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Polenergia S.A. Group

**SEMI-ANNUAL REPORT ON THE OPERATIONS OF THE POLENERGIA GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

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1. Combined statement of profit or loss for the six-month period ended 30 June 2022

In the first half of 2022 the results of Polenergia Group (the "Group"), in terms of the adjusted (normalized) EBITDA and the net profit, amounted to PLN 211.3m and PLN 119.1m, respectively, which means growth compared to the corresponding period of the preceding year of PLN 24.1m and PLN 24.0m, respectively.

Polenergia Group Income Statement (PLN m)	6M 2022	6M 2021	Difference YOY	Difference YOY [%]	Q2 2022	Q2 2021	Difference YOY	Difference YOY [%]
Sales revenues, including:	3 812,9	1 212,3	2 600,6	215%	1 337,4	575,3	762,0	132%
trading and sales segment	3 455,6	923,3	2 532,3		1 168,3	427,5	740,7	
other	357,3	289,0	68,3		169,1	147,8	21,3	
Cost of goods sold, including:	(3 544,4)	(1 047,7)	(2 496,7)	238%	(1 278,0)	(474,2)	(803,7)	169%
trading and sales segment	(3 348,3)	(886,4)	(2 461,9)		(1 175,0)	(403,3)	(771,6)	
other	(196,1)	(161,4)	(34,8)		(103,0)	(70,9)	(32,1)	
Gross profit on sales	268,5	164,5	104,0	63%	59,4	101,1	(41,7)	-41%
Selling expenses and general overheads	(108,2)	(24,9)	(83,2)	334%	(53,3)	(13,2)	(40,2)	304%
Other operating revenue/expense	(0,4)	1,7	(2,1)	-124%	(0,2)	0,6	(0,8)	-125%
A Operating profit (EBIT)	159,9	141,3	18,7	13%	5,9	88,5	(82,6)	-93%
Depreciation/Amortization	51,2	45,8	5,4		26,5	22,9	3,6	
Impairment losses	0,2	0,1	0,1		0,1	0,0	0,0	
EBITDA	211,3	187,2	24,1	13%	32,4	111,5	(79,0)	-71%
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-		-	-	-	
Adjusted EBITDA*	211,3	187,2	24,1	13%	32,4	111,5	(79,0)	-71%
B Financial income	16,6	227,2	(210,5)		15,1	226,4	(211,3)	
C Financial costs	(37,7)	(20,5)	(17,2)		(18,7)	(10,6)	(8,1)	
A+B+C Gross profit (loss)	138,8	347,9	(209,1)	-60%	2,3	304,3	(302,0)	-99%
Income tax	(28,1)	(68,0)	39,9	-59%	(1,2)	(58,6)	57,5	-98%
Net profit (loss)	110,8	279,9	(169,1)	-60%	1,2	245,7	(244,5)	-100%
Normalizing adjustments:								
Purchase price allocation (PPA)	0,1	0,4	(0,2)		0,1	0,2	(0,1)	
Foreign exchange differences	7,4	0,1	7,2		1,9	0,7	1,2	
Loan valuation using the amortized cost method	0,6	0,7	(0,1)		0,3	0,4	(0,0)	
Impairment losses **	0,2	0,1	0,1		0,1	0,0	0,0	
Net result on sale of assets ***	-	(186,1)	186,1		-	(186,1)	186,1	
Adjusted net profit (loss)*	119,1	95,1	24,0	25,2%	3,5	60,8	(57,3)	-94%
Adjusted EBITDA*	211,3	187,2	24,1	13%	32,4	111,5	(79,0)	-71%
Adjusted EBITDA Margin*	5,5%	15,4%	-9,9%		2,4%	19,4%	-17,0%	
Adjusted EBITDA (excl. trading segment)	183,7	158,1	25,6	16%	76,4	91,4	(15,1)	-16%
Adjusted EBITDA margin (excl. trading segment)	51,4%	54,7%	-3,3%		45,1%	61,8%	-16,7%	

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

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

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

The sales revenues of Polenergia Group in the first half of 2022 were higher by PLN 2,600.6m, mainly due to higher revenues in the trading and sales segment (by PLN 2,532.3m) and the onshore wind power segment (by PLN 95.1m) which was partly offset by lower revenues in the gas and clean fuels segment (by PLN 51.6m).

The adjusted EBITDA in that period amounted to PLN 211.3m and was higher by PLN 24.1m compared to the corresponding period of the preceding year. This was mainly due to better performance of the onshore wind power segment resulting from higher production volume due to better windiness and increased generation capacities year on year. Such better result has been partly offset by lower performance of the gas and clean fuels segment (slump by PLN 60.5m) stemming predominately from reduced optimization magnitude in ENS in 2021 and lower margin on the sale of thermal power due to higher prices of gas and CO2 emission allowances.

In the second quarter of 2022, Polenergia Group recognized growth of sales revenues by PLN 762.0m year on year, influenced by higher revenues in the trading and sales segment (by PLN 740.7m) and in the onshore wind power segment (by PLN 56.1m) partly offset by a lower revenue in the gas and clean fuels segment (by PLN 48.7m).

The adjusted EBITDA in that period amounted to PLN 32.4m and was lower by PLN 79.0m compared to the corresponding period of the preceding year. This has been mainly due to lower performance in the gas and clean fuels segment (by PLN 53.7m) and in the trading and sales (PLN 64.0m) predominately from reduced optimization magnitude in ENS (Elektrociepłownia Nowa Sarzyna), lower margin on the trading in RES (Renewable Energy Sources) assets energy as a result of a significant

raise in profile costs and lower margin on the sales to strategic customers as a consequence of the settlement of forward transactions subject to measurement as at the end of Q1 (the first quarter) 2022.

2. Detailed commentary regarding financial performance for the 6-month period ended on 30 June 2022 and other significant information on the Group's standing.

In the first half of 2022 the onshore wind power segment recorded higher EBITDA by PLN 88.0m year on year, while in the second quarter alone, EBITDA increased by PLN 39.0m compared to the corresponding period of 2021. The improved performance of this segment in 2022 has mainly been the consequence of the bringing into operation of the Szymankowo Wind Farm in the second half of 2021, higher generation volume in other wind farms in operation (higher windiness) and higher electricity sales prices at the segmental level, as well as the commencement of the startup phase in the Dębsk and Kostomłoty wind farms, partly offset by slightly higher operating costs in wind farms compared to the corresponding period of the preceding year.

The EBITDA result in the PV (Photovoltaic) segment in HY1 (the first half) 2022 exceeded by PLN 5.6m that in HY1 2021 (while in Q2 (the second quarter) 2022 it exceeded by PLN 5.3m that in Q2 2021) in view of the commencement of the start-up, in late March 2022, of two new projects: Sulechów II (11,7 MW) and Sulechów III (9,8 MW) and better performance of the Sulechów I project. Revenues generated by the Sulechów I project were higher by 87% relative to those in the first half of 2021 due to higher insolation and due to the sales of part of the electricity volume at higher market prices outside the support scheme.

In the first half of 2022 the EBITDA of the gas and clean fuels segment dropped by PLN 60.5m relative to the corresponding period of the preceding year, while in the second quarter alone, the slump amounted to PLN 53.7m mainly as a result of smaller effect of ENS operation optimization, lower margin on thermal power sales due to higher prices of gas and CO₂ emission allowances and due to lower capacity market revenues. The effects of the optimization process in 2022 included the reversal of the earlier forward transactions hedging the production and sales of electricity in ENS for a part of 2023. Changes in the level of margin resulting from the changes in the level of prices of electricity, gas and CO₂ emission allowances in connection with the generation of electricity in ENS - Clean Spark Spread - (CSS) permitted making a decision to curb the planned generation in 2023 and gradually close the position in the forward market for the a/m period with additional margin. In consequence, measurement took place of the relevant financial instruments as per IFRS 9 resulting in the recognition of the following items in the result for the first half of 2022, at the Group level: (i) the result on the anticipated generation in ENS in the a/m period which the forward transactions related to (PLN 3.4m) which involves a time shift, and (ii) the impact of additional optimization and favorable CSS changes amounting to PLN 13.2m. The impact of measurement of these transactions on EBITDA in HY1 2022 has been disclosed under the trading and sales segment in the amount of PLN 2.8m and in the gas and clean fuels segment in the amount of PLN 13.9m. The impact of the transactions concluded with respect to Q1 and Q2 2022 the measurement of which was recognized in the financial statements as at the end of Q4 2021 amounting to PLN 20.5m has been included in the realized result reducing the measurement figure as at 30 June 2022. As at 30 June 2022, all forward transactions hedging the margin on generation and sales of ENS in the years 2022 and 2023 have been reversed with additional margin.

