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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 2023**

Michał Michalski – President of the
Management Board

Tomasz Kietliński - Vice President of the
Management Board

Iwona Sierżęga – Member of the Management
Board

Piotr Maciołek - Member of the Management
Board

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Contents

1. Combined statement of profit or loss for the six-month period ended 30 June 2023	3
2. Detailed commentary regarding financial performance for the 6-month period ended on 30 June 2023 and other significant information on the Group's standing	4
3. Description of the issuer group's organization, consolidated entities, as well as changes in the group's organization and reasons for such changes	18
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	18
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	18
6. Concise outline of significant achievements or failures of the issuer in the reporting period including a list of related major events	20
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	20
8. Description of material risk factors and threats, including information on the degree of the issuer's exposure to such risks or threats	21
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	36
10. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights at the Company's General Meeting, including information on the number of shares held by those shareholders, their ownership interests, the resulting number of votes at the General Meeting and their share in total voting rights at the General Meeting, and any changes in the ownership structure of major holdings of Company shares after the issue of the previous quarterly report	36
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	36
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	36
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	37
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.	37
15. Identification of factors that, in the opinion of the Issuer, will impact its performance in the perspective of at least the following quarter	37

1. Combined statement of profit or loss for the six-month period ended 30 June 2023

In the first half of 2023, the results of Polenergia Group (the “Group”), in terms of the adjusted EBITDA and the net profit, amounted to PLN 308.9 m and PLN 169.8 m, respectively, which means growth compared to the corresponding period of the preceding year of PLN 97.5 m and PLN 50.8 m, respectively.

Polenergia Group Income Statement (PLN m)	6M 2023	6M 2022	Difference YOY	Difference YOY [%]	Q2 2023	Q2 2022	Difference YOY	Difference YOY [%]
Sales revenues, including:	2 838,1	3 812,9	(974,9)	-26%	1 371,1	1 337,4	33,8	3%
trading and sales segment	2 341,8	3 456,6	(1 113,8)		1 136,1	1 168,3	(32,2)	
other	496,3	357,3	139,0		235,0	169,1	65,9	
Cost of goods sold, including:	(2 484,2)	(3 544,4)	1 060,2	-30%	(1 237,6)	(1 278,0)	40,4	-3%
trading and sales segment	(2 191,5)	(3 348,3)	1 156,8		(1 074,6)	(1 175,0)	100,4	
other	(292,7)	(196,1)	(96,6)		(163,0)	(103,0)	(60,0)	
Gross profit on sales	353,8	268,5	85,3	32%	133,5	59,4	74,1	125%
Selling expenses and general overheads	(124,0)	(108,2)	(15,8)	15%	(62,5)	(53,3)	(9,1)	17%
Other operating revenue/expense	2,4	(0,4)	2,8	680%	(2,1)	(0,2)	(1,9)	-1225%
Auction price settlement	(0,6)	0,0	(0,6)		(0,6)	0,0	(0,6)	
A Operating profit (EBIT)	231,6	159,9	71,7	45%	68,3	5,9	62,4	1058%
Depreciation/Amortization	77,2	51,2	26,0		39,3	26,5	12,8	
Impairment losses	0,1	0,2	(0,1)		0,0	0,1	(0,1)	
EBITDA	308,9	211,3	97,5	46%	107,6	32,4	75,2	232%
Normalizing adjustments:	-	-	-		-	-	-	
Adjusted EBITDA*	308,9	211,3	97,5	46%	107,6	32,4	75,2	232%
B Financial income	23,0	16,6	6,3		12,5	15,1	(2,6)	
C Financial costs	(45,3)	(37,7)	(7,5)		(23,0)	(18,7)	(4,3)	
A+B+C Gross profit (loss)	209,3	138,8	70,5	51%	57,8	2,3	55,5	2413%
Income tax	(42,0)	(28,1)	(14,0)	50%	(11,3)	(1,2)	(10,2)	885%
Net profit (loss)	167,3	110,8	56,5	51%	46,5	1,2	45,3	3918%
Normalizing adjustments:								
Purchase price allocation (PPA)	1,4	0,1	1,3		0,7	0,1	0,6	
Foreign exchange differences	(0,5)	7,4	(7,8)		(0,3)	1,9	(2,3)	
Loan valuation using the amortized cost method	1,5	0,6	0,9		0,8	0,3	0,4	
Impairment losses **	0,1	0,2	(0,1)		0,0	0,1	(0,1)	
Adjusted net profit (loss)*	169,8	119,1	50,8	42,6%	47,6	3,5	44,1	1249%
Adjusted EBITDA*	308,9	211,3	97,5	46%	107,6	32,4	75,2	232%
Adjusted EBITDA Margin*	10,9%	5,5%	5,3%		7,8%	2,4%	5,4%	
Adjusted EBITDA (excl. trading segment)	238,5	183,7	54,7	30%	85,1	76,4	8,7	11%
Adjusted EBITDA margin (excl. trading segment)	48,1%	51,4%	-3,4%		36,2%	45,1%	-9,0%	

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

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

The sales revenues of Polenergia Group for HY1 2023 were lower by PLN 974.9 m, mainly due to lower revenues in the trading and sales segment (by PLN 1,113.8 m), partly offset by higher revenues in the segments of: onshore wind power (by PLN 83.3 m), gas and clean fuels (by PLN 34.9 m) and distribution (by PLN 15.9 m).

The adjusted EBITDA result in the discussed period amounted to PLN 308.9 m and was higher by PLN 97.5 m YOY mainly due to better performance of the wind farm segment (by PLN 66.9 m) being mainly the effect of the commencement of generation in the Dębask and Kostomłoty wind farms and higher energy and green certificates sales prices compared to those in 2022 (when the prices resulted from the prior years' hedging transactions). Also in the trading and sales, the adjusted EBITDA result was higher YOY (by PLN 42.8 m), mainly as an effect of better results in: RES assets originating energy sales, RES aggregation and wind farm originating certificates sales and other operations including mainly sales of PV modules and heat pumps. This result has been partly offset by lower performance in the distribution segment (by PLN 6.5), the unallocated segment (by PLN 4.5 m) and photovoltaics (by PLN 1.2 m).

In Q2 2023, the Polenergia Group recognized growth of sales revenues by PLN 33.8 m year on year, influenced mainly by higher revenues in the gas and clean fuels segment (by PLN 45.5 m) and in the onshore wind power segment (by PLN 11.2 m), partly offset by lower revenues in the trading and sales segment (by PLN 32.2m).

The adjusted EBITDA result in Q2 2023 amounted to PLN 107.6 m and was higher by PLN 75.2 m YOY. This has been mainly driven by better results in the trading and sales segment (by PLN 66.5 m)

predominantly due to better yield on: RES originating energy trading, energy sales, RES aggregation, electricity trading and business service and other operations including mainly sales of PV modules and heat pumps and in the gas and clean fuels segment (by PLN 7.8 m) mainly due to a better result on the Elektrociepłownia Nowa Sarzyna (“ENS”) optimizing process and higher margin on heat sales.

2. Detailed commentary regarding financial performance for the 6-month period ended on 30 June 2023 and other significant information on the Group’s standing.

In the first half of 2023 the onshore wind power segment recorded higher EBITDA by PLN 66.9 m year on year, while in the second quarter alone, EBITDA increased by PLN 3.6 m compared to the corresponding period of 2022. The improved performance of that segment in HY1 2023 year on year has mainly been due to the commencement of generation in the Dębask and Kostomłoty wind farms and higher sales prices of electricity and green certificates compared to those in 2022 (when the prices resulted from the prior years' hedging transactions). The above was partly offset by lower generation volume of the farms in operation in Q2 2022 and higher operating costs of the wind farms.

Gas and clean fuels segment achieved in the 1st half of the year EBITDA result at the level close to the level generated in the corresponding period of the preceding year. In Q2 it reached EBITDA of PLN 2.8 m (increase of PLN 7.8 m) mainly due to a better result on the ENS optimizing process and higher margin on heat sales.

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 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. As at 30 June 2023, all forward transactions hedging the margin on generation and sales of ENS in 2023 have been reversed.

The trading and sales segment achieved a growth of its EBITDA result by PLN 42.8 m relative to the corresponding period of the preceding year. The growth of the result was driven by: i) better result on the RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio, ii) lower result on the RES aggregation mainly to the end of performance under contracts resulting in negative margin in 2022 (resulting from dynamic changes in the electrical energy market) iii) better result on the trading in wind farm-originating certificates due to the growth of green certificates prices, iv) higher result on other activities, including mainly the sale of photovoltaic panels and heat pumps. The growth in HY1 2023 has been partly offset by: i) i) ii) lower result on electricity sales mainly related to the recognition of a one-off impact of the measurement of forward transactions last year, iii) lower result on electricity trading and business service mainly due to the distribution of the result realised throughout the year. iv) higher operating expenses resulting from the expansion of operations. In Q2 the trading and sales segment experienced a growth of its EBITDA result by PLN 66.5 m relative to the corresponding period of the preceding year. The growth of the result in Q2 2023 was driven by: i) better result on the RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio, ii) better result on energy sales mainly due to higher returns on the contracts performed and no adverse impact of the re-measurement of the forward contracts made in Q2 2022, iii) better result on the RES aggregation mainly to the end of performance under contracts resulting in negative margin in 2022 (resulting from dynamic changes in the electrical energy market), iv) better result on electricity trading and business service mainly due to the distribution of the result realised throughout the year, v) higher result on other activities, including mainly the sale of photovoltaic panels and heat pumps. The increase of result in Q2 2023 has

been partly offset by: i) higher operating expenses resulting from the upscaling of operations, ii) lower margin on prop trading.

The EBITDA result of the distribution segment in the 1st half of the year was lower by PLN 6.5 m year on year. The drop in the result has mainly been the consequence of the lower unit margin on energy sales, lower margin on electricity distribution (mainly due to the delay in updating the distribution tariff) and higher operating expenses from the upscaling of business. The negative result has been partly offset by higher revenues from connection fees. In Q2 alone, EBITDA result of the distribution segment was higher by PLN 1.6 m YOY, mainly due to the higher unit margin on electrical energy sales resulting from the new tariff for the sales of electricity to households, the new distribution tariff as of 13 May 2023 and higher revenue from connection fees. The result in Q2 has been partly offset, among others, by higher operating expenses resulting from the upscaling of operations, and the costs of implementing the strategy in the e-mobility area.

The EBITDA result in the PV segment in HY1 2023 was lower by PLN 1.2 m than the result in HY1 2022 (while in Q2 2023 it was lower by PLN 1.6 m than in Q2 2022) mainly due to lower effective electricity sales prices relative to the corresponding period of the previous year and higher total operating cost of the farms in operation. Such impact has been partly compensated for by slightly higher generation volume in Sulechów I, II and III in HY1 2023 and the start of operation (in September 2022) of the Buk project (6.4 MW).

The result under the Unallocated item in the period since January until June 2023 was lower by PLN 4.5 m compared to the corresponding period of 2022 (and lower by PLN 2.7 in Q2 alone). The change of the 2023 EBITDA result was driven mainly by higher operating expenses (third party services and payroll) at Headquarters resulting from the upscaling of business, partly offset by lower tax cost resulting from VAT settlement in 2023.

