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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 2024**

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1. Combined statement of profit or loss for the six-month period ended 30 June 2024

Within the 6-month period ended on 30 June 2024, the results of Polenergia Group (the "Group") in terms of the EBITDA and the adjusted net profit amounted to PLN 394.6 million and PLN 222.4 million, respectively, which means a YOY growth of the result by PLN 85.7 million and PLN 52.6 million, respectively.

Polenergia Group Income Statement (PLN m)	6M 2024	6M 2023	Difference YOY	Difference YOY [%]	Q2 2024	Q2 2023	Difference YOY	Difference YOY [%]
Sales revenues, including:	2 104,8	2 838,1	(733,2)	-26%	913,6	1 371,1	(457,5)	-33%
trading and sales segment	1 488,8	2 341,8	(852,9)		647,9	1 136,1	(488,2)	
other	616,0	496,3	119,7		265,7	235,0	30,7	
Cost of goods sold, including:	(1 650,1)	(2 484,2)	834,1	-34%	(716,3)	(1 237,6)	521,3	-42%
trading and sales segment	(1 366,8)	(2 191,5)	824,7		(577,3)	(1 074,6)	497,2	
other	(283,3)	(292,7)	9,4		(139,0)	(163,0)	24,1	
Gross profit on sales	454,7	353,8	100,9	29%	197,3	133,5	63,8	48%
Selling expenses and general overheads	(137,9)	(124,0)	(13,9)		(73,5)	(62,5)	(11,0)	
Other operating revenue/expense	(8,9)	2,4	(11,3)		(7,0)	(2,1)	(4,9)	
Auction price settlement	0,1	(0,6)	0,7		(0,3)	(0,6)	0,3	
A Operating profit (EBIT)	307,9	231,6	76,3	33%	116,6	68,3	48,3	71%
Depreciation/Amortization	86,7	77,2	9,5		41,7	39,3	2,4	
Impairment losses	-	0,1	(0,1)		-	0,0	(0,0)	
EBITDA	394,6	308,9	85,7	28%	158,3	107,6	50,7	47%
B Financial income	26,0	23,0	3,0		12,0	12,5	(0,5)	
C Financial costs	(58,1)	(45,3)	(12,9)		(28,1)	(23,0)	(5,2)	
A+B+C Gross profit (loss)	275,8	209,3	66,5	32%	100,4	57,8	42,6	74%
Income tax	(55,4)	(42,0)	(13,4)	32%	(20,7)	(11,3)	(9,4)	83%
Net profit (loss)	220,4	167,3	53,1	32%	79,7	46,5	33,2	71%
Normalizing adjustments:								
Purchase price allocation (PPA)	0,1	1,4	(1,3)		0,1	0,7	(0,6)	
Foreign exchange differences	0,5	(0,5)	0,9		0,1	(0,3)	0,4	
Loan valuation using the amortized cost method	1,5	1,5	0,0		0,8	0,8	0,0	
Impairment losses **	-	0,1	(0,1)		-	0,0	(0,0)	
Adjusted net profit (loss)*	222,4	169,8	52,6	31%	80,6	47,6	33,0	69%
EBITDA	394,6	308,9	85,7	28%	158,3	107,6	50,7	47%
EBITDA Margin	18,7%	10,9%	7,9%		17,3%	7,8%	9,5%	
EBITDA (excl. trading segment)	365,3	238,5	126,9	53%	136,8	85,1	51,7	61%
EBITDA margin (excl. trading segment)	59,3%	48,1%	11,3%		51,5%	36,2%	15,3%	

* 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 two quarters of 2024 were lower by PLN 733.2 million mainly due to lower revenues in the trading and sales segments (by PLN 852.9 million) and in the gas and clean fuels segment (by PLN 36.5 million) which was partly offset by higher revenues in the onshore wind farm segment (by PLN 127.8 million) and distribution (by PLN 21.6 million).

The EBITDA result in the period under review amounted to PLN 394.6 million and was PLN 85.7 million higher than in the corresponding period of the preceding year, mainly due to a higher result in the onshore wind farm segment (by PLN 103.8 million), which is mainly a consequence of higher electricity prices obtained by the farms, in view of no extension into 2024 of electricity price freeze for generators and given higher production related to the commencement of operation of the Grabowo (44 MW) and Piekło (13,2 MW) wind farms in the third quarter of 2023. Higher adjusted EBITDA result compared to the corresponding period of the preceding year was also recorded in the distribution segment mainly due to a higher unit margin on energy sales in this period of 2024 and a higher margin on electricity distribution. This result was partly offset by lower result in the trading and sales segment (by PLN 41.1 million) which was caused mainly by lower margin on electricity trading from RES assets as a result of a change in the billing model that incorporates higher purchase price from RES projects, lower result on other prosumer energy business as a consequence of the delay in the launch of the My Electricity 6.0 program (*PL Mój Prąd 6.0*) and higher operating expenses due to the upscaling of the Group's operations.

In the second quarter of 2024 sales revenues of Polenergia Group dropped by PLN 457.5 million year on year, impacted by lower sales revenues in the trading and sales segment (by PLN 488.2 million) and lower revenues in the gas and clean fuels segment (by PLN 34.6 million), partly offset by higher sales revenues in the onshore wind farm segment (by PLN 49.2 million) and the distribution segment (by PLN 10.3 million).

The EBITDA result of the Group in the second quarter of 2024 alone amounted to PLN 158.3 million and was higher by PLN 50.7 million compared to the corresponding period of the preceding year. This was mainly due to a higher result in the onshore wind farms segment (by PLN 45.5 million) predominantly as a result of higher electricity prices obtained by the farms, given to the non-extension of the freeze on electricity prices for generators onto 2024, and given higher production associated with the commencement of operation of the Grabowo (44 MW) and Piekło (13.2 MW) wind farms in the third quarter of 2023, higher result in the distribution segment (by PLN 8.7 million) mainly due to higher unit margin on energy sales in this period of 2024, and higher margin on electricity distribution and better result of the photovoltaics segment (by PLN 3.8 million) due to higher energy production, mainly as a result of the commissioning of the Strzelino PV farm (45.2 MWp). The abovementioned result has been partly offset by lower performance in the Unallocated segment (by PLN 4.1 million), gas and clean fuels (by PLN 2.2 million) and trading & sales (by PLN 1.0 million).

In the six-month period of 2024, the Group's adjusted net profit reached PLN 222.4 million, which means a growth compared to the performance in the corresponding period of the preceding year by PLN 52.6 million. In the fourth quarter of 2024 alone, the adjusted net profit of the Group amounted to PLN 80.6 million, which means growth compared to the performance in the corresponding period of the preceding year by PLN 33.0 million. The growth of the adjusted net profit in the aforementioned periods was mainly caused by the factors impacting adjusted EBITDA described above, higher depreciation resulting from the growth of generating capacity, as well as depreciation of the dismantling provision and an increase in financing costs resulting from new investment loans.

2. Detailed commentary regarding financial performance for the 6-month period ended on 30 June 2024 and other significant information on the Group's standing.

Results of Polenergia Group (PLNm)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	TOTAL
EBITDA 6M 2024	353,3	10,0	1,2	29,3	28,5	(27,7)	394,6
EBITDA 6M 2023	249,6	5,3	1,9	70,4	4,2	(22,5)	308,9
Difference:	103,8	4,7	(0,6)	(41,1)	24,3	(5,2)	85,7

In the first half of 2024, the onshore wind farm segment (493 MW; growth by 57.2 MW YOY) yielded the EBITDA result that was higher by PLN 103.8 million year on year. The growth in the segment's results in the first half of 2024 compared to those of the first half of 2023 is a consequence of higher electricity prices obtained by the farms, due to the no extension of the r. freeze on electricity prices for generators into 2024, as well as higher production associated with the commencement of operation of the Grabowo (44 MW) and Piekło wind farms (13.2 MW) in the third quarter of 2023. The above factors were partly offset by lower sales prices of green certificates obtained by the farms compared to the preceding year, as well as by an increase in operating costs related to, without limitation, the commencement of operation of the Grabowo and Piekło wind farms.

The gas and clean fuels segment recorded a drop by PLN 0.6 million compared to the result in the corresponding period of the preceding year, mainly as a result of lower result on heat sales enhanced by the higher result on optimization of the ENS operation and the higher result on system services. The result on operations in the second quarter of 2024 was lower than the performance in the corresponding period of the preceding year by PLN 2.2 million, mainly due to the lower result on heat sales.

In the first half of 2024 the trading and sales segment experienced a drop of the EBITDA result by PLN 41.1 million relative to the corresponding period of the preceding year. The slump of the result was driven by: (i) lower result on trading in electricity from RES assets as a result of a change in the billing model that incorporates higher purchase prices from RES projects, (ii) lower result on other prosumer energy business as a consequence of the delay in the launch of the My Electricity 6.0 (*PL Mój Prąd 6.0*) program, (iii) lower result on the trading in wind farm-originating certificates due to the drop in prices of green certificates, (iv) higher operating expenses resulting from the upscaling of the Group's business. The slump in the result in the first half of 2024 was partly offset by: i) better result on sales of electricity as a consequence of the lower cost of the end-user consumption profile, ii) better result on RES aggregation mainly due to additional margin on the sales of green certificates, (iii) better result on trading and business services mainly related to the low base effect due to the timing of transactions in 2023 (no positive margin recognized on transactions closed in the second half of the year). In the second quarter of 2024 alone, the trading and sales segment reported a drop of its EBITDA result by PLN 1.0 million relative to that in the corresponding period of the preceding year. The drop of the result in the second quarter of 2024 was driven by: i) lower result on other prosumer energy business as a consequence of the delay in the launch of the My Electricity 6.0 (*PL Mój Prąd 6.0*) program, ii) lower result on energy sales related to lower unit margins on contracts performed, (iii) lower result on electricity trading and business service mainly related to the distribution of the result realized throughout the year, iv) lower result on the trading in wind farm-originating certificates due to the drop in prices of green certificates, v) higher operating expenses resulting from the upscaling of the Group's business. The slump in the second quarter of 2024 was partly offset by: (i) better result on electricity trading from RES assets due to the transfers to the Price Settlement Authority required in 2023, ii) better result on RES aggregation mainly due to additional margin on the sales of green certificates.

The EBITDA result of the distribution segment in the first half of 2024 exceeded that of the corresponding period of the preceding year by PLN 24.3 million, while in the second quarter alone, the distribution segment's EBITDA result was higher by PLN 8.7 m compared to the corresponding period of the preceding year. Growth of the result is mainly a consequence of a higher unit margin on energy sales in said period of 2024 due to lower electricity purchase price while maintaining sales prices at a level similar to those in the fourth quarter of 2023 and a higher margin on electricity distribution (mainly due to the low base effect resulting from a delay in updating the distribution tariff in 2023). Such better result was partly offset by higher operating expenses related to the upscaling of operations and the costs incurred in connection with the development of electromobility projects.

The EBITDA result of the PV segment (82 MW) in the first half of 2024 and in the second quarter of 2024 was at a higher level compared to that in the corresponding periods of the preceding year (growth by PLN 4.7 million and PLN 3.8 million, respectively) due to higher energy generation, attributable mainly to the commissioning of the Strzelino photovoltaic farm (45,2MWp) in the first quarter of 2024. The volume effect was partly offset by lower energy prices achieved in the first half of 2024 at some of the farms and by higher operating costs associated with the increase in installed capacity.

The result under the Unallocated item in the period since January until June 2024 was lower by PLN 5.2 million relative to the corresponding period of 2023 (and lower by PLN 4.1 million in the second quarter alone). The change of the 2024 EBITDA result was driven mainly by higher operating expenses (payroll and third party services) at Headquarters resulting from the upscaling of business.

The result on financing activity in the period between January and June 2024 was lower year on year by PLN 9.8 million (lower by PLN 5.7 million in the second quarter alone), mainly due to higher interest expenses, financial expenses from discounting resulting from the deferred costs of dismantling wind turbines and solar panels and the result on derivative transactions, partly offset by higher interest income from deposits.

Higher income tax level in 2024 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.