In HY1 2022 the trading and sales segment saw its result drop by PLN 1.4m relative to the corresponding period of the preceding year, while in Q2 alone, the slump was PLN 64.0m, mainly as an effect of: i) lower result on the ENS operation optimization (there being no favorable market conditions), which had enhanced the result in the corresponding period of 2021. ii) lower margin on RES aggregation due to the increased profile and balancing cost, iii) higher operating expenses resulting from the expansion of operations. The drop of the result in Q2 was additionally driven by low margin on the sales of RES - originating electricity due to increased profile cost resulting from a significant growth of both volatility

and the level of market prices, with hedged sales prices, and lower margin on the sales to strategic customers as a consequence of the settlement of forward transactions subject to measurement as at the end of Q1. The drop of the result in the trading and sales segment in the first half of 2022 was partly offset by: i) higher result on the sales to strategic customers related to the measurement of forward transactions, ii) increased margin on the trading portfolio and business service due to additional optimizing of transaction security for the remaining business lines, iii) better result on the proprietary trading in the energy and gas markets.

In the first half of 2022 the EBITDA of the distribution segment exceeded by PLN 2.7m that in the corresponding period of the preceding year, however in Q2 alone it dropped by PLN 0.5m compared to Q2 2021. The increased result in HY1 was mainly the effect of higher unit margin on energy sales. The result has been partly offset by lower margin on electricity distribution, higher operating expenses mainly resulting from the upscaling of operations, including the costs of implementing the strategy in the e-mobility area. The major reason why said margin on electricity distribution was reduced was the adjustment of revenues from the connection fees in Q2 2022 resulting from the changes in the customers' projects implementation time schedule. The drop of the result in Q2 has been mainly the consequence of lower margin on electricity distribution and higher operating expenses, partly offset by higher margin on the sales of energy.

The result in the unallocated segment in HY1 was lower by PLN 10.2m, while in Q2 2022 alone was lower by PLN 5.2m compared with the corresponding period of 2021. The drop of EBITDA has mainly been the effect of higher HQ costs resulting from the Group's development, growing advisory costs related to the investment projects in implementation, surging inflation and the VAT structure settlement for 2021.

As a consequence of the above-mentioned events, the adjusted EBITDA margin excluding the trading and sales segment amounted to 51.4%, and was lower by 3.3 pp year on year. In Q2 in turn, the adjusted EBITDA margin amounted to 45.1% and was lower by 16.7 pp year on year.

The result on the financial operations in HY1 2022 was lower than one in the preceding year by PLN 227.7m and was impacted, in the first place, by the financial revenues from the earn-out in 2021 in the amount of PLN 225.8m received in respect of the sale of shares in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. that had taken place in 2018, the result on the sale of the Wińsko project, and, in addition, by lower f/x gains (by PLN 1.3m), higher revenues from interest on deposits (by PLN 15.6m) offset by higher interest costs (by PLN 14.3m) and higher commission costs (by PLN 2.0m).

Lower CIT results from the Group's lower gross profit in 2022 (lower level of the financial revenues has been partly offset by higher operating profit).

The impact of the war in Ukraine

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

The outbreak of war in Ukraine and the sanctions imposed on Russia and Belarus entailed fundamental changes in the market environment which are manifested through high volatility of the prices of financial instruments, raw materials and commodities, including fluctuation of the prices of electricity and gas. Of particular threat from the perspective of the energy markets operation and of the economy is the potential cut-off or a significant reduction in natural gas supplies to EU entailing restrained supply and uncontrolled price increases of gas, coal and electrical energy. In the mid- and long-term perspective, it

may adversely impact the economic growth in Poland and the situation in the Polish energy market. Furthermore, among financial factors relevant to the Group, increased inflation pressure and volatility of the Zloty exchange rate vis-à-vis the Euro and the US dollar were observed, as well as a significant growth of the hedging costs in commodity markets.

The Gas and Clean Fuels segment is, in the opinion of the Management Board, largely immune to the current volatility of prices on the market. The margin on electricity production in 2022 is not jeopardized by the reversal of contracts for the sale of electricity and the purchase of gas and CO₂ emission allowances in 2021. On the other hand, the gas supplies related to the heat production contracts have already been fixed (in terms of volume and fixed price) by the end of 2023. An additional safety feature for heat generation is the supply of light heating oil maintained and increased in Q1 2022, as reserve fuel in the event of limited or no supply of gas. If ENS is called upon to provide system services, the current cost of gas purchase, in accordance with the contracts in force, will be covered by revenues. The continuation of the current gas market and CO₂ emission allowances situation in the long term may reduce the ability to secure production and margin in ENS for the years to follow. The ENS also improved its protection against possible cyber attacks; recently the main control system was replaced, and all remote diagnostic systems for the equipment were disconnected from the Internet.

The wind power segment has no direct exposure to the impact of the current market situation. Due to a consistent policy of hedging the production, current price changes do not affect the revenues of the segment from energy sales in 2022. At the same time, high volatility of energy prices combined with variable windiness periods may result in a significant increase in profile costs. It is also noteworthy that the dynamic growth of electricity prices with concurrent growth in prices of proprietary rights - PMOZE_A - made the lawmaker declare reduction of the obligation to redeem certificates of origin from 18.5% in 2022 down to 12% in 2023. If the reduction of the redemption obligation for PMOZE_A is too big and exceeds the pace of the renewable energy sources projects departing from the certificate system, it may lead to a potential big slump of market prices of green certificates. With regard to the sensitivity of the segment's operating part to volatility of interest and exchange rates it must be emphasized that it is limited due to the earlier hedging of interest rate levels to service the investment loans. Due to possible shortage of raw materials on the market, there is a risk that the availability of spare parts may be limited, which may cause temporary downtime of the farms in the event of a failure. The Group's projects may also become vulnerable to cyber attacks. The risk of this type of event is being thoroughly analyzed and remedies are being applied.

The trading and sales segment as the only one in the Group had a direct exposure to the Ukrainian market through the subsidiary Polenergia Ukraine. Even before the war began, that company limited its operating activities. The Group has identified increased risk of trading in other markets, which is driven, among others, by increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers and the increased risk of insolvency of customers. In the context of dynamic price increases, a deviation in the energy consumption by the customers compared to the contract value may generate a significant result (either positive or negative) that will be disproportionate to the original assumptions. On top of that, the price volatility coupled with the continued high price levels in the market results in substantial drop in revenues from the Group's RES assets service and RES aggregation. In addition, the climbing quotations of energy prices in the context of low sales prices hedged in the forward market adversely affect the group's liquidity in relation to the requirement to secure higher deposits in the stock market. In response to the changing market conditions, the Group has been modifying its RES assets sales strategy and has been aiming at increasing the share of energy sales in OTC transactions and under long term contracts. Negative exchange rate movements may result in a deterioration of the performance on a Euro-denominated market. At the same time, the strengthening of the Euro may lead to an increase in the value of the required security deposits. The segment is also exposed to the risk of interest rate increases. Higher cost of working capital facility, due

to the increase of interest rates, may result in a drop of the return on the operations. Polenergia Obrót has also been taking measures to monitor safety risks. Any potential attack that would destroy a telecom and IT infrastructure or restrict access of the availability to systems in a company would prevent the company from continuing its commercial business or would restrict such ability.

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The distribution segment is protected in the long term against the effects of any investment costs increase and rising interest rates through a tariff mechanism. In a short term perspective, until the distribution tariff is updated (until the end of 2022), the Company may experience a negative impact of the current market situation on the return on the business operations performed.

