel in gas turbines in existing installations in Europe. ENS has two Frame6B gas turbines manufactured by Thomassen International, each with a capacity of 40 MW, which will be modified in the future to co-fire hydrogen with natural gas and ultimately switch to pure hydrogen fuel. Apart from Ansaldo Thomassen and ENS, the partners of the Mutual Cooperation Agreement also include: Vattenfall, DOW, Nouryon, EmmTec, Hygear, TU Delft, TU Eindhoven, DLR and OPRA Turbines.

The Group implements the new strategy in the trading and sales segment by developing new and existing business areas. As part of the optimization of EC Nowa Sarzyna activity, a decision was made to start the process of "reversing" forward transactions hedging the ENS production and sale in Q3 and Q4 2021 and Q1 2022, resulting in the recognition of the valuation effect of these financial instruments in Q2 2021. At the same time over a half of the optimal electricity production structure for 2022 was hedged. As part of the geographical expansion, operations commenced in the Ukrainian and Hungarian energy markets. Testing is in progress in the gas trading market in Ukraine, as well as the analyses of profitability entering the Baltic States energy markets. In 2021 the Company significantly increased the volume of its sales to industrial customers with concurrent active prospecting of customers for subsequent years. In H1 the Company acquired customers of significant volume for the delivery period 2022-2023. Polenergia Sprzedaż launched renewable energy sales to end customers. Green energy produced in the Group's generation assets is being sold as "Energy 2051" product through the website and teleshopping channels. Also the third-party RES generators aggregation business has been actively promoted - the existing generators were retained and new ones were won for the years 2021-2022. Short-term and long-term products are prepared for the segment of independent RES producers and customers. Under the flexibility services business line, a contract has been signed for the provision of DSR services with Polskie Sieci Elektroenergetyczne. Intensive work is underway to develop the aggregation of flexibility services and a uniform approach to the external and internal assets of the Polenergia Group to participate in the secondary capacity market.

In the distribution segment, on 21 October 2020 new electricity distribution and sales tariff for Polenergia Dystrybucja Sp. z o.o. became effective, with RAB at PLN 109.6m. Also, the approved Investment Plan III for the years 2019-2022 totaling PLN 51m has been under implementation. Prior the end of Q2 2021, 40 connection agreements were signed. In 2021 connection agreements were performed, the readiness for connection was reported for 20 investments / investment phases, the license extension for 5 projects was obtained and the license is expected to be obtained for another 15 projects.

After having obtained the approval of the Supervisory Board, Polenergia Dystrybucja commenced implementation of Investment Plan IV for the years 2021- 2026 totaling PLN 105m. On 15 January 2021 the company executed an annex to the facility agreement with ING Bank Śląski S.A. which granted financing to the company for the implementation of Investment Plan IV in the amount of PLN 75.3m. Said Plan provides for launching investments with respect to the design and construction of electrical energy infrastructure aimed at supplying power to new facilities and customers, in particular with respect to new residential condominiums. By the end Q2 2021 the company signed 35 connection agreements, and the total level of outlays resulting from the incurred liabilities amounted to PLN 29m, which accounts for 28% of the IV investment portfolio.

Other significant information on the Group's condition

On 18 June 2021 the Ordinary General Meeting of Shareholders of the Company was held, where Mr. Grzegorz Stanisławski, Mr. Ignacio Paz-Ares Aldanondo and Mr. Thomas O'Brien were appointed as members of the Issuer's Supervisory Board, and Ms. Marjolein Helder was revoked from her function as the Supervisory Board member. In addition, resolutions were adopted, also including the amendment to the Company Statutes in order to authorize the Management Board of the Company to increase the share capital within the authorized capital, with the possibility for the Management Board of the Company to exclude the right to subscribe for shares issued under the authorized capital, in whole or in part, with the consent of the Supervisory Board of the Company.

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

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

On 5 March 2021 the companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (jointly the "Project Companies") in which Polenergia S.A. holds 50% of shares, developing - under a joint venture with the Equinor group - the construction projects of two offshore wind farms with the intended capacity of 720MW each ("MFW"), filed after relevant analyses and corporate decisions, their requests to the President of the Energy Regulatory Office ("ERO President") under the procedure provided for in the Act of 17 December 2020 on the promoting of electricity generation in offshore wind farms (the "MFW Act") for the award, pursuant to a decision of the ERO President, of the entitlement to have any negative balance compensated with respect to electricity generated in an offshore wind farm and fed into the grid ("Support") ("Requests").

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

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

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

The Support will require the approval of the European Commission ("EC"). After EC takes its position, the ERO President will issue an administrative decision in which the individual price will be set that will be the basis for settlement of the negative balance of each of the Project Companies (the "Support Price"). The ERO President may set the Support Price at the level equal to or lower than the Maximum Price. In case the Support Price is lower than the Maximum Price, the Project Companies will have the

right to waive the right to cover the negative balance granted to them. Should such scenario materialize, the Issuer and Wind Power AS, as the shareholders to the Project Companies, will assess the advisability of waiving the right to cover the negative balance granted to the Project Companies with a view to give relevant corporate approvals in this respect.

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

In order to fulfill the above mentioned obligation, significant capital expenditures will be required. The total capital expenditures to be borne by the Project Companies following the obtaining of the Support in connection with the preparation of both projects in the period until the final investment decision and commencement of construction scheduler for 2023 have been estimated at between PLN 307m and PLN 385m. On top of the amounts referred to in the preceding sentence, the estimated construction expenditures amount to between PLN 16,130m and PLN 18,220m, the major share of which will be borne after the final investment decision is made and construction commences. The Issuer, as the shareholder to the Project Companies, will be obligated to pay part of the capital expenditures pro rata to the Issuer's interest in the Project Companies, with due regard to the project finance loan to finance the expenditures during construction intended to be incurred by the Project Companies.

