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POLENERGIA S.A.

**INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR**

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

Agnieszka Grzeszczak – Director
Accounting Department

Warsaw, 24 August 2023

1. Interim condensed balance sheet

As at 30 June 2023

ASSETS

	Note	30.06.2023	31.12.2022
I. Non-current assets		2 245 757	1 539 454
Tangible fixed assets		16 610	17 232
Intangible assets		289	249
Financial assets	2.5	2 226 682	1 521 973
Deferred income tax assets		366	-
Prepayments and accrued income		1 810	-
II. Current assets		441 151	1 053 434
Trade receivables		29 752	33 477
Income tax receivable		2 968	-
Other short term receivables		773	981
Prepayments and accrued income		4 862	7 658
Short term financial assets		35 569	585 193
Cash and equivalent		367 227	426 125
Total assets		2 686 908	2 592 888

EQUITY AND LIABILITIES

	Note	30.06.2023	31.12.2022
I. Shareholders' equity		2 652 366	2 535 852
Share capital		133 604	133 604
Share premium account		1 515 557	1 515 557
Reserve capital from option measurement		13 207	13 207
Other capital reserves		810 528	690 205
Capital from merger		89 782	89 782
Retained profit (loss)		(26 826)	(26 826)
Net profit/(loss)		116 514	120 323
II. Long term liabilities		10 787	16 174
Deferred income tax provision		-	3 870
Provisions	2.4	464	464
Lease liabilities		10 323	11 840
III. Short term liabilities		23 755	40 862
Trade payables	2.5	974	2 223
Income tax payable	2.5	-	2 760
Lease liabilities	2.5	5 419	4 876
Other liabilities	2.5	2 015	13 209
Provisions	2.4	4 074	3 210
Accruals and deferred income		11 273	14 584
Total equity and liabilities		2 686 908	2 592 888

Interim condensed profit and loss account

For the 6-month period ended 30 June 2023

	Note	For 6 months ended		unaudited	unaudited
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Revenues from contracts with clients		20 683	12 022	10 600	6 395
Sales revenues		20 683	12 022	10 600	6 395
Cost of goods sold		(19 192)	(11 082)	(9 919)	(6 041)
Gross sales profit		1 491	940	681	354
Other operating revenues		145	-	145	-
General overheads		(26 841)	(19 077)	(14 769)	(10 317)
Other operating expenses		(241)	(1 030)	(152)	(592)
Financial income		143 348	62 745	102 327	14 384
including dividend		115 626	46 524	91 626	-
Financial costs		(961)	(4 441)	(536)	(1 794)
Profit before tax		116 941	39 137	87 696	2 035
Income tax	2.3	(427)	1 385	660	(249)
Net profit		116 514	40 522	88 356	1 786
Earnings per share:					
- basic earnings (loss) for period attributable to parent company shareholders		1,74	0,89	1,32	0,04
- diluted earnings (loss) for period attributable to parent company shareholders		1,74	0,89	1,32	0,04

Interim condensed statement of other comprehensive income**For the 6-month period ended 30 June 2023**

	For 6 months ended		For 3 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Zysk netto za okres	116 514	40 522	88 356	1 786
Inne całkowite dochody netto	-	-	-	-
CAŁKOWITE DOCHODY ZA OKRES	116 514	40 522	88 356	1 786

Interim condensed statement of changes in equity

for the 6-month period ended on 30 June 2023

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net profit (loss)	Total equity
As at January 2023	133 604	1 515 557	13 207	690 205	89 782	93 497	-	2 535 852
Other comprehensive income for period								
Net loss for reporting period	-	-	-	-	-	-	116 514	116 514
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	-	-	120 323		(120 323)	-	-
As at 30 June 2023	133 604	1 515 557	13 207	810 528	89 782	(26 826)	116 514	2 652 366

for the 6-month period ended on 30 June 2023

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net profit	Total equity
As at January 2022	90 887	557 611	13 207	449 121	89 782	214 258	-	1 414 866
Other comprehensive income for period								
Net profit for reporting period	-	-	-	-	-	-	40 522	40 522
Transactions with owners of the parent recognized directly in equity								
Issue of shares	42 717	957 959						1 000 676
Allocation of profit/loss	-	-	-	241 084	-	(241 084)	-	-
As at 30 June 2022	133 604	1 515 570	13 207	690 205	89 782	(26 826)	40 522	2 456 064