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

In a short term perspective, the investment projects implemented by the Group may be affected by the conflict in Ukraine. The increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. The raise of interest rates triggers increased financing costs while the increase in raw material and commodity prices combined with the volatility of the EUR/PLN exchange rate may lead to an increase in total investment costs. In view of the fuel price increase and the growing demand for gas in the European market, disruptions in the supply chain for the offshore wind power segment have been observed, including because of the shortage of already scarce human and equipment resources from the offshore wind power sector to that dealing with the offshore hydrocarbon extraction, which may necessitate adjustments in the construction programs of the offshore wind farm projects MFW Bałtyk II and MFW Bałtyk III.

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

The new strategy of the Group is being implemented with no significant disturbances.

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

The construction of the Dębsk and Kostomłoty wind farms has been progressing with a slight delay, while the construction of the Grabowo and Piekło wind farms has been progressing according to the

schedule.

At the Dębask wind farm construction works are heading towards completion. The completed works include foundations, service yards and roads with respect to all turbines (55/55). High and medium voltage lines and grid stations have been completed. All WGTs (55/55) have been assembled and energized, trial runs of individual turbines are in progress. The construction of the farm should be completed in Q4 2022.

At the Kostomłoty wind farm major construction works have been completed. The completed works include foundations, service yards and roads with respect to all turbines (9/9). High and medium voltage lines and grid stations have been completed. All WGTs (9/9) have been assembled and energized, trial runs of individual turbines are in progress. The construction of the farm should be completed in Q3 2022.

The wind farm project Piekło which secured an auction offtake in December 2020 is currently at the construction stage. Construction works began in March 2022. Structural and electrical works are in progress. 4/6 foundations have been completed, 100% MV lines are in place, construction works are in progress in terms of access roads and staging areas. Deliveries of the WGT components have been scheduled to begin in October 2022. Completion of construction has been scheduled for the second half of 2023.

The wind farm project Grabowo which secured an auction offtake in December 2021 is currently at the construction stage. Construction works began in March 2022. MV and HV cables have been ordered, as well as the major components of the grid station. 11/20 foundations, 12/19 HV lines and ca. 10/11 km of access roads are in place. Deliveries of the WGT components have been scheduled to begin in October 2022. Completion of construction has been scheduled for the second half of 2023.

Construction of the Sulechów II and Sulechów III projects has been completed, with acceptance certificates issued of completion of a civil structure and installations entered into the register kept by ERO.

The Buk I project is in the final stage of construction. All panels, inverters and container stations have been put in place. 100% of low voltage wiring and 99% medium voltage cabling have been completed. Completion of construction has been scheduled for Q3 2022.

In December 2021, the subsidiaries: Polenergia Farma Wiatrowa Olbrachcice sp. z o.o. developing a portfolio of projects of PV farms Świebodzin I with a total capacity of 10.5 MW and Polenergia Obrót 2 sp. z o.o., developing the PV farm project Strzelino with a total capacity of 45.15 MW, successfully participated in the auction for the sale of energy from renewable energy sources. The Group intends to have the key project contracts and debt financing agreements entered into in the second half of 2022 and to obtain the required corporate authorizations to implement said projects.

The Group continues further development of wind and photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020-2024. The Group's portfolio includes photovoltaic and wind (onshore) projects in a less advanced stage with a total capacity exceeding 843 MW. The Group does not exclude potential participation of the subsidiaries developing wind farm and PV projects in further RES auctions. Different forms of commercialization of production will be considered for individual projects, including bidding a portion of the production in the RES auctions to come, selling energy to industrial customers under cPPA contracts or selling energy in the regulated or over the counter market.

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW. On 4 May 2021 the President of the Energy Regulatory Office issued decisions with respect to the project companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. o.o. granting each of those

companies the right to cover the negative balance for electricity generated in the offshore wind farms MFW Bałtyk II and MFW Bałtyk III, respectively, of the capacity of 720 MW each.

On 6 June 2022, the company MFW Bałtyk II Sp. z o.o. filed a notification with the President of the Antimonopoly Office (UOKiK) requesting an opinion on the draft individual support for the project MFW Bałtyk II and requesting the issuing - after the European Commission issues its decision stating compliance of the state aid to the company with the internal market - of a decision altering the initial decision of the President of ERO and the identifying of the price to be the base for the compensation of the negative balance for the project.

On 22 February 2022 the project companies MFW Bałtyk II Sp. o.o. and MFW Bałtyk III Sp. z o.o. signed contracts with Siemens Gamesa Renewable Energy Poland Sp. and Siemens Gamesa Renewable Energy A/S concerning the preferred supplier of wind turbines for the projects in construction.

The company MFW Bałtyk III Sp. z o.o. filed a complaint with the Provincial Administrative Court ("WSA") against the decision of the General Director of Environmental Protection ("GDOŚ") to dismiss the appeal of MFW Bałtyk III against the decision of the Regional Director of Environmental Protection in Gdańsk ("RDOŚ") to refuse defining new environmental conditions for the construction of an offshore wind farm. WSA accepted the company's arguments and referred the appeal to GDOŚ for reconsideration. On 21 April 2022, GDOŚ filed a cassation complaint to the Supreme Administrative Court. Said complaint has not yet been considered and no session date has been scheduled yet. In addition, on 4 January 2022, the company MFW Bałtyk III sp. z o.o. obtained a decision of RDOŚ stating that the environmental conditions for the implementation of the project referred to in the Environmental Conditions Decision for the project obtained in 2016 remained in force, which means extending the period to rely upon said decision from 6 to 10 years.

On 13 June 2022, the company MFW Bałtyk III Sp. z o.o. filed a request to RDOŚ for a change of the decision on the environmental conditions for MFW Bałtyk III offshore wind farm based on Art. 155 of the Code of Administrative Procedure with a view to update the technical parameters of the intended farm, adjusting them to match those of the turbines offered by Siemens Gamesa Renewable Energy.

Since January 2022 the project companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. have been performing in-depth geotechnical research required to design the foundations of the WGTs and the offshore grid station, as well as to design the power output plant. Such research is scheduled to end in Q4 2022.

On 12 May 2022, the company MFW Bałtyk I S.A. filed a request with RDOŚ for a decision on the environmental conditions for the project named Morska Farma Wiatrowa Bałtyk I [Bałtyk I Offshore Wind Farm].

Work is in progress in terms of developing gas and hydrogen projects. Polenergia has been developing a high profile project for generation and storage of hydrogen produced by water electrolysis with participation of its own renewable energy. In cooperation with the partners, steps have also been taken to prepare ENS to the co-combustion of hydrogen with natural gas.

The high-profile hydrogen project filed by Polenergia SA in the hydrogen technologies and systems contest (under the IPCEI scheme), after formal vetting and compliance verification with the criteria (performed by the Minister of the Development, Labor and Technology and the Minister of Climate and the Environment) was approved, in May 2021, for further development and is now in the path for European Commission notification. On 22 April 2022 the Ministry of Climate and the Environment, upon the approval of UOKiK, filed a project under the RHATL (Regional Hubs and their Links) Wave for the European Commission notification.

In early 2021 Nowa Sarzyna joined international consortium cooperating for the sake of using hydrogen as a zero-emission fuel in gas turbines in the existing European facilities. ENS has two Frame6B gas

turbines by Thomassen International in operation, each of the capacity of 40 MW, which were modified in late 2021, have already been able to handle co-combustion of up to 10% of hydrogen with natural gas, with the more refined future upgrading envisaged in order to meet the final goal of shifting to clean hydrogen fuel totally. In addition to Ansaldo Thomassen and ENS, the partners to the agreement include: Vattenfall, DOW, Nouryon, EmmTec, Hygear, TU Delft, TU Eindhoven, DLR and OPR Turbines.

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

Polenergia has been performing preparatory works to implement the project to build a green hydrogen plant at the ENS site. A water electrolysis unit of a few MW will permit to supply hydrogen to first selected customers in the Podkarpacie area and to perform co-combustion tests in the existing gas units. The implementation-related and operational experience gained during this project will allow mitigating project risks in subsequent projects.