On 4 May 2021 the President of the Energy Regulatory Office issued the decisions to grant to each of MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. project companies the right to cover the negative balance for electricity generated in the MFW Bałtyk II and MFW Bałtyk III offshore wind farms holding a capacity of 720 MW each.

On 25 May 2021 the Issuer received from Wind Power AS, a shareholder of the Project Companies, additional payments resulting from the agreement concerning, inter alia, the sale of shares in the Project Companies entered into on 5 March 2018 with Statoil Holding Netherlands B.V., in the amount of EUR 25 028 640 in case of MFW Bałtyk III sp. z o.o. and EUR 25 200 000 in case of MFW Bałtyk II sp. z o.o.

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

On 20 February 2021 the Management Board of Polenergia S.A. was notified about the fact that the shareholders of Mansa Investments Sp. z o.o. and BIF IV Europe Holdings Limited, entered into an additional memorandum of understanding to the investment agreement of 3 November 2020 and the shareholders agreement of the same date. The notification included, among others, the intention to increase the Company's share capital via the issue of new shares. Such share issue will involve preemptive right or shall otherwise prevent share dilution.

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

On 12 May 2021 Polenergia Farma Wiatrowa Rudniki Sp. z o.o., the subsidiary, entered into a loan

agreement with mBank S.A. in the form of an investment loan totaling up to PLN 13m for the financing of the photovoltaic farm Buk I construction and the VAT loan during construction up to PLN 3.2m. The Facility Agreement provides for the repayment of the investment loan no later than by 21 December 2037 and of the VAT loan no later than by 31 January 2023.

On May 2021 Polenergia Farma Fotowoltaiczna 9 Sp. z o.o., the subsidiary, entered into the loan agreement in a form of investment loan with mBank S.A. For the total amount up to PLN 18m to finance the construction of Sulechów III photovoltaic farms. The loan agreement provides for the repayment of the investment loan no later than by 21 December 2037.

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

On 29 July 2021, the Management Board of the Company informed about the decision issued to Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. by the President of the Energy Regulatory Office, determining the costs of consumption of natural gas collected and costs of non-collected natural gas for 2020 in the amount of PLN 30,366,227, for the adjustment period from 1 January 2020 to 1 June 2020, due to ENS under the Act of 29 June 2007 on the principles of covering costs incurred by producers in connection with the early termination of long-term power and electricity sales contracts.

Moreover the Issuer's Management Board informs on the decision issued by the President of the Energy Regulatory Office establishing the amount of annual stranded cost adjustment for 2020 in the amount of PLN 3 964 267, for the adjustment period from 1 January 2020 to 1 June 2020.

6M 2021 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	123,6	1,7	109,5	923,3	51,2	3,0	-	1 212,3
Operating costs, including operating costs (without granted green certificates adjustment)	(60,6)	(1,0)	(51,5)	(886,4)	(43,4)	(4,4)	(0,4)	(1 047,7)
depreciation/amortization	(25,1)	-	-	-	-	-	-	(25,1)
granted green certificates adjustment	(31,8)	(0,4)	(8,8)	(0,1)	(3,1)	(1,2)	(0,4)	(45,8)
granted green certificates adjustment	(3,8)	-	-	-	-	-	-	(3,8)
Gross profit on sales	63,0	0,6	58,0	36,9	7,8	(1,3)	(0,4)	164,5
Gross profit on sales margin	51,0%	37,8%	53,0%	4,0%	15,3%	"n/a"	"n/a"	13,6%
General overheads	(1,8)	(0,1)	(3,4)	(8,6)	(3,0)	(7,8)	-	(24,7)
Other operating activities	1,6	0,0	(1,0)	0,7	0,2	0,1	-	1,4
including impairment losses	(0,1)	-	-	-	-	(0,0)	-	(0,1)
Operating profit	62,8	0,5	53,6	28,9	4,9	(9,0)	(0,4)	141,3
EBITDA	94,7	0,9	62,4	29,0	8,0	(7,8)	-	187,2
EBITDA Margin	76,6%	54,2%	57,0%	"n/a"	15,7%	"n/a"	"n/a"	15,4%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	94,7	0,9	62,4	29,0	8,0	(7,8)	-	187,2
Adjusted EBITDA Margin	76,6%	54,2%	57,0%	"n/a"	15,7%	"n/a"	"n/a"	15,4%
Profit (loss) on financial activities	(15,5)	(0,3)	(1,2)	(1,8)	(1,5)	226,8	-	206,7
Profit (loss) before tax	47,3	0,2	52,4	27,1	3,5	217,8	(0,4)	347,9
Income tax	-	-	-	-	-	-	-	(68,0)
Net profit (loss) from continuing operations								279,9
Profit from discontinued operating activities	-	-	-	-	-	-	-	-
Profit on disposal of discontinued operations	-	-	-	-	-	-	-	-
Net profit (loss) for period								279,9
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,4
Foreign exchange differences	-	-	-	-	-	-	-	0,1
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,7
Impairment losses	-	-	-	-	-	-	-	0,1
Net result on the sale of assets	-	-	-	-	-	-	-	(186,1)
Adjusted net profit								95,1
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								
6M 2020 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	152,2	1,8	125,8	484,0	46,4	11,9	-	822,0
Operating costs, including operating costs (without granted green certificates adjustment)	(57,0)	(0,8)	(124,2)	(467,0)	(39,1)	(12,6)	(4,3)	(704,9)
depreciation/amortization	(19,9)	-	-	-	-	-	-	(19,9)
granted green certificates adjustment	(31,7)	(0,4)	(9,5)	(0,1)	(2,7)	(1,2)	(4,3)	(49,9)
granted green certificates adjustment	(5,3)	-	-	-	-	-	-	(5,3)
Gross profit on sales	95,2	1,0	1,5	17,1	7,3	(0,7)	(4,3)	117,1
Gross profit on sales margin	62,6%	56,2%	1,2%	3,5%	15,7%	"n/a"	"n/a"	14,2%
General overheads	(1,3)	(0,1)	(3,3)	(6,9)	(2,6)	(7,3)	-	(21,6)
Other operating activities	1,6	0,0	(0,7)	0,4	0,5	0,3	-	2,1
including impairment losses	(0,1)	-	-	-	-	(0,1)	-	(0,2)
Operating profit	95,5	0,9	(2,5)	10,5	5,2	(7,8)	(4,3)	97,6
EBITDA	127,3	1,3	7,0	10,6	7,9	(6,4)	-	147,7
EBITDA Margin	83,7%	73,4%	5,5%	2,2%	17,0%	"n/a"	"n/a"	18,0%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	127,3	1,3	7,0	10,6	7,9	(6,4)	-	147,7
Adjusted EBITDA Margin	83,7%	73,4%	5,5%	2,2%	17,0%	"n/a"	"n/a"	18,0%
Profit (loss) on financial activities	(20,6)	(0,3)	0,8	(1,1)	(1,2)	2,4	-	(20,0)
Profit (loss) before tax	75,0	0,6	(1,6)	9,5	3,9	(5,4)	(4,3)	77,6
Income tax	-	-	-	-	-	-	-	(13,1)
Net profit (loss) for period								64,5
Profit from discontinued operating activities	-	-	-	-	-	-	-	-
Profit on disposal of discontinued operations	-	-	-	-	-	-	-	-
Net profit (loss) for period								64,5
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	3,5
Foreign exchange differences	-	-	-	-	-	-	-	0,1
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,7
Impairment losses	-	-	-	-	-	-	-	0,2
Adjusted net profit								69,0
Change of adjusted EBITDA yoy	(32,6)	(0,4)	55,4	18,4	0,1	(1,4)	-	39,4
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								