Interim condensed statement of cash flows

for the 6-month period ended on 30 June 2023

	For 6 months ended	
	30.06.2023	30.06.2022
A.Cash flow from operating activities		
I.Profit (loss) before tax	116 941	39 137
II.Total adjustments	(140 955)	(52 877)
Depreciation	3 114	1 516
Foreign exchange losses (gains)	2	-
Interest and profit shares (dividends)	(128 026)	(44 786)
Losses (gains) on investing activities	(45)	(507)
Income tax	(10 392)	-
Changes in provisions	864	925
Changes in receivables	4 600	5 511
Changes in short term liabilities, excluding bank loans and borrowings	(8 747)	(11 829)
Changes in accruals	(2 325)	(3 707)
III.Net cash flows from operating activities (I+/-II)	(24 014)	(13 740)
B.Cash flows from investing activities		
I. Cash in	301 523	46 524
1. Disposal of intangibles and tangible fixed assets	45	-
1. From financial assets, including:	301 478	46 524
- disposal of financial assets	-	-
- dividends and shares in profits	115 626	46 524
- repayment of loans given	169 407	-
- interest	6 209	-
- other inflows from financial assets	10 236	-
II.Cash out	333 417	283 821
1. Acquisition of intangible and tangible fixed assets	1 232	1 403
2. For financial assets, including:	332 185	282 418
- acquisition of financial assets	332 185	142 285
- loans given	-	140 133
III.Net cash flows from investing activities (I-II)	(31 894)	(237 297)
C.Cash flows from financing activities		
I.Cash in	-	1 003 859
1. Net proceeds from the issue of shares and other equity instruments, and capital	-	1 003 859
II.Cash out	2 988	255 066
1.Repayment of loans and borrowings	-	250 000
2.Lease payables	2 551	1 416
3.Interest	437	3 650
III.Net cash flows from financing activities (I-II)	(2 988)	748 793
D.Total net cash flows (A.III+/-B.III+/-C.III)	(58 896)	497 756
E.Increase/decrease in cash in the balance sheet, including:	(58 898)	497 756
- change in cash due to f/x differences	(2)	-
F.Cash at the beginning of period	426 125	151 247
G.Cash at the end of period, including:	367 227	649 003
- restricted cash	180	27

2. Notes and Explanations

2.1 Accounting principles (policy) applied

These interim condensed financial statements of the Company as at 30 June 2023 comply with International Accounting Standard 34.

The accounting principles applied have been outlined in the financial statements for 2022 published on 30 March 2023. Said financial statements provided detailed information on the principles and methods of measuring assets and liabilities, as well as measuring the financial result, the method of preparing financial statements and gathering comparable data. Such principles have been applied on a consistent basis.

These financial statements have been prepared based on the going concern assumption for the Company in foreseeable future, that is for no fewer than 12 months following the reporting day, i.e. following 30 June 2023.

2.2 Seasonality and cyclical nature of operations

Seasonality and cyclical nature of operations have no significant impact on the Company business.

2.3 Income tax

	For 6 months ended		For 3 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Current income tax	4 664	-	(2 466)	-
Current income tax charge	4 664	-	(2 466)	-
Deffered income tax	(4 237)	(1 385)	1 806	249
Related to temporary differences and their reversal	(4 237)	(1 385)	1 806	249
Income tax charged to the profit and loss account	427	(1 385)	(660)	249

	For 6 months ended	
	30.06.2023	30.06.2022
Income tax charged to the profit and loss account, including	427	(1 385)
Current tax	4 664	-
Deferred tax	(4 237)	(1 385)
Profit (Loss) before tax	116 941	39 137
Tax on gross profit at effective tax rate of 19%	22 219	7 436
Non-deductible costs:	196	(13)
- permanent differences	196	(13)
Non-taxable income:	(21 988)	(8 808)
- dividends	(21 969)	(8 840)
- other	(19)	32
Income tax in the profit and loss account	427	(1 385)

2.4 Provisions

	30.06.2023	31.12.2022
Long term provisions		
- pension plan and related provision	464	464
Total long term provisions	464	464

Short term provisions

- pension plan and related provision	69	69
- accrued holiday leave provision	4 005	3 141
Total short term provisions	4 074	3 210

Change in long term and short term provisions

	30.06.2023	31.12.2022
Provisions at the beginning of the period	3 674	2 526
- recognition of provisions	864	1 148
Provisions at the end of the period	4 538	3 674

2.5 Amounts having a significant impact on the items of assets, liabilities, equity, net financial result or cash flows

a) Financial assets

	30.06.2023	31.12.2022
- share or stock in non-listed companies	2 196 114	1 279 631
- loans given	30 568	242 342
Total long term financial assets	2 226 682	1 521 973

	30.06.2023	31.12.2022
- loans given	35 569	585 193
Total short term financial assets	35 569	585 193