The result on financial activities in Q2 2023 was lower than in the corresponding period of the previous year by PLN 6.9 m (in the period January - June it was lower by PLN 1.2 m), which was driven, in the first place, by lower interest gains (by PLN 2.5 m), higher interest expenses (by PLN 6.6 m) partly offset by better f/x result (by PLN 0.9 m) and lower costs in connection with the financial instruments measurement (PLN 0.7 m) and lower cost of commissions (by PLN 0.6 m).

Higher income tax level in 2023 results from higher income before tax of the Group.

The impact of the war in Ukraine and the energy market conditions on the Company's business

In view of the continued armed conflict in Ukraine, risk factors that may potentially impact the business and financial performance of Polenergia Group have been being monitored and identified on an ongoing basis.

In view of the escalating war in Ukraine and the tension in the raw material markets, in 2022 we witnessed abrupt changes in the market environment which have been manifested through extremely high volatility of the prices of financial instruments, raw materials and commodities, including fluctuation of prices of electricity, natural gas and CO₂ emission allowances. In HY1 2023, thanks to interventions in European markets involving the activation of alternative supplies of raw materials, the introduction of regulations limiting the amount of energy and gas prices, as well as forcing savings in their consumption, as well as thanks to mild winter and high RES-originating generation, the fundamental situation has stabilized, with energy and gas prices falling significantly. Nevertheless, the risk of market shortages and another wave of commodity price increases remains real as the winter period approaches.

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

costs related to the hedging costs of transactions concluded in commodity markets. Since the high energy prices were deemed unacceptable, a price freeze until the end of 2023 was introduced with benefits for end-users, price caps for the generators and revenue caps for the trading companies. Any surplus over the price limits must be transferred to the Settlement Agency. In addition, the lifting of the obligatory sale of energy through the commodity exchange and the curbing of offers on the balancing market entail a reduction in profits of the energy sector companies.

In a short- and medium-term perspective, the regulatory steps have adverse impact on the amounts of profit generated by the Company. At the same time, the regulatory pursuit to stabilize energy prices have entailed stabilization of the required level of hedging of transactions concluded in the commodity markets.

The Gas and Clean Fuels segment is, in the opinion of the Management Board, largely immune to the current volatility of prices in the market caused by the outbreak of war in Ukraine. The margin on electricity production in 2023 is not jeopardized by the earlier reversal of contracts for the sale of electricity and the purchase of gas and CO₂ emission allowances. The gas supplies related to the heat production contracts have already been fixed (in terms of volume and fixed price) until the end of 2023. An additional safety feature for thermal power generation is the supply of light heating oil maintained and increased in Q1 2022, as reserve fuel in the event of limited or discontinued 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. At the Nowa Sarzyna Thermal Power Plant, the main control system was replaced in 2019, security against possible cyber-attack was enhanced in 2022 and all remote equipment diagnostic systems were disconnected from the Internet.

In the wind power segment, high volatility of energy prices, combined with periods of variable windiness, may result in a very significant increase in profile costs, which reduces the achieved price of energy sold. It should also be noted that the dynamic increase in electricity prices and, at the same time, the price of PMOZE_A proprietary interest ("green certificates") prompted the lawmaker to reduce the redemption obligation for certificates of origin from 18.5% in 2022 to 12% in 2023. If the reduction of the redemption obligation for PMOZE_A is too big in the years to come and exceeds the pace of the old renewable energy sources projects departing from the certificate system, it may lead to a potential big slump of market prices of green certificates.

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. Currently, all operational activity in Ukraine has been put on hold. The Group has identified increased risk of trading in all markets, which is driven, among others, by the risk of increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers, the risk of non-payment and non-performance of contracts in view of the dynamic regulatory changes and the increased risk of insolvency of customers. In the event the risk of dynamic price increases crystallizes, a deviation in the energy consumption by the customers compared to the contracted volumes may yield 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 may result in substantial drop in revenues from the Group's RES assets service and RES aggregation. In response to the changing market conditions, the Group has modified its RES assets sales strategy and has been aiming at increasing the share of energy sales in OTC transactions, direct sales to the customer and under long term cPPA pay-as-produced contracts. The changes to the rules of the balancing market in Poland submitted to ERO for approval may result in increased balancing costs for RES sources as of 2024. This is a system-related risk for all market players. 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. The abolition of the mandatory sale of energy through the exchanges, with consolidation of the generation sector to NABE poses a risk of lack of liquidity in the forward market, transparency and unreliability of price indices, which may affect the Group's ability to operate its business, as well as its revenues. The risks of extension of the regulation of energy prices to end-users may have a negative impact on the company by creating a loss that will not be entirely covered by the compensation scheme. In addition, the introduction of the maximum sales prices for RES assets originating energy and the limits on the margins in trading also has its impacts on the trading segment and poses a significant risk to the operation of the entire Polish trading segment.

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 next distribution tariff update takes place, the Company may experience negative impact of the market changes on the return on the business operations performed.

The Group believes 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.

In a short term perspective, the investment projects implemented by the Group may be affected by the negative impacts of the current market situation. 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 changes of interest rates trigger volatility of the financing costs, while the increase in raw material and commodity prices combined with the fluctuations of the EUR/PLN exchange rate may lead to an increase in total investment costs. The regulation of the maximum sales price applicable to power generators in 2023 may result in a decrease in the economic parameters of the investments in progress. In view of the persisting high prices of raw materials, disruptions in the supply chain for the offshore wind power segment have been observed, including those resulting from the shortage of already scarce human and equipment resources moving from the offshore wind power sector to other sectors, 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.

In 1H 2023 the Group has been continuing works aimed at the implementation of three wind farm projects of the total capacity of 178 MW which secured auction offtake under the RES support auction scheme.

In October 2022 the Dębsk wind farm project with the capacity of 121 MW obtained the Operating Permit, and in January 2023 - the general license to generate green power.

The 13.2 MW Piekło wind farm project which secured an auction offtake in December 2020 has been completed. In May 2023, it obtained the Operating Permit, and the general license was obtained in August 2023.

The 44 MW Grabowo wind farm project which secured an auction offtake in December 2021 has been completed. In July 2023, it obtained the Operating Permit. The general license application will be submitted in August 2023.

Construction of the Sulechów II, Sulechów III and Buk I photovoltaic projects with the capacity of 28 MW has been completed, with acceptance certificates issued of completion of a civil structure, and installations entered into the MIOZE register kept by ERO.

Another photovoltaic project Strzelino with a capacity of 45,2 MW obtained the necessary corporate approvals at the end of 2022 and is currently in the advanced construction phase. Construction and installation works are proceeding on schedule. Construction and installation works are scheduled to be completed in December 2023 and the general license is expected to be obtained in Q1 2024.

In December 2022, the subsidiary Polenergia Farma Wiatrowa Namysłów sp. z o.o. developing a portfolio of the Szprotawa PV farm projects with a total capacity of 47 MW successfully participated in the auction for the sale of energy from renewable energy sources. The Group intends to enter into key project contracts in the second half of 2023, subject to the corporate approvals required for the implementation of those 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. Currently, the Group's portfolio includes photovoltaic (other than those referred to hereinabove) and (onshore) wind projects in a less advanced stage with an aggregate capacity exceeding 1.8 GW. 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 S.A., 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. (for each company separately) granting the right to cover the negative balance for electricity generated in 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 Energy Regulatory Office aimed at requesting an opinion of the Antimonopoly Office (UOKIK) 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. The proposal is currently being processed by the European Commission under the pre-notification procedure.

In 2022, regulatory changes took place through an amendment to the Act on Promoting Electricity Generation in Offshore Wind Farms, which allows, since 2022, indexing the price of energy at which the negative balance will be settled and to settle project support in Euros. This should improve the projected rate of return of the MFW Bałtyk II and MFW Bałtyk III projects. The companies are engaged in the notification processes for MFW Bałtyk II and MFW Bałtyk III offshore wind farms. On 11 April 2023, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. submitted updated documentation to the President of the Energy Regulatory Office as part of the application of MFW Bałtyk II sp. z o.o. dated 6 June 2022 to initiate the procedure for pre-notification of individual State aid to the MFW Bałtyk II project (as may be amended at a later stage) and the application of MFW Bałtyk III sp. z o.o. to initiate the procedure for pre-notification of individual State aid to the MFW Bałtyk III project.

In December 2022, MFW Bałtyk II and MFW Bałtyk III signed a contract with Hitachi Energy, the appointed supplier of electricity systems. Procurement proceedings are underway to appoint installation contractors and suppliers of export cables, internal cables and installation vessels.

In February 2023 MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. signed annexes to the contracts with Siemens Gamesa Renewable Energy Poland sp. z o.o. and Siemens Gamesa Renewable Energy A/S governing the choice of the preferred supplier of wind turbines for the projects in development permitting a formal reservation of the installation port by the supplier. This measure mitigates one of the design risks during the construction phase, i.e. the lack of availability of port facilities.

In April 2023, MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. entered into contracts with SIF Netherlands B.V. for the appointment of a preferred supplier and the reservation of production capacity for the production of monopile foundations for wind turbines for each of the projects. The contracts include the supplier's commitment to reserve production capacity to allow the production of foundations in quantities and at times consistent with the current project assumptions. At the same time, the parties agreed to negotiate in good faith monopile production contracts for the projects, which would be executed by 1 October 2023.

In November 2022 the Supreme Administrative Court considered the cassation appeal of General Directorate Environmental protection (GDOŚ) against the refusal to issue a new environmental decision for the MFW Bałtyk III offshore wind farm project and referred the case back to the Provincial Administrative Court for reconsideration.

Since in parallel a final and binding decision was obtained to amend the 2016 Environmental Conditions Decision authorizing the installation of the intended wind turbines, the Company withdrew its complaint from the Provincial Administrative Court (dated 23 January 2023), thus ending the dispute with the environmental authorities (decision of the Provincial Administrative Court dated 2 February 2023 on the discontinuation of the proceedings). Once the decision amending the 2016 Environmental Conditions Decision became final and binding (November 2022), it became possible to mitigate the risks associated with the aforementioned proceedings concerning the potential refusal to outline new environmental conditions for the construction of the MFW Bałtyk III offshore wind farm.

Detailed geotechnical research necessary for the design of the foundations of the wind turbines and the offshore substation, and for the design of the power offtake unit was completed by MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o.

Analysis of test results and detailed geotechnical laboratory testing of core samples has begun.

In April 2023, all civil expert reports for the MFW Bałtyk II i MFW Bałtyk III offshore wind farms were submitted to the Maritime Authority for approval. Those expert reports are part of the documentation for the building permit.

In December 2022, the company MFW Bałtyk I S.A. obtained a decision outlining the scope of the environmental report for the project called *Morska Farma Wiatrowa Bałtyk I* (Offshore Wind Farm). The report is currently being prepared, as amended by the decision dated 31 March 2023.

Preliminary geophysical and geotechnical surveys have been launched in the area of the offshore wind farm and submarine cable corridors by MFW Bałtyk I S.A.