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

The Group has been consistently following its strategy in the trading and sales segment. In the first half of 2022, the Company significantly increased sales volumes to strategic end-users up to 1.5 TWh. Further growth in sales volumes depends on market developments, which require a recalculation of risks and costs associated with hedging the customers position for the following years. Sales of energy from the Group's renewable sources has been developed to mass customers by the company Polenergia Sprzedaż. Green energy produced in the Group's generation assets is sold as the Energy 2051 standard product. The main channels of canvassing new customers include: the website www.polenergia-sprzedaz.pl and the teleshopping channels. Advanced work is underway to increase the reach of the marketing campaign. Customers for the Energy 2051 standard product were contracted for the years 2022 - 2026 and green energy is supplied to end users. The company authenticated its Energy 2051 standard by obtaining certification from an independent international auditor, TÜV SÜD. A new and attractive channel to canvass customers for the Energy 2051 standard energy is the company Polenergia Fotowoltaika (former Edison S.A.) Products have been developed and marketed that combine the installation of solar panels and heat pumps with the supply of green energy.

Commercial business on the wholesale markets has been continued on the Group's own account (prop trading), with the implemented trading strategies making the most of the market volatility, while maintaining restrictive measures to reduce risk exposure. An ultra-short-term (intraday) trading line is being developed to take advantage of price volatility due to the fluctuating market conditions shortly before delivery (e.g. due to a breakdown or changes in windiness, insolation, demand).

In Q2 2022 Polenergia Fotowoltaika deployed PV systems of the total capacity of 12.3 MW while concurrently Polenergia Pompy Ciepła installed 149 heat pumps. Polenergia Fotowoltaika kept selling the Polenergia 360 product based on a partnership with Polenergia Sprzedaż resulting in the first contracts for the supply and re-purchase of renewable and zero-emission energy.

In the distribution segment, on 7 December 2021 new electricity distribution and sales tariff for Polenergia Dystrybucja Sp. z o.o. became effective, with RAB at PLN 118.1m. The approved Investment Plan III for the years 2019 - 2022 worth PLN 51m in total has been under implementation. As part of Investment Portfolio III the Company signed 45 contracts. By the end of Q2 2022, connection agreements were finalized and connection readiness was notified for 33 projects/project phases and

extension of concession was obtained for 11 projects, with further 10 projects expected to obtain concession.

In addition, Polenergia Dystrybucja is also in the course of implementation of Investment Plan IV for the years 2021- 2026 worth PLN 105m in total. By the end of Q2 2022, the company signed 53 connection agreements, with the total level of capex resulting from liabilities incurred reaching PLN 50.8m, which accounts for 48.4% of the investment portfolio IV. As part of Investment Plan IV, the Company completed 7 projects for which connection readiness was notified.

Polenergia eMobility developed and implemented a Charging Station product to be marketed with a comprehensive development service. The Company signed agreements with Polenergia Sprzedaż and Polenergia Dystrybucja for the sale of the charging stations through the distribution channels of those companies. The Company continues selling the charging stations to private and business customers. Polenergia eMobility has also started to develop the first public charging stations and has been efficiently procuring further locations for the construction e-vehicle charging stations all over the country.

In Q1 2022 the Group performed a re-branding in that its colors were changed and the Group's logotype was refreshed. New, green-and-navy colors are a reference to the new positioning of the Group as an entity whose choice is green energy and which supplies its customers already today with zero-emissions "energy of the future" according to the "Energy 2051" standard, an innovation in the Polish market.

Other significant information on the Group's condition

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

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

On 21 March 2022 Polenergia S.A. entered into a joint venture agreement with a Lithuanian company Modus Energy AB (operating under the Green Genius brand) who is to be a local partner in relation to the intended development of the offshore wind power projects in the Baltic Sea, in the Lithuanian sea territory or in the area of the exclusive economic zone of the Lithuanian Republic ("JV"). The condition for the performance of the joint venture agreement is a consent of a competent competition protection authority, as well as the execution of the shareholders' agreement (in the agreed form) between the JV partners. The joint venture agreement provides for the establishment of a special purpose vehicle to

remain under joint control of the Issuer and Green Genius with a view to implement the project. JV is aimed at formalizing the Issuer's collaboration with Green Genius as a local partner covering further analyses of Lithuanian regulations aiming at the adopting of the legal framework underlying the development and construction of offshore wind farms, as well as taking further actions in accordance with the timetable agreed by the parties and with the investment criteria aimed at, without limitation, the development of the project. The Group does not exclude further joint operations with a view to build, commercialize and operate the project. However, relevant decisions may be made later in the future.

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

On 24 February 2022, Polenergia Obrót S.A. executed an Annex to the facility agreement with Pekao S.A. Bank for a multi-purpose credit limit, increasing the amount of available overdraft to PLN 150 million under the pre-existing financing totaling PLN 300 million. The current overdraft agreement with Pekao S.A. is valid until 30 September 2022. In view of the above, Polenergia S.A. issued a surety to Polenergia Obrót S.A. up to PLN 150m.

On 15 June 2022 the Management Board of Polenergia S.A. obtained information that the company Polenergia Obrót S.A. had received a writ of payment from Jeronimo Martins Polska S.A. of PLN 3.5m and PLN 36m, hence totaling PLN 39.5m within 7 days of the date of service. The writ of payment is based on two contracts for the sale of electrical energy, of identical wording, both dated 23 September 2021, for the supply of energy by Polenergia Obrót S.A. to the commercial facilities of Jeronimo Martins Polska S.A. referred to in said contracts. Said contracts were terminated by notice by Polenergia Obrót S.A. and ceased to be binding as of 30 June 2022. The Management Board of Polenergia S.A. believes the claims raised are groundless. Further information concerning the writ of payment will be publicized to the extent required by law.

On 8 April 2022 the Management Board of the Warsaw Stock Exchange (GPW S.A.) passed a resolution concerning the admission and listing on the GPW Main Market of 21,358,699 ordinary AA series bearer shares of the par value of PLN 2.00 each as of 12 April 2022.

On 12 April 2022 a registration took place with KDPW of 21,358,699 ordinary bearer shares of AA series under the code ISIN PLPLSEP00013. Thus the requirement to have the shares listed in the primary market of the Warsaw Stock Exchange was met.

6M 2022 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	218,7	7,7	57,9	3 455,6	68,8	4,2	-	3 812,9
Operating costs, including	(72,3)	(1,3)	(58,3)	(3 348,3)	(58,3)	(5,8)	(0,1)	(3 544,4)
operating costs (without granted green certificates adjustment)	(25,5)	-	-	-	-	-	-	(25,5)
depreciation/amortization	(36,5)	(0,7)	(6,7)	(1,9)	(3,7)	(1,5)	(0,1)	(51,2)
granted green certificates adjustment	(10,3)	-	-	-	-	-	-	(10,3)
Gross profit on sales	146,5	6,4	(0,5)	107,3	10,6	(1,6)	(0,1)	268,5
<i>Gross profit on sales margin</i>	67,0%	82,7%	-0,8%	3,1%	15,3%	"n/a"	"n/a"	7,0%
Selling expenses	-	-	-	(54,6)	-	-	-	(54,6)
General overheads	(2,0)	(0,3)	(3,5)	(27,2)	(3,7)	(16,9)	-	(53,5)
Other operating activities	1,6	(0,3)	(0,9)	0,2	0,1	(1,0)	-	(0,4)
Operating profit	146,0	5,8	(4,8)	25,7	7,0	(19,5)	(0,1)	159,9
EBITDA	182,7	6,5	1,9	27,6	10,7	(18,0)	-	211,3
<i>EBITDA Margin</i>	83,5%	84,5%	3,2%	0,8%	15,5%	"n/a"	"n/a"	5,5%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	182,7	6,5	1,9	27,6	10,7	(18,0)	-	211,3
<i>Adjusted EBITDA Margin</i>	83,5%	84,5%	3,2%	"n/a"	15,5%	"n/a"	"n/a"	5,5%
Profit (loss) on financial activities	(19,2)	(0,6)	(0,8)	(8,0)	(2,3)	9,8	-	(21,1)
Profit (loss) before tax	126,8	5,2	(5,6)	17,7	4,7	(9,7)	(0,1)	138,8
Income tax	-	-	-	-	-	-	-	(28,1)
Net profit (loss) for period								110,8
Normalizing adjustments:								
Purchase price allocation (PPA)								0,1
Foreign exchange differences								7,4
Loan valuation using amortized cost method								0,6
Impairment losses								0,2
Net result on the sale of assets								-
Adjusted net profit								119,1

