



Energa SA's Management Board Report on performance of the Energa Capital Group in the first half of 2021

Gdańsk, 11 August 2021

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1. SUMMARY

ENERGA GROUP IN H1 2021



One of the leading energy groups and a reliable supplier of electricity and services for ¼ of Poland, with a 41% share of RES in own production.




Financial data

Revenues	EBITDA	EBITDA margin
PLN 6,669 m	PLN 1,417 m	21.2%

Renewable energy sources

Installed capacity	RES production	
532 MWe	783 GWh	<p>Wind 46% Run-of-the-river plants 38% Biomass 15% PV 1%</p>





Operating data

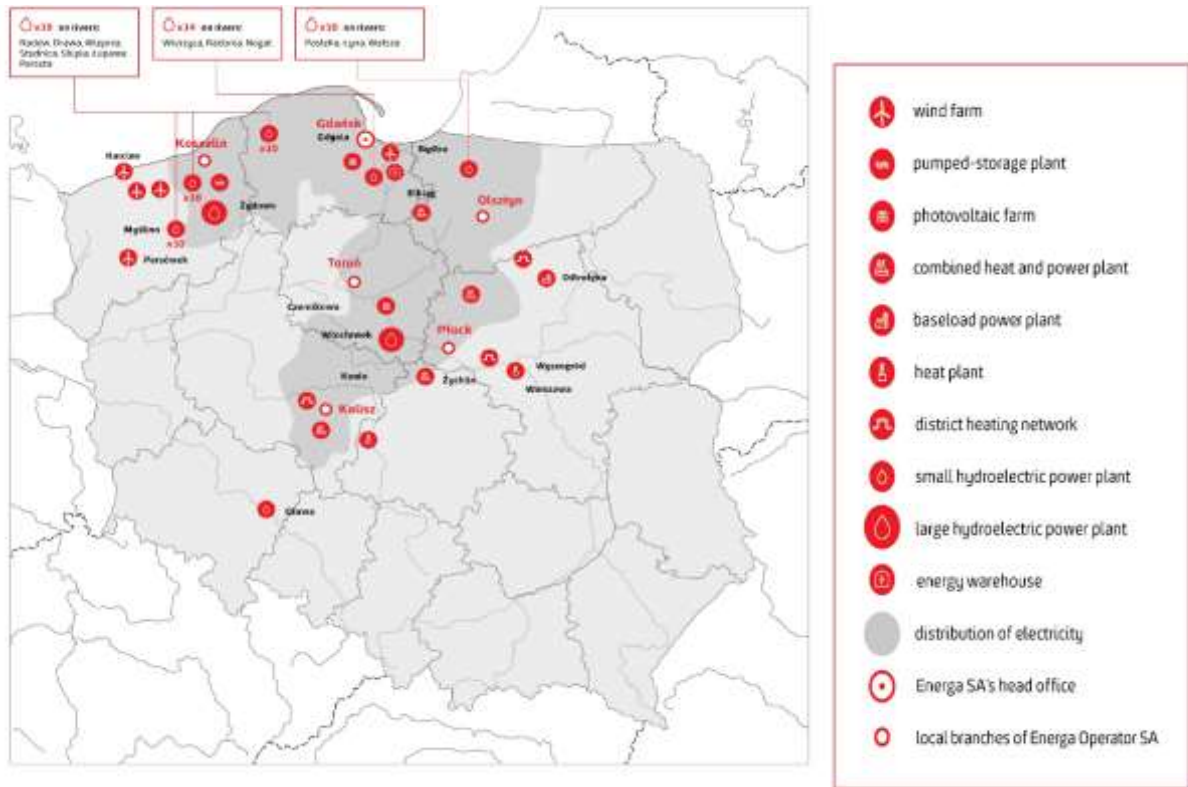
Volume of electricity supplied	Gross electricity production	Retail sales of electricity
 11.6 TWh	 1.9 TWh	 9.3 TWh




Investor's guide*

Capitalization	Share price	Fitch rating of Energa
PLN 3.27 billion	PLN 7.90	BBB-

* As at 30 June 2021

Key resources			
Distribution grid	Installed capacity	Number of clients	Number of employees
192 k km 	1.38 GWe of which 39% are RES 	Distribution: 3.2 m Sales: 3.2 m 	9.7 k 



Key Business Lines		
Distribution	Generation	Sales
		
EBITDA: PLN 1,079 m	EBITDA: PLN 149 m	EBITDA: PLN 211 m

Investments			
PLN 945 m	New customer connections	Modernization of HV, MV and LV lines	New RES
Of which Distribution: PLN 670 m	33 k	1,287 km	616 MW



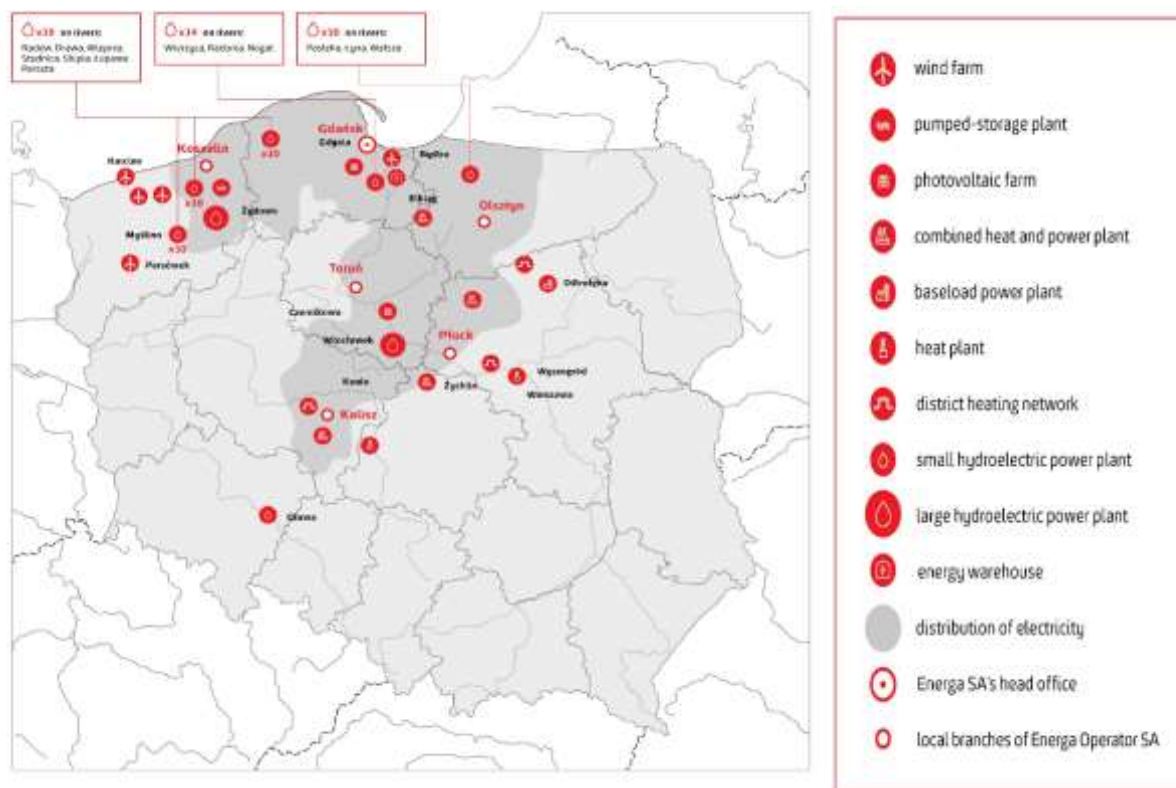
Hydro plant Żelkowo

Key information about the Energa Group

2. KEY INFORMATION ABOUT THE ENERGA GROUP

2.1. Activities of the Group

Figure 1: Business locations and main assets of the Group



The core business of the Energa Group involves the distribution, generation and trading in electricity and heat and concentrates on the following business lines:

Distribution Business Line. This is the business line of key importance to the Group's operating profitability, consisting in the distribution of electricity (which is a regulated activity in Poland) and based on tariffs approved by the President of the Energy Regulatory Office (URE). Energa Operator SA is the leader in this Line. The Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group's distribution assets through which the Group supplies electricity to 3.2 m customers, approx. 3.0 m of whom are customers with universal agreements and 178 thousand are TPA (Third Party Access) customers. As at 30 June 2021, the total length of the power lines was 192 thousand km and covered almost 75 thousand km², i.e. about 24% of the country's landmass.