2Q 2021 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	57,7	1,2	61,8	427,5	25,6	1,5	-	575,3
Operating costs, including operating costs (without granted green certificates adjustment)	(30,6) (14,7)	(0,5)	(15,7)	(403,3)	(21,6)	(2,3)	(0,2)	(474,2) (14,7)
depreciation/amortization	(15,9)	(0,2)	(4,4)	(0,1)	(1,5)	(0,6)	(0,2)	(22,9) (22,9)
granted green certificates adjustment	-	-	-	-	-	-	-	-
Gross profit on sales	27,1	0,7	46,0	24,2	4,0	(0,8)	(0,2)	101,1
<i>Gross profit on sales margin</i>	<i>47,0%</i>	<i>55,1%</i>	<i>74,5%</i>	<i>5,7%</i>	<i>15,7%</i>	<i>n/a*</i>	<i>n/a*</i>	<i>17,6%</i>
General overheads	(0,9)	(0,1)	(1,4)	(4,5)	(1,7)	(4,6)	-	(13,1)
Other operating activities	0,8	-	(0,5)	0,3	(0,1)	0,0	-	0,5
including impairment losses	(0,0)	-	-	-	-	(0,0)	-	(0,0)
Operating profit	27,1	0,6	44,2	20,0	2,3	(5,3)	(0,2)	88,5
EBITDA	43,0	0,8	48,6	20,1	3,8	(4,7)	-	111,5
<i>EBITDA Margin</i>	<i>74,5%</i>	<i>64,1%</i>	<i>78,6%</i>	<i>4,7%</i>	<i>14,8%</i>	<i>-314,0%</i>	<i>-</i>	<i>19,4%</i>
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	43,0	0,8	48,6	20,1	3,8	(4,7)	-	111,5
<i>Adjusted EBITDA Margin</i>	<i>74,5%</i>	<i>64,1%</i>	<i>78,6%</i>	<i>4,7%</i>	<i>14,8%</i>	<i>-314,0%</i>	<i>n/a*</i>	<i>19,4%</i>
Profit (loss) on financial activities	(7,8)	(0,1)	(1,4)	(0,8)	(0,7)	226,5	-	215,8
Profit (loss) before tax	19,3	0,5	42,8	19,2	1,5	221,1	(0,2)	304,3
Income tax	-	-	-	-	-	-	-	(58,6)
Net profit (loss) from continuing operations								245,7
Profit from discontinued operating activities	-	-	-	-	-	-	-	-
Profit on disposal of discontinued operations	-	-	-	-	-	-	-	-
Net profit (loss) for period								245,7
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,2
Foreign exchange differences	-	-	-	-	-	-	-	0,7
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,4
Impairment losses	-	-	-	-	-	-	-	0,0
Net result on sale of assets***	-	-	-	-	-	-	-	(186,1)
Adjusted net profit								60,8