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

6M 2021 (m PLN)	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	(60,6)	(1,0)	(51,5)	(886,4)	(43,4)	(4,4)	(0,4)	(1 047,7)
operating costs (without granted green certificates adjustment)	(25,1)	-	-	-	-	-	-	(25,1)
depreciation/amortization	(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
<i>Gross profit on sales margin</i>	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
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
<i>EBITDA Margin</i>	76,6%	54,2%	57,0%	3,1%	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
<i>Adjusted EBITDA Margin</i>	76,6%	54,2%	57,0%	3,1%	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) 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
Change of adjusted EBITDA yoy	88,0	5,6	(60,5)	(1,4)	2,7	(10,2)	-	24,1

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

2Q 2022 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	113,8	6,7	13,1	1 168,3	33,2	2,3	-	1 337,4
Operating costs, including	(49,8)	(0,8)	(19,2)	(1 175,0)	(29,9)	(3,3)	(0,1)	(1 278,0)
operating costs (without granted green certificates adjustment)	(13,2)	-	-	-	-	-	-	(13,2)
depreciation/amortization	(18,3)	(0,5)	(3,4)	(1,6)	(1,9)	(0,8)	(0,1)	(26,5)
granted green certificates adjustment	(18,3)	-	-	-	-	-	-	(18,3)
Gross profit on sales	64,1	5,9	(6,1)	(6,7)	3,3	(1,0)	(0,1)	59,4
<i>Gross profit on sales margin</i>	56,3%	87,8%	-47,0%	-0,6%	10,0%	"n/a"	"n/a"	4,4%
General overheads	(1,1)	(0,1)	(1,8)	(14,0)	(2,0)	(9,1)	-	(28,1)
Other operating activities	0,7	(0,2)	(0,5)	0,4	0,1	(0,6)	-	(0,2)
Operating profit	63,7	5,5	(8,4)	(45,5)	1,4	(10,7)	(0,1)	5,9
EBITDA	82,0	6,0	(5,1)	(43,9)	3,3	(9,9)	-	32,4
<i>EBITDA Margin</i>	72,1%	89,5%	-39,0%	-3,8%	9,9%	"n/a"	"n/a"	2,4%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	82,0	6,0	(5,1)	(43,9)	3,3	(9,9)	-	32,4
<i>Adjusted EBITDA Margin</i>	72,1%	89,5%	-39,0%	-3,8%	9,9%	"n/a"	"n/a"	2,4%
Profit (loss) on financial activities	(9,2)	(0,7)	0,0	(3,8)	(1,4)	11,4	-	(3,6)
Profit (loss) before tax	54,5	4,9	(8,4)	(49,3)	0,0	0,7	(0,1)	2,3
Income tax	-	-	-	-	-	-	-	(1,2)
Net profit (loss) for period	-	-	-	-	-	-	-	1,2
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,1
Foreign exchange differences	-	-	-	-	-	-	-	1,9
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,3
Impairment losses	-	-	-	-	-	-	-	0,1
Net result on sale of assets ***	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	3,5
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								
2Q 2021 (m PLN)	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	(30,6)	(0,5)	(15,7)	(403,3)	(21,6)	(2,3)	(0,2)	(474,2)
operating costs (without granted green certificates adjustment)	(14,7)	-	-	-	-	-	-	(14,7)
depreciation/amortization	(15,9)	(0,2)	(4,4)	(0,1)	(1,5)	(0,6)	(0,2)	(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>	47,0%	55,1%	74,5%	5,7%	15,7%	"n/a"	"n/a"	17,6%
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
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>	74,5%	64,1%	78,6%	4,7%	14,8%	"n/a"	"n/a"	19,4%
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>	74,5%	64,1%	78,6%	4,7%	14,8%	"n/a"	"n/a"	19,4%
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) 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 the sale of assets	-	-	-	-	-	-	-	(186,1)
Adjusted net profit	-	-	-	-	-	-	-	60,8
Change of adjusted EBITDA yoy	39,0	5,3	(53,7)	(64,0)	(0,5)	(5,2)	-	(79,0)
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								

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 3 January 2022 a transfer of title to all shares in the company Polenergia Fotowoltaika S.A. (former Edison Energia S.A.) onto Polenergia S.A. took place.

On 3 January 2022, the company Polenergia Biomasa Energetyczna Północ sp. z o.o. in liquidation was deleted from the National Court Register KRS.

On 3 January 2022, the company Grupa PEP – Projekty Energetyczne 1 sp. z o.o. in liquidation was deleted from the National Court Register KRS.

On 28 March 2022 the company Polenergia Farma Wiatrowa 13 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 1 April 2022 the company Polenergia Farma Wiatrowa 12 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 5 April 2022 the company Polenergia Farma Fotowoltaiczna 20 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 27 April 2022 the company Polenergia Farma Fotowoltaiczna 19 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

5. Discussion of key financial and economic data contained in the half-year 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 2022	6M 2021	Difference
Sales revenues	3 812,9	1 212,3	2 600,6
EBITDA	211,3	187,2	24,1
Adjusted EBITDA with the elimination of the effect of purchase price allocation	211,3	187,2	24,1
Net profit (loss)	110,8	279,9	(169,1)
Adjusted net profit with the elimination of the effect of purchase price allocation, unrealized f/x differences, impairment losses, loans valuation and net gain/loss on disposal of assets	119,1	95,1	24,0

The year-on-year changes in HY1 2022 performance were driven by the following factors:

a) On the level of EBITDA (increase by PLN 24.1m):

- The improved result of the onshore wind farm segment (by PLN 88.0m) has mainly been the consequence of the bringing into operation of the Szymankowo Wind Farm in the 2nd half of 2021, higher generation volume in other wind farms in operation (higher windiness) and higher electricity sales prices at the segmental level, as well as the commencement of the startup phase in the Dębask and Kostomłoty wind farms, partly offset by slightly higher operating costs in wind farms compared to the corresponding period of the preceding year.
- Higher result by PLN 5.6m of the PV segment due to the trial runs in late March 2022 and subsequent bringing into operation in June and July 2022 of two new facilities: Sulechów II (11.7 MW) and Sulechów III (9.8 MW) and due to better results of Sulechów I.
- Lower performance in the gas and clean fuels segment (by PLN 60.5m) as a result of: (i) lower result on the ENS operation optimization, (ii) lower margin on sales of heat in view of higher prices of gas and CO₂ emission allowances, and (iii) lower capacity market revenues.
- Lower result (by PLN 1.4m) in the trading and sales segment due to: i) lower result on the ENS contract service in view of the ENS optimization made in 2021, ii) lower margin on RES aggregation due to the increased profile and balancing cost, iii) higher operating expenses resulting from the expansion of operations. Such drop was partly offset by: i) higher result on sales to strategic customers related to the measurement of forward transactions, ii) increased margin on the trading portfolio and business service due to additional optimizing of transaction security for the remaining business lines, iii) better result on the proprietary trading in the energy and gas markets.
- Higher result of the distribution segment (by PLN 2.7m) as a result of higher margin on electricity. This result has been partly offset by: i) higher operating expenses driven mainly by the upscaling of business, ii) lower margin on electricity distribution - with the main reason for a slump being the adjustment of revenues from the connection fees in Q2 2022 resulting from the changes in the customers' projects implementation time schedule.
- Lower result (by PLN 10.2m) in Unallocated item has mainly been the effect of higher HQ costs resulting from the Group's development, growing advisory costs related to the investment projects in implementation, surging inflation and the VAT structure settlement for 2021.

b) On the level of adjusted EBITDA (increase by PLN 24.1m):

- The EBITDA effect described above (higher by PLN 24.1m).

c) On the level of Net Profit (drop by PLN 169.1m):

- The EBITDA effect (higher by PLN 24.1m).
- Higher depreciation (by PLN 5.4m) resulting predominantly from the bringing into operation of fixed assets in the wind farm and distribution segments and the acquisition of Polenergia Fotowoltaika, partly offset by the lower depreciation in the gas and clean fuels segment (lower depreciation rate due to extended depreciation period for repairs, abandoning operation) and end of depreciation of the asset on account of gas compensation and stranded costs recognized in the Purchase Price Allocation.

All the above mentioned items contributed to the increase of the operating profit by PLN 18.7m.