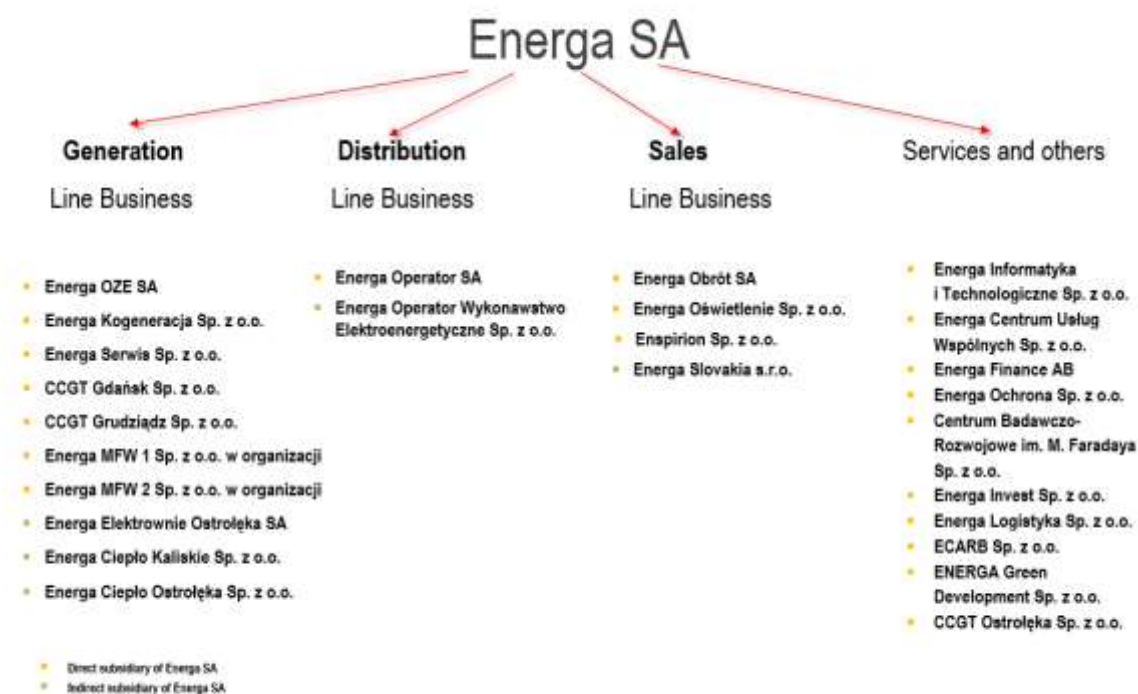
Generation Business Line. The operation of this Business Line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of H1 2021, the total installed generation capacity in the Group's power plants was approx. 1.4 GW. The leading entity in this Business Line is Energa OZE SA. In H1 2021 the Group generated approx. 1.9 TWh of gross electricity, relying on a mix of sources such as coal, water, biomass, wind, and photovoltaic energy. In this period, 57% of the Group's gross electricity production originated from coal, 28% from hydro, 12% from wind and 2% from biomass. The Energa Group owes its strong position in terms of the percentage of renewable electricity in the total energy mix primarily to the generation of energy in hydro- and wind power plants. Green energy is produced by 46 hydro power plants, 6 wind farms as well as biomass-fired installations (Energa Kogeneracja) and 2 photovoltaic installations.

Sales Business Line. Its leading entity is Energa Obrót SA. It sells electricity, gas and additional services both as separate products and in bundles to all customer segments – from industry through large, medium and small enterprises, to households. As at the end of H1 2021, the Energa Group had approximately 3.2 million customers, including 2.9 million classified as G tariff customers, with the remainder being customers from: C, B and A, in a decreasing order.

Structure of the Group

As at 30 June 2021, the Energa Group consisted of 27 companies, including its parent company, Energa SA (“Energa”, “Company”).

Figure 2: Simplified organizational chart of the Energa Group as at 30 June 2021



Additionally, as at 30 June 2021 the Group held shares in joint ventures: Polska Grupa Górnicza SA (“PGG”), Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in associates: Polimex-Mostostal S.A. (“Polimex”) and ElectroMobility Poland SA.

Major changes in the Group's structure and organisation

Energa MFW 1 Sp. z o.o. (in organization) and Energa MFW 2 Sp. z o.o. (in organization)

The companies were founded on 26 March 2021 by Energa OZE SA, which acquired 100% of their shares. The companies were established in connection with the planned investment in off-shore wind farms.

Energa Green Development Sp. z o.o.

The company was established on 20 January 2021 by Energa SA, which acquired all 1,200 shares in the company's share capital. The company was entered in the National Court Register on 9 February 2021. The establishment of Energa Green Development was prompted by the need to develop and integrate renewable energy projects, mainly based on wind and photovoltaics, within the Energa Group and the ORLEN Group. The company is to accumulate contractor competences in the area of development of farms.

Sale of ENERGA OCHRONA sp. z o.o. to ORLEN Ochrona sp. z o.o.

On 30 June 2021, Energa SA signed an agreement with ORLEN Ochrona sp. z o.o. for the sale of 100% of shares in ENERGA OCHRONA sp. z o.o. for PLN 4.1 million. The legal title to the shares passed to ORLEN Ochrona sp. z o.o. with effect from 31 July this year. The transaction was carried out under the Business Integration and Transformation Programme of PKN ORLEN and the Energa Group.

Transfer of part of the assets of Energa Kogeneracja Sp. z o.o. to ECARB Sp. z o.o.

On 15 February 2021, a portion of the assets of Energa Kogeneracja Sp. z o.o., including PGG registered shares, was spun off and transferred to ECARB Sp. z o.o. in exchange for the shares in the increased share capital of ECARB Sp. z o.o. The shares were acquired by the partners of the company being the object of the spin-off, namely Energa SA and Energa OZE SA.

2.2. Key events in H1 2021 and after the balance sheet date

2.2.1. Material events in the reporting period

Information about results of impairment tests

In January 2021 the Management Board of Energa learned of the result of impairment tests of non-current assets of the Energa Group and impairment tests of shares in subsidiaries held by Energa SA, which were conducted for H2 2020 in accordance with IAS 36.

As a result of the above mentioned impairment tests of non-current assets of the Group, it was found necessary to:

- reverse an impairment losses on generation assets of subsidiary Energa Elektrownie Ostrołęka SA to the amount of PLN 414 m,
- reverse an impairment losses on CHP assets belonging to Energa Kogeneracja Sp. z o.o. in the amount of PLN 69 m,
- reverse an impairment losses on generation assets belonging to Energa OZE SA in the amount of PLN 13 m.

In addition, following the impairment tests of shares in subsidiaries held by Energa SA, the total result of created impairment losses was PLN 24 m (impairment loss in the value of shares in Energa Kogeneracja Sp. z o.o. in the amount of PLN 5 m and impairment loss on the value of shares in ENERGA AB Finance (publ) in the amount of PLN 19 m).

These events were of a non-cash nature. They impacted the net result of the Energa Group and Energa SA for 2020 without affecting the EBITDA.

Suspension by the Polish Financial Supervision Authority of administrative proceedings on granting the permit to withdraw shares of Energa SA from trading on the regulated market

In January 2020 the Company received a decision from the Polish Financial Supervision Authority ("PFSA") dated 15 January 2021 on suspension of administrative proceedings on granting the permit to withdraw 269,139,114 of Company's shares from trading on the regulated market. The basis for this suspension are the legal claims reported by the Company in current reports Nos 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020.

In the explanatory memorandum to its decision, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the suspension of the proceedings, and indicated that review of the case and issue of the decision depends on the prior resolution of the preliminary issue by the court.

Amendment to the order granting security for the claims for invalidity or revocation of a resolution of the Extraordinary General Meeting of Energa SA - establishing a security deposits

On 12 April 2021 the Regional Court in Gdańsk, as a result of a complaints filed by the Company, issued two decision in which it amended its earlier two decisions of 7 December 2020 and 10 December 2020 (which the Company informed about in current reports No. 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020) on granting security to the Company's shareholders for the claim to declare invalid or revoke Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) 269,139,114 series AA ordinary bearer shares of the Company bearing ISIN code PLENERG00022 in Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) (the "Resolution"). Mentioned above two decisions of 7 December 2020 and 10 December 2020 amended in such a way that their execution was made conditional on the plaintiffs depositing a security deposits in the amount of PLN 1,360,326.23 (for each of the above-mentioned decisions separately) to secure the Company's claims arising in the performance of the security order. On 5 May 2021 the Company received information that in the case of decision of 10 December 2020 the security deposit was paid to the account of the Regional Court in Gdańsk.

Activities regarding the project for the construction of a new power plant in Ostrołęka

On 22 December 2020, Energa SA, PKN ORLEN SA („PKN ORLEN”) and Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG”) signed an investment agreement governing directional rules of cooperation on the construction of a gas fuel power generating unit at the Ostrołęka “C” power plant (“Investment Agreement”), (“Gas Project”). The parties to the Investment Agreement undertook to cooperate in delivering the Gas Project by establishing a new company that would take over selected assets and liabilities from Elektrownia Ostrołęka Sp. z o.o. (implementing the project of construction of the Ostrołęka "C" Power Plant with a capacity of 1000 MW - the "Coal Project") that are indispensable for the implementation of the Gas Project. According to the Investment Agreement, Energa and PKN ORLEN would receive a total of 51% shares in the share capital of the newly established company („Shares Pool”), which is the same per cent of the total number of votes at its meeting of shareholders and that PGNiG would take the remaining 49% of shares in the share capital of the newly established company, which is the same per cent of the total number of votes at the meeting of shareholders.

The new company called CCGT Ostrołęka Sp. z o.o. was registered on 29 January 2021, with Energa SA as its sole shareholder. On 14 April 2021, the Company's Management Board was informed that the President of the Office of Competition and Consumer Protection had granted consent to the establishment of a joint venture by PKN ORLEN, Energa and PGNiG, i.e. CCGT Ostrołęka Sp. z o.o. with its registered office in Ostrołęka.

On 18 May 2021 Energa SA concluded with PKN ORLEN an agreement defining the terms and scope of cooperation in the performance of the Investment Agreement. Energa and PKN ORLEN agreed that from the share pool allocated to them, Energa will take up 50%+1 share in CCGT Ostrołęka Sp. z o.o., and PKN ORLEN will take up the remaining shares from the share pool allocated to both companies. Moreover, in accordance with the agreement, in the event of risk of Energa breaching the requirements of financing agreements, PKN ORLEN would provide Energa with funds necessary to finance the project in an amount not exceeding PLN 1.55 billion.

On 26 February 2021 and on 30 June 2021, two agreements governing loans granted to Elektrownia Ostrołęka Sp. z o.o. by Energa SA and ENEA SA were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58 million and the agreement of 23 December 2019 in the total amount of PLN 340 million were extended. The new maturity of the loans was set at 30 September 2021.

On 25 June 2021, the "Contract Amendment Document dated 12 July 2018 for the construction of the Ostrołęka "C" Power Plant with a capacity of 1,000 MW" was signed between Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o., on the one hand, and the contractors of the Coal Project and the contractors of the Gas Project, on the other hand, together with the simultaneously concluded agreements signed by the respectively specified parties:

- the Gas Annex together with the Service Agreement. The subject matter of the Gas Annex is the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant costing an estimated PLN 2.5 billion to be located in Ostrołęka, on a site originally used for the coal-fired unit project.