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

2Q 2020 (PLN m)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	70,9	1,4	66,9	196,2	22,1	5,6	-	363,0
Operating costs, including operating costs (without granted green certificates adjustment)	(42,8) (10,2)	(0,4)	(65,8)	(187,6)	(18,6)	(6,0)	(1,8)	(323,1) (10,2)
depreciation/amortization	(15,9)	(0,2)	(4,7)	(0,0)	(1,4)	(0,6)	(1,8)	(24,6) (24,6)
granted green certificates adjustment	(16,8)	-	-	-	-	-	-	(16,8)
Gross profit on sales	28,0	0,9	1,1	8,6	3,4	(0,4)	(1,8)	39,9
<i>Gross profit on sales margin</i>	<i>39,6%</i>	<i>n/a*</i>	<i>1,7%</i>	<i>4,4%</i>	<i>15,5%</i>	<i>n/a*</i>	<i>n/a*</i>	<i>11,0%</i>
General overheads	(0,6)	(0,1)	(1,6)	(4,1)	(1,5)	(3,8)	-	(11,6)
Other operating activities	0,8	0,0	(0,5)	0,4	(0,1)	0,1	-	0,6
including impairment losses	(0,0)	-	-	-	-	(0,1)	-	(0,1)
Operating profit	28,2	0,9	(1,0)	4,8	1,9	(4,1)	(1,8)	28,9
EBITDA	44,1	1,1	3,7	4,8	3,2	(3,4)	-	53,6
<i>EBITDA Margin</i>	<i>62,3%</i>	<i>n/a*</i>	<i>5,6%</i>	<i>n/a*</i>	<i>14,6%</i>	<i>n/a*</i>	<i>n/a*</i>	<i>14,8%</i>
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	44,1	1,1	3,7	4,8	3,2	(3,4)	-	53,6
<i>Adjusted EBITDA Margin</i>	<i>62,3%</i>	<i>n/a*</i>	<i>5,6%</i>	<i>2,5%</i>	<i>14,6%</i>	<i>n/a*</i>	<i>n/a*</i>	<i>14,8%</i>
Profit (loss) on financial activities	(9,9)	(0,1)	(0,9)	(0,7)	(0,6)	0,9	-	(11,5)
Profit (loss) before tax	18,3	0,7	(1,9)	4,1	1,2	(3,2)	(1,8)	17,4
Income tax	-	-	-	-	-	-	-	(2,8)
Net profit (loss) for period								14,6
Profit from discontinued operating activities	-	-	-	-	-	-	-	-
Profit on disposal of discontinued operations	-	-	-	-	-	-	-	-
Net profit (loss) for period								14,6
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	1,5
Foreign exchange differences	-	-	-	-	-	-	-	1,4
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,4
Impairment losses	-	-	-	-	-	-	-	0,1
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit								18,0
Change of adjusted EBITDA yoy	(1,2)	(0,3)	44,8	15,2	0,6	(1,3)	-	57,8

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

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 Interim Condensed 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 4 January 2021 the company Polenergia Farma Fotowoltaiczna 5 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register (KRS).

On 28 January 2021 the company Polenergia Farma Fotowoltaiczna 6 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 19 March 2021 the company Polenergia Farma Fotowoltaiczna 12 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 22 March 2021 the company Polenergia Farma Fotowoltaiczna 7 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 22 March 2021 the company Polenergia Farma Fotowoltaiczna 11 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 16 April 2021 the company Polenergia Farma Fotowoltaiczna 8 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 16 April 2021 the company Polenergia Farma Fotowoltaiczna 9 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 19 April 2021 the company Polenergia Farma Fotowoltaiczna 10 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 21 May 2021 the company Polenergia Farma Fotowoltaiczna 13 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 21 May 2021 the company Polenergia Farma Fotowoltaiczna 15 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 27 May 2021 the company Polenergia Farma Fotowoltaiczna 14 sp. z o.o. was entered into the Entrepreneurs Register of KRS.

On 29 January 2021 the Extraordinary General Meeting passed a resolution concerning the winding-up of the company Energopep sp. z o.o. and its liquidation. Entry into KRS on 10 March 2021.

On 30 November 2020 the company Energopep sp. z o.o. sp.k was deleted from KRS. The entry became effective as of 29 January 2021.

On 15 January 2021 the Extraordinary General Meeting passed a resolution concerning the winding-up of the company Polenergia Biomasa Energetyczna Północ sp. z o.o. and its liquidation. Entry into KRS on 17 February 2021.

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

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

Major economic and financial data (PLN m)	6M 2021	6M 2020	Difference
Sales revenues	1 212,3	822,0	390,3
EBITDA	187,2	147,7	39,4
Adjusted EBITDA with the elimination of the effect of purchase price allocation	187,2	147,7	39,4
Net profit (loss)	279,9	64,5	215,4
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	95,1	69,0	26,1

The year-on-year changes in H1 2021 performance were driven by the following factors:

a) On the level of EBITDA (increase by PLN 39.4m):

- Lower performance (by PLN 32.6m) in the onshore wind farm segment mainly due to the lower production volume and slightly higher operating costs of the wind farms;
- The result of the photovoltaic segment lower by PLN 0.4m due to increased costs related to the development of further PV projects in the Group. EBITDA generated by the portfolio of 8 photovoltaic projects in operation (Sulechów I) was at a similar level compared to the result in the first half of 2020 (a decrease by PLN 0.1m due to lower irradiation).
- Higher result in the gas and clean fuels segment (by PLN 55.4m) due to (i) the process of optimizing the work of ENS (making a decision to start the process of "reversing" forward transactions hedging the ENS production and sale in Q3 and Q4 2021 and in Q1 2022) resulting in the classification of these transactions as financial instruments thus subjects to the valuation (ii) revenues from the capacity market (the performance of the capacity obligation started in January 2021), (iii) partly offset by the lack of revenues from stranded cost compensation (compensation system ended in May 2020);
- Higher result in trading and sale segment (by PLN 18.4m) due to: i) the result on optimization carried out under the SLA, resulting in the valuation of forward transactions hedging the ENS production and sale in Q3 and Q4 2021 and Q1 2022, ii) the increase of the result on trading energy from wind farms, resulting, inter alia, from the optimization of medium and short term volume hedging, iii) the effect of implementing a new strategy in sales to strategic customers. This increase was partly offset by: i) a decrease in the result on the trade of green certificates recognized in Q1 2021 due to a lower supply of certificates and a lower impact of the valuation of the green certificate inventory, ii) a lower result on the trading book by recognizing one-off events, iii) lower result on the RES aggregation activity, iv) higher operating costs resulting from the increase in the scale of operations and higher commission costs;
- Higher result in the distribution segment (by PLN 0.1m) as a consequence of the higher distribution margin, due above all to the higher sales volume and the entry into force of the new distribution tariff, as well as the higher margin on additional services provided to the Company's customers. The result was partly offset by a lower margin on energy sales and a lower result of Polenergia Kogeneracja on gas distribution (mainly due to the