- Lower financial income (by PLN 210.5m) mainly as an effect of the earn-out of PLN 225.8m on account of the sale of shares in the MFW Bałtyk II and MFW Bałtyk III projects which took place in 2018 (income recognized in 2021) and lower foreign exchange gains (by PLN 0.3m) partly offset by the increased interest on deposits and loans (by PLN 15.6m).
- Higher financial expenses (by PLN 17.2m) resulting mainly from higher interest expenses (PLN 14.3m), higher commissions and other fees (by PLN 2.0m) and higher foreign exchange losses (by PLN 1.0m).
- Lower income tax (by PLN 39.9m) due to lower profit before tax of the Group in 2022 (higher operating profit offset by lower level of financial income).

d) On the level of adjusted net profit (increase by PLN 24.0m):

- The effect of the net profit (drop by PLN 169.1m);
- Elimination of the net gain/loss on the sale of assets (Increase by PLN 186.1m);
- Reversal of the foreign exchange differences effect (increase by PLN 7.2m);
- Elimination of the purchase price allocation effect (drop by PLN 0.2m);
- Reversal of the impairment losses effect (increase by PLN 0.1m);
- Elimination of the effect of loan measurement using the amortized cost method (drop by PLN 0.1m).

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 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 with the risks described in the Directors' Report on the operations of the Polenergia Group in the year ended 31 December 2021, the Group's risk exposures have largely remained unchanged, with the following reservations:

Risk of foreign exchange rate movements

Within the onshore wind farms and the photovoltaic segment, also including the projects in development and under construction, a part of liabilities are denominated in EUR. The above mainly regards the investment liabilities in Polenergia Farma Wiatrowa 3 sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. implementing the construction of the Dębisk and Kostomłoty Wind Farms and in Polenergia Farma Wiatrowa Grabowo sp. z o.o., Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa Piekło sp. z o.o. implementing the construction of the Grabowo i Piekło Wind Farms. The currency risk in the projects Dębisk, Kostomłoty and Piekło Wind Farms was fully secured on the financial market before the investment loan was disbursed by means of currency forwards. The Strzelino and Świebodzin I photovoltaic farm projects being prepared for construction continue to be exposed to the risk of changes in exchange rate movements. The Company takes into account exchange rate fluctuations in economic forecasts for both projects and aims to reflect them in commercial assumptions in a way that allows the expected project return rate to be maintained. Polenergia Obrót S.A. ("Polenergia Obrót") is exposed to currency risk as a result of trading in electricity in foreign markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, i.e. revenues and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. In the case of significant transactions of Polenergia Obrót in a foreign currency, currency exchange rate hedging transactions are concluded. Risk management at Polenergia Obrót is governed by the binding Company risk management policy in accordance with the rules described therein.

Interest rate risk

The proportion of debt in the Group' financing structure is substantially in line with the Polenergia Group's strategy of maximizing its return on equity; more than 50% of the investment projects are financed with debt. In accordance with the credit facility agreements entered into by individual Group companies, interest on credit facilities provided is based on variable interest rates. At the same time, the Group continues the strategy of reducing exposure by entering into transactions hedging the interest rate risk.

On 8 June 2022 Polenergia Farma Wiatrowa Grabowo Sp. z o.o. concluded interest rate risk hedging transactions with the banks' consortium of mBank S.A., Pekao S.A. and PKO BP corresponding to 90% of the value of loan taken out. On 8 June 2022 Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. concluded interest rate risk hedging transactions in mBank S.A, corresponding to 90% of the value of loan taken out.

As at 30 June 2022, approximately 93% of liabilities under investment loans of the Group's entities were hedged against changes in the level of interest rates. This security is achieved through IRS financial transactions and naturally in Polenergia Dystrybucja in the form of the tariff determined by the President of the Energy Regulatory Office correlated with the WIBOR rate. As Polenergia Dystrybucja operates on the regulated market, its revenues are determined on the basis of the return on capital, namely the weighted average cost of capital (regulatory WACC) defined by the ERO President. Most of the parameters in the formula for the regulatory WACC remain constant.

The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the ERO President, is determined on the basis of the average yield on 10-year treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. Working capital and renewable loan limits used by the Group to finance operating activities in the trading and sales, distribution, gas and clean fuel segments cannot be hedged against the risk of interest rates' increase. Due to the current market situation, the average use of limits has increased significantly, in particular in the trading and sales segment, generating increased financial costs and possibly affecting the profitability of the business. Moreover, the high level of interest rates affects the cost of financing for new projects (including onshore and offshore wind farms and photovoltaic farms) and may have an impact on the assessment of their profitability. As a result, it cannot be excluded that a significant increase in market interest rates above the values forecast by the Group and factored into its project budgets may have a negative effect on the implementation of some elements of the Strategy and the Group's financial performance in the future.

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

The Group companies which generate heat or distribute gas and electricity are required to submit their tariffs to the President of ERO for approval in the scope of the sale of heat and electricity and the distribution of gas and electricity. Pursuant to the applicable laws, a tariff should cover the expected reasonable costs of generation of heat, the distribution of heat, natural gas and electricity and the sale of electricity in a particular tariff period, while ensuring a return on capital. Approval of tariffs by the President of ERO is aimed to protect consumers against unreasonable rises of heat and electricity and heat prices and the services of electricity and heat distribution. As a consequence, there is a risk that the President of the ERO will approve the tariff which will not provide individual companies with adequate return on capital, and potentially not even ensure the coverage of the costs.

There is also a risk of delay in approval of a tariff for a new tariff period, which in consequence means that the producer/distributor is forced to apply the tariff applicable in the previous tariff period, which may not ensure the expected return on capital, or even the coverage of current costs. If such risk materializes, the financial results of the Group may be worse than expected.

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

The above risk materialized in H1 2022 in relation to one of the projects currently owned by the Group, i.e. Nowa Sarzyna CHP Plant. In June 2022 the ERO President approved the new ENS, tariff, which covers the heat generation costs. However, it should be pointed out that a similar risk related to the heat tariff may materialize in H2 2023 and the following years in relation to Nowa Sarzyna CHP, due to the significant increase in gas prices observed on the market.

Risk of volatility of electricity market prices

The Group's financial performance is dependent on the market prices of electricity. The Group keeps monitoring the electricity market, making decisions to secure the sale of electricity generated by offshore wind farms, photovoltaic farms, and gas and clean fuels segment. In addition, Polenergia Obrót and Polenergia Dystrybucja purchase electricity for their customers from third parties, therefore the Group is exposed to the risk of changes in electricity prices also at the stage of electricity purchase. The Group has monitored the situation on the energy market on an ongoing basis, and as a result electricity is purchased when the energy prices are at the most favorable level for the Group.

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

The volatility of electricity prices directly impacts the electricity profiling costs in the Group's wind and photovoltaic farms and the profiling costs of energy consumers served by the Group (the so-called profiling costs). The level and volatility of profiling costs remains outside the Group's control to a large extent; such risk, once materialized, may have a significant effect on the results obtained by the Group. This was the case in H1 2022, when it adversely impacted the business line results in the sale of RES assets of the Group, external RES aggregations and the sale to final consumers.

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

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

In 2022, as part of the implementation of the European regulations and actions taken by PSE, a number of rules regarding the functioning of the balancing market in Poland have changed. The changes included the settlement price made dependent on the NPS contract situation, which increases the risk of higher price volatility on the current market and higher price deviations in the balancing market from the prices in exchange market. It is a systemic risk that affects the Group and all other participants of the electricity market in Poland.

The onshore wind farm segment in 2022 and 2023 was hedged in a significant part of the portfolio on the futures market with prices lower than the current market quotations. There is a risk that in low wind conditions, the Company will have to buy back the hedged energy from the current market at prices much higher than the hedging price, which may have a negative impact on the result. Hedging for the following years will be realized at much higher prices. In the event of a long term decline in electricity prices and the resulting lower prices of futures contracts' quotations, the potential of the segment's financial result may be limited in the coming years. Moreover, the increase in the number of wind sources and photovoltaic sources may negatively affect the revenues of the onshore wind farm segment and photovoltaic farm segment in the coming years due to the decline in energy prices in the periods of high energy volumes generated in energy sources and in photovoltaic sources, contributing to an increase in profiling costs.