- an agreement concerning the settlement of the Coal Project, according to which the settlement of the Coal Project will take place by the end of 2021, and the total amount that Elektrownia Ostrołęka Sp. z o.o. will be obliged to pay to the Coal Project Contractor will not exceed PLN 1.35 billion (net).

In addition, on 25 June 2021, an agreement was signed between CCGT Ostrołęka Sp. z o.o. and Elektrownia Ostrołęka Sp. z o.o. on the sale of the enterprise of Elektrownia Ostrołęka Sp. z o.o. intended for the implementation of economic tasks involving the construction of a power unit in gas-fuelled power technology located in Ostrołęka and then for the operation of that unit. The initially estimated sales price is approximately PLN 166 million.

Adoption of the Long-Term Strategic Investments Plan of the Energa Group for 2021-2030

On 27 April 2021 the Company's Supervisory Board adopted a resolution to approve the "Long-Term Strategic Investments Plan of the Energa Group for 2021-2030".

A new version of the Long-Term Strategic Investments Plan ("Investment Plan") was prepared in connection with the "ORLEN Capital Group strategy by 2030" announced by PKN ORLEN S.A., the Company's strategic shareholder. Furthermore, the Investment Plan needed an update in order to be adapted to the ongoing and expected changes in the market and regulatory environment and in order to account for the current time schedule of investment projects.

According to the Investment Plan, total outlays on core- and additional investment projects of the Energa Group planned for 2021-2030 amount to approx. PLN 29.7 billion, including approx. PLN 13.4 billion between 2021 and 2025.

Approximately PLN 16.9 billion worth of outlays will be made in the Distribution Business Line between 2021 and 2030. The investment projects will be related mainly to the construction, reconstruction and expansion of the distribution grid to improve the reliability of electricity supply, to connect sources of electricity supply and growing flows in the grid as well as the construction or expansion of the grid in order to connect customers.

The Group intends to spend approx. PLN 11.8 billion on the Generation Business Line in the years 2021-2030, most of which will be allocated to investments related to renewable energy sources ("RES").

The Sales Business Line and other companies were allocated approx. PLN 1.1 billion and this amount will cover mainly the development of IT tools, the development of a new product offer and investment projects in the lighting area.

Adoption of the Strategic Development Plan of the Energa Group for 2021-2030

On 31 May 2021 the Company's Supervisory Board adopted a resolution to approve the "Strategic Development Plan of the Energa Group for 2021-2030" ("Strategic Development Plan").

The Strategic Development Plan replaces the "Strategy of the ENERGA Group for 2016-2025", setting the framework for the operation and development of the Energa Group until 2030, in line with the "ORLEN Capital Group strategy by 2030" announced by PKN ORLEN S.A., the Company's strategic shareholder.

The Strategic Development Plan describes the contribution of the Energa Group to the implementation of the above-mentioned Strategy of the ORLEN Capital Group. Furthermore, it takes into account the implementation of the most important initiatives related to the integration of both groups and key trends affecting the shape and functioning of the domestic energy market.

The main strategic goals of the Energa Group for 2021-2030:

- a) in the area of distribution: building and implementation of a long-term development plan for the HV, MV, LV grids and improving the quality of customer service,
- b) in the area of generation: development of new RES capacities - photovoltaic, offshore wind farms, and in the case of easing the regulations, also onshore wind farms. In the area of system power plants, the strategic goal is to participate in the implementation of new capacities in gas installations and the modernization of cogeneration installations,
- c) in the area of sales: carrying out an in-depth digitization program and cost reduction.

Within the Strategic Development Plan, the Energa Group plans to achieve:

- approx. 1.1 GWe of installed capacity in onshore renewable energy sources and participation in offshore wind farm projects with a capacity of approx. 1.3 GWe,
- participation in the implementation of investments in gas installations (CCGT) with a capacity of approx. 1.3 GWe,
- reduction of CO₂/MWh emissions by 33% in comparison to 2019,
- increasing the share of remote reading meters (AMI) installed at customers to 100% in 2026.

It is planned that the realisation of the above-mentioned Strategic Development Plan's goals will translate into an increase in the consolidated EBITDA result (operating profit before amortization and impairment of non-financial non-current assets) in 2030 by over 60% compared to 2020.

Change in the composition of Supervisory Board

On 5 May 2021 Mr. Jaroslaw Dybowski submitted a statement of resignation from the positions of Vice-Chairman and Member of the Supervisory Board of the Company.

2.2.2. Material events after the balance sheet date

Partial release of the provision created for the settlement of the Coal Project under the Ostrołęka C Project

As part of the preparation of the consolidated and standalone financial statements for the first half of 2021, on 9 July 2021 it proved possible to partial release of the provision to the level of PLN 107 million created initially in the amount of PLN 218 million to finance Elektrownia Ostrołęka Sp. z o.o. for the purposes of the settlement of the Coal Project. The Company informed about the creation of the above mentioned provision in the current report No. 60/2020 of 23 July 2020.

The partial release of the provision took place in connection with the planned settlement of the Coal Project on terms specified in current reports No. 24/2021 and No. 25/2021 of 25 June 2021.

The estimated impact of the above event on the consolidated net result of the Energa Group and standalone net result of Energa SA for the first half of 2021 amounted to approx. PLN 111 million. The event is of a non-cash nature. It will increase the net result without affecting the EBITDA result.

Changes in the Management Board of Energa SA

On 16 July 2021 the Supervisory Board of the Company dismissed Mr. Jacek Goliński performing the function of the President of the Management Board from the Company's Management Board of the 6th term of office.

At the same time the Supervisory Board of the Company entrusted on 16 July 2021 the duties of the President of the Company's Management Board to Ms. Iwona Waksmundzka-Olejniczak, the Vice President of the Management Board for Corporate Affairs, until the appointment of a new President of the Management Board.

Cooperation agreement on the spin-off of coal assets and their integration within the NABE

On 23 July 2021 the Company, PGE Polska Grupa Energetyczna S.A. ("PGE"), ENEA S.A., TAURON Polska Energia S.A. (jointly as „Energy Companies”) and the State Treasury (jointly as „Parties”) signed a cooperation agreement on the spin-off of coal assets and their integration within the National Energy Security Agency (“Narodowa Agencja Bezpieczeństwa Energetycznego”) (“Agreement”).

The document entitled “The Transformation of the power sector in Poland. Spin-off of coal assets from companies partly owned by the State Treasury” (“Transformacja sektora elektroenergetycznego w Polsce. Wydzielenie aktywów węglowych ze spółek z udziałem Skarbu Państwa”) (“Transformation”), prepared by the Ministry of State Assets and then subject to public consultation, presents a concept of the spin-off of assets related to power generation in conventional coal-fired units (“Coal Assets”) from the capital groups of particular Energy Companies. The Transformation is expected to consist in the integration of the spin off Coal Assets in a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. – a subsidiary of PGE, which will ultimately operate as National Energy Security Agency (“NABE”).

Considering the above, the Parties to the Agreement recognize the need to coordinate their cooperation regarding the spin-off of the Coal Assets and their integration within the NABE. Under the Agreement the Parties declare their intention to mutually exchange the necessary information, including information about their organizational structures, implemented processes and assumptions for the direction of the Transformation, to the extent that any such disclosures are legal. The Agreement will enable effective and efficient execution of the NABE establishment process.

2.3. B+R and innovation activities

In H1 2021, the Strategic Research Agenda ("SAB") of the ORLEN Group until 2030 was developed, which identifies, *inter alia*, 17 programmes of the energy segment, including, among others: "Hydrogen Management Directions", "Energy Storage Systems" and "Renewable Energy Efficiency," and indicates Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.

(„CBRF”) as the vehicle for implementing the SAB. It is worth noting that the CBRF, commissioned by Energa Group companies, carries out projects (in cooperation with external research institutes and universities) in the area of electricity distribution (e.g. Investigation of the impact of MV network voltage on peak power and energy consumption, Analysis of the impact of changing the nature of the MV network from overhead to cable, Analysis of energy losses in selected MV/lv transformers in the network of Energa Operator S.A.), as well as the project described in section 2.3.1. below in the hydrogen area - RSOC.

In H1 2021, Energa Group companies implemented 17 projects in the area of Research, Development and Innovation (R&D&I).

2.3.1. Key projects of Energa Group implemented in H1 2021

RSOC

Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o and the National Centre for Research and Development (“NCBiR”) signed an agreement for EU co-funding of a construction project involving a modular installation of reversible hydrogen-producing solid oxide cells, which is the first “hydrogen” project in the Energa Group, co-financed with aid funds. The goal of the project is to develop and build a system that generates hydrogen using process steam (power-to-gas, P2G), based on the stack of solid oxide electrolyzer cells (SOC), also to work in the reversible mode as reversible solid oxide cells (rSOC). Such an installation can be a key component of energy storage systems, using surplus energy, in particular from unstable renewable energy sources (wind, solar power), while electrochemical cells, working in reversible mode (rSOC), make it possible to improve flexibility of operation of conventional power units. At the current stage of the project, all works are taking place according to schedule. The project is scheduled to be completed by 31 December 2022.

Bystra Battery Storage System (NEDO)

In H1 2021, Energa OZE SA continued the NEDO Project whose objective is to gain knowledge and experience with respect to the possibility of using energy storage technologies to improve flexibility of the National Power System (KSE). The final project deliverable will be an energy storage facility at the Bystra Wind Farm. The energy storage facility is being built as part of the Smart Grid Demonstration Project in Poland implemented by NEDO, a Japanese governmental organisation. Energa OZE SA is responsible for construction of the necessary infrastructure for the foundations of the components of the facility, integration of the facility with the National Power System and operation of the facility during the demonstration period.

As part of the project, work was carried out to replace the location templates supplied by the partner (Hitachi), including: checking that they were working correctly and testing the energy storage.

Water-floating photovoltaic panels

Energa OZE SA with Centrum Badawczo-Rozwojowe im. M. Faradaya continued the innovative project of PV panel system installation on a water tank with the capacity of up to approx. 1 MW. The goal of the project is to develop and test a floating PV system in order to effectively use water bodies in the future (including at former mining sites). Performance of such a project is an innovative undertaking on a national scale. The pilot plant which was developed by Energa OZE SA in 2018 is located at EW Łapino with the total capacity of 3.92 kW.