lower volume), as well as the costs incurred for the implementation of the pilot electromobility project.

- The lower result of the Unallocated item (by PLN 1.4m) is mainly a consequence of the discontinuation of biomass activity (a decrease in the result by PLN 1.2m) and higher costs of the Headquarters (costs increased by PLN 0.3m).

b) On the level of adjusted EBITDA (increase by PLN 39.4m):

- The EBITDA effect described above (higher by PLN 39.4m);

c) On the level of Net Profit (increase by PLN 215.4m):

- The EBITDA effect (higher by PLN 39.4m);
- Lower depreciation/amortization (by PLN 4.2m) resulting predominantly from the end of amortization of the asset from gas compensation and stranded costs recognized under the Purchase Price Allocation, lower depreciation in the gas and clean fuels segment (lower depreciation rate due to a longer period of depreciating repairs) and discontinuing the operations by Biomasa Wschód, partly offset by bringing fixed assets into use in distribution and the leased fixed assets at Headquarters;

All the above mentioned items contributed to the increase of the operating profit by PLN 43.7m.

- Higher financial income (by PLN 223.6m) as a consequence of additional payments (earn-out) in the amount of PLN 225.8m from the sale of shares in the MFW Bałtyk II and MFW Bałtyk III projects carried out in 2018, the increase in revenues from exchange differences (by PLN 0.1m), surety fees (PLN 0.2m), income from the liquidation of a affiliated company in which the Group held a 20% share (PLN 0.3m) partly offset by lower interest income on deposits (a decrease by PLN 2.1m) and lower valuation of financial instruments (by PLN 0.6m),
- Lower financial costs (by PLN 3.0m) mainly due to lower interest costs (PLN 4.7m) and lower costs due to foreign exchange differences (by PLN 0.1m), partly offset by higher commission costs (by PLN 0.6m), an increase in the cost of valuation of financial instruments in the gas and clean fuel segment (PLN 1.1m) and costs of liquidation of a subsidiary (PLN 0.1m);
- Higher level of income tax (by PLN 54.9m) mainly due to the higher gross profit of the Group in 2021 (higher operating profit and financial income) and the impact of not creating an asset on the tax loss accounted for in some wind farms.

d) On the level of adjusted net profit (increase by PLN 26.1m):

- The net profit effect (increase by PLN 215.4m);
- Elimination of the purchase price allocation effect (drop by PLN 3.2m);
- Reversal of the impairment losses effect (drop by PLN 0.1m);
- Elimination of the net gain/loss on the sale of assets (drop by PLN 186.1m).

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

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

7. 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 semi-annual 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 with the risks described in the Directors' Report on the operations of the Polenergia Group in the year ended 31 December 2020, the Group's risk exposures have largely remained unchanged, with the following reservations:

Risk of foreign exchange rate fluctuation

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

In the onshore find farm segment that also includes projects in development and in construction, part of the liabilities is denominated in Euro. This mainly regards investment liabilities in Polenergia Farma Wiatrowa Szymankowo Sp. z o.o., Polenergia Farma Wiatrowa 3 Sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. companies implementing the construction of the Szymankowo, Dębsk and Kostomłoty projects. The currency risk in the projects was fully hedged on the financial market before the investment loan was disbursed by means of FX Forward transactions.

As part of the photovoltaic segment, which includes, inter alia, projects that obtained support for RES in 2020 (Sulechów II, Sulechów III and Buk I project portfolios) in the development and construction phase, some investment commitments are denominated in EUR. The Group hedged a part of the foreign exchange risk by purchasing currency in the account and by analyzing the exchange risks on an on-going basis in order to further hedge the exchange rate to limit the cost of servicing the debt held.

Moreover, Polenergia Obrót is exposed to foreign exchange risk as a result of trading in foreign electricity markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, as sales revenue and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. Whenever Polenergia Obrót concludes any substantial transactions, foreign exchange hedging transactions are also concluded. Risk management issues in Polenergia Obrót are governed by the company's Risk Management Policy, in accordance with the rules prescribed by such document.

Interest rate risk

The proportion of debt in the group's financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, more than 50% of the costs of projects pursued by the Group are financed with debt. In accordance with the credit facility agreements entered into by Group companies, interest on credit facilities provided to them is based on variable rates. Any significant increase in market interest rates above the values forecast by the Polenergia Group and factored into its project budgets may have an adverse impact on the Group's financial performance. The Polenergia Group is aware of the existence of that risk and takes measures to mitigate it and to prevent its potential adverse consequences by hedging interest rates through IRS transactions, constantly monitoring the situation on the money market and effectively managing its finances.

On 19 June 2015 the subsidiary Polenergia Farma Wiatrowa Mycielin Sp. z o.o. and Alior Bank S.A. executed a transaction to hedge interest rate risk. Such instrument hedged 60% of interest-

related cash flows and took effect in Q2 2016. On top of that, on 30 April 2020 the company decided to increase its hedge level up to 90% by concluding another IRS transaction.