Despite the ongoing war in Ukraine, the first half of 2024 brought further drop in prices in commodity markets, reducing price volatility in commodity, electricity, natural gas and CO₂ emission allowances markets. Significantly higher-than-seasonal-average temperatures and very high generation from RES, coupled with relatively low gas and electricity demand, have driven prices back to the pre-energy crisis levels. Nevertheless, given the need to fill in gas storage for the next winter the necessary rehabilitation works or extreme weather conditions, as well as potential Russian attacks on the energy infrastructure, uncertainty about the next surge wave in commodity price remains realistic. On top of that, the conflict in the Middle East may cause unexpected disruptions in the supply of raw materials to Europe.

In terms of financial factors relevant to the Group, increased cost of money, volatility of the Polish Zloty exchange rate vis-à-vis the Euro and the US dollar were observed, as well as a risk of increased costs related to the hedging of transactions in commodity markets. The implementation of changes in the balancing market planned to be launched as of 14 June 2024 increased the cost of RES sources balancing and profiling, which may adversely affect the Group's results from the exploitation of RES sources.

The low prices of electricity and proprietary rights observed primarily in the day-ahead market for as long as until 13 June 2024 had a negative impact on market futures quotes. Consequently, a reduction in the profitability of the Group's segments based on renewable electricity generation is possible in the future. Following 14 June, price volatility on the DAM increased significantly, as well as their average level. Nevertheless, by the date of the publication of this report, this had not translated significantly into forward contract pricing.

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 gas supplies related to the heat generation contracts have already been hedged (in terms of volume and fixed price) for 2024 and 2025. An additional safety feature for thermal power generation is the supply of light heating oil maintained and increased in the first quarter of 2022, as reserve fuel in the event of limited or discontinued supplies 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 cost, which reduces the achieved effective price of electricity 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 12% in 2023 to as low as 5.0% in 2024. The above decision caused a significant drop in the market price of green certificates, which is mainly due to the strong reduction in the redemption obligation for PMOZE_A, which is stronger than the rate of exit of the old renewable energy projects from the certificate system. The sale price of green certificates for the 2024 generation has been secured to a large extent. The draft regulation of the Minister of Climate and Environment, publicly issued on 24 July 2024, envisages a come-back to the increase in the redemption obligation up to 12.5% in 2025, with 12% and 11.5% in subsequent years, while expanding the circle of entities that will be exempt from such obligation due to their energy-consuming production.

An increase in the level of redemption may translate into an increase in the price of PMOZE_A proprietary rights. At the time of the report's publication, the Group has wind projects with a total capacity of 227.3 MW, which operate in the green certificate system remaining in effect for 15 years after the facility's start-up and are exposed to the risk of price volatility of proprietary rights in the long term.

Due to the significant increase in the installed capacity of RES, in particular PV, in Poland and in the neighboring countries, during periods of significant RES generation with concurrent low demand, we have increasingly been experiencing negative prices in the market, which means that for every MWh generated during such hour, the generator must pay to sell it to the market. Such situations mainly occur on weekends and holidays. At the same time, for RES generators using the support schemes for clearing, the occurrence of negative prices for at least six consecutive hours entails their inability to clear the production volumes from those hours under the auction system, or no issue by the ERO President of the proprietary rights the production from those hours is entitled to, depending on the support scheme that the RES source participates in.

In addition, those Polenergia Group's segments that are based on renewable generation are adversely affected by the occurring situations of oversupply of energy in the market, which happen during periods of low demand for energy in the National Power System with simultaneous high generation from RES. Because of this phenomenon, during periods when PSE S.A. ("PSE") is unable to further curtail conventional units or export the surplus energy generated, production from individual RES units is reduced at the operator's demand, i.e. PSE triggers the non-market redispatch of generation units. Such circumstances may give rise to a compensation event, yet such compensation is low, and in aggregate this phenomenon reduces the Group's revenues in the RES segment.

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, said company limited its operating activities. Currently, all operations in Ukraine are put on hold, and the company itself is being prepared for liquidation.

The Group has identified increased risk of trading in all markets, including, among others, the risk of recurring 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 unforeseen regulatory changes and the increased risk of insolvency of customers. In the event the risk of dynamic price increases or reductions materializes, deviations 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. In addition, the increasing market price volatility associated with RES generation may result in a significant decrease in revenues from the Group's RES asset servicing and RES aggregation operations. In response to the changing market conditions, the Group has modified its RES assets generated energy sales strategy and has been aiming at increasing the share of energy sales in OTC transactions, direct sales to the end customers and sales under long term cPPA contracts. Negative exchange rate movements may result in a deterioration of the performance on a Euro-denominated market. At the same time, the strengthening of the Euro may lead to an increase in the value of the required security deposits. The segment is also exposed to the risk of interest rate increases. Higher cost of working capital facility due to high 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. In the event of a more profound consolidation of the generation sector in Poland, with a spin-off of high-emission units from the State Treasury companies, a risk may occur of aggravated lack of the forward market liquidity, transparency and unreliability of price indices, which may affect the Group's ability to perform operating, as well as its revenues.

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 and a so-called "regulatory account". 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.

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. 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.

The Group believes the current market situation should not jeopardize the achievement of the underlying objectives set out in the Polenergia Group's strategy for the years 2020-2024.

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

Onshore wind farms and PV

The Group operates renewable energy projects of 493 MW in the onshore wind power segment, as well as 82 MWp in the photovoltaics segment.

The Group continues work aimed at the development of three PV farm projects of the total capacity of ca. 102 MWp which secured auction offtake under the RES support auction scheme.

In February 2024, the companies developing the Szprotawa I and II PV farm projects with a total capacity of 67 MWp entered into contracts for the supply of photovoltaic modules and inverters. In March 2024, construction and installation works were commenced in accordance with the contract entered into in December 2023.

The company implementing the 35 MWp Rajkowy PV farm project, after winning the auction for the sale of energy from renewable sources in 2023, has launched a bidding process to appoint the contractor for the comprehensive assembly and electrical works for the project. By the end of 2024, it is planned to apply for the required corporate approvals for the project.

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 projects (other than those referred to above) and (onshore) wind projects at a less advanced stage with an aggregate capacity of ca. 2.0 GW. The Group does not exclude potential participation of the subsidiaries developing wind farm and PV projects in further RES auctions. Various 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 end customers under cPPA contracts or selling energy in the regulated or over the counter market.

The Group is working to further develop wind projects in Romania through its subsidiary Naxxar Wind Farm Four Srl ("Naxxar WF"). Naxxar WF continues the ongoing development of the wind farm project in seven SPVs. In the first half 2024, the company's business was oriented towards the environmental procedure and obtaining the last decisions and permits necessary to approve the local zoning plan (RO: PUZ). In June 2024, the company signed a connection agreement with Transelectrica S.A. (TSO) for a total installed capacity of 685.6 MW (and a maximum capacity approved for simultaneous discharge of 668.4 MW), securing the agreement with a bank guarantee of EUR 2.8 million. Concurrently, NWF4

signed a contract and began work on the plans of the power evacuation infrastructure.

In addition, the Management Board commenced a review of the status of the project - the necessary further expenditures in relation to risk and return on investment, so that, depending on the results of the review, a decision could be made to continue or abandon further implementation, or modify the manner or scope of such implementation.

Offshore Wind Farms

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW.

MFW Bałtyk II and MFW Bałtyk III

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.

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 Euro, which has a positive impact on the expected returns from 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.

In June 2022, an application was submitted for an environmental conditions decision for the power evacuation infrastructure from the MFW Bałtyk II i MFW Bałtyk III projects. Based on such application, the authority (RDOŚ in Gdańsk) issued a decision on the scope of the project's environmental impact report in August 2022. Such requirement resulted from changes in the technical description of the export cable project.

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 Office for Competition and Consumer Protection (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.

In November 2022 the Supreme Administrative Court considered the cassation appeal of 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.

In December 2022, a contract was signed by MFW Bałtyk II and MFW Bałtyk III with the appointed supplier of the onshore substation (in the EPC format) along with the design and supply of the high-voltage device of the offshore substation, Hitachi Energy Poland sp. z o.o. Hitachi Energy is also responsible for supplying the complete control system, telecommunications network, all high-voltage equipment in the offshore and onshore substation, as well as the turnkey supply of the onshore substation.

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 MFW Bałtyk III.

Based on the decision of RDOŚ in Gdańsk, the companies submitted an environmental impact report in March 2023.

In March 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. signed agreements with Ramboll AS to develop design documentation for the locations of the two offshore wind farms, including detailed designs for the foundations.

On 11 April 2023, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. submitted to the President of the Energy Regulatory Office updated documentation 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 April 2023, all the required civil expert reports for MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. were submitted for approval by the Maritime Authority. In July 2023, the required military expert reports for MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. were submitted for approval by the Ministry of National Defense and the Ministry of Interior and Administration, respectively. All of the abovementioned civil and military expert reports have been approved. Decisions approving expert reports are part of the application for a building permit.

In September 2023, a request was filed to commence notification for the MFW Bałtyk II and MFW Bałtyk III offshore wind farm projects, using the prenotification procedure.

In October 2023, the administrative proceedings concerning the environmental conditions decision were closed. The environmental conditions decision was issued on 29 November 2023 and was subsequently supplemented (at the companies' request) by a decision dated 14 December 2023 (the earlier environmental decision was withdrawn in legal terms in August 2023, due to the impossibility of implementing the project on its basis, as currently planned).

In September 2023, an amendment decision was obtained for the permit to lay and maintain cables in the areas of internal sea waters and territorial sea issued in 2014 for the MFW Bałtyk III („PUUK”). The amendment of the decision, and the subsequent transfer of rights thereunder (application for transfer of rights filed in October 2023) is meant to ensure continuity of the corridor (in its offshore part) for connection infrastructure for all three offshore wind farm projects. In October 2023, an application for partial transfer of rights under the PUUK decision was submitted to the Maritime Authority in Gdynia, and in December 2023, the authority announced the proceedings were closed. In January 2024, a decision was obtained which partly transferred the rights onto MFW Bałtyk II and MFW Bałtyk I (in the landfall part).

Applications for water permits for MFW Bałtyk II and MFW Bałtyk III were submitted to the Koszalin Basin Authority in December 2023. In the same month, the preparation of applications for location decisions ("LDs") was completed, applications for LDs for the onshore station for both projects were submitted on 18 December 2023. On 12 January 2024, LD applications for land cables were submitted. All LDs for the land portion of the project have been obtained: LDs for the land station were issued on 12 January 2024, LDs for land cables were obtained on 7 March 2024. On 20 March 2024, the process of obtaining location decisions for the Offshore part for both projects was completed. By the end of April 2024, all applications were filed (17 applications: 9 for MFW Bałtyk II and 8 for MFW Bałtyk III) for building permits for offshore wind farms. As at 30 June, 4 building permits have been obtained (for the

offshore substation of MFW Bałtyk II and MFW Bałtyk III, and the internal (offshore) cables of MFW Bałtyk II and MFW Bałtyk III).

On 28.06.2024, the companies MFW Bałtyk II and MFW Bałtyk III entered into annexes to the connection agreements with PSE for both projects related to updating the connection schedule, updating the technical conditions for connection to the PSE's grid and adjusting the agreements to current regulatory requirements.

In October 2023, contracts were signed for the supply and installation of cables for MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. Internal cables will be supplied and installed by Seaway 7 AS, with export cables supplied by an international consortium established by Jan De Nul Luxembourg SA and Hellenic Cables SA. The scope of the export cable contracts includes the design, manufacture, testing, transportation, installation and protection of two 220 kV export cables for each wind farm, from the offshore substation ("OSS") to the connection trench at the landfall. The scope of contracts for internal cables includes the design, manufacture, transportation, installation and supervision of 66 kV internal cables connecting wind turbines to the offshore substation ("OSS").

On 12 December 2023, the Office of Competition and Consumer Protection prenotified to the European Commission ("EC") an application for an individual decision concerning the aid to MFW Bałtyk II and MFW Bałtyk III and on 13 December 2023, the Office applied to the EC for jointly proceeding with the case of MFW Bałtyk II and MFW Bałtyk III. The expected date for the European Commission's decision is the third quarter of 2024, while ERO is obligated to issue a second decision defining the level of support within 90 days. The price update decision permitting to cover the negative balance is expected to be obtained in late Q3/early Q4 2024.