The benefits of PV farm operation will be mainly new renewable energy and an improved share of renewable energy in the production mix of the Energa Group. After the pilot project is completed, Energa OZE SA plans to implement this technology in the Polish market. As studies of the technology have shown, installation of photovoltaic panels on water significantly increases the amount of electricity generated.

As part of the project: four small PV installations consisting of 4 photovoltaic panels (in total 16 panels of 245 W capacity each) were constructed, a pilot installation was built and a construction design for the FPV Łapino installation was prepared by Energa Invest Sp. z o.o., the following permits were obtained: zoning conditions, water permit, connection conditions, application for a building permit was submitted (awaiting the decision from the Starost Office in Pruszcz Gdański).

System for assessment of technical condition and risk of MV cable line failures (SORAL)

Energa Operator SA continued implementation of the SORAL project involving deployment of a system for assessment of technical condition and risk of MV cable line failures, based on diagnostic tests conducted offline, co-financed by the National Centre for Research and Development. The purpose of the research project is to assess possible change of the current way

of planning of repair and investment needs, based on the analysis of failure rate of the power grid and diagnostics of the condition of MV cable insulation. One of the expected results of the research project is possible improvement of the investment planning process in terms of support in facility selection (sections of MV cable lines) which require modernisation to prevent failures.

As part of the project work, the prototype SORAL system for assessing the technical condition of cables has already been verified, tests and electrical inspections of the transferred cable fragments have been completed and one of the subcontractors (Poznan University of Technology) has provided a preliminary description of the tests carried out.

EUniversal

Energa Operator SA continued the EUniversal demonstration project in the area of grid flexibility development, testing options to use flexibility services on the energy market. The project is implemented in a European consortium by 18 European companies related to the energy sector and research and innovations are co-financed from Horizon 2020 EU programme. The project will support introduction of changes to energy consumption or production, also energy generated from renewable sources, to eliminate threats to operation of the energy infrastructure. As part of the project, a new MV/LV transformer station will be developed to monitor and control the low voltage grid operation.

OneNet

Energa Operator SA continued the OneNet project. It is a demonstrator project designed to test provision of flexibility services to DSO and TSO, using the digital platform, where flexibility services in the field of balancing, congestion management and auxiliary services will be ordered and activated so that TSO and DSO can provide services. The purpose of the project is to develop new mechanisms and business models to support new grid services which increase flexibility of the HV and MV transmission and distribution grid, develop the new platforms in the open standard that supports sale and purchase of grid services for DSO and TSO by market participants, build a demo area for tests (among others customer acquisition, integration and development of IT systems) and test the potential for using grid services to improve grid flexibility.

As part of the project, potential areas for flexibility services have been mapped, and work has been done on preparing business use cases, an IT architecture model. Systems use cases are still being developed.

The project is being implemented in a European consortium, co-financed from Horizon 2020 programme and its total cost (entire consortium regarding direct and indirect costs) is EUR 28.07 million. The project is scheduled for completion in September 2023.

SERENE

Energa Operator SA is participating in the SERENE project, which started in May 2021. The project aims to:

- develop new mechanisms and business models for new network services increasing the flexibility of the MV and LV distribution network;
- investigate the potential of using V2G, DSR on industrial sites, mobile energy storage in the LV network, smart zero-emission buildings to provide services to DSOs increasing the flexibility of network operation;
- apply technical solutions enabling active management of the LV network with the use of AMI meters;
- develop business models and technical guidelines for future energy clusters.

By the end of June 2021, organisational work was carried out to divide tasks, refine schedules and organise project teams.

The project will organise demonstration areas in three European countries: Denmark, the Netherlands and Poland (in the Przywidz municipality).

The project received funding from the European Commission's Horizon 2020 programme in December 2020.

2.3.2. Other operations of the Energa Group in H1 2021

Development of zero-emission transport

As part of its activities connected with zero-emission transport, the Energa Group is involved in, among others, the development of charging infrastructure for electric vehicles and the promotion of the development of public transport based on hydrogen propulsion.

Currently, the Energa Group offers its customers a network of several dozen public charging stations. For the B2B market, Energa Obrót SA has introduced the "EnerGO!" product, which includes wall-mounted and free-standing charging stations, where the customer may choose to purchase a DC station of 50kW.

Energa Oświetlenie Sp. z o.o. has launched electric vehicle charging stations integrated with the lighting infrastructure. It is worth noting that all stations of Energa Oświetlenie will be covered by the ORLEN Charge system.

The Energa Group takes an active part in PKN ORLEN's activities related to dialogue with local governments on the development of hydrogen transport and the production of green hydrogen from RES. The purpose of the dialogue with local governments is to determine the rules for the exchange of information and conditions of potential cooperation, in which ORLEN Group and local governments will seek to identify areas for cooperation aimed at promoting the development of public transport based on hydrogen and support for the implementation of projects to build hydrogen sources and public transport networks based on hydrogen propulsion. Zero emission transport is one of the priorities of the Polish Hydrogen Strategy.

2.4. Capital expenditures and realization of key projects

In H1 2021, capital expenditures of the Energa Group totaled PLN 945 m and were PLN 130 m, or 16% higher compared to the same period last year. Investments of Business Line Distribution accounted for 71% of all expenditures incurred by the Group and amounted to PLN 670 m.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply. Additionally, expenditure was incurred on innovative technologies and grid solutions, such as the Smart Grid conversion project.

In the Generation Business Line, capital expenditures totalled PLN 70 m, a significant portion of which were outlays for tasks related to the development of heating assets in Elbląg.

The Sales Business Line, in turn, allocated PLN 23 m to investments, most of which was spent on work related to lighting assets.

Table 1: Status of the investment programme for 6 months of 2021

Project description	Capital expenditures in 6M 2021 (PLN m)
Distribution Business Line	670
Modernization of the distribution grid to improve reliability of supplies	163
Grid expansion due to new customer connections	295
Grid expansion in connection with HV flows and connections of electricity sources	64
Other capital expenditures, collisions and corrections	148
Generation Business Line	70
Energa Kogeneracja Sp. z o.o. KRS3x38 MWt boilers (Elbląg)	24
Energa Kogeneracja Sp. z o.o. BB20 Optimization	14
ENERGA OZE S.A. Construction of PV Gryf	5
Energa Kogeneracja Sp. z o.o. Leasing	5
Energa Elektrownie Ostrołęka Sp. z o.o. Purchase and replacement of blast fans on units 1, 2, 3	3
Other investments	19
Sales Business Line	23
Capital expenditures for lighting assets	17
Other capital expenditures	6

Investment programme in the area of heat assets

The key objective of the investment programme is to adapt CHP and heat units to the tightening environmental requirements and to increase the operating efficiency of CHP companies by generating an owner-acceptable rate of return on their operations expressed by EBITDA.

EBITDA maximisation will be achieved by implementing the heat development programme for EC Elbląg and EC Kalisz (as well as at the Ostrołęka location under a separate initiative), which will result in a fuel switch from hard coal to natural gas while maintaining at least the current position in the heat markets in Elbląg and Kalisz.

At the turn of 2020/2021 in Elbląg, the construction of a reserve-peak boiler house was launched (boilers were delivered to the CHP site and installed in the boiler house building), mobile boilers were contracted to secure heat supplies for the next heating season, and investment tasks connected with the modernisation of the turbine set and optimisation of the boiler of the BB20p biomass unit were completed. To secure the heat supply at the Elbląg site, the coal-fired boiler K5 was also migrated under the provisions of the MCP Directive. In addition, tendering procedures are underway for investment tasks at the Kalisz location (standby and peak load boiler house and cogeneration system). In the first half of 2021, development and modernisation investments were also made in the area of district heating networks.

CCGT Gdańsk

The project concerns the construction of new gas-fired power plant. Modern energy infrastructure will enable the development of a low-carbon generation base and the provision of a capacity service and sale of electricity.

CCGT Gdańsk -company holds a decision on environmental conditions of approval of an undertaking for the CCGT unit and for a 400 kV power line that would link the CCGT power plant to the Gdańsk Blonia EXV (extra high voltage) electrical substation (power take-off point). Design work is underway leading to the securing of the building permit decision for the aforesaid 400 kV power line. On 30 October 2020, a letter of intent was signed with PKN ORLEN and the LOTOS SA Group. Energa SA, PKN ORLEN and the LOTOS Group committed thereunder to continue their efforts to prepare the ground for joint construction of a gas and steam power plant in Gdańsk. Currently, the conceptual work has reached the stage of advanced arrangements. The arrangements are to be completed and the binding decisions are to be made before the expiry of the term of the letter of intent which was previously set at the end of 2021. The parties to the letter of intent continue to embrace the assumption relating to the scheduling of the project that the CCGT unit will be completed in 2026. According to the decision on environmental conditions, the power of the unit may be derived from the use of a class H gas turbine, i.e. approximately 650 MW.

Smart Grid

The Smart Grid project aimed at ensuring stability and flexibility of the distribution system by deploying smart grid solutions is co-financed from EU funds as part of Operational Programme Infrastructure and Environment.

As part of the project, the SCADA electric grid control system will be expanded to include the fault location module, which will shorten duration of disruptions in supply of electricity.

Construction of an energy storage facility designed to stabilise the operation of the distribution system of 4 MW PV farm in Czernikowo is also an element of the project. The storage facility will be based on lithium-ion battery technology and will offer 1 MW rated power with capacity of 2 MWh.

Project of construction of the new power plant in Ostrołęka

In H1 2021 the project of construction of Ostrołęka "C" power plant in Ostrołęka was under conversion due to the change in the fuel source from coal to gas. On 25 June this year, Elektrownia Ostrołęka Sp. z o.o. entered into an agreement with CCGT Ostrołęka Sp. z o.o. for the sale of the enterprise, including assets necessary for the implementation of the gas project. On the same day, CCGT Ostrołęka Sp. z o.o. signed the Gas Annex with the Consortium of GE Group companies (GE Power Sp. z o.o. and General Electric Global Services GmbH) and the Service Agreement with General Electric Global Services GmbH. See section 2.2.1. of this Report for further details.