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

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

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

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

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

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

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

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

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

Risk of volatility of electricity market prices

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

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

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

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

From 2022, as part of the implementation of European regulations, a number of rules regarding the functioning of the balancing market in Poland will change, which may cause the risk of increased price volatility on the current market and changes in the approach of market participants to creating offers on the wholesale electricity market and the balancing market. This is a system-related risk faced by all participants of the electrical energy market in Poland.

In 2021 and 2022 the onshore wind farm segment will remain largely resistant to the current volatility of electricity prices due to the fact that for a significant part of the portfolio, the electricity sales price in this year and next year has been hedged on the futures market. It should however be noted that in case of continuing low windiness correlated with high prices in SPOT market, it may become necessary to repurchase electricity at disadvantageous prices. Such situation may have an adverse effect on the realized financial result. Should the drop in energy prices continue for a long time and result in a forward contract quotes reduction, the financial performance potential of the segment may be limited in subsequent years. The increase in the number of wind sources may also negatively affect the revenues of the onshore wind farm segment in the coming years due to the decline in energy prices in the periods of high generation of energy from wind sources, which contributes to an increase in the cost of profiling.

Risk of volatility in market prices of natural gas

Increase of prices in forward contracts for natural gas, accompanied by high prices of carbon dioxide emission allowances entails the negative Clean Spark Spreads risk (CSS). In case of disadvantageous CSS there is a risk of loss of margin in future when hedging the operation of assets generating electricity from natural gas. In addition, CSS volatility has effect on the Group's financial results in connection with the valuation of forward transactions hedging the ENS production and sale with reference to the periods for which the reversal of prior forward transactions started.

Risk of volatility in market prices of green certificates

The Group's financial performance depends, without limitation, on the level of market prices of green certificates. The Group analyzes the situation on the green certificate market on an ongoing basis and makes decisions on securing the sale of green certificates from the wind energy segment, taking advantage of the possibility of concluding transactions on the bilateral contracts market and on the exchange market.

On 25 September 2017 the provisions of the Act of 20 July 2017 came into force amending the RES Act entered into force (Journal of Laws of 2017, item 1593) whereby the method for calculating the unit emission charge was linked to averaged annual market prices of green certificates, as published by the Polish Power Exchange pursuant to art. 47.3.2 of the amended Act. In light of the amended wording of Art. 56.1 of the RES Act, the unit emission charge for green certificates is equal to 125% of the annual weighted average price of green certificates other than certificates issued in respect of energy generated from agricultural biogas on or after 1 July 2016, but may not exceed PLN 300.03 per 1 MWh (PL: Ozjo).

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

As at the date hereof, the draft ordinance of the Minister of Climate and Environment is in the phase of obtaining opinions, the ordinance pertaining to the change of the share of total electricity volume resulting from the redeemed certificates of origin confirming the generation of electricity from renewable energy sources in 2022. Pursuant to the draft provisions, the shares for the so-called green and blue certificates will be reduced compared to the year 2021. This means the shares will be at the level of 18.5% and 0.5% respectively. If the above change is implemented,

the supply and demand relation in the green certificates' market may change. This would be the effect of the adjustment announced by the Ministry to the level of obligations, consisting in their gradual reduction related to discontinuation of the 15 years' old certificate system for successive installations.

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

Risk concerning RES auctions

Under the new (auction-based) scheme, to obtain support for energy generation from RES a producer will have to win an auction, the results of which will also determine the extent of the support. As a consequence, there is a risk of obtaining no support for wind farm and photovoltaic farm projects implemented by the Group. On the other hand, support granted under the auction-based scheme will protect the producer against market risk for 15 years. The entry into force of the amended renewable energy sources Act paves the way to launch successive auctions.

Pursuant to the Information from the President of the Energy Regulatory Office of 25 June 2021, the subsidiaries developing the Świebodzin photovoltaic farm projects of the capacity totaling 10.5 MW, Strzelino photovoltaic farm project of the capacity totaling 45.15 MW and Grabowo photovoltaic farm project of the capacity totaling 37.4 MW did not win the auction for the sale of energy from renewable sources.

The ongoing projects which do not win the auction may participate in the auction the following year, if such auction is announced.

In case a wind farm project or a photovoltaic farm project does not obtain the support by way of auction, the method of its further implementation is subject to verification, in particular, such project can be implemented based on alternative forms of securing revenues, i.e. the conclusion of PPA agreements (Power Purchase Agreement) or the sale based on market risk supported with hedging in the forward market.

Risk related to the necessity of meeting environmental requirements

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

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

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

Plants owned by the Polenergia Group:

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

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

In another EU ETS period started in 2021 only EC Nowa Sarzyna received allocations for allowances as a co-generation plant producing electricity and heat. The installations covered by the system, but generating electricity only, did not apply for free of charge allocation of allowances.

In May 2019 EC Nowa Sarzyna filed an application for free of charge allocation of allowances for the period 2021-2025. In July 2021, the Minister responsible for climate issues announced the list of plants with the final number of emission allowances allocated for the years 2021-2025, in accordance with Art. 26e paragraph 3 of the Act of 12 June 2015 on the greenhouse gas emission allowance trading system (Polish Official Journal of 2021 item 332 and 1047). EC Nowa Sarzyna received the following allocations:

2021 / 10,347

2022 / 10,081

2023 / 9,815

2024 / 9,550

2025 / 9,284

Each year the above installations submit reports in the electronic national database on emissions of greenhouse gases and other substances as well as verified annual reports on CO₂ emissions.

The emission allowance allotments are sent to the account of the operator based on a verified CO₂ Emission Report for the preceding year.