The Group has actively been developing a hydrogen program to extend the current value chain with the use of electricity to produce renewable hydrogen (produced by electrolysis of water using electricity generated from renewable energy sources). Implementation of the program includes the development of new business models and the construction of hydrogen generation units for industrial use, to power zero-emission means of transportation and for energy applications. Three projects are being implemented under the program: H2Silesia, H2HUB Nowa Sarzyna and eFuels.

The H2Silesia project is being implemented by Polenergia's special purpose vehicle H2Silesia Sp z o.o. and involves the construction of a 105 MW large-scale renewable hydrogen production facility for heavy industry and zero-emission transportation located in Upper Silesia. The intended facility will be

able to produce ca. 13,000 tons of hydrogen per year. In April 2022, pre-notification was obtained for the H2Silesia project through the IPCEI (Important Projects of Common European Interest) process at the national level. The implementation of this project by Polenergia is part of the activities of the Silesian-Małopolska Hydrogen Valley.

The H2HUB Nowa Sarzyna project involves the construction of a pilot facility for the production of renewable hydrogen with a nominal capacity of ca. 5 MW which will allow a maximum production of ca. 500 tons per year. This facility will be located in Nowa Sarzyna at the premises of the Nowa Sarzyna Thermal Power Plant (ENS).

On 7 June 2023, Polenergia's subsidiary H2HUB Nowa Sarzyna sp. z o.o. which is implementing the H2HUB Nowa Sarzyna project, entered into a contract with Hystar AS, based in Høvik, Norway, for the supply and commissioning of a 5 MW electrolyzer (performance under said contract is envisaged for Q3 2024) and a long-term maintenance agreement with respect to the electrolyzer. On the same day, an agreement was entered into with the International Finance Corporation ("IFC"), a member of the World Bank Group, for cooperation with a view to finance the development costs of the H2HUB Nowa Sarzyna Project which includes a hydrogen production plant, along with two filling stations and associated infrastructure. On 27 June 2023, Polenergia's subsidiary Polenergia Elektrociepłownia Nowa Sarzyna (thermal power plant) entered into an agreement with the National Fund for Environmental Protection and Water Management (NFOŚiGW) for the financing of a project "Construction by Polenergia ENS sp. z o.o. of public access hydrogen filling stations in Rzeszów and Nowa Sarzyna." The Project's objective is to build two hydrogen filling stations with associated infrastructure, in two locations: in the area bordering on the Nowa Sarzyna thermal power plant and in the city of Rzeszów. The total amount of the grant funding awarded will be up to PLN 20 million. A tender is also underway to select an EPC contractor for the project.

The H2HUB Nowa Sarzyna project is part of activities under the label of the Subcarpathian Hydrogen Valley, the Company and ENS being among the founders thereof.

As part of the long-term development of the Group's business, a project called eFuels has been underway aimed at preparing the Group to participate in the hydrogen economy not only in terms of production of renewable hydrogen, but also in its processing into derivative products. The project aims to use renewable hydrogen to produce methanol and renewable jet fuel. The fuel produced as a result of the project will reduce greenhouse gas emissions in the aviation industry, with no need to build new infrastructure, fuel bases or to develop new aircraft designs. As part of the National Research and Development Center's competition titled "New Technologies in Energy I", the Company was among 6 teams that were awarded funding to implement innovative energy projects. This project is implemented by a consortium led by the Company, with other partners including Nowa Sarzyna thermal power plant and the Wrocław University of Technology. On 30 June 2023, the Company completed the implementation of Phase I of the Project consisting of the preparation of the Feasibility Study and is now awaiting the selection result after a review of the Company's report based on the criteria for moving from Phase I to Phase II of the project implementation (as per the rules outlined in the Competition Regulations).

In order to effectively balance the generation portfolio, in line with the new strategy, the Group is developing projects based on advanced gas technologies, with investments in cogeneration units (i.e. units that generate electricity and heat simultaneously) for industrial users of process steam. As it develops its investments in cogeneration units, the Group will continuously analyze the potential for partial or complete transition of these units from gaseous fuel to hydrogen, which the Group intends to be fully ready for in the coming years. Both the existing Nowa Sarzyna thermal power plant and the intended new gas units are to be prepared to burn renewable hydrogen, which will contribute to building a zero-carbon energy group in the future.

The Group is modifying the implementation of its strategy in the trading and sales segment, adapting it to the changing market conditions and the rising costs of hedging end users and profiling RES sources. With the end of 2022, some of the customer contracts expired, with further growth in sales volumes depending on market developments, which necessitates the follow-up recalculation of risks and financial expenses associated with hedging the users and generators forward market positions. The regulations put in place to limit energy sale prices and contributions to the Settlement Agency fund which shall continue in force until the end of 2023 have largely inhibited opportunities for any dynamic development of sales and external RES aggregation. The Company has been developing a long-term cPPA contract sales model based on the existing and newly built Group's generation assets.

The activity in the ultra-short-term market (the Intraday Market) is being successfully developed in terms of transactions just a few hours before physical delivery of energy, using available data on the changing market fundamentals. Commercial business in the wholesale markets has also 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. The company's trading activities are subject to regulations on the contributions to the Settlement Administrator, therefore the results of all business lines in 2023 will be reduced by the payments to the Settlement Administrator.

The company Polenergia Sprzedaż continues to sell energy generated in the Group's renewable sources. Customers include both business clients and consumer end-users (B2B and B2C). Green energy produced in the Group's generation assets is sold as the Energy 2051 standard product. As part of the intra-group cooperation, products have been developed, implemented and marketed that combine installation of solar panels and heat pumps with the supply of green energy. Prosumers were able to take advantage of a unique offer in the market, combining Energy 2051 green energy with a price guarantee for 8 years.

As part of its operating activity, the company Polenergia Fotowoltaika S.A. in HY1 2023 deployed 25.8 MW of solar panels and 251 heat pumps in the heat pump segment. The sale and installation of energy storage units has also begun. Sales of services in the corporate segment (large installations in excess of 50 kW) have been continued. New product development is also underway, both independently by the Company and in cooperation with Polenergia Sprzedaż.

In the distribution segment, on 28 April 2023, Polenergia Dystrybucja Sp. z o.o. received a decision from the President of the Energy Regulatory Office approving the Tariff for the distribution and sale of electricity. The new Tariff became effective on 13 May 2023, with RAB (Regulatory Asset Base) of PLN 138.7 m. The approved Investment Plan III for the years 2019- 2022 worth PLN 51 m in total has been under implementation. As part of Investment portfolio III the Company signed 45 contracts. By the end of Q2 2023, connection agreements were performed and connection readiness was notified for 47 projects/project phases, and extension of general license was obtained for 23 projects, with further 15 projects expected to obtain general license.

In addition, Polenergia Dystrybucja is also in the course of implementation of Investment Plan IV for the years 2021 - 2026 worth PLN 105 m in total. By the end of HY1 2023, the company signed 82 connection agreements, with the total estimated capex reaching PLN 98.53 m, which accounts for 93.83% of the investment portfolio IV. Under the Investment Plan IV, the Company completed 32 projects for which it declared readiness to connect, and license extensions have been obtained for 22 projects; licenses are also expected to be obtained for another 10 projects.

The company Polenergia eMobility has been actively acquiring locations for the construction of public charging stations throughout the country, with 24 charging stations consisting of 33 charging points in operation to date. The company owns and develops its own software for operating charging stations, as well as for customer service while continuing to develop the system's functionality and customer application. A call center service has also been launched to support customer service. The company

has applied in 2022 and 2023 to three programs related to subsidizing charging stations from the National Environmental Protection and Water Management Fund (NFOŚiGW). In addition to investing in a network of public access stations, the company has prepared and launched sales of a commercial e-mobility offer which includes the sale of charging stations, technical service and management services in relation to charging stations.

Other significant information on the Group's condition

On 3 April 2023, the Extraordinary General Meeting passed a resolution to increase the Company's share capital through the issuance of new shares with rights issue. The Company intends to raise proceeds from the issue of between PLN 500 million and PLN 750 million. The final amount of the expected issue proceeds and the related number of new shares of the Company to be issued will be determined by the Management Board in the prospectus or in a communication to be published after the date of its approval, with due regard to the Company's actual capital requirements. The purpose of the issue is to raise funds to finance the Company's investment projects and development plans, including (offshore and onshore) wind farms and photovoltaic farms, as well as projects in the area of hydrogen technology, energy storage and e-mobility, the implementation of which is in line with the Polenergia Group Strategy for the years 2020-2024, published by the Company in May 2020. The ultimate purpose of the issue will be determined and described in the Company's prospectus related to the issue. The issue has been scheduled for late Q3/ early Q4 2023. For the purposes of the issue, the Company engaged Santander Bank Polska S.A. as the Exclusive Global Coordinator, Demand Book Keeper and Investment Firm intermediating in the issue, and DLA Piper Giziński Kycia sp. k. as the Company's legal advisor.

On 5 June 2023, Polenergia S.A. entered into revolving credit facility agreements with Santander Bank Polska S.A. and Bank Polska Kasa Opieki S.A. up to PLN 300 million, for a term of three years (with an option to extend for another two years). The credit will be used for purposes in line with the Polenergia Group's Strategy 2020 - 2024. The contractual provisions do not deviate from arm's length conditions commonly applied in this type of agreement. In connection with the credit agreement, Polenergia S.A., among other things, filed statements of submission to collection in favor of each of the abovementioned lenders and established registered and financial pledges on its bank accounts.

On 18 January 2023, Polenergia Obrót S.A. ("POLO") entered into annex with Deutsche Bank Polska S.A. with registered office in Warsaw to the multi-purpose facility agreement dated 10 November 2021. The annex provides for an increase of the credit limit to a total of PLN 200 million, under which an overdraft limit and a guarantee limit have been made available. The Annex was entered into for a specific term of 12 months, subject to extension for further credit periods. In view of the above, the company Polenergia S.A. increased its surety up to the total of PLN 100 million. Originally, the facility agreement provided for a PLN 100 million multi-purpose loan to POLO, with the surety of PLN 30 million.

On 9 February 2023, the company Polenergia Obrót 2 sp. z o.o., developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp, entered into a contract with JINKO SOLAR (CHUZHOU) CO., LTD. for the delivery of the PV modules for the project. The contract covers the sale of the PV modules manufactured by the supplier in the quantity required for the project. The Contract does not include the supply of inverters and will be completed by September 2023. The value of Contract is approximately EUR 10 million.

On 18 May 2023, the company Polenergia Obrót 2 sp. z o.o., which is developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp, as borrower (the "Borrower"), and mBank S.A., Pekao S.A. and PKO Bank Polski S.A., as lenders (the "Lenders"), entered into a facilities agreement (the "Facilities Agreement"). Pursuant to the Facilities Agreement, the Lender shall provide the Borrower with: (i) a term loan of up to a total of PLN 90 million to finance the construction of the

Strzelino PV farm, with an option to increase the Lender's exposure (upon fulfillment of additional conditions set forth in the Facilities Agreement), (ii) a VAT loan up to a maximum total of PLN 27 million, and (iii) a DSR loan up to a maximum total of PLN 9.8 million. In connection with the Facilities Agreement, the Borrower and Polenergia S.A. are obligated to provide a standard security package applied in project finance transactions. Among other things, the Borrower filed a statement of submission to collection and established a registered pledge on a set of movables and rights, while Polenergia S.A. established a registered and financial pledge on the Borrower's shares and filed statements of submission to collection. The Facilities Agreement provides for repayment of the term loan no later than 16 December 2038, the VAT loan no later than 31 May 2024, and the DSR loan no later than 16 December 2038. The interest rate on the loans is based on the WIBOR reference rate, plus the Lender's margin. The terms and conditions of the Facilities Agreement, including those relating to collateral, liquidated damages, mobilizing the financing and terminating the Facilities Agreement, are in line with those applied in this type of transaction.