PV Gryf Project

Construction a photovoltaic farm with a capacity of 19.83 MW. According to the RES auction results announced in December, Energa OZE won the ordinary auction for installations on 14 December 2020. On 30 December 2020, the Company issued an NTP. At the present stage, work is being carried out on the paving and installation of the support structures. The anticipated commissioning date for the project is the end of 2021. The farm is being developed in the Przykona commune, on land reclaimed from the Adamów brown coal opencast mine.

PV Mitra Project

The Project involves preparation, construction and commissioning of a photovoltaic installation comprising of a system of photovoltaic power station with the total installed capacity of approx. 100 MW, 50 substations 30/0.8kV, HV 110 kV power service line with an optical fibre link, a 110/30 kV transformer station, MV 30 kV cable lines and telecommunication lines, grounding and the internal road network with the full accessory infrastructure. At this stage, work is underway to obtain the planning permission (in 2. Stages of 50 MW each) for a photovoltaic farm with a capacity of approx. 100 MW (total capacity), including power take-off.

2.5. Awards and distinctions

Energa with the Silver CSR Leaf

POLITYKA's CSR Silver Leaf - is awarded to companies that declare to take into account all key solutions of the ISO 26000 standard in their daily operations. These companies are often based on local and global best management practices and apply international standards. In addition, an ethical management system and the highest standards of personnel management are an important element of their management. They periodically inform stakeholders about the effects of their activities, among others, in non-financial or integrated reports prepared on the basis of international disclosure standards. It is awarded to organisations that are particularly committed to sustainable development in the pursuit of their business objectives. This is the tenth time that the Leaves have been awarded to Polish companies.

Responsible Business Forum

The Energa Group was recognised for its support of the National Health Fund helpline.

Responsible Business Report

Energa was awarded and included in the annual Responsible Business Report 21 of our CSR initiatives.



Przykona Wind Farm

Regulatory and business environment

3. REGULATORY AND BUSINESS ENVIRONMENT

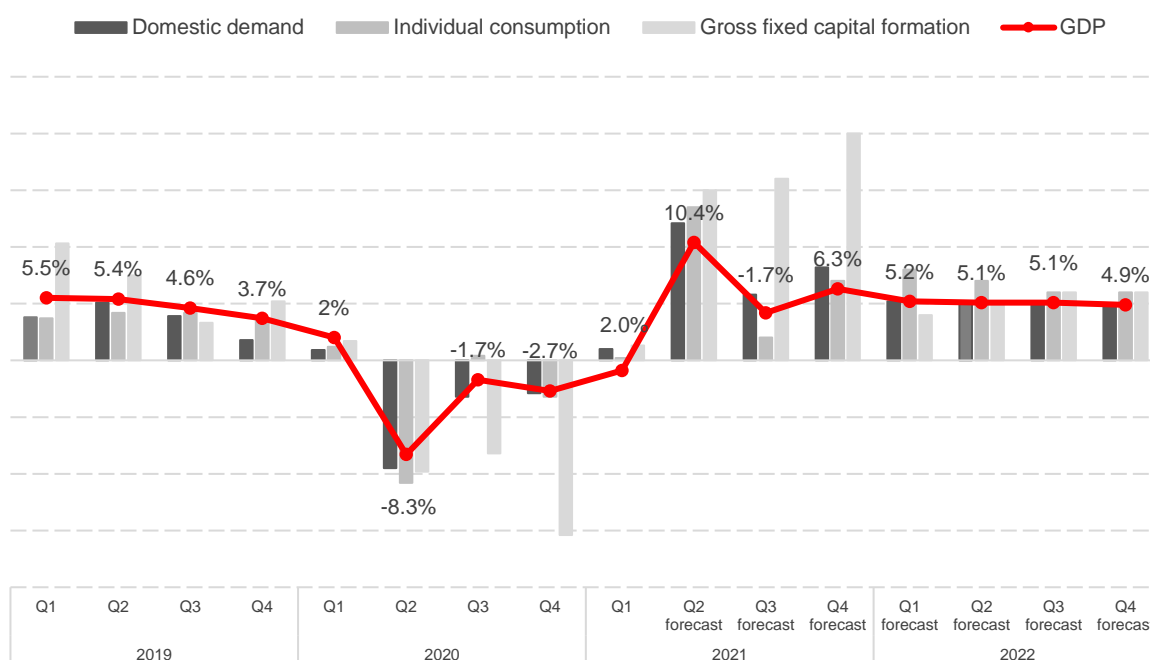
3.1. Macroeconomic situation

The primary market for the entities comprising the Energa Group is the domestic market. Hence, economic fluctuations, expressed in terms of the rate of change of the gross domestic product (GDP), inflation or the unemployment rate, are reflected in the prices of electricity, gas and heat and in the shaping of the demand for products supplied to customers. In Q2 2021 has seen dynamic changes in the economic outlook. The initial pessimistic mood, triggered by fears of a return of the pandemic, as well as renewed restrictions on economic and social life, translated into a downward revision of GDP growth forecasts for the coming quarters. The increased resilience of the population and the slowdown of the COVID-19 disease in May/June this year, in turn, resulted in an increase in GDP estimates. Despite the risk of a fourth wave of the coronavirus pandemic, analysts estimate that it should no longer have a significant impact on domestic economic growth, which is also reflected in the results of the June economic survey. A continuation of the decrease in the percentage of entities indicating that the negative effects of the pandemic are severe or threaten the stability of the company has been observed. The most marked improvement occurred in the services sector (down 5.8 percentage points from May this year). Reduced concerns regarding the pandemic translate into increased private consumption.

According to a preliminary estimate by the Central Statistical Office (GUS), Poland's GDP, in Q1 2021 declined by 0.9% y/y in real terms, compared with an increase of 2% in the corresponding quarter of 2020. This result, although negative, represents an increase of 1.8 percentage points on a quarterly basis and testifies to the growing resilience of the Polish economy to the effects of the pandemic. According to Bank Millennium analysts, results for the first three months of this year surprised not only with the dynamics of GDP, but above all with its structure. On the demand side, positive contributions were made by all components of domestic demand, with only net exports contributing negatively (-1.9 percentage points). The biggest surprise was the sharp rebound in investment, which increased by 18.2% q/q (deseasonalized data). Thus, gross fixed capital formation has unexpectedly recovered to its pre-crisis level, faster than individual household consumption, which recovered dynamically in the second half of last year, but, due to restrictions in the consumption of services, is still lower than before the crisis.

The July GDP projection prepared by the Department of Economic Analysis of the National Bank of Poland (NBP) assumes economic growth in the coming quarters at an average rate exceeding 5% y/y. Economic growth at a level of 5% in 2021 and 2022 is also indicated by the market consensus of the participants in the forecasting contest by "Rzeczpospolita" and "Parkiet", conducted in early July this year. According to the NBP, the main source of the rapid GDP growth will be household consumption, but private investment will also be an important component. Economic activity is supported by the actions taken by the government and the National Bank of Poland during the crisis, including a reduction of interest rates to record lows and conducting structural open market operations.

Figure 3: Annual dynamics of GDP, domestic demand, private consumption and investment



Source: Data from CSO and Santander Bank Polska SA forecasts (July 2021)

Improving economic conditions in the Polish manufacturing sector are also indicated by the results of the PMI index (a forward-looking indicator of the Polish industry), which in June 2021 reached 59.4 points, increasing by 2.2 points over the course of a month. The trend for the PMI in the second quarter of this year remained at 56.8 points, the highest in the history of the survey. The strong rebound in the manufacturing sector was due to the loosening of restrictions and an intensification of demand, thanks to the opening up of further sectors of the economy. There has been an increase in new orders. Despite the rise in production, which increased for the fifth consecutive month, registering the strongest pace of expansion since January 2017, there was also a significant increase in production backlogs and extended delivery times. To increase capacity, entrepreneurs created new jobs.

The results of a survey conducted by the Central Statistical Office (CSO) in June this year on the impact of the COVID-19 pandemic on the economic situation show that in Q2. 2021, an average of 27% of companies noted the following negative effects of the pandemic: a shortage of workers due to quarantine, illness or care leave, among others. As the epidemic situation in the country improved, so did the labour market. Firms have started to increase employment again in anticipation of further recovery in the economy. On the other hand, pre-pandemic risk factors have returned, such as access to skilled workers, which translates into increased wage pressures. According to the NBP, wage dynamics will remain at an elevated level in 2022-2023 due to growing demand for labour, with a low stock of people who could take up employment. The government's planned increase in the minimum wage in 2022 will have a neutral impact on the rate of wage growth across the economy as a whole, as it does not change the ratio between the lowest and average wages. The unemployment rate in June 2021, as estimated by the Ministry of Development, Labour and Technology, was 6%, 0.1 percentage points lower than the result recorded a month earlier and by 0.4 pp. lower than at the end of Q1 of this year. Average employment in the business sector in the first half of the year decreased by 0.3% compared to the same period of 2020. The average monthly salary (gross) in turn increased by 7.8% y/y and amounted to PLN 5725.47.

Increasing economic dynamics also translate into higher prices, including for raw materials, parts and transport. Inflation this year is being lifted by a marked rise in energy prices, including a rise in oil prices on world markets, but also by disruptions in supply chains. As indicated by the NBP, an increase in prices is observed in industries, mainly service ones, where restrictions introduced during the pandemic are being loosened and where postponed demand is being realised. In contrast, in those sectors of the economy where the increased demand during the pandemic is gradually weakening, prices adjust with a time lag, and a slow-down in subsequent quarters is expected. Consumer price index in Q2 2021 amounted to 4.5% compared to the same period of the previous year. Elevated inflation is increasingly being felt by consumers and the risk of it remaining at high levels in the medium term is significant. In turn, according to the NBP, the factors that increase inflation are temporary, hence consumer inflation in 2022 will fall from its current elevated level and return to the range of deviations from the NBP inflation target, defined as 2.5% +/-1 percentage point. In 2023, consumer price dynamics will accelerate again, but should still not exceed 3.5% y/y.