The above risk has materialized in the Group's activity so far. Over the last few years, relevant changes in electricity prices had a significant impact on the Group, which will produce approximately 1,000,000 MWh of electricity in 2022. For example, the average annual sale price of electricity in the competitive market was 169.70 PLN / MWh in 2016, 194.30 PLN/MWh in 2018, 252.69 PLN/MWh in 2020 and 276.98 PLN/MWh in 2021. In Q1 2022, the average sale price of electricity on the competitive market was 468.35 PLN/MWh. In June 2022, the average price of a megawatt hour on the Polish Power Exchange ("TGE") was 884.68 against 662.40 PLN/MWh in May 2022.

There are also periods of high wind and low prices on the market, as well as periods of low wind and high prices, and the price volatility between these periods can be as high as 1000 PLN/MWh (on a windy day, the Group produces over 6,500– 7,000 MWh of electricity). Thanks to wind farms covering part of the power demand of the whole country, wholesale electricity prices have reduced significantly. For example, between 19 and 22 December 2021, the dynamic decline in energy production in windmills and the increased demand immediately caused the increase in electricity prices: during three days the average TGeBase index price increased from 366.49 PLN/MWh to the level of 1,641.90 PLN/MWh. This situation results mainly from the fact that the price of electricity produced in RES installations such as wind farms in H1 2022 was twice or three times cheaper than in the case of energy production in conventional power plants using coal or gas, and with an increase in prices of gas, coal and emission allowances, this difference has been growing. In summer, the “duck curve” effect is observed, caused by a significant amount of energy from PV sources. Increased generation in wind turbines also significantly reduces the import of electricity. On less windy days energy is obtained from the oldest coal-fired units, with very high fuel costs and CO₂ emissions, as a result electricity prices on the power exchange are rising, and thus much more energy is imported from outside Poland.

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

Additionally, high volumes of transactions hedging the sale of electricity from generation assets, secured on the TGE (Polish Power Exchange) futures market, require the appropriate level of collateral margins to be maintained, the amount of which depends on the quotations of relevant stock indexes and may be subject to fluctuations. In 2022 the above risk materialized due to high volatility of the production profile of wind farms combined with a very significant increase in market prices of electricity, and resulted in a greater demand for working capital. Moreover Polenergia Obrót concludes contracts with electricity consumers, which may also be secured on the POLPX futures market, generating a demand for security deposits. Additionally, given the persistent high electricity prices, these contracts require an increased involvement of working capital. In connection with the materialization of the above risk factors, the Group identified a decreased liquidity of Polenergia Obrót and therefore took appropriate measures to improve liquidity by implementing factoring services in cooperation with BNP Paribas bank and extending the scope of the working capital loan available at Pekao S.A. Moreover, the Company does not rule out a possible recapitalization of the above entity in the future in the form of an additional capital contribution, loan or other form beneficial for the Issuer. The Group has not identified any cases of delay or inability of Polenergia Obrót or other entities from the Group to settle all liabilities on contractual dates due to limited liquidity.

Risk of volatility in market prices of natural gas

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

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

The Group's financial results depend on the market prices of green certificates. The Group analyzes the situation on the green certificate market on an ongoing basis and makes decisions on securing the sale of green certificates from the wind energy segment, taking advantage of the possibility of concluding transactions on the bilateral contracts market and on the exchange market

On 25 September 2017 the provisions of the Act of 20 July 2017 came into force amending the RES Act entered into force (OJ PL of 2017, item 1593) whereby the method for calculating the unit emission charge was linked to averaged annual market prices of property rights incorporated in certificates of origin, as published by the Polish Power Exchange pursuant to art. 47 section 3 item 2 of the amended Act. Under Art. 56.1 of the amended RES Act, the unit emission charge for green certificates is calculated as the product of 125% ratio and the annual weighted average price of property rights incorporated in certificates of origin other than certificates issued in respect of energy generated from agricultural biogas on or after 1 July 2016, but may not exceed PLN 300.03 per 1 MWh (Ozjo).

Excess supply of green certificates continues on the market, with a potential adverse impact on the market prices. However, due to the increase in energy consumption and the protection of market entities for the coming years, the potential oversupply effect is shifted to the following years.

Pursuant to the provisions of the Regulation of the Minister of Climate and Environment on the change in the volume share of the total amount of electricity resulting from redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2022, the shares for the so-called green and blue certificates have been reduced compared to 2021. Consequently, the shares are at the level of 18.5% and 0.5%, respectively. In the following years, the Ministry announces the further gradual reduction of the level of obligations related to abandoning after 15 years the certification system of subsequent installations. The RES obligation published as at the day of publication of the report amounts to 12% in 2023.

The Group reduces its exposure to the risk of a drop in the price of green certificates on an ongoing basis by securing in advance the sales price of certificates corresponding to energy production in the coming years. The above risks has materialized in the Group's activity so far. For the production of energy from renewable sources the Group obtains approx. 650k MWh of green certificates per year. The drop in prices by over 100 PLN/MWh observed in the years 2014-2016 entailed a decrease in the group's revenues by over PLN 65m per year.

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

The business operations of Polenergia S.A. and individual Group companies are subject to a number of legal regulations in the scope of environmental protection. In particular, the Company and the Group may be required to obtain integrated permits or sectoral permits (or air emissions of gases and particulate matter or for generation of waste, as required under the water law) and to

timely submit properly structured reports on their use of the environment or other matters. Ensuring compliance with environmental regulations may require expenditure to prepare the relevant documents and adjust the Group's installations to the applicable requirements. At the date of authorization of this report, Polenergia S.A. and its subsidiaries obtained all relevant permits related to environmental protection.

Further, under the EU CO2 Emissions Trading Scheme, participation permits had to be obtained for installations used in the course of the operations by Polenergia S.A. and other Group companies. Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The emissions trading scheme was launched on 1 January 2005 by virtue of Directive 2003/87/EC, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. In the period from 2013 until 2020 period it was governed by the Act on Trading in Allowances for Emissions of Greenhouse Gases of 12 June 2015. Each year the defined installations belonging to the Group submit reports in the electronic national database on emissions of greenhouse gases and other substances as well as verified annual reports on CO2 emissions; since January 2021 the new settlement period has been 2021- 2030.

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

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

Non-execution or delay in the implementation of investment plans involve a risk of not reaching the assumed operational objectives within the defined time limit. This, in turn, can cause worse financial results of the Group than the results obtained in case the project is completed as planned, and may lead to the failure to comply with the requirements set in the loan agreements.

Intending to implement the investment plans set forth, the Group is taking steps to minimize such risk such as precise planning and analyzing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate response to any signals showing that the achievement of objectives could be at risk, and a set of insurance policies. The Management Board of the Company prepares the process of implementing individual projects with particular care, refining all the details of the investment from the technological point of view and providing appropriate financing; however, the actions taken by the Group may turn out to be insufficient.

On 29 June 2020, the President of the Energy Regulatory Office issued the decision for Polenergia Farma Wiatrowa 3 Sp. z o.o., implementing the Dębisk wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 26 July 2021, the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Dębice / Kostomłoty sp. z o.o. implementing the Kostomłoty wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

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

On 12 January 2022 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Grabowo sp. z o.o., implementing the Sulechów III photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

On 13 January 2022 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 17 sp. z o.o., implementing the Sulechów II photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

At present, there has been only a several-month delay in the implementation of the Buk I project, caused by the delay in the implementation of the Connection Agreement on the part of Enea Operator. According to Enea, this delay results from the extended tender procedures caused by the COVID-19 epidemic and extended delivery times for the main components necessary for upgrading the Enea station in Buk. The company is working intensively to minimize the delay by connecting the PV Buk project to the existing reserve field.

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

Amon sp. z o.o. („Amon”) and Talia sp. z o.o. (“Talia”) the Company's subsidiaries, each filed an action to state ineffectiveness of the declarations of termination by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (“PKH”) (a company operating within the Tauron Group) of the Agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity in renewable energy sources - wind farms in Łukaszów (Amon) and Modlikowice (Talia) and the Agreements for the sale of electricity generated in the above-mentioned wind farms. In the above cases, preliminary and partial judgments were issued in favor of Amon and Talia. They were appealed against by the defendant. On 20 December 2021 the Court of Appeal in Gdańsk announced a judgment in the case brought by Talia against PKH, which dismissed in full both appeals brought by PKH, i.e. both: (i) an appeal against the judgment of the District Court in Gdańsk of 6 March 2020; and (ii) an appeal against the judgment of the District Court in Gdańsk of 8 September 2020. Amon is awaiting the decision of the Court of Appeal.