On 31 March 2023, Amon sp. z o.o., with registered office in Łebcz ("Amon"), received a pleading from Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with registered office in Warsaw ("PKH") in the proceedings instituted by Amon against PKH pending before the Regional Court in Gdansk, by which PKH included a counterclaim ("Counterclaim") demanding the award of PLN 61,576,284.89 from Amon to PKH with statutory default interest. The amount of PLN 55,691,856.47 represents liquidated damages demanded by PKH allegedly on the basis of § 8 sec. 1 of the Agreement for the Sale of proprietary interest Resulting from Certificates of Origin Evidencing the Generation of Electricity in a Renewable Energy Source - the Łukaszów Wind Farm, entered into on 23 December 2009 by Amon with PKH (the "Proprietary Interest Sale Agreement") and resulting allegedly from Amon's failure to meet the quantities of proprietary interest to be transferred in individual months commencing August 2019. The amount of PLN 5,884,428.42, on the other hand, represents compensation claimed by PKH for Amon's alleged failure to perform, in the period from 18 November 2022 to 31 December 2022, under the Agreement for the Sale of Electricity Generated at the Renewable Energy Source - the Łukaszów Wind Farm entered into by Amon with PKH on 23 December 2009 (the "Energy Sale Agreement"). On 16 May 2023, the Regional Court in Gdańsk served Amon a decision dated 2 May 2023, which left the counterclaim of Polska Energia – Pierwsza Kompania Handlowa without proceeding any further. The basis for the order in question by the Regional Court in Gdansk is Article 204 sec. 1, second sentence of the Code of Civil Procedure, which stipulates that a counterclaim may be brought no later than in a statement of defense. Details regarding the dispute have been provided in sec. 8 "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa PP. z o.o. and Tauron Polska Energia S.A."

On 7 June 2023, Polenergia H2HUB Nowa Sarzyna sp. z o.o., which is developing the H2HUB Nowa Sarzyna project, entered into an agreement with Hystar AS, headquartered in Høvik, Norway ("Hystar"): (i) the supply and commissioning of a 5 MW electrolyzer (the "Supply Agreement"). The Supply Agreement is scheduled to be performed in Q3 2024; (ii) a long-term electrolyzer servicing agreement ("LTSA"). LTSA covers the provision of maintenance services for the abovementioned electrolyzer during the period of 2 years following the go-live (with an option to extend for the total of 10 years), including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities. Hystar also guarantees the appropriate level of availability of the electrolyzer under the service contract. On 7 June 2023, Polenergia H2HUB Nowa Sarzyna sp. z o.o. and Polenergia S.A. entered into a cooperation agreement with the International Finance Corporation ("IFC"), a member of the World Bank Group, to finance the development costs of the project, which includes a hydrogen plant, along with two filling stations and associated infrastructure. IFC shall refinance part of the costs incurred so far in the project plus 50% of the cost of purchasing an electrolyzer for the hydrogen plant. Pursuant to the agreement, the maximum amount of financing for the project is EUR 3,600,000, which will significantly reduce the Polenergia Group's financial exposure related to the investment. The obligation to repay the financing will arise in the event a final investment decision is

made. The term of contract is one year. The agreement may be terminated by either party, within 15 calendar days. According to the provisions of the agreement, if the agreement is terminated, depending on the reasons, a penalty may be charged, not exceeding 10% of the maximum amount of financing. The agreement also provides for the IFC's authority in certain cases to either withhold financing or terminate the agreement with immediate effect. Implementation of subsequent phases of the project may require obtaining relevant corporate approvals.

On 27 June 2023, Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. ("ENS" or the "Beneficiary") entered into a funding agreement ("Funding Agreement") with the National Fund for Environmental Protection and Water Management ("NFOŚiGW") for the project "Construction by Polenergia ENS sp. z o.o. of public hydrogen filling stations in Rzeszów and Nowa Sarzyna" under the priority program "Support for electric vehicle charging infrastructure and hydrogen filling infrastructure" - construction or redevelopment of public hydrogen stations. The Project's objective is to build two hydrogen filling stations with associated infrastructure, in two locations: in the area bordering on the Nowa Sarzyna thermal power plant and in the city of Rzeszów. According to the Funding Agreement, the total amount of funding in the form of a subsidy is PLN 20 million (the "Subsidy"), which represents ca. 43% of the eligible costs of the project. According to the Funding Agreement, the hydrogen filling stations and associated infrastructure should be put into operation by 1 June 2025, the Funding Agreement providing for the possibility of changes to the program. The Beneficiary's entitlement to drawdowns of the Subsidy funds is contingent upon the approval of applications for disbursement of funds, the submission of which may require obtaining the relevant corporate approvals. The remaining provisions of the Subsidy Agreement, including the termination by notice, termination with immediate effect, withholding of the subsidy, are no different from those commonly used in such type of agreements.

On 20 April 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (collectively, the "Companies"), in which the Issuer holds 50% of shares, developing - as part of a joint venture between the Issuer and Equinor Wind Power AS - projects for the construction of two offshore wind farms, i.e. MFW Bałtyk II and MFW Bałtyk III (collectively, the "Projects"), signed agreements (separate for each Project Company) with SIF Netherlands B.V. for the appointment of a preferred supplier and the reservation of capacity for the production of monopile foundations ("Monopiles") for wind turbines in each of the Projects (collectively, the "Reservation Agreements"). The Reservation Agreements include the supplier's commitment to reserve production capacity to allow the production of Monopiles in quantities and at times consistent with the current project assumptions. At the same time, the parties agreed to negotiate in good faith contracts for the production of Monopiles for the Projects (the "Final Contracts"). Such negotiations will be based on the bid received from the supplier, for the production of 90 Monopiles (total for both Projects; this number will be subject to verification at the design stage). The estimated contract price for the Final Contracts agreed on the basis of the supplier's offer, is ca. EUR 161.4 million for MFW Bałtyk II and ca. EUR 196.1 million for MFW Bałtyk III. The contract price will be updated at the time Final Agreements are executed. The final contract price will depend in particular on the price of steel, the final design assumptions, the final determination of variable rates and indexation. The Final Agreements are to be executed by 1 October 2023 (the "Final Date"). The Reservation Agreements may be terminated only in the events provided for therein, and in case the Companies exercise their right to terminate the Reservation Agreements without cause, or in case the Reservation Agreements are terminated by the supplier for reasons attributable to the Companies, or in case the Final Date expires without effect, the Companies shall be obligated to pay the Supplier cancellation fees ("Cancellation Fees"), the amount of which shall depend on the date of termination of the Reservation Agreements, while being linked to the estimated contract price. In connection with the signing of the Reservation Agreements, the Issuer will be required to issue a surety for the Companies' obligations to pay the Cancellation Charges ("PCG"). The maximum amount of the Issuer's obligations under the PCG will cover 50% of the amount of Cancellation Fees determined by the Final Date, i.e. a total of approximately EUR 31 million for both Projects. The issuance of further PCGs will potentially be

linked to the execution of Final Agreements, including to secure further Cancellation Fees. Following the signing of the Reservation Agreements, the parties will continue discussions to agree on the ultimate terms of the Final Agreements.

On 26 June 2023, Polenergia S.A., as a shareholder to the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (collectively, the "Project Companies"), holding 50% of the shares in each of the Project Companies, together with Equinor Wind Power AS, the shareholder holding the remaining 50% of the shares in the Project Companies, adopted shareholder resolutions of the Project Companies to approve updates to the budgets of the MFW Bałtyk II and MFW Bałtyk III projects (collectively, the "Projects") and the Projects' development plans for the period until the commencement of construction works (collectively, the "Budget"), including in particular the estimated capital expenditures required to prepare the Projects for the commencement of construction works ("Devex") and the programs for such stage of the Projects' development. The budgeted level of Devex currently amounts to about PLN 950 million, this amount also including funds already spent (about PLN 415 million) in the period between obtaining the decision to grant support to the Projects and the date of publication of this report. According to the approved Budget, the intended commencement date for construction works falls in Q1 2025, while the completion and commissioning of the Projects is scheduled for 2028. The level of Devex set in the Budget, as well as the planned implementation dates of the Project's development milestones mentioned above represent estimates that are subject to further changes. Any update to the Budget will require the adoption of relevant shareholders resolutions within the Project Companies. The shareholders resolutions of the Project Companies and as the adopted updated Budget, apply only to Devex. Further capital expenditures, including those in the construction phase (construction capital expenditures; "Capex"), will be subject to separate decisions by the shareholders of the Project Companies. However, the Issuer informs that the implementation of the Projects according to the schedule resulting from the updated Budget will result in the need for the Project Companies to incur, in the period prior to the commencement of construction and on top of Devex, also part of the expenditures constituting Capex, which will ultimately be included in the construction phase budget. According to current estimates, these expenditures may amount to ca. PLN 2.8 - 3.2 billion, with the total construction phase budget estimated in the range of PLN 21 - 24 billion. Polenergia S.A. makes a caveat that this information is non-binding, is subject to change, and the company will not separately inform thereof before the construction phase budget is formally adopted.

On 28 July 2023, the Management Board of the Company Polenergia S.A. decided to discontinue works aimed at preparing a wind farm project in the Baltic Sea in the region of the Lithuanian territorial sea or the exclusive economic zone of the Republic of Lithuania for auction, the application of which was being considered in the context of the auction for offshore wind power in Lithuania scheduled for the second half of this year. The abovementioned decision was made after the analysis of the economic viability of the project in light of the published parameters for the planned auction (including the maximum transaction price announced by the National Energy Regulatory Authority (NERC) on 13 July 2023), upon consultation and under the arrangement with the Lithuanian company Modus Energy AB (operating under the Green Genius brand), which was to be a local partner. In doing so, the parties agreed that cooperation in this area was terminated. The Company will continue to analyze potential investment and business opportunities in the Lithuanian market.

Financial performance for the 6-month period ended 30 June 2023 by operating segments

On the following pages a presentation is given of the distribution of the total Group performance in HY1 and Q2 2023, broken down into the business segments.