As indicated in the "Monetary Policy Assumptions for 2021" prepared by the Monetary Policy Council (MPC), inflation, due to macroeconomic and financial shocks, may periodically be above or below the inflation target, including outside its specified deviation range. In its July communication, the MPC stresses that the monetary policy response to shocks is flexible and depends on their causes and an assessment of the sustainability of their effects, including their impact on inflationary processes. The monetary policy pursued by the NBP is conducive to consolidating the recovery of economic activity from the pandemic recession and stabilising inflation at a level consistent with the NBP's inflation target in the medium term, and therefore in Q2 2021, the MPC made no changes to the levels of key interest rates. The National Bank of Poland's main interest rate, the reference rate, stood at 0.10% at the end of June this year. The NBP declares the continuation of purchase operations of Treasury securities and debt securities guaranteed by the State Treasury on the secondary market, as part of structural open market operations. The NBP will also continue to offer a promissory note loan to refinance loans granted by banks to entrepreneurs. There is a market expectation towards an increase in the level of interest rates by the MPC, but any changes in this regard will depend on macroeconomic data published in the near future.

3.2. Electricity market in Poland

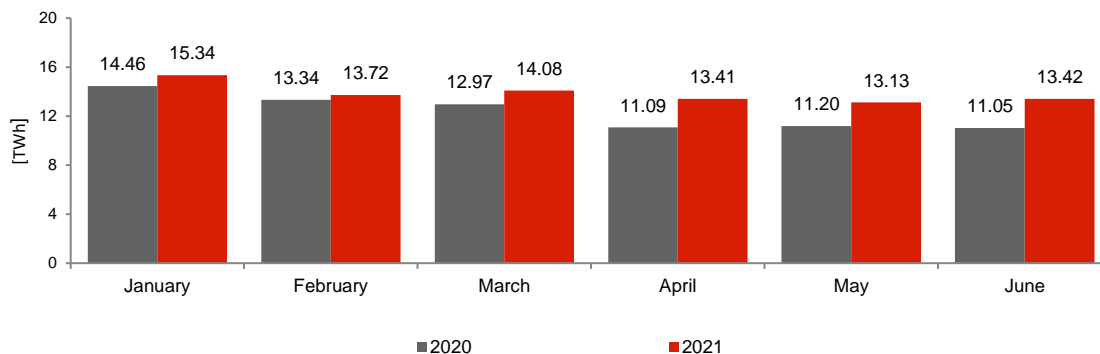
Developments in the market environment are of key importance for the financial performance of the Group. In this light, attention is particularly drawn to the production and consumption of electricity, the cross-border power exchange in Poland, prices of electricity in Poland and selected neighbouring countries, prices of property rights, and costs of emission allowances.

Domestic production and consumption of electricity

According to the data published by Polskie Sieci Elektroenergetyczne ("PSE"), in the first half of 2021 production of electricity in Poland totalled 83.09 TWh and was 9.00 TWh, i.e. 12.1% higher compared to the corresponding period of the previous year

(74.09 TWh). Higher production was evident in power plants using lignite and hard coal, as well as in gas-fuelled generation sources, while production from wind power plants decreased. The increase in production was a response to higher demand for energy in the National Power System (KSE).

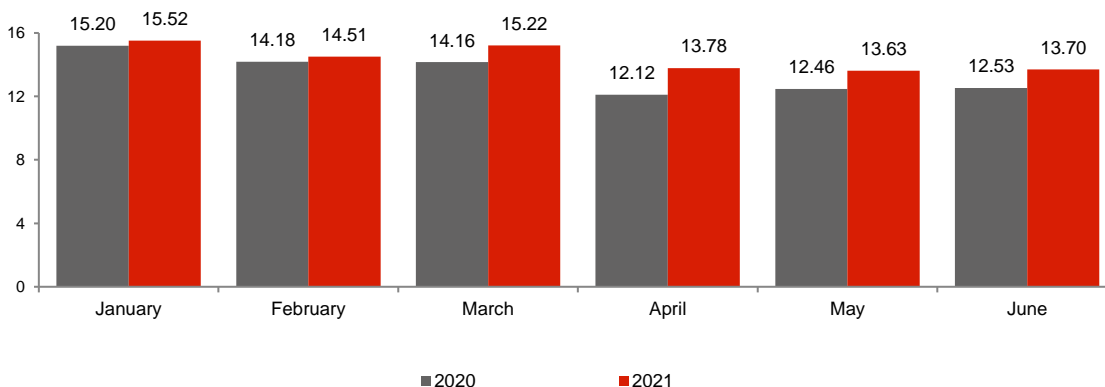
Figure 4: Production of electricity in Poland in the first half of 2021 (TWh)



Source: PSE

In the first half of 2021, domestic consumption of electricity in Poland was at 86.37 TWh and was higher by 5.73 TWh, i.e. 7.1% than in the corresponding period of the previous year (80.64 TWh). The increase in consumption was due to higher demand caused by the recovering economy after another wave of the COVID-19 pandemic compared to the same period last year.

Figure 5: Consumption of electricity in Poland in the first half of 2021 (TWh)

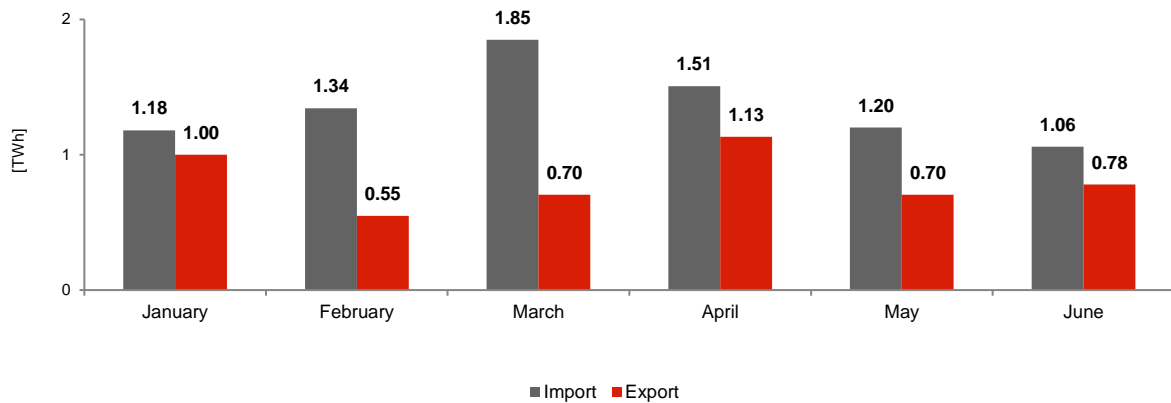


Source: PSE

Poland's cross-border power exchange

In the first half of 2021, electricity exports were 1.07 TWh higher than in the same period last year. When comparing the two corresponding periods, a fall in electricity imports by 2.21 TWh can be observed, being the main reason for the stable but increasingly lower surplus of net electricity imports in the period under review, at the level of 3.27 TWh, compared to net imports of 6.55 TWh in the corresponding period of the previous year. This is the result of lower electricity consumption in terms of parallel exchange and connection to Ukraine and Lithuania.

Figure 6: Monthly volumes of cross-border exchange in Poland in the first half of 2021 (TWh)

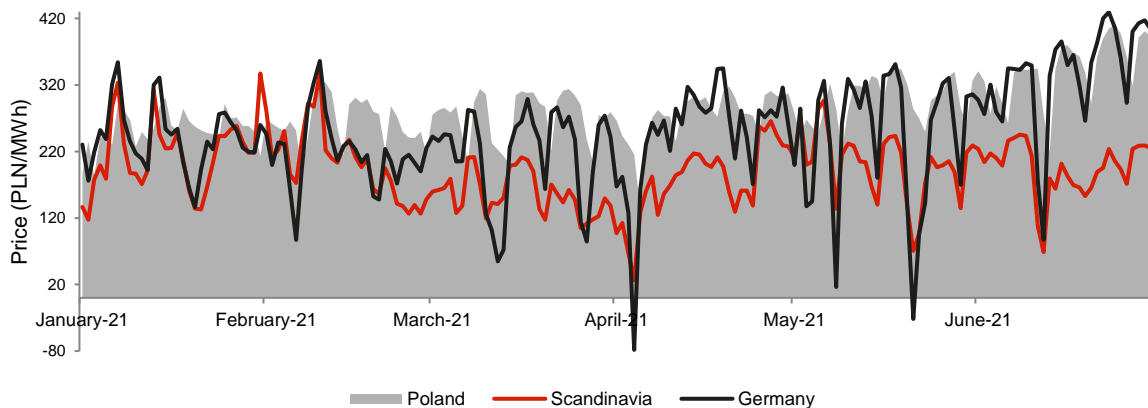


Source: PSE

Energy prices in selected countries neighbouring with Poland

The average prices on the SPOT market in Poland in the first half of 2021 were higher than in the neighbouring countries. Increased demand for power, together with low temperatures in the first quarter and lower generation from wind sources, as well as a rise in EUA quotations to historically highest levels, supported by increased system losses, led to price increases in the Polish market as well as in the neighbouring markets. The highest price differences were found in comparison to the Scandinavian market (+48.8%, or PLN 93.17/MWh), and lower differences were identified in comparison to the German market (+13.6%, or PLN 34.03/MWh).