In addition, in December 2023, a request was filed with the Minister of Infrastructure to amend the permits for the erection of artificial islands with structures and equipment in the Polish sea territory ("PSZW") obtained for MFW Bałtyk II and MFW Bałtyk III in 2013 and 2012, respectively. The need for amendment resulted from the change in the design and implementation assumptions, the alignment of the provisions of the PSZW permit to the results of the analysis performed with respect to the deployment of radars for national defense purposes and the need to ensure compliance with the approved navigation expert report. The proceedings were initiated on 18 December 2023. On 16 February 2024, the Minister of Infrastructure issued decisions amending the PSZW for both projects.

Real estate other than those owned by the State Treasury in the mainline of the export cable for MFW Bałtyk II and MFW Bałtyk III have been secured by transmission easement agreements. Plots to which the companies have no rights (3 plots not covered by the transmission easement) were secured under the Act of 24 July 2015 on the preparation and implementation of strategic investments in terms of transmission networks, by means of an administrative decision determining the location of projects in terms of the power evacuation facilities (decisions dated 7 March 2024). The location decisions for MFW Bałtyk II and MFW Bałtyk III for the onshore cable were appealed by one property owner to the Voivode of the Pomorskie region. The case is pending at the second instance, i.e. the Ministry of Development and Technology. However, appeals against location decisions do not suspend their enforceability.

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.

As part of the implementation of the Projects, continuous active operations in the area of stakeholder management, have been performed including the promotion of the "local content." The projects undertake a number of initiatives in the areas of, without limitation, information, communication, education and supply chain development. Examples of such activities include periodical information meetings with local communities, the opening of a Local Information Point in Łeba, opening of an

exhibition on offshore wind energy in the Naval Culture Center - a branch of the National Maritime Museum in Gdańsk, supporting cooperation with Polish companies during e.g. Supplier Days, or participation in educational campaigns.

On 15 February 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. S.A. entered into contracts with Siemens Gamesa Renewable Energy sp. z o.o. with registered office in Warsaw, a company belonging to the Siemens Energy AG group, each Project company acting on its own:

- agreements for the supply of wind turbines for the implementation of the offshore wind farm project MFW Bałtyk II and MFW Bałtyk III, respectively (the "WTG Supply Agreements");
- the Service Agreements for the warranty service of the wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms ("Service Agreements");

The contracts are governed by English law.

[WTG Supply Agreements]

The WTG Supply Agreements include the design, engineering, delivery, deployment, supervision and commissioning of a complete set of 100 offshore wind turbines (50 WTGs for each Project) with a maximum capacity of 14.4 MW each, along with a WTG SCADA (*Supervisory Control and Data Acquisition*) system. The total remuneration of the contractor under the two WTG Supply Agreements (i.e. for both projects) has been estimated, as at the date of execution of those agreements, at ca. EUR 1.66 billion. This amount is not final and will be updated during the term of the WTG Supply Agreements, as part of the contractor's remuneration is based on rates subject to indexation in terms of the prices of certain materials and services, inflation, currency hedging or labor costs. Final remuneration of the contractor will be determined in accordance with the provisions of the WTG Supply Agreements based on the actually completed scope of work and with due regard to the factors depending on the market condition. The Project Companies estimate the total amount of capital expenditures to be incurred under the WTG Supply Agreements, including in connection with the exercise of options, at ca. EUR 1.8 billion. Entering into the Turbine Supply Agreements requires the Project Companies to incur significant capital expenditures before making a final investment decision ("FID") for the projects. The estimated CAPEX to be incurred before FID, including indexation, amount to ca. PLN 88 million and ca. EUR 88 million. The WTG Supply Agreements guarantee the Project Companies the right to terminate them without cause as well, but such termination of the WTG Supply Agreements will entail the obligation to pay termination fees to the contractor, the value of which increases over time, depending on when the WTG Supply Agreements are terminated. The contractor's agreed remuneration was calculated assuming a back-to-back installation, i.e. continuous performance of both contracts. If this assumption fails to materialize due to the failure of the relevant Project Company to proceed with the work in one of the projects or the termination of one of the WTG Supply Agreements, an amount of ca. EUR 30 million will be added to the contract price. Entering into the WTG Supply Agreements allows the Projects to be implemented according to the current schedule.

[Service Agreements]

The Service Agreements cover the maintenance and warranty service of the wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms for a period of 5 years. The contractor's total remuneration under the two Service Agreements (i.e., for both projects), is estimated as at the date of those agreements, at ca. EUR 384 million, which includes the upfront fee and the annual fees payable to the contractor over the 5-year term referred to above. Fees for services referred to in the Service Agreements will be subject to indexation, the level of which will depend on the industry's producer price index and quarterly data published by Eurostat. The Project Companies may extend the term of the Service Agreements for another five years, but this will entail a higher annual fee payable to the contractor. Under the Service Agreements, the contractor provided the Project Companies with

availability guarantees.

[Securing payments to Contractor under the WTG Supply Agreements]

Under the WTG Supply Agreements, the Company will be required to provide payment security in the form of a corporate guarantee ("PCG"). PCGs issued by the Company will cover 50% of the value of the Project Companies' existing obligations vis a vis the contractor. The maximum amount of the Company's PCG obligations, rounded up, shall be: (i) up to EUR 27 million and up to PLN 29.6 million for obligations incurred between 30 September 2024 and 30 April 2025, and (ii) up to EUR 47.2 million and up to PLN 52 million for obligations incurred between 1 May 2025 and 31 July 2025, in each case PCGs will expire if the financial close confirmed by the financing institution (facility agent) is reached. The PCGs will also secure payment by the Project Companies of termination fees with respect to the WTG Supply Agreements.

[Agreements for the production and supply of monopiles]

On 16 February 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o., entered into agreements with SIF Netherlands B.V. with registered office in Roermond (the Netherlands) for the manufacture and supply of the monopile foundation structures for WTGs. The agreements provide for the production of 100 monopiles, 50 for each project, on which the wind turbines will be founded. According to the assumed program, production work has been scheduled to begin in Q2 2025, while the production of the last monopiles is envisaged in Q1 2026. The total remuneration of the Contractors under the two agreements (i.e. for both projects) was tentatively set - as at the date of signing the agreements - at ca. EUR 440 million. Remuneration is based on rates indexed by the price inflation index with respect to materials and services used in production. It may also be adjusted due to possible foundation design changes. Entering into those Agreements allows the Projects to be implemented according to the current schedule. The contracts are governed by English law. In view of the execution of the Agreements, the Company issued sureties for the obligations of the Project Companies, including payment of 50% of the contractor's costs incurred in connection with the premature termination of the agreements. As at the date of publication of this Report, the maximum amount of guarantee obligations under the a/m agreements on the Company's part for the two projects combined is estimated at ca. EUR 167.5 million, the expiration date of the Company's guarantees in each case being the achievement of financial close confirmed by the financing institution (facility agent). Obtaining a separate set of building permits for each of the SPVs (MFW Bałtyk II and MFW Bałtyk III) for offshore wind farm and a set of power evacuation equipment is planned until end of August 2024. Decisions are issued by Pomeranian Voivode.

On 12 May 2024, offshore wind project companies MFW Bałtyk II and MFW Bałtyk III signed reservation agreements with CADELER A/S for installation vessels and for preliminary work in terms of preparation for installation of offshore wind turbines in the projects. The subject matter of the reservation agreements is the parties' commitment to continue negotiating in good faith the final contracts for the installation of offshore wind turbines for the projects, in exchange for reserving by the supplier availability of installation vessels for the installation work concerning wind turbines according to an assumed work program. Reservation agreements also apply to the performance of preparatory works that will subsequently be covered by the scope of final agreements, if any. Reservation agreements may be terminated by the project companies without cause, however such termination would result in an obligation of each company to pay a cancellation fee of EUR 5 million to the supplier. Similar fees may be charged to the project companies if, for reasons attributable to the project companies, the final agreements are not signed by 1 September 2024, such deadline being subject to extension by the parties.

On 14 May 2024, offshore wind project companies MFW Bałtyk II and MFW Bałtyk III signed reservation agreements with Iemants NV, as well as contracts for the performance of preliminary work in terms of designing and building offshore transformer stations, one station for each of the projects. The subject

matter of the reservation agreements is to reserve the resources of the contractor and key subcontractors within the assumed work program and to obligate the parties to continue negotiating in good faith the final EPC contracts, i.e. for the turnkey design and construction of offshore substations. The reservation agreements also provide for the contractor's commencement of necessary preliminary works and procurement of materials with a long delivery time to enable timely implementation of the projects. Reservation agreements may be terminated by the project companies without cause against payment to subcontractors of the fees for preliminary works performed and cancellation fees. Cancellation fees may reach up to ca. EUR 65.5 million in aggregate for both projects. Similar costs may be incurred by the companies if, for reasons attributable to the companies, final agreements are not signed by 1 August 2024, subject to the parties' ability to extend the deadline.

On 28 June 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. signed reservation agreements and contracts for the performance of preliminary works with the consortium of Smulders Projects Belgium NV and Sif Netherlands BV companies with respect to the production of transition components of offshore wind turbines. The purpose of the Reservation Agreements is to allow the Suppliers to commence work, to secure the Suppliers' main resources, including the availability of the installation port and the availability of selected subcontractors, as well as obligate the parties to negotiate in good faith the terms of the final contracts for the production of the transition components for the offshore wind turbines used in the Projects. The Reservation Agreements will remain in effect until replaced by the Final Agreements. The Final Agreements are scheduled to be executed by the end of August 2024, however this deadline is subject to change. The execution of the Reservation Agreements helps to maintain the implementation schedule of the Projects.

Reservation Agreements may be terminated by the Project Companies without cause, yet such termination would result in an obligation to pay the Suppliers for the preliminary work performed, as well as the cancellation fees, and the fees to subcontractors. Cancellation Fees may reach ca. EUR 44 million for both Projects. In order to secure the Cancellation Fees, the Issuer, in accordance with its share in the Projects, is required to issue a Parent guarantees to the Suppliers for payments up to a total of EUR 22 million for both Projects.

In the first quarter of 2024, discussions were initiated with potential lenders to procure project finance for the offshore wind farm projects developed by the two companies. The next few quarters will be devoted to establishing a syndicate of financing institutions and negotiating the terms of the loan agreement. The closing of the financing process is expected in the first quarter of 2025.

On 2 July 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. in a joint venture with Equinor Wind Power AS signed contracts with a Dutch law company Heerema Marine Contractors Nederland SE (each Company individually) for the transportation and installation of turbine foundations and offshore transformer stations. The subject matter of the contracts is the transportation and installation of monopile wind turbine foundations, transition elements and offshore transformer stations using specialized installation vessels. The contractor's total remuneration under the two contracts has been tentatively estimated - as at the execution date - at ca. EUR 390 million, this estimate to be updated ca. 15 months prior to the commencement of the installation works. The final indexed remuneration will depend, without limitation, on the final working time of the vessels, fuel prices and the cost of subcontractors contracted. In connection with the conclusion of the agreements, the Company will be required to issue payment guarantees to the contractor for obligations incurred during the period until the Companies reach financial close. The total anticipated maximum value of the Company's guarantees is ca. EUR 42 million for payments in EUR and approximately USD 90 million for payments in USD. The final agreements were preceded by reservation agreements dated 17 April 2024. The subject matter of the reservation agreements was to obligate the parties to continue negotiating in good faith the final contracts for the transportation and installation of offshore wind turbine foundations and an offshore transformer station in exchange for reserving the availability of installation vessels for project

implementation according to an assumed work program. The reservation agreements also covered the performance of preliminary works.

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MFW Bałtyk I

The Group holds a 50% stake in the company MFW Bałtyk I Sp. z o.o. preparing an offshore wind farm located in the Baltic Sea with a capacity of up to 1560 MW for construction.

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 [Offshore Wind Farm] Bałtyk I, as amended by the decision dated 31 March 2023.

The environmental impact report was submitted to RDOŚ in Gdańsk on 21 November 2023. On 1 December 2023, RDOŚ commenced the proceedings to issue the environmental conditions decision. The administrative proceedings are being held in consideration of the cross-border environmental impact procedure which is coordinated by the General Directorate for Environmental Protection. The cross-border procedure involves providing an opinion on the environmental documentation of the project in the part dealing with cross-border impacts by authorities and NGOs of Denmark and Sweden.