6M 2023 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	302,0	8,9	92,8	2 341,8	84,7	7,9	-	2 838,1
Operating costs, including	(108,7)	(4,5)	(90,5)	(2 191,5)	(81,1)	(6,4)	(1,4)	(2 484,2)
operating costs (without granted green certificates adjustment)	(52,6)	-	-	-	-	-	-	(52,6)
depreciation/amortization	(57,0)	(2,0)	(4,6)	(4,7)	(4,4)	(3,1)	(1,4)	(77,2)
granted green certificates adjustment	0,8	-	-	-	-	-	-	0,8
Gross profit on sales	193,3	4,3	2,2	150,3	3,7	1,5	(1,4)	353,8
Gross profit on sales margin	64,0%	48,8%	2,4%	6,4%	4,3%	"n/a"	"n/a"	12,5%
Selling expenses	-	-	-	(49,5)	-	-	-	(49,5)
General overheads	(5,6)	(0,5)	(3,8)	(33,1)	(4,4)	(27,0)	-	(74,5)
Other operating activities	4,8	(0,5)	(1,2)	(1,9)	0,5	(0,1)	-	1,7
including impairment losses	(0,1)	-	-	-	-	-	-	(0,1)
Operating profit	192,5	3,3	(2,7)	65,7	(0,2)	(25,6)	(1,4)	231,6
EBITDA	249,6	5,3	1,9	70,4	4,2	(22,5)	-	308,9
EBITDA Margin	82,6%	59,8%	2,0%	3,0%	5,0%	"n/a"	"n/a"	10,9%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	249,6	5,3	1,9	70,4	4,2	(22,5)	-	308,9
Adjusted EBITDA Margin	82,6%	59,8%	2,0%	3,0%	5,0%	"n/a"	"n/a"	10,9%
Profit (loss) on financial activities	(33,0)	(2,2)	1,0	(9,4)	(2,8)	24,2	-	(22,3)
Profit (loss) before tax	159,5	1,1	(1,7)	56,3	(3,0)	(1,4)	(1,4)	209,3
Income tax	-	-	-	-	-	-	-	(42,0)
Net profit (loss) for period	-	-	-	-	-	-	-	167,3
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	1,4
Foreign exchange differences	-	-	-	-	-	-	-	(0,5)
Loan valuation using amortized cost method	-	-	-	-	-	-	-	1,5
Impairment losses	-	-	-	-	-	-	-	0,1
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	169,8
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								
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
Gross profit on sales margin	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)
including impairment losses	(0,2)	-	-	-	-	(0,0)	-	(0,2)
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
EBITDA Margin	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
Adjusted EBITDA Margin	83,5%	84,5%	3,2%	0,8%	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
Change of adjusted EBITDA yoy	66,9	(1,2)	0,0	42,8	(6,5)	(4,5)	-	97,5
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								

2Q 2023 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	125,1	6,6	58,5	1 136,1	40,8	4,1	-	1 371,1
Operating costs, including	(65,0)	(2,4)	(55,8)	(1 074,6)	(35,8)	(3,4)	(0,7)	(1 237,6)
operating costs (without granted green certificates adjustment)	(31,9)	-	-	-	-	-	-	(31,9)
depreciation/amortization	(28,6)	(1,0)	(2,3)	(2,9)	(2,2)	(1,6)	(0,7)	(39,3)
granted green certificates adjustment	(4,5)	-	-	-	-	-	-	(4,5)
Gross profit on sales	60,1	4,2	2,8	61,5	5,0	0,7	(0,7)	133,5
Gross profit on sales margin	48,0%	63,4%	4,7%	5,4%	12,3%	"n/a"	"n/a"	9,7%
Selling expenses	-	-	-	(23,7)	-	-	-	(23,7)
General overheads	(3,6)	(0,3)	(1,9)	(15,9)	(2,1)	(14,9)	-	(38,8)
Other operating activities	0,6	(0,4)	(0,5)	(2,2)	(0,2)	(0,0)	-	(2,7)
including impairment losses	-	-	-	-	-	-	-	-
Operating profit	57,0	3,5	0,4	19,6	2,7	(14,2)	(0,7)	68,3
EBITDA	85,6	4,4	2,8	22,5	4,9	(12,6)	-	107,6
EBITDA Margin	68,5%	67,1%	4,7%	2,0%	11,9%	"n/a"	"n/a"	7,8%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	85,6	4,4	2,8	22,5	4,9	(12,6)	-	107,6
Adjusted EBITDA Margin	68,5%	67,1%	4,7%	2,0%	11,9%	"n/a"	"n/a"	7,8%
Profit (loss) on financial activities	(14,5)	(1,0)	0,6	(3,9)	(1,4)	9,8	-	(10,5)
Profit (loss) before tax	42,5	2,5	1,0	15,7	1,3	(4,4)	(0,7)	57,8
Income tax	-	-	-	-	-	-	-	(11,3)
Net profit (loss) for period								46,5
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,7
Foreign exchange differences	-	-	-	-	-	-	-	(0,3)
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,8
Impairment losses	-	-	-	-	-	-	-	0,0
Net result on sale of assets ***	-	-	-	-	-	-	-	-
Adjusted net profit								47,6
*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
Gross profit on sales margin	56,3%	87,8%	-47,0%	-0,6%	10,0%	"n/a"	"n/a"	4,4%
Selling expenses	-	-	-	(25,2)	-	-	-	(25,2)
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)
including impairment losses	(0,1)	-	-	-	-	(0,0)	-	(0,1)
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
EBITDA Margin	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
Adjusted EBITDA Margin	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 the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit								3,5
Change of adjusted EBITDA yoy	3,6	(1,6)	7,8	66,5	1,6	(2,7)	-	75,2
*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.								

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

For a description of the issuer's group, refer to Note 7 to the Interim Condensed Consolidated Financial Statements.

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

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

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

On 14 January 2023, the company Polenergia Farma Wiatrowa 18 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 16 January 2023, the company Polenergia Farma Wiatrowa 24 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 18 January 2023, the company Polenergia Farma Wiatrowa 19 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 23 January 2023, the company Polenergia Farma Wiatrowa 21 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 23 January 2023, the company Polenergia Farma Wiatrowa 15 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 26 January 2023, the company Polenergia Farma Wiatrowa 20 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 17 March 2023, the company Polenergia Farma Wiatrowa 25 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 3 April 2023, the company Polenergia Farma Wiatrowa 26 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 4 April 2023, the company Polenergia Farma Wiatrowa 27 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 5 April 2023, the company Polenergia Farma Wiatrowa 28 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:

EBITDA / Net profit (loss) [PLN m]	6M 2023	6M 2022	Difference
Sales revenues	2 838,1	3 812,9	(974,9)
EBITDA	308,9	211,3	97,5
Adjusted EBITDA	308,9	211,3	97,5
Net profit (loss)	167,3	110,8	56,5
Adjusted net profit (loss)	169,8	119,1	50,8

The year-on-year changes in HY1 2023 results were driven by the following factors:

a) On the level of EBITDA (increase by PLN 97.5 m):

- The higher result in the onshore wind farm segment (by PLN 66.9 m) has mainly been due to the commencement of generation in the Dębisk and Kostomłoty wind farms and higher sales prices of electricity and green certificates compared to those in 2022 (when the prices resulted from the prior years' hedging transactions). The above was partly offset by lower generation volume of the farms in operation in HY1 2022 and higher operating costs of the wind farms;
- A lower result in the photovoltaic segment (by PLN 1.2 m) due to lower effective sales prices of electricity relative to those in the same period of the preceding year and higher total operating costs of the farms in operation. Such impact has been partly compensated for by slightly higher total generation volume in Sulechów I, II and III in HY1 2023 and the start of operation, in September 2022, of the Buk project (6.4 MW);
- The gas and clean fuels segment performance is at the similar level as a result of a higher margin on heat sales, due to higher tariff prices offsetting the higher cost of gas and the cost of CO₂ emission allowances, offset by a lower result due to optimization of ENS operations and higher fixed costs;
- Higher result of the trading and sales segment (by PLN 42.8 m) due to: i) better result on trading of energy originating from the RES assets due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio, ii) better result on the RES aggregation mainly to the end of performance under contracts with negative margin (which resulted from dynamic changes in the electrical energy market) in 2022, iii) better result on the trading in wind farm-originating certificates due to the growth of green certificates prices, iv) higher result on other business activities, including mostly sale of PV panels and heat pumps. Higher result in HY1 2023 has been partly offset by: i) lower result on electricity sales mainly related to the recognition of a one-off impact of the valuation of forward transactions last year, ii) lower result on electricity trading and business service mainly due to the distribution of the YOY result, iii) higher operating expenses resulting from the upscaling of operations;
- The decrease of the result of the distribution segment (by PLN 6.5 m) has mainly been the consequence of the lower unit margin on energy sales, lower margin on electricity distribution (mainly due to the delay in updating the distribution tariff) and higher operating expenses resulting from the upscaling of business. The negative result has been partly offset by higher revenues from connection fees;
- Lower result in Unallocated item (by PLN 4.5 m) has been mainly a consequence of higher operating expenses at the Headquarters as a consequence of the upscaling of business.

b) On the level of adjusted EBITDA (increase by PLN 97.5 m):

- The EBITDA effect described above (result higher by PLN 97.5 m);

c) On the level of Net Profit (increase by PLN 56.5 m):

- The EBITDA effect (higher result by PLN 97.5 m);
- Higher depreciation and amortization (by PLN 26.0 m) resulting primarily from the commissioning of fixed assets in the wind farm and photovoltaic segment, higher depreciation of leased assets under IFRS 16 and depreciation of the asset recognized at the Purchase Price Allocation of Polenergia Fotowoltaika S.A.

All the abovementioned items contributed to the increase of the operating profit by PLN 71.7 m.

- Higher financial revenues (by PLN 6.3 m) mainly as a consequence of higher interest revenues (by PLN 4.9 m), higher foreign exchange gains (by PLN 1.3 m), and higher surety fees (by PLN 0.5 m), partly offset by lower revenues on valuation of derivatives (by PLN 0.3 m).
- Higher financial costs (by PLN 7.5 m) resulting mainly from higher interest costs (by PLN 10.3 m), and financial liabilities valuation (by PLN 1.1 m), partly offset by better result on the foreign exchange difference valuation (by PLN 1.7 m) and lower costs from derivatives valuation and lower commission costs (by PLN 0.9 m);
- Higher income tax level for HY1 2023 results from the higher income before tax of the Group.

d) On the level of adjusted net profit (increase by PLN 50.8 m):

- The net profit effect (increase by PLN 56.5 m);
- Reversal of the foreign exchange differences effect (drop by PLN 7.8 m);
- Elimination of the purchase price allocation effect (increase by PLN 1.3 m);
- Reversal of the impairment losses effect (drop by PLN 0.1 m);
- Reversal of the effect of loan measurement using the amortized cost method (increase by PLN 0.9 m).

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 2022, the Group's risk exposures have largely remained unchanged, with the following changes and updates:

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 is denominated in EUR. Currently, all foreign currency liabilities in investment projects have been paid and foreign exchange hedging transactions have been settled. There may be foreign currency payments in operational projects related to day-to-day operations, but their share, and thus the risk, is negligible.

As part of the offshore wind farm segment, most capital expenditures are denominated in foreign currencies, mainly in EUR, resulting in significant exposure to currency risk related to the amount of future capital expenditures. 50% of the investment costs in the projects in development are borne by the Company. The amendments to the Act on promoting electricity generation in offshore wind farms implemented in 2022 make it possible to denominate in EUR part or all of the revenues from the right to cover the negative balance on the sale of electricity. The above mentioned regulatory change allows to limit the currency risk in the investment phase through possibility of debt financing in EUR.