Figure 7: Energy prices on the SPOT market in Poland and in selected neighbouring countries in the first half of 2021 (PLN/MWh)

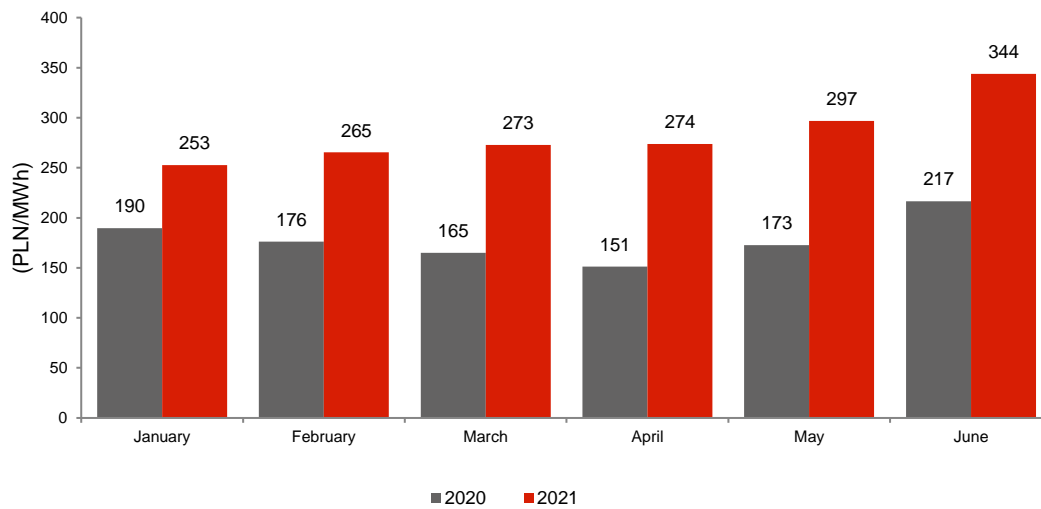


Source: Bloomberg, Reuters

Day-Ahead Market of electricity in Poland

In the first half of 2021, the TGeBase index averaged PLN 284.22/MWh, and was higher by PLN 105.69/MWh than in the corresponding period of the previous year (PLN 178.53/MWh). When comparing Q2 2021 to Q2 2020, an increase of the price by PLN 124.58/MWh can be seen. The increase in domestic power demand resulting from the recovering economy was supported by an increase in system losses and a decrease in energy imports, which consequently increased prices compared to the same period last year.

Figure 8: TGeBase index in the first half of 2021 (PLN/MWh)



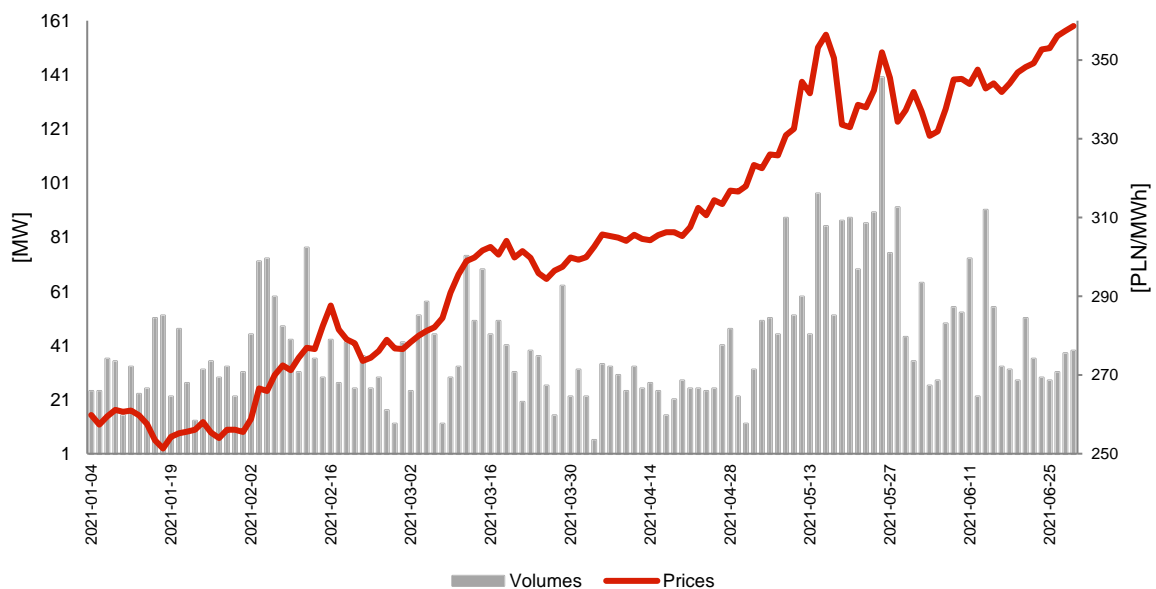
Source: TGE

Electricity futures market in Poland

In the first quarter of 2021, the electricity futures market was in an upward trend. The highest price was recorded on the last trading day of June at 358.65 PLN/MWh (BASE 2022). The main determinants of the energy price increase in the first half of the year in the futures market were:

- growth in CO₂ emission allowance prices;
- declining windiness;
- an increase in SPOT market prices; and
- increased demand for electricity in the National Power System.

Figure 9: Forward contract price, base with delivery for 2022 in the first half of 2021

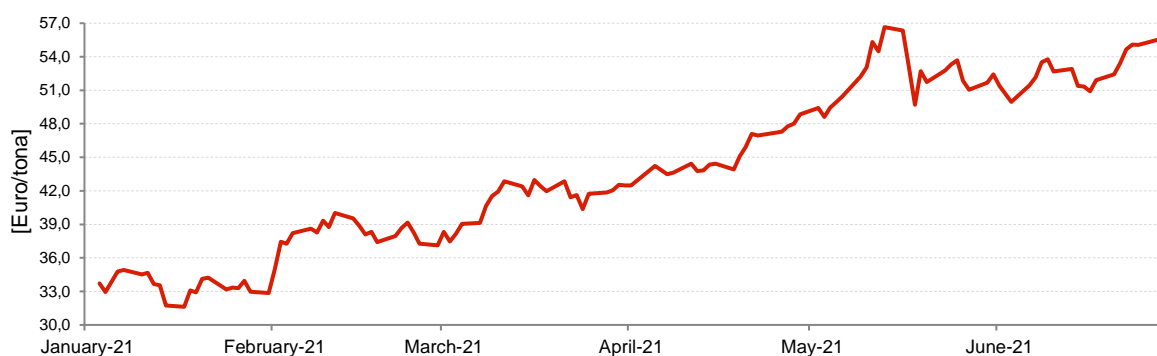


Source: TGE

Emission allowance market

On 12 May 2021, the European Commission reported that more than 1,578 million emission allowances were in circulation at the end of 2020 (an increase in the number of allowances of less than 14% y/y is the result of the pandemic). This value formed the basis for determining the level of the so-called Market Stability Reserve (MSR), operating under the EU Emissions Trading System (EU ETS) from January 2019. Under the rules of the Market Stability Reserve, a total of nearly 379 million allowances will be placed in the Market Stability Reserve over a 12-month period - from 1 September 2021 to 31 August 2022. For the first 5 years of application of the MSR, the number of allowances is to be reduced annually by 24% of the total number of allowances in the auction pool (if the total number of allowances in circulation exceeds the threshold of 833 million allowances). In 2021, there is no available volume of emission allowances sold annually by the UK and no additional volume offered by Poland. The UK, after leaving the European Union, set up its own system, with the first auction, futures and SPOT market quotations taking place on 19 May on the ICE exchange. The UK government plans to sell 82 million emission allowances (UKA) this year, including to the aviation sector. The key factor that determined the EUA price in the first half of the year was speculation and the compromise agreed in April between the EU Council and the European Parliament on the climate package, which was finally approved by the European Parliament at the end of June. The legislation aims to increase a reduction of greenhouse gas emissions from 40% to at least 55% in 2030 compared to 1990 levels. Presentation of the legislative package to implement the above objective (the so-called "Fit for 55"), was presented in July. Consequently, the EUA exchange rate at the end of H1 2021 was EUR 56.37/t, having increased by 83% since the end of 2020, while comparing with the end of H1 2020, the exchange rate increased by 109%.

Figure 10: EUA prices in the first half of 2021 (EUR/tonne)



Source: Bloomberg

Market for property rights

The table below presents the prices of green property rights listed on the Polish Power Exchange.

Table 2: Average price levels of green property rights listed on the Polish Power Exchange

Index (type of certificate)	Index value		Percentage of obligation (%)	Substitution fee (PLN)
	H1 2020 (PLN/MWh)	H1 2021 (PLN/MWh)		
OZEX_A (green)	136.52	149.34	19.5*	300.03*

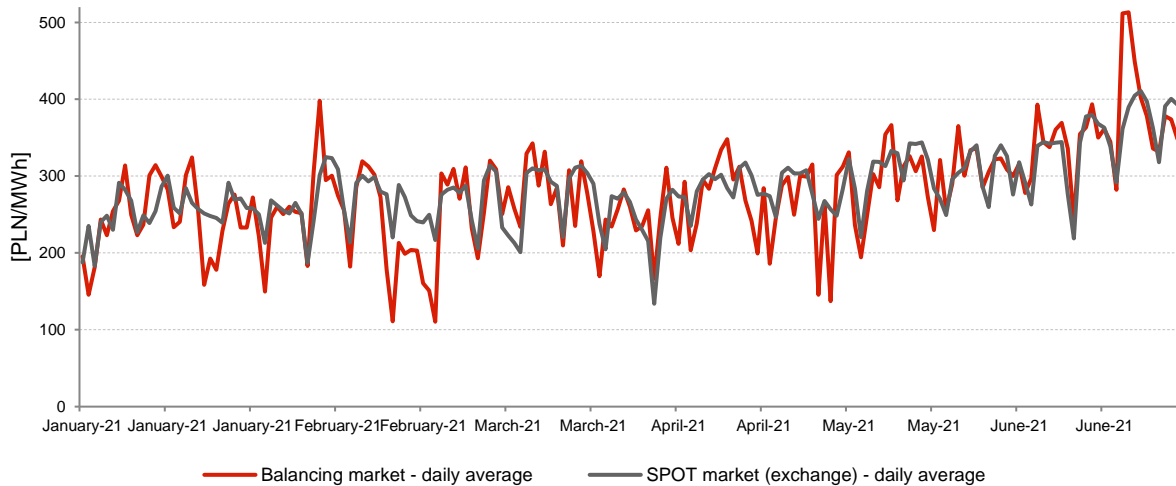
* value of the substitution fee and redemption obligation for 2021

From the perspective of the Energa Group's generation structure (high share of renewable production), the prices of green property rights are of key importance. PM RES prices in session transactions remained in the vicinity of PLN 142.00/MWh in the initial two months of the six-month period. There was a strong upward price movement in March, which continued until the end of the first half of the year. At the end of H1 2021, PM RES were quoted at 167.18 PLN/MWh.