On 29 January 2024, an application was submitted for the issuance of a decision on the environmental conditions for the connection infrastructure of the offshore wind farm MFW Bałtyk I, with the procedure formally initiated by RDOŚ in Gdańsk on 20 February 2024. On 20 May 2024, a decision was issued by RDOŚ stating the requirement to conduct an environmental impact assessment and specifying the scope of the report.

Preliminary geophysical and geotechnical surveys by MFW Bałtyk I S.A. have been completed in the area of the offshore wind farm and sub-sea cable corridors.

Private real properties in the mainline of the export cable for MFW Bałtyk I are being secured by agreements to establish transmission easements. Works in this area began in the second quarter of 2024. As at 30.06.2024, 16 plots have been secured, accounting for 21% of private real properties. Plots owned by institutions and private plots to which the company will obtain no rights will be secured under the Act of 24 July 2015 on the preparation and implementation of strategic investments in terms of transmission networks, by means of an administrative decision concerning the location of projects in terms of the power evacuation facilities.

On 11 March 2024, an application was submitted by MFW Baltic I to PSE for a change in the grid connection conditions, i.e. for the specifying of new conditions for connection to the transmission grid of the facility being an HVDC system connected to the energy park module with a 1560 MW DC connection. The project has a grid connection agreement with PSE with connection conditions issued for 1560 MW of HVAC technology. Bearing in mind the economic and technical benefits for the MFW Bałtyk I project, the Management Board of the project companies decided to request a switch of the power evacuation system of the wind farm to HVDC technology. If the application is granted by PSE, it will result in an amendment to the grid connection agreement.

Gas and clean fuels

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 developed 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 2023, a decision was made to move the project from the conceptual phase to the development phase, which provides for focusing, without limitation, on the following activities: obtaining key permits, reaching financial close and developing the technical design. One of the first activities of the development phase was to hire a consultant to provide the Owner's Engineer service for the project. Based on the consultant's analyses, the best location for the project was selected and an application was filed for grid connection conditions. Work is currently underway on a multi-discipline feasibility study for the project in selected location. Due to the significant lead time for delivery of key equipment and the financing requirements, work has begun on a contracting strategy for the project including a general designer and a general contractor.

In February 2024, the European Commission issued a notification decision on State aid for the H2Silesia project under IPCEI Hydrogen Hy2Infra. The notification decision approves the cap of the State aid for the H2Silesia project and does not mean that Polenergia H2Silesia sp. z o.o. will be granted funding for its implementation, but it is rather an expression of the European Commission's approval of possible State aid and confirmation that such support will be proportionate and necessary within the meaning of the EU regulations. The decision to grant funding and the determination of the final amount of funding will be made at the national level. The total amount of eligible costs in the project is EUR 218.36 million while the maximum amount of State aid approved by the European Commission may reach EUR 142.77 million which corresponds to the amount of the financing gap in the project. Eligible costs in the project include the supply and installation of electrolyzers, a cooling system, an electrical substation, a water treatment station, a deoxygenation and drying system, compressors, a hydrogen storage facility and a hydrogen distribution station, together with the associated auxiliary installations, buildings and road system, as well as preparatory works, design and commissioning. The Group anticipates that eligible costs of the project exceeding the value of the public subsidy will be covered from funds and sources, such as, among others, equity and an investment loan. The final implementation of the project depends on external criteria, such as the conclusion of contracts securing the terms of hydrogen supply, the fulfillment of the relevant economic criteria and the availability of financing for the project, as well as making a final investment decision based on the above data and obtaining the required corporate approvals.

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

On 7 June 2023, Polenergia's subsidiary H2HUB Nowa Sarzyna sp. z o.o. developing 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 subject to a final investment decision and has been scheduled for Q3 2024) and 10 years of a long-term electrolyzer maintenance agreement. Factory (FAT) tests of the electrolyzer were completed in the second quarter of 2024, demonstrating the proper operation of the device. Also, on 7 June 2023, an agreement was entered into with the International Finance Corporation ("IFC"), a member of the World Bank Group, for cooperation with a view to co-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. On 8 April 2024, an annex was signed assigning the subsidy to the H2HUB Nowa Sarzyna SPV. According to the annex, the hydrogen filling stations and associated infrastructure should be put into operation in the second half of 2025, with the subsidy agreement providing for possible changes to the program.

Tenders were held to appoint an EPC contractor separately for the hydrogen filling station in Rzeszów and for the hydrogen production facility and the filling station in Nowa Sarzyna. Binding bids within the assumed budget were received. The award in the tender will take place in the third quarter of 2024. Concurrently, a tender is being held to appoint a supplier of battery trucks that will be used to transport hydrogen from the Nowa Sarzyna plant to the hydrogen filling station in Rzeszów.

An application for a Building Permit for the Nowa Sarzyna installation was filed. In addition, the Environmental Decision (DUŚ) for the filling station in Rzeszów has been obtained and an application for the zoning permit has been filed. Concurrently, an Environmental Decision was obtained in the first quarter of 2024, as well as the Zoning Permit for a photovoltaic installation of up to 8 MW that will power the electrolyzer in Nowa Sarzyna.

Talks are underway with green hydrogen customers, during which contractual terms for the supply of hydrogen from the H2HUB Nowa Sarzyna plant are being discussed. In March 2024, a public tender was launched by MPK Rzeszów for the supply and distribution of hydrogen as fuel for FCEV buses. The bid submitted (on 16 July 2024) was the only bid received by the employer, however, it exceeded the budget fixed for this purpose. It is up to MPK Rzeszów to decide whether to increase the budget for the order in question.

The H2HUB Nowa Sarzyna project is part of activities under the label of the Subcarpathian Hydrogen Valley, with Polenergia S.A. and Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o 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 air transportation, 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 Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Wrocław University of Technology. On 30 June 2023, the Company completed Phase I of the Project involving development of a Feasibility Study for the project. NCBR evaluated the feasibility study submitted (the outcome of Phase I of the project) by awarding the maximum number of points, thereby allowing the project to proceed into Phase II (construction of a pilot plant and conducting research to upscale the technology to a higher level of technological readiness). Only 3 of the original 11 competing Consortia qualified for Phase II of the NCBR competition. Polenergia S.A., as the leader of the scientific and industrial consortium, has developed and begun implementing the plan for implementing Phase II of the project.

In view of the significant scale of the intended capital expenditures to achieve the strategic goals identified in the business strategy, the Management Board has initiated a review of options in the area of hydrogen strategy and does not rule out deciding in the future, depending on the results of the review, to abandon their further implementation or to change the manner or scope of their implementation.

Trading and Sales

The Group has been modifying the implementation of its strategy in the trading and sales segment on an ongoing basis, adapting it to the changing market conditions and the rising costs of hedging end users and profiling and balancing RES sources. Offering to end users is done with particular attention to risks and potential costs that may affect the margins realized in the future. The Group keeps a follow-up recalculation of financial risks and costs associated with hedging customer and generator positions in the futures market. The regulations put in place to limit energy sale prices and contributions to the Price Settlement Authority (Zarządca Rozliczeń) fund in 2023 have largely inhibited opportunities for dynamic sales and external RES aggregation activities. The Company has been intensely developing a long-term cPPA contract sales model based on the existing and newly built Group's generation assets.

The activity in the short-term and ultra-short term trading market (the Intraday Market) is being successfully developed in terms of transactions just a few hours before physical delivery of energy and 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 prop trading strategies making the most of the market volatility, while maintaining restrictive measures to reduce risk exposure.

The company Polenergia Sprzedaż continues to sell energy generated in the renewable sources controlled by the Group. Customers include both business clients and consumer end-users (B2B and B2C). The green energy produced in the Group's generating assets is sold in two models: as a product with the Energy 2051 standard and a product without this standard, yet still retaining the guarantee of 100% RES-originating energy. As part of the intra-group cooperation, sales of products have been continued that combine installation of solar panels heat pumps, energy storage 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. Last year, the Company launched SMART cPPA and SLIM cPPA products with a price guarantee until the end of 2028 targeted at B2B customers. The company is actively developing a network of sales partners and is holding talks with banking institutions regarding the cross-sale model projects. In order to provide adequate customer service and increase the reach in soliciting new customers, a contract was signed for the implementation of a new Billing system combined with CRM. The Company launched a series of marketing activities aimed at building its image and acquiring sales leads, thus strengthening its position in the market.

As part of its operating activity, the company Polenergia Fotowoltaika S.A. in the second quarter of 2024 installed 5.7 MWp of solar panels and 486 energy storage facilities, while in the heat pump segment it installed 52 pumps. The Company has been working to expand sales of services in the corporate segment (installations in excess of 50 kWp).

Distribution and eMobility

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 million. The approved Investment Plan III for the years 2019 - 2022 worth PLN 51 million in total has been under implementation. As part of Investment portfolio III the Company signed 45 contracts. By the end of Q1 2024, connection agreements were finalized and connection readiness was notified for 73 projects/project phases, and extension of general license was obtained for 28 projects, with further 10 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 million in total. By the end of the second quarter of 2024, the company signed 94 connection agreements, with the total estimated capex reaching PLN 104.89 million which accounts for 99.9% of the investment portfolio IV. Under the Investment Plan IV, the company completed

82 projects/phases of projects, for which it declared readiness to connect, and general license extensions have been obtained for 24 projects; licenses are also expected to be obtained for another 22 projects.

The company Polenergia eMobility has been actively acquiring locations for the construction of public charging stations throughout the country, and has been building further charging stations. 45 company's own public charging stations (66 charging points) have been launched. In addition, the company has a portfolio of contracts allowing it to build another 220 charging stations. The company is developing the software system functionality for operating charging stations, as well as for the customer service in a client 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) and CEF (Connecting Europe Facility). 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.

In view of the significant scale of the intended capital expenditures to achieve the strategic goals identified in the business strategy, the Management Board has initiated a review of options in the area of electromobility and does not rule out deciding in the future, depending on the results of the review, to abandon their further implementation or to change the manner or scope of their implementation.

Other significant information on the Group's condition

On 7 February 2024, the Management Board of the Company published supplementary information on the completed public offering of 10,416,667 AB series ordinary bearer shares of a par value of PLN 2.00 each. The total cost of the share issue amounted to PLN 3,761 thousand net, (including the costs of: preparation and performance of the Offering - PLN 2,882 thousand net, underwriters' remuneration, for each separately - not including the preparation of the prospectus, including the advisory costs - PLN 821 thousand net, promotion - PLN 58 thousand net). The total cost of conducting the Offering has been accounted for through recognition in equity. The average cost of conducting the subscription was PLN 0.36 net per Offered Share.

On 13 March 2024, the Extraordinary General Meeting of Polenergia S.A. revoked the existing authorization of the Company's Management Board to increase the Company's share capital within the limits of the authorized capital and granted the Company's Management Board a new authorization to increase the Company's share capital within the limits of the authorized capital, with an option for the Management Board, acting upon the consent of the Supervisory Board, to deny the pre-emptive rights with respect to new shares of the Company, in whole or in part, for another period, on terms and within the limits set forth in the amendments to the Company's Statutes (Resolution No. 3/2024 of 13 March 2024, published in current report No. 17/2024). In connection with the changes made, the Management Board is authorized to increase the Company's share capital by no more than PLN 115,828,368 through the issuance of no more than 57,914,184 new ordinary bearer shares with a par value of PLN 2 each (the "New Shares") (the "Authorized Capital"). The Management Board intends to raise, through the issuance of new shares of the Company within the Authorized Capital in the years 2024-2027, total proceeds of up to ca. PLN 3.4 billion. Within the limits of the Authorized Capital, the Management Board is authorized to increase the Company's share capital, by way of one or more successive share capital increases, within three years from the date on which an amendment to the Company's Statutes is entered in the Register of Entrepreneurs.