Polenergia Obrót S.A. ("Polenergia Obrót is ") 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 substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, the investment projects are financed with debt in more than 50%. In accordance with the credit facility agreements entered into by individual Group companies, interest due on loans granted 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 26 April 2023 Polenergia Farma Fotowoltaiczna 9 sp. z o.o. hedged the interest rate risk for 95% of the amount of the loan taken from mBank S.A. using IRS transactions.

On 27 June 2023 Polenergia Obrót 2 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 85% of the volume of the loan taken out.

As at 30 June 2023, approximately 89% of liabilities of the Group's entities under investment loans were hedged against changes in the level of interest rates. This hedging is achieved through IRS financial transactions, and naturally in Polenergia Dystrybucja in the form of the tariff of the President of the Energy Regulatory Office correlated with the WIBOR rate. As Polenergia Dystrybucja operates on the regulated market, its revenues are determined on the basis of the

return on capital, namely the weighted average cost of capital (regulatory WACC) defined by the URE President. Most of the parameters in the formula for the regulatory WACC remain constant. The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the URE President, is determined on the basis of the average yield on 10-year Treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. Working capital and renewable loan limits used by the Group to finance operating activities in the trading and sales, distribution and 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, which may affect 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 President of the Energy Regulatory Office

The Group companies which generate heat or distribute gas and electricity are required to submit their tariffs to the President of URE 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 justified 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 URE is aimed to protect consumers against unjustified price increase. As a consequence, there is a risk that the President of the URE 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 with regard to one of the projects currently owned by the Group, i.e. the Nowa Sarzyna CHP Plant. In June 2022 the President of the Energy Regulatory Office approved a new tariff for the Nowa Sarzyna CHP Plant, which did not cover high gas purchase prices increased significantly as a consequence of the war in Ukraine. Similar risk related to the heat tariff may materialize in Q3 2023 and the following years in relation to Nowa Sarzyna CHP due to the unstable political and macroeconomic environment. The risk of a delay in tariff approval also materialized in the H1 of 2023 for Polenergia Dystrybucja. The President of the Energy Regulatory Office approved new tariffs for major distribution companies at the beginning of 2023, while Polenergia Dystrybucja's tariff remained unchanged for another five months. This resulted in the company's inability to pass on to end users the higher-than-previous distribution service costs charged by the company's suppliers. This was the main reason for the decrease in gross margin on distribution by PLN 2.3 million in H1 2023 compared to the same period last year.

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

The operations of the Group companies are subject to numerous Polish, EU and international regulations. Laws, regulations, decisions, positions, opinions, interpretations, guidelines, etc., applicable to the Group's business, are subject to frequent changes (e.g. the Energy Law, with secondary legislation, has been substantially amended several dozen times since its enactment in 1997). Any potential legislative changes, in particular concerning business activity, taxes, labor matters, commercial law, including commercial companies and capital markets, as well as environmental protection, may impact the operations of the Issuer. In addition, the Polish legal system has been changing in connection with legal acts currently implemented to reflect EU laws.

The dependence on regulations is demonstrated by the impact on the Group of the Act of 27 October 2022 on emergency measures aimed at limiting electricity prices and supporting certain consumers in 2023 (PL OJ of 2022, item 2243, as amended) ("Act on Emergency Measures"), adopted following the entry into force of Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address the issue of high energy prices. The Issuer expects a negative impact of the Act on Emergency Measures on the Group's financial results in 2023, on an unprecedented scale in the history of the Issuer's operation.

One of the fundamental solutions introduced by the Act on Emergency Measures includes the establishment of statutory limits for revenues from the sale of electricity by producers and trading companies. The above regulation fundamentally changes the rules of operation of entities on the electricity market. This is particularly visible in the case of RES installations, where the legislator officially imposes the maximum achievable sale price without taking into account the individual economic conditions of the project, or the investor's project commercialization strategy. The negative impact of the Act on Emergency Measures on the Group may increase due to possible subsequent amendments thereto. For example, due to March 2023 amendment definition of market price was expanded, which covers net electricity price expressed in PLN/MWh determined through: electricity sale agreement or electricity balancing market or agreement concerning sale of electricity including, in particular, financial instruments or guarantees of origin, where additional financial settlements depend on volume or value of electricity sold. In June 2023 Polish parliament passed amendment of Energy Law, according to which it is required to transfer 97% of sum of revenues from the sale of guarantees of origin and from settlements related to financial instruments ((The Senate deleted this provision from the bill as part of its reported amendments; the bill is currently back in the Diet; however, a similar regulation is contained in a separately pending bill currently being considered by the Senate).

It is also possible that the period of validity of the Act on Emergency Measures will be extended onto subsequent years (if electricity prices will rise again). The Act in question was adopted in order to minimize the impact of drastic increases in energy prices on end users, such increases due to the outbreak of war in Ukraine and the resulting crisis on global energy markets. Extension of the Act on Emergency Measures onto subsequent years would have a significant negative impact on the Group's financial results.

It should also be pointed out that irrespective of the extraordinary adopting the Act on Emergency Measures, the activities carried out by the Issuer are subject, apart from the provisions generally regulating each business activity, to specific regulations resulting from the provisions of the Energy Law, the RES Act and the Act on Promotion of Electricity Generation in Offshore Wind Farms, as well as executive acts. Consequently, there is a risk that future changes in the state policy and related changes in legal regulations will impact the operations of the Issuer and the Group companies.

A number of the regulations applicable to the Group's business are relatively recent enactments, and therefore there is no established practice of their application, which may lead to their being

improperly interpreted and applied. This applies in particular to the RES Act, the Act on the Promotion of Electricity Generation in Offshore Wind Farms, Act on Maritime Areas, and in particular to the Act on Emergency Measures. The last Act is also difficult to apply due to the lack of clarity of numerous provisions thereof.

Factors relevant to the Group's operations also include decisions issued by respective authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes. The legislative and regulatory changes may also, in certain areas, contribute to a lower than expected return on investment in renewable energy sources.

The Company's representatives participate in the working parties of industry associations in order to monitor and minimize the risk of regulatory changes unfavorable for the Group, however, the Company has very limited possibilities of actually influencing decisions taken at the Community and national level in such scope. Any changes in the regulations of the energy market may prove unfavorable for the capital group.

Risk of volatility of electricity market prices

The Group's financial performance is dependent on the market prices of electricity. The Group keeps analyzing the electricity wholesale market on an ongoing basis, making decisions to secure the sale of electricity generated by offshore wind farms, photovoltaic farms, and gas and clean fuels segment. The Group keeps monitoring 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 and do not have adverse effect on the company's liquidity at the same time.

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

The volatility of electricity prices indirectly impacts the profile costs of electricity production in the Group's wind and photovoltaic farms and the profile 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 2022, when the adverse impact on the business line results was observed in the sale of RES assets of the Group, external RES aggregations and the sale to end consumers. In the first half of 2023, due to a number of regulatory restrictions and prices stabilization, the level of profile costs dropped significantly compared to 2022.

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. After a significant increase in market prices, the support under the auction system also in H1 2023 adversely impacted the revenues of RES sources participating in the auction (compared to the market prices possible to be obtained).

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 in the form of a contract for difference, PPA or on the futures market at much lower prices. In addition, changes in electricity prices with variable RES production may also affect the so-called production profile costs. If a contract for the sale of electricity concluded with a customer concerns a specific volume in a selected period (a form of a significant part of contracts), then, given the volatility of production generated in RES, the Issuer

purchases or sells on the energy market and supplies the customer with the amount of energy specified in such contract. With dynamic price increases, energy consumption by customers deviating from the contracted values may generate a significant result (both positive and negative), disproportionate to the original assumptions.

Until the end of 2023 restrictions have been imposed on the balancing market in terms of maximum offer prices, and also maximum energy sales rates from, inter alia, RES. The excess over the price limit is calculated each day and must be transferred to the Settlement Agency. In addition, trading companies must calculate the sale price of energy and its purchase price in ten-day periods - the difference of these prices reduced by a 1-3.5% margin, depending on the direction of sale, must be transferred to the Settlement Agency. Regulatory changes affecting the revenues of producers and trading companies create systemic risk, which applies to both the Group and all other participants of the electricity market in Poland.

In 2023 the onshore wind farm segment 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. Such risk already materialized in some periods of 2022. Therefore, the Company has changed the approach and in the coming years hedging will be implemented in a flexible manner and 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. 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 wind and photovoltaic sources, contributing to an increase in profile costs and the reduction of revenues.

The above risk already materialized in the Group's activity. Over the last few years, significant changes in electricity prices had a material impact on the Group, which produced approximately 1.05 TWh electricity in 2022.

Periods of high wind or sunshine and low prices, and periods of low wind and sunshine resulting in high prices can be observed in the market, with the price volatility between these periods being up to several times. In sunny periods with low demand the "duck curve" effect is also observed, caused by a significant volume of energy from PV sources. The increased generation by wind turbines and PV sources also significantly reduces electricity imports, which sometimes even turn into exports. On days with low RES generation, energy is obtained from the oldest coal-fired units, with high variable costs, as a result electricity prices on the power exchange are rising, and thus much more energy is imported from outside Poland.

Polenergia Obrót, Polenergia Sprzedaż and Polenergia Dystrybucja are parties to agreements for electricity sales to end customers. To perform such agreements, the above companies purchase electricity generated, inter alia, in wind and solar sources, and also 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.

The volumes of transactions hedging the sale of electricity from generation assets are hedged on the TGE (Polish Power Exchange) futures market and require the appropriate level of hedging deposits to be maintained, in the amount depending on the quotations of stock indexes and subject to considerable fluctuations. The aforementioned risk materialized in 2022 due to high volatility of

the production profile of wind farms, and combined with a significant increase in market prices resulted in a greater demand for working capital. Polenergia Obrót also enters into contracts with customers of electricity that are hedged on the TGE futures market causing the need for margin deposits, which requires increased working capital. In view of the materialization of the above risk factors in 2022, in order to control liquidity, the Group is pursuing a strategy of balancing buying and selling positions in the stock market.

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 and insufficient increase of energy prices 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. The company analyzes the levels of CSS market spreads for subsequent periods on an ongoing basis and makes decisions on securing the future margin for ENS depending on market conditions. Unfortunately, in H1 2023 it was not possible to secure positive spreads for ENS on the futures market for 2024 energy supply.

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.

The oversupply of green certificates in the market is systematically reduced and due to the increased energy consumption and the hedging by entities for the coming years, the potential effect of oversupply is leveled and postponed to the last years of the system's operation.

According to the current draft regulation of the Minister of Climate and Environment regarding changes in the share of the obligation to present certificates from renewable energy sources for redemption in 2024, the annual share for so-called green certificates has been set at level of 5%. For blue certificates, the obligation level will be 0.5%.

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 risk already materialized in the Group's activity.