Talia, after issuing a judgement by the Court of Appeal in Gdańsk on 20 December 2021, received a letter from PKH, in which PKH informs Talia about its readiness to perform the duties and powers resulting from this judgement, thus entering into the performance of the aforementioned contracts and expects the same of Talia. Talia maintains its position that the judgement of 20 December 2021 ruled that the contract had not been effectively terminated by PKH and had been in force also until issuing this judgment. In connection with the above, before starting to perform the contracts, Talia

demands from PKH settling the liabilities for the period of non-performance of contracts in 2015-2021 and declaring by PKH that PKH will perform the contract until end of the contract term.

At the end of April 2018 Amon and Talia brought an action against Tauron Polska Energia S.A. The basis of Tauron's tort liability for damages is the cessation of performance by Polska Energia–Pierwsza Kompania Handlowa Sp. z o.o., - a subsidiary of Tauron, of long-term agreements for the sale of electricity generated from renewable sources and long-term agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity from renewable sources, entered into with Amon and Talia.

As at the day of the publication of the report, after modifications to the claims, the amount of claims for damages in the case of Amon is PLN 78,204,905.55, and in the case of Talia, PLN 53,127,847.08. The above amounts do not include interest claimed by the companies. The disputed amount, taking into account the estimated Tauron's liability for future damages as of the day of bringing the action is over PLN 236m in the case of Amon and PLN 160m in case of Talia

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

Eolos Poland sp. z o.o. („Eolos”) pursues a claim for payment jointly from two companies of the Group: Certyfikaty sp. z o.o. and Polenergia Obrót and from Green Stone Solutions sp. z o.o. (formerly: Polenergia Usługi sp. z o.o.) contractual penalties for the termination of agreements for the sale of property rights resulting from certificates of origin for electricity generated in renewable energy sources and for the payment of balancing costs totaling over PLN 27m. The defendant companies demand to dismiss the claim. The parties were heard at the hearing held online on 24 March 2021. The Court decided to continue the evidentiary procedure, including the appointment of a court expert, while the date of hearing was not determined as at the date of publication of this report.

The risk of termination of contracts with Jeronimo Martins Polska S.A. by Polenergia Obrót S.A.

Polenergia Obrót S.A. was bound with energy sales contracts for 2022 concluded with Jeronimo Martins Polska S.A. ("JMP"), which were terminated by Polenergia Obrót S.A. effective as at 30 June 2022. In connection with the termination of the said agreements, JMP sent to Polenergia Obrót S.A. calls for payment of PLN 3.5m and PLN 36m, i.e. a total of PLN 39.5m. The claims reported by JMP relate to periods falling after the date of expiry of the sale contracts, and therefore the Company considers them groundless. Thus, the Company also deems ineffective the statement of JMP on setting off the requested amounts with the Company's receivables towards JMP.

Counterparty risk

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

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

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

The risk related to the decision on environmental conditions for the MFW Bałtyk III project

MFW Bałtyk III sp. z o.o. where Polenergia S.A. holds 50% of shares, obtained the decision of the General Director for Environmental Protection ("GDOŚ") dismissing the appeal of MFW Bałtyk III sp. z o.o. from the decision of the Regional Director for Environmental Protection in Gdańsk ("s") on the refusal to define the environmental conditions for the project consisting in the construction of an offshore wind farm under the name of MFW Bałtyk III. The case concerns the proceedings initiated at the request of MFW Bałtyk III sp. z o.o. to obtain a new decision on environmental conditions for the MFW Bałtyk III project ("New ED") ("Application"). The complaint by MFW Bałtyk III sp. z o.o. against the decision of GDOŚ brought to the Provincial Administrative Court in Warsaw ("PAC") was taken into account by that court. The judgment of the Provincial Administrative Court was appealed against to the Supreme Administrative Court by GDOŚ. The cassation complaint by GDOŚ has not been examined so far, and the date of the hearing has not yet been set.

The company already holds a valid environmental decision for the project, obtained in 2016 ("ED 2016"). Nevertheless, the Company submitted an Application aimed at obtaining a New ED, reflecting the current technical assumptions, on the basis of which MFW Bałtyk III sp. z o.o. is developing the project (including elaboration of financial models for the project implementation), which are not included in the ED 2016. ED 2016 may be used for implementing the project as long as the decision on changing ED 2016 is obtained. In June 2022 MFW Bałtyk III sp. z o.o. submitted an appropriate application to RDOŚ.

The risk related to the possible acceptance of the GDOŚ cassation complaint by the Supreme Administrative Court, and as a consequence, failure to obtain a New ED, and the risk of not obtaining the change to ED 2016, should they materialize, may result in the following negative consequences for MFW Bałtyk III sp. z o.o., and indirectly for the Company:

- it will be necessary to apply project parameters compliant with the ED 2016, provided that the above-mentioned verification proves the economic profitability of such investment;
- conducting the administrative proceedings related to the decision of RDOŚ may involve probable delays in the project implementation, including the date of the final investment decision or completion of the construction;
- it may be necessary to separate the joint implementation of the MFW Bałtyk III project from the MFW Bałtyk II project, which would result in the loss of synergy and increase project implementation costs.

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

The above risk is also mitigated by submitting in June 2022 an application to amend the 2016 decision in the scope enabling the use of the state-of-the-art technologies. The procedure for changing the decision has started and should be completed this year.

Risk related to application of hedge accounting to cash flow hedges

As at 30 June 2022 the Group recognized PLN 108,130k in other comprehensive income being a component of equity: (PLN 22,634k as at 30 June 2021) on account of the effective portion of the assessment of the hedging instrument to the fair value.

Hedging transactions are performed in order to limit the effect of:

- change of interest rate on the amount of future highly probable payments of loan installments.
- change of currency rates on the amount of future highly probable currency payments on account of investment agreements.

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

As at 30 June 2022 the Group held the following hedging instruments for cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Maturity date of the hedging instrument	Hedged amount in kPLN	Hedged interest rate	Instrument
2025-09-29	55 528.1	0.52 %	IRS
2026-06-29	29 696.4	0.56%	IRS
2027-02-26	9 520.4	1.25%	IRS
2027-02-26	2 000.9	1.25%	IRS
2028-03-29	133 056.9	0.79%	IRS
2028-12-15	111 836.0	0.75%	IRS
2031-12-22	9 158.0	2.60%	IRS
2033-12-12	0.0	6.71%	IRS-Forward Start
2033-12-12	0.0	6.71%	IRS-Forward-Start
2034-03-13	0.0	6.65%	IRS-Forward-Start
2034-06-30	12 881.6	0.89%	IRS
2035-06-11	147 002.0	1.10%	IRS
2035-09-10	417 600.0	1.20%	IRS
2035-12-31	18 437.0	2.39%	IRS
2036-03-11	105 300.0	2.22%	IRS
Total	1 052 017.7		

Transactions securing the risk of foreign exchange rates changes.

Maturity date of the hedging instruments	Hedged amount of purchased currency in kEUR	Hedged interest rate	Instrument
2022.Q3	31 762.0	4.6318	Forward
2022.Q4	19 403.0	4.7973	Forward
2023.Q1	9 472.8	4.8254	Forward
2023.Q2	977.2	4.8206	Forward
Total	61 615.7		

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 17 to the Interim Condensed Consolidated Financial Statements of the Polenergia Group S.A.

- 11. Identification of proceedings pending 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 33 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 23 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 the following quarter

In the Group's opinion, the following factors will materially affect its performance (at the consolidated level and the company level) in the coming quarters:

- wind conditions in the areas where the Puck, Łukaszów, Modlikowice, Gawłowice, Rajgród, Skurpie, Mycielin, Krzęcin, Szymankowo, Dębsk and Kostomłoty Wind Farms are located,
- insolation in the area of the Sulechów I and Buk photovoltaic farms
- prices of electricity and green certificates,
- final wording of the regulations affecting the Issuer's business,
- any changes in the prices of CO2 emission allowances and natural gas,
- financial condition of the Group companies,
- macroeconomic situation in Poland,
- interest rates levels in the market,
- availability and cost of debt financing,
- developments in connection with the armed conflict in Ukraine.