On 8 February 2024, Polenergia Obrót S.A. entered into PPA and PPA+ agreements (the "PPA and PPA+ Agreements") with Mercedes-Benz Manufacturing Poland Sp. z o.o., with registered office in Jawor. The PPA and PPA+ agreements relate to the sale of all electricity consumed by the buyer, including a portion of electricity produced by the following renewable energy facilities: the Dębsk wind

farm with an installed capacity of 121 MW ("RES Facility 1") and the Sulechów 3 photovoltaic farm with an installed capacity of 9.84 MW ("RES Facility 2"), and the sale of guarantees of origin of electricity from renewable energy sources in a number corresponding to the amount of electricity sold, as well as commercial balancing of the buyer's needs. The period for the sale of electricity and guarantees of origin under the PPA and PPA+ agreements start from 1 March 2024 and will continue until 31 December 2027. With respect to the sale of electricity produced by the Dębsk wind farm and the Sulechów 3 photovoltaic farm, the planned volume of electricity sales relates to a certain portion of the volume to be produced by the aforementioned farms during the period. Electricity produced by the farms will be sold at a fixed price, subject to an increase or reduction of the price depending on the amount of the averaged CPI - the average annual index of prices for consumer goods and services for the preceding calendar year published by the Central Statistical Office (GUS). The remaining amount of electricity consumed by the buyer will be sold at a price based on the SPOT market prices on the exchange commodity market of Towarowa Giełda Energii S.A., or at a fixed price for a specified volume of electricity, if such fixed price has been established in accordance with the procedure set forth in the PPA+ agreement. The total estimated revenues from the sale of electricity and guarantees of origin under the PPA and PPA+ Agreements may reach ca. PLN 131.4 million net. In the event of early termination of the PPA and PPA+ Agreements by POLO or Mercedes-Benz Manufacturing Poland Sp. z o.o., respectively, due to a breach of contract by the other party as specified in the agreement, the non-breaching party shall be entitled to a termination fee in the amount specified in the agreement.

On 22 February 2024, Polenergia Farma Wiatrowa Namysłów sp. z o.o., developing the Szprotawa I photovoltaic farm project with a total installed capacity of 47 MWp, and (ii) Polenergia Farma Fotowoltaiczna 16 sp. z o.o., developing the Szprotawa II photovoltaic farm project with a total installed capacity of 20 MWp, entered into a contract with the company Jinko Solar (Chuzhou) Co., Ltd. concerning the supply of photovoltaic modules for both projects. The contracts cover the sale of the photovoltaic modules manufactured by Jinko Solar in the quantity required for the implementation of the projects. The contracts do not include the supply of inverters. The contract will be completed by the end of October 2024. The total value of the contracts is ca. EUR 8 million.

On 8 April 2024, Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Polenergia H2HUB Nowa Sarzyna sp. z o.o. entered into an annex to the subsidy agreement with the National Environmental Protection and Water Management Fund. According to said annex, ENS and the Fund have agreed to H2HUB Nowa Sarzyna stepping into all rights and obligations of ENS under the subsidy agreement. The stepping by H2HUB Nowa Sarzyna into the rights and obligations of ENS has a releasing effect on ENS, which means that from the moment the annex has been entered into, ENS is no longer a party to the rights and obligations under the subsidy agreement. The total amount of the financing of the project in the form of subsidy has not changed and amounts to PLN 20,000,000, which corresponds to ca. 43% of the project's eligible costs. According to the annex, the hydrogen filling stations and associated infrastructure should be put into operation in the second half of 2025, with the subsidy agreement providing for possible changes to the program. H2HUB Nowa Sarzyna's entitlement to the disbursement of the funds from the subsidy is subject to the fulfillment of conditions commonly applied to SPVs in agreements with the National Environmental Protection and Water Management Fund. Meeting the conditions for disbursement of the funds from the subsidy required by the subsidy agreement may require obtaining relevant corporate approvals.

On 21 May 2024, Mr. Jacek Głowacki resigned from his position as a member of Polenergia S.A.'s Supervisory Board. The resignation was submitted effective as at 21 May 2024.

On 22 May 2024, Mr. Adam Purwin was appointed to the Supervisory Board of Polenergia S.A. as a member of the Supervisory Board, effective as of 22 May 2024.

On 27 May 2024, Naxxar Wind Farm Four SRL subsidiary based in Bucharest, received a writ of summons (statement of claim) that was filed by WIP International GmbH before the Second District

Court in Bucharest, Romania.

From a preliminary analysis of the statement of claim, it appears that it is related to an earlier action filed in court by the claimant against NRE, several individuals and other companies, in which none of the companies currently controlled by Polenergia S.A. is a respondent.

As at 24 June 2024, Polenergia S.A. estimates that in the event of an appeal by either party against the judgment of the court of the first instance, which has not yet been issued, the proceedings related to the original action could take about 3 to 4 years. Only after the final and binding conclusion of the proceedings concerning the original claim in favor of the claimant and, what is important, ineffective enforcement of the claim in question against NRE, can the claimant's suit (*actio pauliana*) against, among others, the Company be resolved. In addition, in the Company's opinion, the claim is unfounded, and the declaration of invalidity or ineffectiveness vis a vis the claimant (*actio pauliana*) of the documents and legal acts leading to the transaction of Polenergia S.A.'s acquisition of shares in the company and the acquisition of shares in 7 project companies implementing a wind farm project in Romania in Tulcea District (which the Company announced in current reports No. 40/2023 of 5 October 2023 and No. 59/2023 of 7 December 2023) has no legal grounds. Notwithstanding the foregoing, the Company believes the hypothetical claims presented in the statement of claim are time-barred.

On 2 July 2024, Polenergia Farma Wiatrowa Namysłów sp. z o. o., developing the Szprotawa I photovoltaic farm project with a total installed capacity of 47 MWp, entered into a facilities agreement with mBank S.A. and Pekao S.A.: a term loan up to a total of PLN 90 million to finance the construction of the Szprotawa 1 photovoltaic farm, with the possibility of increasing the lender's exposure, a VAT loan up to a maximum total of PLN 20 million and a DSR loan up to a maximum total of PLN 6 million. The Facilities Agreement provides for repayment of the term loan and the DSR loan no later than within 15 years of the date of project completion, or by 16 June 2040, while the VAT loan shall be repaid within six months of the date of final construction financial clearance, but no later than 30 April 2026. The interest rate on the loans is based on the WIBOR reference rate, plus the lender's margin.

On 11 July 2024, a resolution was passed regarding the Company's establishment of a bond issue program. Based on a program resolution, the Company's Management Board decided to establish a program for issuing the Company's bonds, with an aggregate maximum face value of bonds up to PLN 1,000,000,000, and for the Company to issue individual series of bonds under such program, to be acquired by eligible investors. The Company also announces that on 11 July 2024, the Company's Supervisory Board adopted a resolution under which the Company's Supervisory Board approved the establishment of a program by the Company. The Company's intention is to conduct the first Bond issue under the Program by the end of 2024, subject to the occurrence of suitable conditions in the debt securities market.

On 18 July 2024, Mr. Adam Purwin, Member of the Supervisory Board, was seconded to act as Member of the Management Board of Polenergia S.A. for a period of 3 months of the date of the relevant resolution.

On 14 August 2024, the Management Board of Polenergia S.A. announced that in connection with the Company's development plans, it had decided to expand the review of Strategic options announced in the Company's Current Report No. 4/2024 dated February 8th, 2024 (the "Review of Strategic Options") (the "Report"). As of the date of this announcement, the Review of Strategic Options on the terms set out in the Report covers the implementation of projects within the strategic objectives identified in the Report and selected projects in other business segments of the Polenergia Group in the long term, excluding offshore wind farm projects and strategic assets. In the course of the Review of Strategic Options, the Company intends to engage in discussions with various entities, and additional information about the Company and the projects subject to the Review of Strategic Options may be provided to selected entities to the extent permitted by applicable laws. Both the schedule and the final outcome of the Review of Strategic Options are uncertain as of the date of this information. So far, no decisions

have been made regarding the selection of a specific strategic option for individual projects, and it is uncertain whether and when such decisions will be made in the future. The Issuer will publish information on the progress of the Review of Strategic Options in accordance with applicable law.

On 13 August 2024, the Management Board of Polenergia S.A., received information that the European Commission (“Commission”) had issued a decision confirming the compatibility with the internal market (the “Commission Decision”) of the public aid granted to MFW Bałtyk II sp. z.o.o. and MFW Bałtyk III sp. z.o.o. through the decision of the President of the Energy Regulatory Office dated May 4, 2021 on granting the right to cover the negative balance for the offshore wind farm projects MFW Bałtyk 2 and MFW Bałtyk 3 (“Projects”). The Commission's decision was issued in an individual notification procedure, following which the Commission raised no objections to the public aid granted at a level not exceeding PLN 319.60/MWh for electricity generated and injected into the grid under each of the Projects. In accordance with the provisions of the Act on Promotion of Electricity Generation in Offshore Wind Farms, the next step will be to obtain a decision from the President of the Energy Regulatory Office setting a specific price (not higher than the one resulting from the Commission's decision) constituting, after inflation indexation, the basis for settlement of the contract for difference during the 25-year support period. The regulatory authority has 90 days from the date of receipt of information about the Commission’s decision to issue the decision.

Financial performance for the 6-month period ended 30 June 2024 by operating segments

On the following pages a presentation is given of the distribution of the total Group performance in HY1 and Q2 2024, broken down into the business segments.

6M 2024 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	429,8	13,7	56,2	1 488,8	106,3	9,9	-	2 104,8
Operating costs, including	(136,3)	(6,2)	(55,0)	(1 366,8)	(77,8)	(7,9)	(0,1)	(1 650,1)
operating costs (without granted green certificates adjustment)	(74,1)	-	-	-	-	-	-	(74,1)
depreciation/amortization	(64,1)	(3,4)	(4,8)	(5,9)	(4,9)	(3,4)	(0,1)	(86,7)
granted green certificates adjustment	1,9	-	-	-	-	-	-	1,9
Gross profit on sales	293,5	7,5	1,3	122,0	28,5	2,0	(0,1)	454,7
<i>Gross profit on sales margin</i>	68,3%	54,7%	2,2%	8,2%	26,8%	"n/a"	"n/a"	0,2
Selling expenses	-	-	-	(44,1)	-	-	-	(44,1)
General overheads	(6,9)	(0,7)	(4,6)	(43,5)	(5,1)	(33,0)	-	(93,8)
Other operating activities	2,6	(0,2)	(0,3)	(11,1)	0,2	(0,2)	-	(8,8)
including impairment losses	-	-	-	-	-	-	-	-
Operating profit	289,3	6,6	(3,6)	23,3	23,6	(31,1)	(0,1)	307,9
EBITDA	353,3	10,0	1,2	29,3	28,5	(27,7)	-	394,6
<i>EBITDA Margin</i>	82,2%	72,6%	2,2%	2,0%	26,8%	"n/a"	"n/a"	18,7%
Profit (loss) on financial activities	(35,3)	(3,5)	0,6	(4,9)	(4,0)	14,9	-	(32,1)
Profit (loss) before tax	254,0	3,1	(3,0)	18,4	19,7	(16,2)	(0,1)	275,8
Income tax	-	-	-	-	-	-	-	(55,4)
Net profit (loss) for period	-	-	-	-	-	-	-	220,4
Normalizing adjustments:	-	-	-	-	-	-	-	-
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,1
Foreign exchange differences	-	-	-	-	-	-	-	0,5
Loan valuation using amortized cost method	-	-	-	-	-	-	-	1,5
Impairment losses	-	-	-	-	-	-	-	-
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	222,4
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								
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
<i>Gross profit on sales margin</i>	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
<i>EBITDA Margin</i>	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
Change of EBITDA yoy	103,8	4,7	(0,6)	(41,1)	24,3	(5,2)	-	85,7
<small>*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.</small>								