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, there is or may arise an obligation to obtain integrated permits or sectoral permits (for gas or dust emissions into the air, water permits, waste permits) and to timely and properly reporting related to, inter alia, the use of the environment.. 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 System, participation permits had to be obtained for installations used in the course of the operations by Polenergia S.A. and other Polenergia S.A. capital group companies. Emission allowances trading 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 System. The emissions trading scheme was

launched on 1 January 2005 by virtue of Directive 2003/87/WE, 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. The current EU ETS 2021-2030 period is governed by the Act amending the Act on Trading in Allowances for Emissions of Greenhouse Gases and certain other acts of 15 April 2021.

The only facility of the Polenergia Group that is subject to the above-mentioned legislation is Nowa Sarzyna CHP (ENS) (KPRU number: PL 0-72 05). ENS is the combustion installation with a rated thermal power in excess of 20 MW, participating in the EU Emissions Trading System.

For offshore wind farm projects, there is a risk associated with implementing the provisions of the environmental decision at the installation stage by restricting the installation of foundations in certain months due to the protection of marine mammals from underwater noise emissions associated with driving the foundations into the bottom. In case of delays in delivery or installation of foundations beyond the permitted period, the installation period will have to be extended for the following year.

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

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

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

On 29 June 2020, the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 3 Sp. z o.o., implementing the 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 Farma Wiatrowa Dębice / Kostomłoty sp. z o.o. implementing the Kostomłoty wind farm project, stating that 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, stating that 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.

Currently, the Grabowo and Piekło WF projects are being implemented according to the assumed schedule. WF Piekło has obtained an operating permit and general license. Works have also been completed on FW Grabowo. The application for an operating permit was submitted in June 2023 and is currently being processed. The application for license will be submitted in early August 2023.

The implementation schedule of the PV Strzelino project assumes its completion as planned, i.e. on the auction date, and additionally an amendment to the Act of 15 December 2022 on special protection of certain gaseous fuel consumers in 2023 in connection with the situation on the gas market (PL OJ of 2022, item 2687), in art. 74 sec.1 extended the deadline for the first sale of energy from the installation from 24 months to 33 months, after the investor submits a relevant statement to the President of the Energy Regulatory Office, such extension providing a safe time reserve.

At the moment, the construction and assembly works at the PV Strzelino project have been proceeding according to schedule.

Risk related to the implementation of Offshore Wind Farm projects

Offshore Wind Farm projects are exposed to a number of risks resulting from the market situation and the scale of the projects. The first is the risk of an increase in investment costs anticipated for the development and construction phases, due to, without limitation, high demand for services and supplies, changes in raw material prices and information obtained regarding the geotechnical conditions of the seabed.

The global offshore wind market has seen significant changes in the past 2 years, driven by three main factors: (i) the technological development of generators; (ii) the breakdown of supply chains; and (iii) the increase in the cost of components, supplies and service, triggered by rising energy, fuel and metal prices. The very dynamic changes in technology, which allow for increased turbine unit power and productivity, are not correlated with the development of logistics facilities, resulting in bottlenecks in the supply chain, especially for installation vessels. The huge demand for installation services, and the supply of offshore wind farm components projected in 2025-30, juxtaposed with the observed limited market capacity, contributes to higher service prices. In addition, the situation is complicated by the return to oil and gas exploration and production in many offshore areas following the outbreak of war in Ukraine, which is contributing to increased competition for skilled workers, ships and other key resources. This difficult situation is compounded by cost increases caused by higher prices for steel, copper and aluminum, which are key raw materials for building offshore wind farm components. Further cost drivers comprise rising fuel prices, directly affecting the cost of installation services. All of these factors may increase the cost

of project development and construction. The Company manages risk by leveraging its global position as a JV partner (Equinor), which conducts procurement proceedings using the full market potential of its portfolio of offshore wind farm projects.

In the case of the MFW Bałtyk II and Bałtyk III projects, an additional factor affecting the risk of increased investment costs includes geotechnical conditions of the Baltic seabed, which are less favorable than assumed. Detailed geotechnical research and analyses carried out over the past year at project sites indicate a significant risk that higher number of jacket type foundations than originally anticipated may be required. These foundations are better suited to more difficult geological conditions than tubular (monopile-type) foundations, but they are more expensive, as more steel is required for their construction. The company manages this risk through the JV's developing MFW Baltic I, MFW Baltic II & MFW Baltic III projects use of the best, experienced institutions and analytical and design firms, which seek solutions to optimize foundation risks and costs in the projects under preparation.

Development of the offshore wind farms is bearing also the risk of incurring high investment costs prior to making the Final Investment Decision, resulting from the need to secure production capacity with suppliers and to collect data necessary to obtain a Building Permit. The increased interest in offshore wind energy investment due to implementing global climate policies and the need for European countries to become independent of fossil fuels after the outbreak of war in Ukraine, adds to the problems of supply and construction planning in the coming years. The market has become one of suppliers and installers who expect hard financial guarantees before booking production and installation capacity, while extending service delivery schedules. Making capacity reservations may result in significant capital expenditures before the final investment decision and the issue of guarantees by the Company for payment of obligations by the JV. The Company manages risk through optimization and detailed control of schedules and the negotiation process when creating the supply chain.

Volatility and uncertainty in the market environment, bottlenecks in the supply chain and staff shortages in the market increase the risk of delays in project preparation and implementation. Three streams of project development processes currently critical to timely preparation for construction and implementation as designed include: design processes, construction permitting and supply chain organization. These closely interrelated processes require very efficient and professional coordination and management. They involve a number of consulting and design firms, external teams for permitting, procurement, engineering, stakeholder management at JV partners (Equinor), suppliers, and more than a dozen institutions and state administration offices and bodies. Limited human resources may also prove to be a problem, due to the high competition in the market and the lack of educated, experienced personnel in the domestic market, as well as the lack of experienced national institutions and administration involved in the development of offshore wind farms. The Company manages this risk by increasing its workforce, searching for the best-prepared employees, and performing education and outreach activities addressed to the administration.

Another factor contributing to the risk of project delays is the challenging global supply market and limited logistics resources juxtaposed with plans for implementing other major projects in the Baltic. Any delay in the implementation of other projects, resulting in overlapping installation periods, can pose a significant problem in ensuring proper logistics and construction safety. Moreover, any delay within the supply chain (for example, delays in production or installation) can affect subsequent stages of construction. Delays in the use of reserved production and installation periods and restrictions regarding permissible offshore installation periods may result in the need to withhold installations for a period of time, thus incurring increased costs. According to the Law on Promoting Electricity Generation in Offshore Wind Farms, the Bałtyk II and Bałtyk III OWF projects have been granted the right to cover the negative balance for electricity generated in an offshore wind farm,

based on the decisions of the Energy Regulatory Office issued in 2021. The projects will sell the generated energy to the market; however, they will have the right to cover the so-called negative balance, i.e., the difference between the market price of energy and the support price set by the Energy Regulatory Office President after the process of individual notification of state aid to the European Commission is finalized. The Commission will determine the level of the project's internal rate of return, and thus the support price, which does not involve oversupport in terms of state aid provided. After the European Commission's decision, the President of the Energy Regulatory Office will set an individual support price for each project. The price cannot exceed: a) the maximum price, b) the support price ensuring IRR at the level accepted by the European Commission. However, the President of the Energy Regulatory Office is authorized to set a support price lower than that resulting from the European Commission's decision.

In addition, projects will be subject to additional clawback mechanisms securing against oversupport. The mechanism consists in the following: the individual support price for a project set by the President of the Energy Regulatory Office will be revised again if, prior to starting construction works, there is a significant change in the material and financial parameters of the project implementation, causing a significant (by more than 0.5 percentage points) increase in its internal rate of return.

In order to prevent the risk of lowering the support price as a result of the clawback mechanism, the notification procedure is carried out taking into account the most up-to-date forecasts and regulations.

Risk related to financial standing of customers and contracting parties

In the area of industrial energy, the Group generates revenues on the basis of long-term contracts for the supply of electricity and heat concluded with one or more consumers. The financial standing of customers and their ability to settle liabilities with the Group companies is, therefore, of key significance for the success of the Group's projects, its financial results and financial standing. A sudden drop in energy consumption by a customer may also affect energy production efficiency.

Prior to concluding a contract and launching a project, the Issuer thoroughly verifies its potential customers, also with the support of external consultants, checking their ability to settle liabilities towards Issuer' and prospects for the industries they operate in. The Group is very careful in selecting customers, making sure they represent industries with good market prospects. The Company analyses in detail a prospective customer's industrial processes, as well as its power and heat demand.

Due to the increasingly probable deterioration of the financial situation of some enterprises in relation to the difficult macroeconomic situation, the Group identifies the risk of an increase in the level of bad debts in the distribution area. The above was taken into account in the credit risk assessment model, which resulted in maintaining the provision for bad debts in the amount of PLN 20,573k as at 30 June 2023.

In the event of a deterioration in the financial situation of the clients of the Group's entities, in particular due to the deterioration of the economic situation, as well as other factors, such as, without limitation, increased competition in the market on which the Group operates, the Group cannot rule out the loss of customers or contractors, which could adversely affect the financial situation of the Issuer or the Group.

At the same time, in the area of trade and sales, due to the difficult macroeconomic situation, there remains an increased risk in running commercial activities. This is due to, inter alia, increased price volatility, decreased liquidity in the markets and increased risk of a counterparty's insolvency. The above-mentioned risk factors may also affect liquidity by increasing the level of required security deposits and the level of bad debts. In response to the increased risk, the Company has intensified

the current monitoring and analyzes in this area and applies more restrictive verification of contracting parties when concluding new transactions. However, it cannot be ruled out that in the future, the deterioration of the financial condition of customers and contracting parties will adversely affect the financial standing of the Group.

Currently abovementioned risk has materialized itself. This March, Polenergia Obrót S.A. received information from CIME V-E Asset AG ("CIME") about financial difficulties that may cause delays in payment of receivables to Polenergia Obrót S.A. under the framework agreement dated 27 February 2020, entered into according to the International Swaps and Derivatives Association Inc. template and the transaction agreements for the years 2023 - 2025 ("ISDA") closed thereunder, accompanied by a request from CIME to extend the repayment deadline and enter into discussions regarding the solution to the situation, while Polenergia Obrót S.A. confirmed non-payment of invoices for the billing period covering January 2023 and February 2023. On 24 March 2023, Polenergia Obrót S.A. sent a demand to CIME for payment of the amount due under the ISDA, which included financial instruments based on energy products, as well as amounts resulting from late payments under the ISDA (the "Debt").

On 14 July 2023, Polenergia Obrót S.A. and CIME Krzanowice III sp. z o.o. („CIME Krzanowice”) entered into an agreement for the sale of electricity generated in the wind farm owned by CIME Krzanowice for a period of 10 years, under which, Polenergia Obrót S.A. will, as of 1 September 2023, receive all of the energy generated in said wind farm (the "Offtake Agreement"). In order to contractually supplement the provisions of the Offtake Agreement and comprehensively implement the principles of repayment of the Debt owed to Polenergia Obrót S.A., CIME, CIME Krzanowice and Polenergia Obrót S.A., on 3 August 2023, entered into a Debt restructuring agreement pursuant to which Polenergia Obrót S.A. will be entitled to set off, in an agreed amount, the Debt against CIME Krzanowice's claims against Polenergia Obrót S.A. for electricity delivered under the Offtake Agreement which will gradually reduce the level of Debt in a 10-year time horizon (the "Restructuring Agreement"). In order to secure Polenergia Obrót S.A.'s rights under the Offtake Agreement and the Restructuring Agreement, CIME Krzanowice, CIME and Polenergia Obrót S.A. agreed to establish a registered pledge in favor of Polenergia Obrót S.A. on CIME Krzanowice's assets and CIME's shares in the share capital of CIME Krzanowice.