Financial asset impairment loss test in jointly controlled entities

On 26 June 2023, the Company received information about decisions made by the shareholders of the MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. projects ("Offshore Projects") regarding changes to the intended development expenditures of the projects and the implementation program. The Company disclosed the details of the changes in Current Report No. 26/2023, which stated, among others, that:

- completion and commissioning of the Offshore Projects would take place in 2028 rather than in 2027 as previously assumed.
- the total budget for the construction phase was currently estimated in the range of PLN 21 - 24 billion, compared to the previously estimated range of PLN 16.1 - 18.2 billion announced in Current Report No. 17/2021

A significant magnitude of changes in the expected expenditures and schedule of the Offshore Projects has been identified by the Company as a rationale for shares impairment testing under IAS 36.12. The impairment tests were performed as per 30 June 2023.

In view of the fact that determining fair value for the Offshore Projects is difficult because there is no active market and the regulatory framework under which other similar projects operate in the European

market is inconsistent, it was decided that the recoverable value would be determined based on value in use.

The value in use of the assets was determined based on the free cash flow to equity (FCFE) method in accordance with the practice applied to impairment testing of the Offshore Projects in previous years. Guided by market practice and the fact that, due to the specific nature of the tested assets, long-term forecasts are more reliable, the issuer's management adopted a period longer than 5 years for the analysis, i.e. until 2058. In the Company's opinion, such a period of analysis is reasonable due to the fact that the key parameters of the Offshore Projects, such as energy sales price, productivity, capital expenditures and maintenance costs of the projects, are mostly known and come from studies performed, contracts signed or negotiated, or have been determined based on the knowledge gained from other investments both on the part of the Company and Equinor which is the Company's partner in the implementation of the Offshore Projects. In addition, the Polenergia Group has the ability to forecast cash flows for a comparably long period of time, since the specific nature of the Group's projects requires regular development and updating of financial forecasts for the entire life of the investment, which are required and approved by financing institutions and on the basis of which the repayment schedule for long-term loans is established.

Key assumptions:

- The Company holds a 50% interest in companies developing offshore wind farm projects in the Baltic Sea and has been continuing development work together with its partner, Equinor.
- The total intended installed capacity of the Offshore Projects is 1,440 MW.
- The planned commissioning of the Offshore Projects will take place in 2028.
- Capital expenditures have been estimated on the basis of signed and negotiated agreements or knowledge gained from the implementation of other investments by partners in the Offshore Projects.
- The selling price of electricity was estimated on the basis of the maximum support price granted by the ERO President, indexed annually by the inflation rate.
- The productivity of the Offshore Projects was estimated based on current technical assumptions and data from wind measurement campaigns.
- The price growth rate during the forecast period is equal to the inflation rate forecast by the National Bank of Poland published on 10 July 2023. After 2025, the inflation rate was assumed at the NBP's inflation target of 2.5%.
- A discount rate of 10.5% was assumed as determined based on the CAPM model against the assumptions provided by the Company's external advisor.
- The measurement does not include the residual value of assets at the end of the forecast period.

As of 30 June 2023, the carrying value of tested shares was PLN 499.3 million. As a result of the impairment test, the Company concluded that no impairment loss was required for these shares.

Sensitivity Analysis

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the value in use of the tested shares is exerted mainly by the fluctuations of the discount rate and fluctuations of the level of capital expenditure. It should also be noted that a change in market electricity prices has a negligible impact on the value in use of the shares under test, since the sales price of electricity for the Offshore Projects is determined on the basis of the maximum support price granted by the President of the ERO, indexed annually by the inflation rate.

A 1 p.p. increase in the discount rate or a 5% change in capital expenditures will entail no change in the assessment of whether shares have been impaired.

b) Right-of-use assets

Right-of-use assets under lease	30.06.2023	31.12.2022
Building, premises	12 138	12 958
Vehicles	3 469	3 164
Total	15 607	16 122

c) Liabilities

	30.06.2023	31.12.2022
- trade payables	974	2 223
- from related entities	-	87
- from other entities	974	2 136
- income tax payable	-	2 760
- lease liabilities	5 419	4 876
- other liabilities	2 015	13 209
- budget payments receivable	1 149	9 106
- special funds	199	19
- other	667	4 084
Total short term liabilities	8 408	23 068

d) Fair value

As at 30 June 2023, the Company held no financial instruments that would be measured at fair value.

Fair value of other financial assets and liabilities enumerated below is not materially different from their carrying amount:

- long term receivables,
- trade debtors and other receivables.
- financial assets, including borrowings,
- cash and equivalent,
- bank loans and borrowings,
- other long term liabilities,
- trade creditors and other payables.