2Q 2024 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	174,3	10,6	23,9	647,9	51,0	5,9	-	913,6
Operating costs, including	(70,2)	(3,6)	(24,7)	(577,3)	(37,4)	(3,0)	(0,1)	(716,3)
operating costs (without granted green certificates adjustment)	(46,8)	-	-	-	-	-	-	(46,8)
depreciation/amortization	(30,3)	(1,9)	(2,4)	(2,8)	(2,5)	(1,7)	(0,1)	(41,7)
granted green certificates adjustment	6,9	-	-	-	-	-	-	6,9
Gross profit on sales	104,0	7,0	(0,8)	70,6	13,7	2,9	(0,1)	197,3
<i>Gross profit on sales margin</i>	59,7%	66,3%	-3,5%	10,9%	26,8%	"n/a"	"n/a"	21,6%
Selling expenses	-	-	-	(22,1)	-	-	-	(22,1)
General overheads	(4,0)	(0,4)	(1,5)	(21,7)	(2,7)	(21,2)	-	(51,4)
Other operating activities	0,8	(0,3)	0,4	(8,1)	0,1	(0,2)	-	(7,3)
including impairment losses	-	-	-	-	-	-	-	-
Operating profit	100,9	6,3	(1,9)	18,7	11,1	(18,4)	(0,1)	116,6
EBITDA	131,2	8,2	0,5	21,6	13,6	(16,7)	-	158,3
<i>EBITDA Margin</i>	75,3%	77,5%	2,2%	3,3%	26,6%	"n/a"	"n/a"	17,3%
Profit (loss) on financial activities	(16,3)	(2,7)	0,3	(2,5)	(2,0)	7,0	-	(16,2)
Profit (loss) before tax	84,6	3,6	(1,6)	16,3	9,1	(11,4)	(0,1)	100,4
Income tax	-	-	-	-	-	-	-	(20,7)
Net profit (loss) for period								79,7
Normalizing adjustments:								
Purchase price allocation (PPA)								0,1
Foreign exchange differences								0,1
Loan valuation using amortized cost method								0,8
Impairment losses								-
Net result on sale of assets ***								-
Adjusted net profit								80,6
*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.								
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
<i>Gross profit on sales margin</i>	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
<i>EBITDA Margin</i>	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 the sale of assets								-
Adjusted net profit								47,6
Change of EBITDA yoy	45,5	3,8	(2,2)	(1,0)	8,7	(4,1)	-	50,7
*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 26 February 2024, the company Polenergia Farma Wiatrowa 33 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 11 March 2024 the company Polenergia Farma Wiatrowa 34 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 5 August 2024, the company Polenergia Farma Wiatrowa 35 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 Group performance is presented in the table below:

EBITDA / Net profit (loss) [PLN m]	6M 2024	6M 2023	Difference
Sales revenues	2 104,8	2 838,1	(733,2)
EBITDA	394,6	308,9	85,7
Net profit (loss)	220,4	167,3	53,1
Adjusted net profit (loss)	222,4	169,8	52,6

The year-on-year changes in HY1 2024 performance were driven by the following factors:

a) On the level of EBITDA (increase by PLN 85.7 million):

- Better result of the onshore wind farms segment (by PLN 103.8 million) is mainly a consequence of higher electricity prices and the commencement of operation of the Grabowo and Piekło farms. The above was partly offset by lower prices of green certificates and higher operating costs in wind farms;
- Better EBITDA result of the PV segment in the first half of 2024 relative to the first half of 2023 (growth by PLN 4.7 million) due to higher energy generation in the PV segment, attributable mainly to the commissioning of the Strzelino photovoltaic farm in the first quarter of 2024, which was partly offset by lower energy prices achieved in the first half of 2024 and by slightly higher operating expenses related to the increase of the installed capacity.
- Lower result of the gas and clean fuels segment (by PLN 0.6 million) mainly due to a lower result on heat sales amplified by a better result on optimizing the ENS operation and a better result on system services.

- Lower result of the trading and sales segment (by PLN 41.1 million) due to: i) lower result on result on trading in electricity from RES assets as a result of a change in the billing model that incorporates higher purchase prices from RES projects, ii) lower result on other prosumer energy business as a consequence of the delay in the launch of the My Electricity 6.0 program, iii) lower result on the trading in wind farm-originating certificates due to the drop in prices of green certificates, iv) higher operating expenses accompanying the business upscaling process in the Group. The slump in the first half of 2024 has been partly offset by: i) better result on sales of electricity as a consequence of the lower cost of the end-user consumption profile, ii) better result on RES aggregation mainly due to additional margin on the sales of green certificates, iii) better result on trading and business service mainly related to the low base effect due to the timing of transactions in 2023.
- Better result of the distribution segment in the first half of 2024 (by PLN 24.3 million) as a consequence of the higher unit margin on energy sales, and higher margin on electricity distribution (related to the low base effect caused by a delay in updating the distribution tariff in the preceding year). Such better result was partly offset by higher operating expenses related to the upscaling of operations and the costs incurred in connection with the development of electromobility projects.
- Lower result in Unallocated item (by PLN 5.2 million) has been mainly a consequence of higher operating expenses at the Headquarters caused predominantly by the upscaling of business.

b) On the level of Net Profit (increase by PLN 53.1 million):

- The EBITDA effect (higher result by PLN 85.7 million);
- Higher depreciation (by PLN 9.5 million) resulting primarily from the commissioning of fixed assets in the wind farm and PV farm segment, depreciation related to the dismantling provision established in 2023 and higher depreciation of leased assets under IFRS 16 adjusted for the finished PPA settlement concerning the acquisition of Polenergia Fotowoltaika S.A.
- Lower impairment losses (by PLN 0.1 million).

All the abovementioned items contributed to the increase of the operating profit by PLN 76.3 million.

- Higher financial income (by PLN 3.0 million) mainly as a consequence of higher interest income, better result on transactions involving derivatives and higher surety fees.
- Higher financial expenses (by PLN 12.9 million) resulting mainly from higher interest expenses, higher costs resulting from the measurement of derivatives and commission expenses, as well as financial expenses due to discounting resulting from the deferred costs of dismantling wind turbines and solar panels.
- The higher income tax level (by PLN 13.4 million) in 2024 results from the higher income of the Group before tax.

c) On the level of adjusted net profit (increase by PLN 52.6 million):

- The net profit effect (increase by PLN 53.1 million);
- Reversal of the foreign exchange differences effect (increase by PLN 0.9 million);
- Elimination of the purchase price allocation effect (drop by PLN 1.3 million);
- Reversal of the impairment losses effect (drop by PLN 0.1 million);
- Reversal of the loan measurement effect using the amortized cost method (unchanged).

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 2023, 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 are denominated in EUR. At the end of February 2024, the Szprotawa I and Szprotawa II projects signed contracts for the supply of photovoltaic panels and inverters. Liabilities under these agreements are denominated in EUR, and the resulting currency risk will be hedged no later than prior to the disbursement of the investment loan. The Company takes into account exchange rate fluctuations in economic forecasts for both projects and aims to reflect them in commercial assumptions in a way that allows the expected project return rate to be maintained.

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 Euro 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 for limiting the currency risk in the investment phase through possibility of debt financing in Euro.

Polenergia Obrót S.A. 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 POLO in a foreign currency, currency exchange rate hedging transactions are concluded. Risk management at POLO 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, more than 50% of the investment projects are financed with debt. In accordance with the credit facility agreements entered into by individual Group companies, interest on credit facilities provided to 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.

As at 30 June 2024, approximately 93% 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 ERO President. Most of the parameters in the formula for the regulatory WACC remain constant. The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the ERO President, is determined on the basis of the average yield on 10-year Treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. Working capital and renewable loan limits used by the Group to finance operating activities in the trading and sales, distribution, gas and clean fuel segments cannot be hedged against the risk of interest rates' increase. 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 changes in the legal and regulatory environment of the energy sector

The Group's operations are subject to numerous Polish, EU and international regulations. Laws, regulations, administrative decisions, positions, opinions, interpretations, guidelines of grid bodies and managers, 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 under EU laws.

The Group's dependence on the regulations is clearly reflected by the impact of the 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 Act on Emergency Measures had a negative impact on the financial results that the Group achieved in 2023 compared to the results that would have been achieved, had the law not been enacted.

The fundamental solutions introduced by the Act on Emergency Measures included the establishment of statutory limits for revenues from the sale of electricity by producers and trading companies. The limits applied to revenues generated until 31 December 2023. The above regulation fundamentally changed the rules for electricity market players. This was particularly visible in the case of RES installations, where the legislator officially imposed the maximum achievable electricity sale price without taking into account the individual economic conditions of the project, or the investor's project commercialization strategy.

In 2024, the Act on Emergency Measures applies to price caps for eligible energy consumers.

It should also be pointed out that irrespective of the adopting the Act on Emergency Measures, the activities carried out by the Group are subject, apart from the provisions generally regulating each business activity, to specific regulations resulting, in particular, from the provisions of the Energy Law, the RES Act, the Act on Promotion of Electricity Generation in Offshore Wind Farms, and 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 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, and Act on Maritime Zones, 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 competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes. The legislative and regulatory changes may also, in certain areas, contribute to a lower than expected return on investment in RES.

The Company's representatives participate in the work of working teams at 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 EU and national level in such scope. Any changes in the regulations of the energy market may prove unfavorable for the 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 trades in electricity and gas also on the wholesale market. The results in that business depend 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 (value at risk) methodology.

The volatility of electricity prices directly impacts the electricity profiling costs in the Group's wind and photovoltaic farms and the profiling costs of energy consumers served by the Group (the so-called profiling costs). The level and volatility of profiling costs remains outside the Group's control to a large extent; this system risk, once materialized, may have a significant effect on the results obtained by the Group. This was the case, without limitation, 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 2023, due to a number of regulatory restrictions and stabilization of prices, the level of profile costs dropped significantly compared to the previous year. This trend continued in the first half of 2024.

At the same time, support granted under the RES 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. As relatively high market prices were maintained (exceeding the settlement prices with the Price Settlement Authority), the support under the auction system adversely impacted the revenues of RES sources participating in the auction also in the first half of 2024 (compared to the market prices possible to be obtained). Nevertheless, the prices for PV farms obtained on the DAM market due to the effect of oversupply of PV power on weekends in spring and summer were subject to degradation down to negative levels, when it was more beneficial to shut down the unit than to produce power.

Notwithstanding the foregoing, higher prices of electricity generally have a positive impact on the results related to the production of energy from RES, provided that they refer to the period for which the sale was not previously secured, be it in the form of a contract for difference, PPA or on the futures market 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 Company 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 13 June 2024, restrictions on maximum offer prices continued to operate in the balancing market. Since 14 June 2024, the balancing market has been operating under new rules that have introduced higher costs of non-balancing of the balancing unit and the resulting higher price volatility, which has reinforced the risk factors associated with increased balancing costs and profiling of RES sources.

The onshore wind farm segment was hedged in a significant part of the portfolio on the futures market with prices higher than the market quotations observed in the first half of 2024 on the current market. However, this situation had an adverse impact on the quotations of contracts for the following years, where 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 with an energy buffer left for the current market. 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 RES 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 energy sources and in photovoltaic sources, contributing to an increase in profiling costs and the reduction of revenues.

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. In periods 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. This trend has been more pronounced upon the introduction of changes in the balancing market from 14 June 2024, where, in addition, balancing settlements changed from hourly to 15-minute periods, increasing the volatility of balancing prices.

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.

A part of the sales volume of electricity from RES generation assets is hedged on the TGE (Polish Power Exchange) futures market and requires the appropriate level of hedging deposits to be maintained, in the amount depending on the quotations of stock indexes and may be subject to considerable fluctuations. The above 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 electricity customers 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

Higher prices in forward contracts for natural gas and carbon dioxide emission allowances combined with lower prices of electricity contracts entail 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. During the first half of 2024 it was not possible to secure positive spreads for ENS on the futures market for 2025 energy supply. Nevertheless, the Group has been optimizing ENS performance in the spot market by taking advantage of the higher price volatility following the changes in the balancing market.

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

According to regulation of the Minister of Climate and Environment regarding the change 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 was set at the level of 5%, compared to 12% in 2023). For blue certificates, the obligation level will be 0.5%. Such a low level of the PMOZE_A obligation resulted in an oversupply of green certificates, which traded at an average of about PLN 45/MWh in the first half of 2024. On 24 July 2024, a draft regulation by the Minister of Climate and Environment was made public, which envisions a renewed increase in the redemption obligation to 12.5% in 2025, and 12% and 11.5% in subsequent years, while expanding the group of entities in energy-intensive industries that will be exempt from the obligation. An increase in the level of redemption may translate into an increase in the price of PMOZE_A property rights.

The above example highlights the high risk of volatility in green certificate prices. The Group strives to limit 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. In addition, following the gradual exit of the Group's projects from the green certificate system due to the termination of the 15 years' period for which the project support was granted, the Group's exposure to the volatility of green certificate market prices has been decreasing. As at the publication of the report, the Group still had wind projects with a total capacity of 227.3 MW under the green certificate system.