On top of that, in addition to the business provisions under the aforementioned agreements, Polenergia Obrót S.A. and CIME entered into an agreement partly terminating the ISDA with respect to transactions from the date of said agreement until the end of 2023.

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.

After the Court of Appeal in Gdańsk issued the judgment of December 20, 2021, Talia received a letter from PKH informing Talia of its readiness to perform the duties and rights resulting from this judgment, i.e., to commence the performance of the above-mentioned contracts and expecting Talia to do the same. Talia's position is that the judgment of 20 December 2021 stated that the contracts were not effectively terminated by PKH and that the contracts were in force until the judgment was issued. In connection with the above, before proceeding with the performance of contracts, Talia demands that PKH settle the arrears for the period of non-performance of contracts in the years 2015-2021 and present a clear declaration that PKH will perform contracts until the end of the period for which the contracts were concluded. On 16 August 2022 PKH filed a cassation appeal to the Supreme Court against the judgment of the Court of Appeal in Gdańsk of 20 December 2021.

On 17 November 2022 the Court of Appeal in Gdańsk issued a judgment in the case brought by Amon Sp. z o. o. against PKH, which dismissed the entire appeal brought by PKH against the judgment of the District Court in Gdańsk of 25 November 2019, file no IX GC 449/15. The judgment is final.

After the Court of Appeal in Gdańsk issued the judgment of 17 November 2022, Amon received a letter from PKH informing Amon of its readiness to perform the duties and rights resulting from this judgment, i.e., to commence the performance of the above-mentioned contracts and expecting Amon to do the same. Amon's position is that the judgment of 17 November 2022 stated that the contracts were not effectively terminated by PKH and that the contracts had been in force until the judgment was issued. In connection with the above, before proceeding to the performance of contracts, Amon shall demand that PKH settle the arrears for the period of non-performance of contracts in the years 2015-2022 and present a clear declaration that PKH will perform the contracts until the end of the period for which the contracts were concluded. On 17 March 2023 Amon received a letter from PKH by electronic mail and on 21 March 2023 by traditional mail, calling on Amon to pay the amount of PLN 55,691,856.47 as contractual penalties for failure to transfer property rights to PKH in the period from August 2019 to February 2023. Amon considers the call received to be completely groundless and part of the already pending actions filed by Amon against PKH.

On 16 May 2023 the Regional Court of Gdansk served Amon with a ruling dated 2 May 2023, which left PKH's counterclaim without further proceedings. The ruling issued by the Regional Court in Gdansk was based on Article 204 § 1, second sentence, of the Code of Civil Procedure, which stipulates that a counterclaim may be brought no later than in a statement of defense. On 12 June 2023 PKH filed a cassation appeal against the judgment of the Court of Appeals in Gdansk dated 17 November 2022.

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 hereof after modifications to the claims, the value 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 the 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 taking of evidence, including the appointment of an expert in the case. The expert is expected to prepare the opinion.

Risk related to the dispute with Jeronimo Martins Polska S.A.

Polenergia Obrót S.A. was bound with contracts for sale of energy for 2022 concluded with Jeronimo Martins Polska S.A. ("JMP"), which were terminated by Polenergia Obrót S.A. effective as of 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.

In this connection on 1 December 2022, Polenergia Obrót S.A. filed a claim against JMP with the District Court in Warsaw, demanding payment of PLN 40,853,352.00 plus statutory interest for delay in commercial transactions, calculated from the date of filing the claim to the date of payment. The amount of the claim includes the amount of PLN 39,528,578 of the invoices for energy unpaid by JMP and the amount of PLN 1,324,774.00 for accrued interest for the period until the date of filing the claim. The difference in the value of the claims pursued in relation to the amounts covered by JMP's statement on setting off results from the adjustments of settlements made in the meantime related to the update of measurement data and the submission by Polenergia Obrót S.A. of statements on setting off.

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 property. The plaintiffs demand payment because the access road to one of the wind turbines was located on the real property belonging to the plaintiffs as a result of a court judgment delimiting the property. The real property was previously owned by another Lessor. On 30 June 2023 the District Court in Wąbrzeźno, at a closed session, issued a judgment awarding from Polenergia Farma Wiatrowa 1 Sp. z o.o. to the plaintiffs the amount of PLN 18,428.08 for non-contractual use of the property in the period from 31 March 2020 to 31 December 2021. The plaintiffs demanded payment of PLN 52,500.00. Polenergia Farma Wiatrowa 1 Sp. z o.o. did not dispute the validity of the claim during the proceedings, but only the amount claimed. The amount awarded by the Court corresponds to the position taken by the defendant from the beginning of the proceedings. The judgment is not final.

Risk related to application of hedge accounting to cash flow hedges

As of 30 June 2023, the Group recognized PLN -58,797k in other comprehensive income constituting part of equity (2022: (PLN 108 130k) 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 of 30 June 2023, 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	Hedged interest rate	Instrument
29.09.2025	35 756	0.52 %	IRS
29.06.2026	20 872	0.56%	IRS
26.02.2027	7 124	1.25%	IRS
26.02.2027	1 181	1.25%	IRS
15.12.2027	97 003	0.75%	IRS
29.03.2028	119 158	0.79%	IRS
18.12.2028	0	5.19%	IRS*
22.12.2031	8 702	2.60%	IRS
21.06.2033	8 880	5.67%	IRS
12.12.2033	24 990	6.71%	IRS
12.12.2033	24 990	6.71%	IRS
13.03.2034	130 545	6.65%	IRS
30.06.2034	12 065	0.89%	IRS
11.06.2035	139 574	1.10%	IRS
10.09.2035	416 007	1.20%	IRS
31.12.2035	17 537	2.39%	IRS
11.03.2036	104 867	2.22%	IRS
Total	1 169 251		

*) Forward-starting IRS instrument, volume was 0 as of 30 June 2023.

Transactions securing the risk of foreign exchange rates changes.

Maturity date of the hedging instrument	Hedged amount	Hedged exchanged rate	Instrument
2023.Q3	3 500 EUR	4.5516	Forward
Total	3 500 EUR		

Risk related to real estate lease agreements concluded by entities from the Group

In the ordinary course of business of the Group, certain entities within the Group conclude lease agreements for undeveloped real estate with their owners. Next, wind farm projects and photovoltaic farms are implemented on real estate leased by the Group's entities, and transformer stations and accompanying infrastructure (service yards and roads) are built. Lease agreements are usually concluded for a period of 29 years, and the conclusion of a successive agreement requires the

consent of both parties. Agreements are concluded for a period of 29 years for two reasons: property owners are afraid of usucaption by wind farm operators after 30 years from the conclusion of the agreement, and on the part of farm operators, long-term lease agreements may be concluded for a maximum period of 30 years. It should be borne in mind that if the lease contract is concluded for a period longer than 30 years, then after 30 years it is assumed that the contract is concluded for an indefinite period, which results in the possibility of termination by the lessor and the lessee while observing statutory deadlines specified in the Civil Code.

Due to the fact that the lease agreements are concluded at an early stage of project development, the duration of some of them may be shorter than the planned lifetime of a given wind or photovoltaic farm. In such a situation, in the next several years' perspective, the Group may be forced to take steps to conclude new agreements in such a way that the lease agreement for a given property used for the implementation of a given component of a wind or photovoltaic farm project is valid at least until the end of the period of the project operation.

The Group does not rule out that in some situations the conclusion of another lease agreement may be difficult, and the negotiations on this matter may take longer and generate additional costs. If the parties fail to agree on the new terms and the lease agreement expires prior to the end of the project's operation period, the Group may be forced to prematurely terminate the operation of a part of the wind/photovoltaic farm.

In the case of lease agreements whose contractual term may turn out to be shorter than the period of financing with bank loan, banks can be expected to demand that additional loan repayment security be established in the absence of the possibility to enter into new lease agreements.

The above risk already materialized in the Group's activity. On 2 June 2023 Polenergia Farma Wiatrowa 1 Sp. o.o. ("Polenergia FW 1") received the lessor's notice of termination of the lease agreement entered into on 26 February 2008 in relation to the real property on which some of Polenergia's FW 1 wind turbines are located, along with associated infrastructure. In the termination notice the lessor stated that in its opinion Polenergia FW 1 failed to provide the bank guarantee in the correct form as required by the lease agreement. Polenergia FW 1 does not share the lessor's view of the grounds for termination, and informed the lessor that in the view of from Polenergia FW1 the termination was ineffective and the lease agreement was still in force. Polenergia FW 1 is seeking an amicable resolution of the dispute through direct negotiations aimed at obtaining the withdrawal of the notice of termination of the lease agreement. As of the date of publication hereof:

- the banks financing the construction and development of Polenergia FW 1 confirmed that they would not exercise the rights reserved in the event of a default until the earlier of the following dates: (i) 30 September 2023; or (ii) the date on which the financing banks determine that no event of default has occurred, or, if they determine that an event of default has occurred, the date on which the financing banks grant a waiver (the "Standstill Period"). The banks reserved the possibility to restrict distributions (including dividend payments) during the Standstill Period by the Group's project companies that have obtained financing under the loan agreement concerned by the above-mentioned statement of the banks, i.e. Polenergia FW 1, Polenergia Farma Wiatrowa 4 sp. z o.o. and Polenergia Farma Wiatrowa 6 sp. z o.o..
- The Company cannot rule out the possibility of failure of the ongoing negotiations and the dispute over the legitimacy of the termination will be taken to court; and
- The Company cannot rule out that the dispute with the lessor will affect the operation of Polenergia FW 1 in the future, although this has not been the case up to date.

In the Company's opinion, due to the ineffectiveness of the termination of the lease agreement, the risk of significant negative financial and operational consequences due to the above-described case of materialization of the risk in question is low.

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

For information on the Issuer's shareholding structure, see Note 17 to the Interim condensed consolidated financial statements of the Polenergia Group.

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

The court dispute continued between Amon Sp. z o.o. and Talia Sp. z o.o. and Tauron Polska Energia S.A. and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. as the Tauron subsidiary. Detailed information were presented in item 8 - "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

The information concerning the action brought in by Eolos Polska Sp. z o.o. against Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and Polenergia Usługi Sp. z o.o. Subsidiaries were described in item 8 „Risk related to the dispute with Eolos Polska Sp. z o.o.”.

Information on the dispute between Polenergia Obrót S.A. and Jeronimo Martins Polska S.A. are presented in item 8 "Risk related to the dispute with Jeronimo Martins Polska S.A."

Other disputes with counterparty have been covered in item 8 "Counterparty risk".

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

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

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

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

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

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

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,
- legal regulations impacting the Issuer's operations,
- 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.