Investment plans non-execution or delay risk

Non-execution or delay in the implementation of investment plans entails a risk of not reaching the assumed operational objectives within the defined time limit. This, in turn, would have an adverse impact on the Group's financial performance which would be worse than completing the project as planned and might lead to the failure to comply with the requirements set in the loan agreements.

Intending to meet the investment plans set forth, the Group takes steps to minimize such risk (such as, among others, precise planning and analyzing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate response to any signals showing that the achievement of objectives could be at risk, as well as an insurance policy package). The Management Board is particularly diligent in preparing individual projects, working on each and every technological detail and ensuring appropriate financing.

In compliance with the Act on Wind Farm Projects amended on 29 August 2019, with reference to building permits concerning wind power plants and issued prior to the effective date of the above mentioned Act (16 July 2016) for which no operating permit was issued within 5 years of 16 July 2016, i.e. until 16 July 2021, a three years' period in which the investor is obliged to commence construction works should be counted from 16 July 2021.

The Companies developing four wind farm projects of the capacity totaling 199 MW were qualified in 2019 and 2020 as producers whose offers won RES auctions. On 29 July 2020 the subsidiary Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. entered into an agreement amending and restating the existing loan agreement under which an investment loan will be granted for the financing of construction of a wind farm. On 10 July 2020 the Polenergia Farma Wiatrowa 3 Sp. z o.o. subsidiary concluded loan agreements for financing the construction of the Dębisk wind farm. On 30 September 2020 the Polenergia Farma Wiatrowa Dębice / Kostomłoty Sp. z o. o. subsidiary concluded loan agreements for financing the construction of the Kostomłoty wind farm. The Szymankowo and Dębisk wind farms are at an advanced stage of construction. In the Szymankowo wind farm the report on construction works completion report was signed on 23 June 2021. Application for use permit and concession were filed. The construction of the Dębisk wind farm progressed according to the adopted schedule. In the Kostomłoty wind farm construction works on structural and electric systems are underway. The construction progressed as per the time schedule. Preparatory works are underway to start the construction of the Piekło wind farm.

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

Farma Wiatrowa Dębice / Kostomłoty sp. z o.o., Polenergia subsidiary applied to the President of the Energy Regulatory Office for a decision extending the deadline for the sale of electricity produced by the Kostomłoty wind farm by 12 months. The application is being processed.

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

The Company's subsidiaries – Amon Sp. z o.o. and Talia Sp. z o.o., each of them acting individually, brought court actions to declare invalid the termination notices issued by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. (the company operating in the Tauron Group) of the Agreements on Sale of Property Rights Incorporated in Certificates of Origin for Electricity Generated in a Renewable Energy Source – wind farms located in Łukaszów (Amon) and Modlikowice (Talia) and the Agreements on Sale of Electricity Generated in the a/m wind farms.

Subsequently, Amon Sp. z o.o. and Talia Sp. z o.o. modified their actions in that they raised a new claim, in addition to the original claim for determination, by demanding compensation for non-performance or improper performance of the above mentioned Contracts and further expanded

such claim to include consecutive periods of non-performance of the contracts by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. (hereinafter referred to as "PKH")

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

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

Thus, said termination notices have no legal effect of terminating both contracts, which consequently, 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 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. PKH appealed against both of the above-mentioned judgments of the District Court in Gdańsk. Currently, the cases are pending before the Court of Appeal in Gdańsk.

The risk related to a potential dismissal of the actions filed by Amon Sp. z o.o. and Talia Sp. z o.o. consists in preventing compensation from PKH from being obtained, or in case of a partial dismissal of actions, in obtaining compensation in the amount lower than assumed.

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

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

On 29 December 2020 Amon Sp. z o.o. and Talia Sp. z o.o. filed with the District Court in Katowice a change of claim against Tauron Polska Energia S.A. covering claims for damages arising after 31 December 2017. The basis of Tauron's tort liability for damages is the cessation of performance by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o., - a subsidiary of Tauron, of long-term agreements for the sale of electricity generated from renewable sources and long-term agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity from renewable sources, entered into with Amon and Talia. Pursuant to the change in question, the claims for damages with interest increased to PLN 78,204,905.55 in the case of Amon (an increase by PLN 30,648,880.04), and to PLN 53,127,847.08 in the case of Talia (an increase by PLN 21,828, 658.56). The disputed amount, taking into account the estimated Tauron's liability for future damages as of the day of bringing the action is over PLN 236m in the case of Amon Sp. z o.o., and over PLN 160m in case of Talia Sp. z o.o.

The risk related to a potential dismissal of the actions filed by Amon Sp. z o.o. and Talia Sp. z o.o. consists in preventing compensation from Tauron Polska Energia S.A. from being obtained, or in case of a partial dismissal of actions, in obtaining compensation in the amount lower than assumed.

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

The company Eolos Polska Sp. z o.o. filed a claim for payment, jointly and severally, by the Company subsidiaries: Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and from Polenergia Usługi Sp. z o.o. of contractual penalties for the termination of agreements for the sale of property rights resulting from of origin for electricity generated in renewable energy sources and for the payment of balancing costs in the total amount of PLN 27,895,009. The claimant specifies in its statement of claim that the claim amount may be higher in view of the fact that in subsequent years liquidated damages pursued will be increased. The Companies denied the claim in its entirety. Moreover, Polenergia Obrót S.A. maintains that the allegation of its joint and several responsibility for liabilities of Certyfikaty Sp. z o.o. is groundless.