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

Failure to implement or delay in the implementation of investment plans involves a risk of failure to reach the assumed operational objectives within the defined time limit. This in turn may cause worse financial results of the Group compared to 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 credit facility 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 20 February 2023 the President of the Energy Regulatory Office issued a decision for Polenergia Obrót 2 sp. z o.o., implementing the Strzelino 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 9 September 2024. The construction and installation works have been completed and by the decision of the President of the ERO of Wednesday, 27 March 2024, the concession for electricity production was obtained by the company.

On 24 November 2023 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Namysłów sp. z o.o., implementing the Szprotawa 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 9 September 2025. The time schedule provides for the project completion prior to the auction deadline.

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 increased investment costs projected for the development and construction phases. This is due to the high demand for services and supplies, changes in raw material prices and information obtained regarding the geotechnical conditions of the seabed. Moreover, a significant increase in the cost of connections to the National Power Grid is observed.

The global offshore wind market was subject to significant changes in the past 2 years, driven by three main factors: (i) the technological development of generators; (ii) the collapse of supply chains; and (iii) the increase in component, supply and service costs 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 2025-2030, juxtaposed with the observed limited market capacity, contributes to the increase in 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, vessels 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 the global position of its partner in the offshore wind farms development projects in the Baltic Sea (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 MFW 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 longer and more deeply set foundations may be required instead of pipe foundations (of monopile type). Installation of turbines using special vessels (jack-up vessels) is also problematic, because it involves resting on the seabed while the crane is operating. In this case there is a risk of the ground not being able to carry the required loads. The Company manages this risk by having project companies developing the MFW Baltic I, MFW Baltic II and MFW Baltic III projects use the best and experienced institutions, analytical and design firms to seek solutions that optimize the risk and foundation costs in the projects under preparation.

The development of offshore wind farms also involves the risk of incurring high investment costs prior to making FID, which stems from the need to secure capacity from suppliers and collect the data needed to obtain a construction 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 liabilities by the companies developing offshore wind farm projects. The Company manages risk through optimization and detailed control of schedules and the negotiation process when creating the supply chain. The possibility of accelerating the schedule and achieving milestones such as obtaining construction permits while accelerating FID is being monitored.

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 both 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 Act on Promotion of Electricity Generation in Offshore Wind Farms, the MFW Bałtyk II and MFW Bałtyk III 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 President of the Energy Regulatory Office. The condition for exercising the right to cover the negative balance is that the European Commission recognizes the aid provided as authorized, as a result of individual notification of state aid. The Commission will determine the level of the project's internal rate of return („IRR”), 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); and 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 of change in prices of raw materials required for electricity generation

The Group companies use natural gas to generate electricity and heat.

The Group uses methane-rich natural gas for the generation of electricity and heat at the Nowa Sarzyna CHP Plant. Since 2021 Polenergia Obrót supplied gas fuel to ENS, and received electricity based on the SLA (Service Level Agreement). Any potential problems of Polenergia Obrót with supplying the amount of gas fuel necessary to satisfy the existing demand may lead to limitations on gas fuel supply to customers. In such cases, ENS may fail to fulfill its obligation to supply heat to its contracting consumers and electricity to Polenergia Obrót. The risk of supply limitations is low. The risk of changes in market prices of gas is limited by ENS through the SLA mechanism, which ensures the simultaneous securing of three products: electricity, natural gas and CO₂ emission allowances in the event of a positive so-called CSS (*Clean Spark Spread*). Polenergia Obrót secures positive CSS for ENS in the forward market while buying natural gas and CO₂ emission allowances and selling energy in accordance with the SLA. When the price of raw materials or energy changes, production optimization and possible reversal of hedging is performed. In principle, natural gas corresponding to the heat production profile is purchased separately. Nowa Sarzyna CHP Plant signed a contract for the purchase of gas for heat production with Polenergia Obrót based on the SLA for the year 2024, and with PGNiG Obrót Detaliczny sp. z o.o. for 2025.

In 2024, with the implemented changes in the balancing market, the volatility of energy prices in the spot market increased, thus increasing the possibility of restarting work in ENS. Polenergia Obrót has been closely co-operating with ENS to make the economically and technically optimal use of the gas-steam unit.

The Issuer and the Group companies use mechanisms which protect against adverse effects related to fluctuations of raw materials used. In principle, the sale prices of electricity and heat are related to the prices of natural gas. However, it cannot be ruled out that in spite of the protection mechanisms used, raw material price fluctuations may adversely affect the financial performance of the Issuer and the Group.

In the electricity production from natural gas CO₂ is emitted at a rate of about 500kg/1MWh (depending on the efficiency of the plant). Thus, an increase in CO₂ costs by PLN 1/t means an increase in the cost of electricity production from natural gas by approximately PLN 0.5 / MWh. Over the past few years, CO₂ prices increased from levels periodically exceeding PLN 400/ton, meaning an increase in the cost of producing electricity in gas units.

Nevertheless, in the activity of the Group to date, the above risk has not materialized in a way that would have a significant impact on the Group's activities. The Company does not rule out the materialization of the indicated risk in the future, i.e. that the increase in the cost of producing energy or heat from natural gas will not be able to be covered by their selling price.

Risk related to the unstable tax regime

Tax law provisions undergo numerous changes every year. The implemented regulations are not clearly formulated, which gives the tax authorities the opportunity to interpret them to the detriment of taxpayers. The Ministry of Finance has issued numerous and extensive tax clarifications concerning certain issues, however, taxpayers still have many doubts as to the practical implementation, due the complicated nature of the issues. This is because published clarifications frequently contradict the literal wording of the regulations. On more than one occasion, a change in the approach of tax administration authorities to the effects of the transactions in question could be observed; there are differences in the interpretation of tax laws between state authorities and tax administration authorities. As a result of such actions taxpayers may be exposed to numerous tax risks. The risk of changes in current regulations that may prove unfavorable to the Group is also identified, such changes may cause a deterioration of financial results and may affect the decision on the direction of further development.

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 towards 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, Company thoroughly verifies its potential customers, also with the support of external consultants, checking their ability to settle liabilities towards Company 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. Both parties work together for several months before the launch of a project.

Due to 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. The above was taken into account in the credit risk assessment model, which resulted in maintaining the write-off for bad debts in the amount of PLN 43 959 thousand as at 30 June 2024.

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 Company or the Group.

At the same time in the area of trade and sales, due 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 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, deterioration of the financial condition of customers and contracting parties will adversely affect the financial standing of the Group.

The above risk has already materialized in the Group's activity. In March 2023 Polenergia Obrót S.A. received information from CIME V-E Asset AG ("CIME") about financial difficulties that may cause delays in the payment of receivables to Polenergia Obrót S.A. under the framework agreement dated 27 February 2020, concluded on the basis of the International Swaps and Derivatives Association Inc. template, and the transaction agreements for 2023 - 2025 ("ISDA") concluded thereunder. At the same time, on 24 March 2023, Polenergia Obrót S.A. stated that invoices for the billing period covering January 2023 and February 2023 were not paid, and addressed CIME with a call for payment of receivables under ISDA, covering financial instruments based on energy products, and amounts resulting from late payments under ISDA (the "Debt").

In response to the need for restructuring measures, Polenergia Obrót S.A. agreed to enter into a package of agreements with CIME and CIME Krzanowice III sp. z o. o., CIME's Polish operating subsidiary, ("CIME Krzanowice") in order to secure the interests of Polenergia Obrót S.A. to a maximum extent.

On 14 July 2023 Polenergia Obrót S.A. and CIME Krzanowice entered into an agreement for the sale of electricity generated at the wind farm owned by CIME Krzanowice for a 10 years' term, under which Polenergia Obrót offtakes all the energy generated at this wind farm as of 1 September 2023 (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., on 3 August 2023 CIME, CIME Krzanowice and Polenergia Obrót entered into an agreement restructuring the Debt, pursuant to which Polenergia Obrót S.A. will be entitled to set off the Debt in the agreed amount against CIME Krzanowice's receivables from Polenergia Obrót S.A. for electricity supplied under the Offtake Agreement which will allow for gradual reduction of the level of the Debt over a 10-year time horizon (the

"Restructuring Agreement"). In order to secure the rights of Polenergia Obrót S.A. 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.

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. and Talia sp. z o.o. - each filed an action to state ineffectiveness of the declarations of termination by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (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.

Both companies obtained favorable partial and preliminary judgments upholding the claim in the part regarding the ineffectiveness of the statements of termination by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of the contracts in dispute. The judgments were challenged on appeal.

On 20 December 2021 the Court of Appeals in Gdańsk announced a judgment in a case brought by Talia sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., dismissing the appeal filed by the above company in its entirety. On 16 August 2022, Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. filed a cassation appeal. On 17 November 2022 the Court of Appeals in Gdańsk announced a judgment in a case brought by Amon sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., dismissing the appeal filed by the above company in its entirety. On 12 June 2023 Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. filed a cassation appeal. Both cassation appeals were accepted for examination by the Supreme Court.

On 31 March 2023, Amon sp. z o.o. received a procedural letter from Polska Energia – Pierwsza Kompania Handlowa sp. z o.o., in a case brought by Amon sp. z o.o. v. Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. including further claims of Amon sp. z o.o. resulting from the failure to perform the above-mentioned contracts by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., pending before the District Court in Gdańsk, in which letter Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. entered into a counterclaim demanding an award from Amon sp. z o.o. for its benefit the amount of PLN 61,576 thousand with statutory default interest calculated as follows: (i) on the amount of PLN 55,691 thousand - from 31 March 2023 until the date of payment, (ii) on the amount of PLN 5,884 thousand - from the day following the date of direct delivery of a copy of the counterclaim to the attorney of Amon sp. z o.o.

The amount of PLN 55,691 thousand represents contractual penalties demanded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. allegedly on the basis of §8 section 1 of the agreement for the sale of property rights arising from certificates of origin confirming the generation of electricity in a renewable energy source - Łukaszów Wind Farm concluded on 23 December 2009 by Amon sp. z o.o. with Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. and allegedly resulting from the failure of Amon sp. z o.o. to meet the number of property rights to be transferred in individual months starting from August 2019.

The amount of PLN 5,884 thousand in turn represents compensation claimed by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. for the alleged failure of Amon sp. z o.o. to perform an agreement for the sale of electricity generated at a renewable energy source - the Łukaszów Wind Farm, concluded by Amon sp. z o.o. with Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. on 23 December 2009, in the period from 18 November 2022 to 31 December 2022.

On 16 May 2023, the Regional Court of Gdańsk served Amon sp. z o.o. with a ruling dated 2 May 2023, leaving the counterclaim by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. without further consideration. The ruling issued by the Regional Court in Gdańsk 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 28 December 2023 Amon sp. z o.o. filed a second change of the claim against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with the Regional Court in Gdańsk, in connection with the ineffective termination and non-performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of long-term contracts for the sale of energy and property rights concluded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with Amon sp. z o.o. By virtue of the aforementioned change of claim, Amon sp. z o.o., in addition to the amounts claimed so far, demands payment of the amount of PLN 18,297 thousand as compensation for failure to perform the aforementioned agreements during their further term.

On 28 December 2023 Talia sp. z o.o. filed a fifth change to the claim against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with the Regional Court in Gdańsk, in connection with the ineffective termination and non-performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of long-term contracts for the sale of energy and property rights concluded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with Talia sp. z o.o. By virtue of the above change of the claim, Talia, in addition to the amounts claimed so far, seeks payment of the amount of PLN 12,075 thousand as compensation for non-performance of the aforementioned contracts during their further term.

Amon sp. z o.o. and Talia sp. z o.o. brought an action for damages claims against Tauron Polska Energia S.A. The tort liability for damages of Tauron Polska Energia S.A. is based on the cessation of performance by Polska Energia- Pierwsza Kompania Handlowa sp. z o.o., - a subsidiary of Tauron Polska Energia S.A., 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 sp. z o.o. and Talia sp. z o.o.

Witnesses are currently being interviewed orally at hearings and in writing before the Regional Court in Katowice.

On 28 December 2023, Amon sp. z o.o. and Talia sp. z o.o. filed with the Regional Court in Katowice, a second change of the claim against Tauron Polska Energia S.A. covering Amon's and Talia's claims for damages arising after 30 June 2020. Pursuant to the change in question, the claims for damages with interest increased by PLN 29,668 thousand in case of Amon sp. z o.o., and PLN 19,277 thousand in case of Talia sp. z o.o.