2.6 Changes to estimates

In the 6-month period ended 30 June 2023, the Company made no significant changes to its estimates.

2.7 Dividend distribution

No dividends were paid by the parent in the 6-month period ended 30 June 2023. No dividends are intended to be paid by the parent in the second half-year of 2023.

2.8 Revenue and profit/loss in individual operating segments

The main source of revenue for the Company is the service provision business. Given low complexity of its business, the Company does not distinguish any segments other than the core one.

2.9 Information on changes in contingent liabilities or contingent assets

In the 6-month period ended 30 June 2023, the following contingent liabilities or contingent assets occurred:

On 12 January 2023, the Company entered into surety agreements with respect to the payment of obligations under land lease agreements Polenergia Obrót 2 Sp. z o.o. entered into with Dawid Mirosław Ulenberg and Sylwia Dorota Ulenberg up to a total of PLN 900 thousand with a termination date of 12 January 2053.

On 28 April 2023, Santander Bank Polska S.A. issued bank guarantees to order of the Company in the amounts of PLN 580.4 thousand and PLN 15.2 thousand to secure payments related to the lease agreement entered into by Polenergia Farma Wiatrowa 1 Sp. z o.o. with "Agro-Wronie" Sp. z o.o.

On 18 May 2023, the Company signed a surety agreement for the liabilities of Polenergia Obrót 2 Sp. z o.o. on account of entering into a framework agreement hedging the interest rate under the facility agreement (the "Security Agreement") concluded with MBANK S.A., Bank Polski S.A. and Bank Polska Kasa Opieki S.A. The surety expires upon the fulfillment of one of the conditions described in the surety agreement, however no later than on the day of closing the interest rate hedging transaction under the Security Agreement.

The Company has been issuing guarantees and sureties within the Polenergia S.A. group that meet the recognition criteria of financial guarantees according to IFRS 9, with the fair value of the financial guarantees calculated as a discounted sum of payments amounting to PLN 4,844 thousand as at 30 June 2023.

2.10 Information on material transactions with associates

30.06.2023	Revenues	Costs	Receivables
Amon Sp. z o.o.	315	-	207
Dipol Sp. z o. o.	296	-	215
Polenergia eMobility Sp. z o.o.	322	-	276
Polenergia Dystrybucja Sp. z o.o.	983	16	582
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	351	-	327
Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	131	-	116
Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.	84	-	270
Polenergia Farma Fotowoltaiczna 12 Sp. z o.o.	124	-	118
Polenergia Farma Wiatrowa 1 Sp. z o.o.	474	-	358
Polenergia Farma Wiatrowa 4 Sp. z o.o.	553	-	433
Polenergia Farma Wiatrowa 6 Sp. z o.o.	483	-	344
Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	137	-	130
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	579	-	533
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	669	-	2 918
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	551	-	406
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	191	-	184
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	159	-	151
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	313	-	468
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	496	-	1 582
Polenergia Farma Wiatrowa 10 Sp. z o.o.	124	-	118
Polenergia Kogeneracja Sp. z o.o.	251	-	380
Polenergia Obrót S.A.	2 209	-	1 044
Polenergia Sprzedaż Sp. z o.o.	1 213	-	440
Polenergia Farma Wiatrowa 16 Sp. z o.o.	273	-	406
Polenergia Farma Wiatrowa 17 Sp. z o.o.	282	-	120
Polenergia Farma Wiatrowa 22 Sp. z o.o.	171	-	165
Polenergia Farma Wiatrowa 23 Sp. z o.o.	208	-	147
Polenergia Farma Wiatrowa 3 Sp. z o.o.	1 467	-	7 310
Polenergia Obrót 2 Sp. z o.o.	722	-	706
Talia Sp. z o.o.	290	-	183
Polenergia Farma Wiatrowa 24 Sp. z o.o.(Polenergia Farma Fotowoltaiczna 18 Sp. z o.o.)	171	-	165
Polenergia Farma Wiatrowa 11 Sp. z o.o.	106	-	100
Polenergia Farma Wiatrowa 12 Sp. z o.o.	114	-	109
Polenergia Farma Wiatrowa 13 Sp. z o.o.	165	-	160
Pozostałe	1 664	-	1 520
Total	16 641	19	22 691

Loans granted to associates have been described in Note 2.5.

2.11 Events following the reporting date

By the date of preparation of these financial statements, i.e. by 24 August 2023, no events occurred that would not have been disclosed in the accounting books of the reporting period.