Two hearings were held before the Regional Court in Warsaw in the case brought by Eolos Poland Sp. z o.o on 27 September and 13 December 2019, and witnesses were heard. The last hearing was held on 24 March 2021 - in the form of an on-line hearing of the parties. The court decided to continue the evidentiary proceedings. The date will be appointed ex officio.

Counterparty risk

Polenergia Elektrownia Pólnoc Sp. z o.o.- on 21 September 2020 the District Court in Gdańsk delivered to the Company's subsidiary the defendant's response to the claim for payment of PLN 500k as contractual penalty, filed by the company in December 2019. In November 2020, the case was referred for mediation with the consent of both parties. As a result of mediation, a settlement was concluded whereupon the Company waived the claims contained in the plaint, and the Defendant withdrew a cassation appeal in another case.

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

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

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

Risk related to application of hedge accounting to cash flow hedges

As at 30 June 2021 the Group recognized in other comprehensive income, being a component of equity, PLN 22,634k (31 December 2020: PLN 12,609k) due to the effective portion of the valuation of the hedging instrument to its fair value.

Hedging transactions are entered into with a purpose to mitigate the impact of:

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

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

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time of recognizing the impact on the net profit (loss) of the hedging instrument and the hedged item.

As at 30 June 2021 the Group held the following hedging instruments for cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Maturity date of hedging instrument	Hedged value (PLN k)	Interest rate hedged	Instrument
2027.02	13 969,6	1,25%	IRS
2025.09	76 154,2	0,52%	IRS
2035.09	31 500,0	1,20%	IRS
2028.03	152 402,4	0,79%	IRS
2026.06	39 202,0	0,56%	IRS
2034.06	13 661,9	0,89%	IRS
2027.02	3 142,8	1,25%	IRS
2036.03	1 800,0	2,22%	IRS
2027.12	125 966,7	0,75%	IRS
2035.06	150 300,0	1,10%	IRS
Total	608 099,6		

Transactions hedging the risk of foreign exchange rates changes.

Maturity date of hedging instrument	Hedged value (EUR k)	Exchanged rate hedged	Instrument
2021.08	2 797,0	4,4916	Cash
2021.08	724,8	4,4368	Forward
2021.09	28 629,6	4,4401	Forward
2021.10	19 750,8	4,4436	Forward
2021.11	9 513,0	4,4464	Forward
2021.12	21 113,4	4,4998	Forward
2022.01	7 429,2	4,4532	Forward
2022.02	10 852,5	4,5426	Forward
2022.03	1 087,2	4,4600	Forward
2022.06	774,9	4,5734	Forward
2022.07	516,5	4,5752	Forward
Total	103 188,9		

- 9. Number of the Issuer's shares or rights to such shares held by the members of management and supervisory bodies as at the date of submission of the semi-annual report, with information on any changes in such possession in the period since the submission of the previous report**

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

- 10. Identification of shareholders holding, directly or indirectly through subsidiaries, at least 5 % of the total number of votes at the general meeting of shareholders of the Issuer, including the specification of the number of shares held by such entities, their percentage**

share in the share capital, number of votes attaching to them and their percentage share in the total number of votes at the general meeting, as well as identification of changes in the ownership structure of substantial share interests of the Issuer in the period since the delivery of the most recent past quarterly report:

For information on the Issuer's shareholding structure, see Note 16 to the Interim Condensed Consolidated Financial Statements of the Polenergia Group S.A.

11. Identification of proceedings before a court, an arbitration tribunal or public administration body with respect to liabilities or receivables of the issuer or an Issuer's subsidiary

Litigation between Amon Sp. z o.o. and Talia Sp. z o.o. versus Tauron Polska Energia S.A. and Tauron's subsidiary – Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. is pending. Detailed information has been provided in sec. 8 "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

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

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

12. Information on one or more transactions concluded by the Issuer or its subsidiary with related parties, where such transaction is, or all such transactions jointly are, material and were not concluded at arm's length terms, excluding transactions concluded with a related party by an issuer which is a fund, and identification of the value of such transactions; information about individual transactions can be grouped by type, except where information on individual transactions is necessary to understand their impact on the Issuer's assets, financial position and profit or loss

For the Issuer's related-party transactions, see Note 32 to the Interim Condensed Consolidated Financial Statements.

13. Information on any sureties issued by the Issuer or any subsidiary with respect to a loan or a borrowing or any guarantee issued jointly to a single entity or a subsidiary

For information on loan or borrowing sureties or guarantees issued by the Issuer or the Issuer's subsidiary - jointly to a single entity or a subsidiary, see Note 22 to the Interim Condensed Consolidated Financial Statements.

14. Other information that, in the Issuer's opinion, is important in the evaluation of its personnel, property and financial situation, as well as in the assessment of its financial performance and changes thereof and information that is important for the assessment of the Issuer's ability to perform its obligations.

In the Issuer's opinion, other than the information disclosed in its Prospectus, as well as Current and Periodic reports, there is no information that would be material to the assessment of the Issuer's ability to fulfill its obligations.

15. Identification of factors that, in the opinion of the Issuer, will impact its performance in the perspective of at least one quarter

The Company believes that, in the perspective of successive quarters, significant impact on its performance (consolidated and standalone) will be exerted by the following factors:

- macroeconomic situation of Poland,

- final wording of the regulations affecting the Issuer's business,
- prices of electricity and green certificates,
- windiness levels on locations of the wind farms of: Puck, Łukaszów, Modlikowice, Rajgród, Gawłowice, Skurpie, Mycielin, Krzęcin and Szymankowo,
- insolation levels on location of the Sulechów I PV farms,
- price volatility of CO₂ emission allowances, natural gas, and availability of those raw materials,
- financial standing of the Company's customers,
- availability of project financing,
- EUR/PLN exchange rate and WIBOR rate level.