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

Certyfikaty sp. z o.o., Polenergia Obrót S.A. i Green Stone Solutions sp. z o.o. (then under the name: Polenergia Usługi sp. z o.o.) were sued by Eolos Polska sp. z o.o. before the Regional Court in Warsaw XX Economic Department for payment of contractual penalties for termination of agreements on the sale of property rights arising from certificates of origin of electricity generated at renewable energy sources and for payment of receivables on account of balancing costs. The court appointed an expert in the case to prepare an opinion. On 14 December 2023, the court ordered the admission of evidence from a written supplementary expert opinion.

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

Polenergia Obrót S.A. was bound with contracts for energy sale 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 contracts in question, JMP addressed Polenergia Obrót S.A. with a call for payment of PLN 3,501 thousand and PLN 36,027 thousand, i.e. a total of PLN 39,528 thousand. The claims filed by JMP relate to periods falling after the date of expiry of the sale contracts, and therefore Polenergia Obrót

S.A. considers them groundless. Thus, the Company also deems ineffective the statement of JMP on setting off the requested amounts with the receivables of Polenergia Obrót S.A. due to JMP.

On 1 December 2022, Polenergia Obrót S.A. filed a claim against JMP with the Regional Court in Warsaw, demanding payment of PLN 40,853 thousand 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 thousand of the invoices for energy unpaid by JMP and the amount of PLN 1,324 thousand 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. In September 2023, JMP served Polenergia Obrót S.A. with a statement of defense. According to the claimant, the content of the statement of defense, as well as the arguments presented in JMP's subsequent pleadings, does not affect the previous assessment of the legitimacy of Polenergia Obrót S.A.'s claim.

The first hearing was not scheduled yet.

Counterparty risk

On 4 March 2021 Polenergia Elektrownia Północ sp. z o.o. received a call for payment in the amount of PLN 1.5 million 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 1.5 million 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 claimants demand the payment because the access road to one of the wind turbines was located on the real property belonging to the plaintiffs as a result of a court judgment delimiting the property. The real property had previously been 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 claimants the amount of PLN 18,428.08 for non-contractual use of the property in the period from 13 March 2020 to 31 December 2021. The claimants 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 respondent from the beginning of the proceedings. The claimant filed an appeal with the Regional Court in Toruń. At a hearing before the Regional Court in Toruń on 15 May 2024, the parties reached a settlement, which means that the dispute is over. Under the settlement, Polenergia Farma Wiatrowa 1 Sp. z o.o. will pay the claimant the amount of PLN 35,000.00 as compensation for non-contractual use of the property for the period from 31 May 2020 to 31 December 2021. At the same time, the parties agreed to enter into a lease agreement on terms agreed by the parties.

Risk related to application of hedge accounting to cash flow hedges

As at 30 June 2024 the Group recognized PLN 15 544 thousand in other comprehensive income being a component of equity (30 June 2023: PLN - 58 797 thousand) on account of the effective portion of the assessment of the hedging instrument to the fair value.

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

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

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

As at 30 June 2024 the Group held the following hedging instruments for cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Date of maturity of hedging instrument	Hedge value (PLN thousand)	Interest rate hedged	Instrument
29.09.2025	21,594	0.52%	IRS
29.06.2026	14,288	0.56%	IRS
26.02.2027	615	1.25%	IRS
15.12.2027	81,106	0.75%	IRS
29.03.2028	103,661	0.79%	IRS
18.12.2028	59,450	5.19%	IRS
22.12.2031	7,699	2.60%	IRS
21.06.2033	7,870	5.67%	IRS
12.12.2033	24,720	6.71%	IRS
12.12.2033	24,720	6.71%	IRS
13.03.2034	137,976	6.65%	IRS
30.06.2034	11,209	0.89%	IRS
11.06.2035	131,584	1.10%	IRS
10.09.2035	392,310	1.20%	IRS
31.12.2035	16,632	2.39%	IRS
11.03.2036	100,343	2.22%	IRS
Total	1,135,777		

Transactions securing the risk of foreign exchange rates changes.

Date of maturity of hedging instrument	Value of collateral (EUR thousand)	Interest rate hedged	Instrument
2024.Q3	EUR 688	4.3399	SWAP
2025.Q1	EUR 229	4.3700	SWAP
Total	EUR 917		

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 has 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 WF 1 wind turbines are located, along with associated infrastructure. In the termination notice the lessor stated that in its opinion Polenergia WF 1 failed to provide the bank guarantee in the correct form required by the lease agreement. Polenergia WF 1 does not share the lessor's view of the grounds for termination, and informed the lessor that in the opinion of Polenergia WF1 the termination was ineffective and the lease agreement was still in force. The parties reached an agreement following negotiations and entered into a new lease agreement in March 2024.

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

Amon and Talia v. Polska Energia - First Trading Company and Tauron Polska Energia

The case is described in item 8 hereof "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

Eolos vs. Certyfikaty, Polenergia Obrót and Green Stone Solutions

The case is described in item 8 hereof - "Risks related to the dispute with Eolos Polska Sp. z o.o."

Polenergia Obrót against Jeronimo Martins Polska

The case is described in item 8 of the report - "Risks related to the dispute with Jeronimo Martins Polska S.A."

Polenergia Dystrybucja debt collection cases

Polenergia Dystrybucja sp. z o.o. is pursuing collection cases related to non-payment for delivered electricity. The asserted claims currently total approximately PLN 503 thousand.

UOKiK proceedings against Polenergia Fotowoltaika

On 6 December 2021 the President of the Office of Competition and Consumer Protection („UOKiK”) initiated clarification proceedings with respect to Polenergia Fotowoltaika S.A. based in Warsaw, for preliminary determination whether, as a result of activities related to the services of the sale and installation of photovoltaic installations provided by Polenergia Fotowoltaika S.A., there was a breach justifying the initiation of proceedings to recognize the provisions of the model contract as prohibited, or a breach of consumer interests protected by law justifying the initiation of proceedings regarding practices that breach the collective interests of consumers. Polenergia Fotowoltaika S.A. submitted documents and information indicated in the summons to UOKiK.

In the course of the proceedings, the UOKiK called on Polenergia Fotowoltaika S.A. to submit additional information and documents. Polenergia Fotowoltaika S.A. provided the UOKiK with the documents and information indicated in the summons and addresses.

Investigation by the UOKiK may result in: (1) failure to continue the proceedings; (2) discontinuation of the proceedings due to their irrelevance; (3) initiation of appropriate proceedings to recognize the provisions of a model contract as prohibited or practices that breach the collective interests of consumers.

Polenergia Fotowoltaika's debt collection cases

Due to the nature of Polenergia Fotowoltaika S.A.'s business, since December 2022 the company has filed 89 actions for payment in pursuit of receivables under contracts between the company and its customers. Due to the nature of its business, Polenergia Fotowoltaika S.A. is a party to 13 litigations in connection with contracts between the Company and its customers and the agreements between the company and its subcontractors or suppliers.

Challenging the decision of the President of ERO by Polenergia Elektrociepłownia Nowa Sarzyna

Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. challenged the decision of the President of the Energy Regulatory Office with respect to the final settlement of stranded costs under the Act on the principles of coverage of costs arising at generators in connection with early termination of long-term agreements for the sale of capacity and electricity (the "LTC Termination Act"). In his decision the President of the Energy Regulatory Office determined the amount of the final settlement of stranded costs payable to the company, as additional funds to those already paid, of PLN 3,758 thousand. As the company does not share the interpretation of selected provisions of the LTC Termination Act, it appealed against the decision of the President of the Energy Regulatory Office to the Court of Competition and Consumer Protection in Warsaw, demanding an increase in the amount of funds due to Company. The disputed value is PLN 13.214 thousand, for which Company established an allowance under receivables

On 23 November 2023, the abovementioned Court issued a judgment in which it changed the appealed decision and set the amount of the final adjustment of stranded costs at PLN 16,645,912, thus recognizing

as legitimate the claim of Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. in the amount of PLN 12,887 thousand and dismissing the claim as to the amount of PLN 327 thousand. Both parties, i.e. Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and the President of the Energy Regulatory Office, appealed against the verdict, with the company filing an appeal against the part of the verdict regarding the dismissed claim. The case is pending with an appeal hearing date to be scheduled.

Redemption of proprietary rights by Polenergia Obrót

Polenergia Obrót S.A. was obliged to fulfill, by 30 June 2023, its obligations under Article 52 sec. 1 of the Renewable Energy Sources Act and Article 10 sec. 1 of the Energy Efficiency Act to redeem a certain number of proprietary rights to certificates of origin and energy efficiency certificates for 2022. Polenergia Obrót S.A. determined that it had fulfilled the obligation in 98.05%, therefore on 21 July 2023, Polenergia Obrót S.A. made additional payments as surcharges on replacement fees in order to fulfill the obligation in full. Failure to meet the deadline of 30 June 2023 may result in the imposition of fines by the President of the Energy Regulatory Office, in particular under Article 170 sec. 2 of the Renewable Energy Sources Act.

Restructuring of debt of ISDA CIME contract towards Polenergia Obrót

The case is described in item 8 hereof. "Risk related to financial standing of customers and contracting parties"

Verification of the size of mandatory stock of natural gas

In a letter dated 23 May 2024 the President of the Energy Regulatory Office ("ERO") notified Polenergia Obrót S.A. ("POLO"), a subsidiary of Polenergia S.A., of the initiation of administrative proceedings for the imposition of a fine in connection with suspected non-compliance with the obligation to present information on the volume of mandatory stocks to the ERO President for verification by the ERO President, pursuant to Article 25(3) of the Act on Supplies of Crude Oil, Petroleum Products and Natural Gas and the Principles of Handling Situations of Risk to the State's Fuel Security and Disturbances on the Oil Market, of 16 February 2007. In response to the request by the ERO President, POLO provided the missing information and additional clarifications, including after the completion of the evidentiary part of the administrative proceedings. Violation of the obligation in question is subject to a fine ranging from 1% to 15% of the entrepreneur's revenue resulting from activities performed in virtue of a license for trading natural gas with foreign countries.

Proceedings of the President of the Energy Regulatory Office against Polenergia Obrót, Polenergia Sprzedaż, Polenergia Farma Wiatrowa 3 and Polenergia Farma Wiatrowa Dębice/Kostomłoty

During September and October 2023, a number of Polenergia S.A.'s subsidiaries (Polenergia Obrót S.A., Polenergia Sprzedaż sp. z o.o., Polenergia Farma Wiatrowa 3 sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o.) received notices of initiation ex officio by the President of the Energy Regulatory Office of administrative proceedings regarding the imposition of a monetary penalty in connection with breach of the Act on emergency measures aimed at limiting the amount of electricity prices and supporting certain consumers dated 27 October 2022 by failing to submit to Zarządca Rozliczeń S.A. (Price Settlement Authority), reports confirming the deduction for the Price Difference Payment Fund within the deadline prescribed by the aforementioned Act.

Polenergia S.A.'s subsidiaries provided the President of the Energy Regulatory Office with explanations of the reasons for the (usually few days') delays in submitting reports and are awaiting final decisions, while Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. and Polenergia Farma Wiatrowa 3 sp. z o.o. received a notice that administrative proceedings had been completed.

The indicated breach of the aforementioned law may result in a monetary fine. The act currently stipulates that the penalty may not exceed 15% of the punished entity's revenue generated in the previous financial year, while the President of the Energy Regulatory Office, when imposing the penalty, takes into account the degree of harmfulness of the act, the degree of culpability, as well as the past behavior of the entrepreneur

and its financial capabilities when imposing the penalty. The ERO President may also waive the punishment if the degree of harmfulness of the act is negligible, and the entity has stopped breaching the law or fulfilled the obligation. Polenergia S.A.'s subsidiaries submitted all the delayed reports.

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 credit sureties or guarantees issued by the Company or the Company's subsidiary to a single entity or its subsidiaries, see Note 22 to the mid-term consolidated financial statements of the Polenergia Group.

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 are 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, Kostomłoty, Piekło and Grabowo Wind Farms are located,
- insolation in the area of the Sulechów, Buk and Strzelino photovoltaic farms,
- prices of electricity and green certificates,
- the frequency of periods with a negative market price of electricity,
- the scale of reduction of production from individual RES units as instructed by the operator,
- 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.