Balancing market

Since 1 January 2019, the limits for electricity clearing prices on the balancing market changed and currently range from PLN -50,000.00/MWh to PLN +50,000.00/MWh. For the most of Q1 2021, the prices in the balancing market were similar to the day-ahead market prices. The situation on 22 June this year marked a clear departure from that rule, when the average daily price on the balancing market was PLN 513.24/MWh, and the peak hour price reached PLN 1,470.00/MWh. The average price on the balancing market in the period under review was PLN 277.51/MWh, compared to PLN 181.81/MWh in the corresponding period of the previous year.

Figure 11: Comparison of prices on the balancing market and SPOT market (exchange) in the first half of 2021 (PLN/MWh)



Source: TGE, PSE

3.3. Regulatory environment

Legislative processes completed in the first half of 2021

Table 3: Overview of legislation having a material effect on the Group

<p>“The Energy Policy of Poland until 2040.” Monitor Polski 2021 item 264</p>	<p>On 2 February 2021, the Council of Ministers adopted a Resolution on “The Energy Policy of Poland until 2040.” (EPP), which was published in <i>Monitor Polski</i> on 10 March 2021.</p> <p>The statutory objective of the energy policy of the State is energy security, while ensuring the competitiveness of the economy, energy efficiency and a reduction of the environmental impact of the energy sector.</p> <p>The cost of implementing the EPP has been estimated at nearly PLN 1,600 billion until 2040, of which Poland may obtain about PLN 260 billion from EU funds in the 2030 perspective (additionally, expenditures from the state budget funds have been planned at the level of about PLN 28.5 billion in the years 2021-2025).</p> <p>The EPP sets the framework for the energy transition in Poland and is based on three pillars:</p> <ul style="list-style-type: none"> ✓ A just transition; ✓ Zero carbon energy system and good air quality; ✓ Low carbon energy transition.
<p>Act amending the Act on the Greenhouse Gas Emission Allowances Trading System and Certain Other Acts (Modernisation Fund) Journal of Laws 2021 item 1047</p>	<p>The Act was promulgated on 10 June 2021 and came into force on 25 June 2021.</p> <p>The main change is the establishment of the so-called Modernisation Fund (Fund). The Fund's activities have been planned for the 2021-2030 period. Its most important objective is to support the implementation of the greenhouse gas reduction target agreed within the European Union.</p> <p>Key assumptions regarding the Fund:</p> <ul style="list-style-type: none"> ✓ The Polish operator of the MF funds will be the National Fund for Environmental Protection and Water Management; ✓ For Priority Investments, funding of up to 100% of eligible costs can be applied for. Non-priority investments can count on a maximum of 70%; ✓ The European Investment Bank, which will be the European operator of the MF, has the right to challenge the list or parts of the list of projects as not complying with the provisions of EU Directive 2018/410 of March 2018, which regulates the purpose of the fund; ✓ The beneficiaries will be the 10 EU countries whose GDP is below 60% of the EU average; ✓ The total pool of Fund resources that the sale of emission allowances will generate will not be known until the end of 2030. The amount of these resources will depend on the price of the emission allowances to be auctioned;

	<ul style="list-style-type: none"> ✓ Beneficiary countries from the EU, including Poland, are to have funds coming from the sale of 310 million CO₂ emission allowances; ✓ Poland is to receive 43.11% of the funds, i.e. from the sale of 135 million CO₂ emission allowances. <p>The priority areas of support for the Fund are:</p> <ul style="list-style-type: none"> ✓ Investment in distribution networks; ✓ Development of RES; ✓ Energy storage; ✓ Energy efficiency.
<p>Act on Amending the Energy Law and Other Acts Journal of Laws 2021, item 1093</p>	<p>The Act was promulgated on 18 June 2021 and came into force on 3 July 2021.</p> <p>Significant changes in the Energy Law Act concern, among others:</p> <ul style="list-style-type: none"> ✓ Installation of smart meters at a minimum of 80% of consumers by 2028, appointment of an Energy Market Information Operator responsible for running a system collecting and processing information and metering data from these installed meters – the so-called Central Energy Market Information System. The system operator will be Polskie Sieci Elektroenergetyczne; the system is expected to be operational in three years from now. ✓ Introduction of a detailed timetable for the installation of meters throughout Poland by distribution system operators (DSOs). DSOs will be obliged to install smart meters: <ul style="list-style-type: none"> ▪ By the end of 2023 at least 15% of customers; by the end of 2025 – at 25%; by the end of 2027 – 65%; by the end of 2028 – 80%; ▪ The DSOs will also cover the costs of installing these meters at customers connected to the network with a voltage of up to 1 kV (including households). ✓ Introduction of closed distribution systems (CDS) - new solutions for entities selling and supplying electricity and gaseous fuels that are not typical energy companies. Operators, such as industrial plants or special economic zones, which use most of their energy for their own consumption, will no longer have to draw up development plans and submit tariffs to the regulator for approval. The condition, however, will be that the charges for energy and gaseous fuels are no higher than those of the local distribution system operator. The President of the Energy Regulatory Office (ERO) will be able to establish a CDS for a period of 10 years. ✓ Regulation of the settlement for electricity returned to the overhead contact line following braking of traction vehicles; ✓ Amendment on infringement of the collective interests of energy consumers. It will be a premise for the revocation of the licence. The Energy Regulatory Office will be able to revoke the licence of an energy company if the President of the Office of Competition and Consumer Protection (UOKiK) considers that its practices violate the collective interests of consumers; <p>Significant amendments to the Capacity Market Act concern, among others:</p> <ul style="list-style-type: none"> ✓ Introduction of a uniform definition of electricity storage and addition of a reference to the obligation for the TSO to collect metering data for the CSIRE; ✓ Extension of the deadline for achieving the Financial Milestone (FM) to 24 months; ✓ Change of the termination rule for long-term power contracts for modernised units which have not reached the FM - shortening the contract to one year. ✓ Limitation of penalties for new capacity market units that have not reached the Operational Milestone by the deadline. Fines under the new rules will amount to: <ul style="list-style-type: none"> ▪ 5% of the monthly value of the capacity obligation covered by the capacity contract - in the first year of supply; ▪ 15% of the monthly value of the capacity obligation covered by the capacity contract - in the second year of delivery; ▪ 25% of the monthly value of the capacity obligation covered by the capacity contract - in the third delivery year, calculated on the basis of the highest closing price of the capacity auction relating to a given delivery year. <p>Significant amendments to the Renewable Energy Sources Act concern, among others:</p> <ul style="list-style-type: none"> ✓ Introduction of the possibility of charging transmission and distribution fees for the difference in e.e. drawn from and injected into the network; ✓ Introduction of an obligation to hold a licence only for storage facilities with a capacity of more than 10 MW; ✓ Smaller installations (above 50 kW) will have to be registered in the relevant register.
<p>Regulation of the European Parliament and of the Council establishing the Just Transition Fund. COM/2020/22 final</p>	<p>The Regulation was promulgated on 24 June 2021 and came into force on 25 June 2021.</p> <p>The objective of the Just Transition Fund (JTF) is to provide support to territories facing major socio-economic challenges in the transition process towards achieving climate neutrality by 2050.</p> <p>The Fund's resources are to be allocated, among others, to projects in the field of zero-emission energy (except for natural gas, e.g. for regions strongly dependent on coal mining and combustion) and other types of undertakings, i.e. micro-enterprises, sustainable tourism, social infrastructure, universities and public research institutions, energy storage technologies, low-emission district heating, intelligent and sustainable mobility, digital innovations, projects to combat energy poverty.</p> <p>More than EUR 4.4 billion is to come to Poland from the JTF. In order to benefit from the JTF funds, regions must prepare Territorial Fair Transition Plans (TFTP) and have them approved by the European Commission. In Poland, six regions are applying for the JTF funds: Śląskie, Dolnośląskie, Wielkopolskie, Lubelskie, Łódzkie and Małopolskie. They have been identified as beneficiaries of the Fund in the draft Partnership Agreement (PA) for the years 2021-2027.</p>
<p>Regulation of the Minister of Climate and Environment of 16 April 2021 on the reference price for electricity from renewable energy sources in 2021 and the periods applicable to generators that won the 2021 auctions. Journal of Laws 2021, item 722</p>	<p>The Regulation was promulgated on 19 April 2021 and came into force on 20 April 2021.</p> <p>The Regulation is the implementation of the statutory delegation contained in Article 77(3) of the RES Act of 20 February 2015 with regard to:</p> <ol style="list-style-type: none"> (1) the maximum price per 1 MWh at which electricity from renewable energy sources may be auctioned by generators in a given calendar year, hereinafter "the reference price", and (2) the period of time during which the obligation to purchase electricity referred to in Article 92, section 1 of the Act and the period of the right to cover the negative balance referred to in Article 92, section 5 of the Act, generated in renewable energy source installations referred to in Article 72, section 1 of the Act applies to generators who win the auction in a given year, but such period cannot be longer than 15 years from the date of first generation of electricity in such installations. <p>In 30 cases, the reference price values proposed are the same as those adopted for 2020. However, in three cases it was decided to reduce the reference prices compared to those set for the previous year. This applies to installations with an installed electrical capacity greater than 1 MW using only onshore wind energy to generate electricity (from PLN 250 to PLN 230/MWh),</p>

	as well as installations with an installed electrical capacity of no more than 1 MW and with an installed electrical capacity greater than 1 MW using only solar radiation energy to generate electricity (from PLN 360 to PLN 340/MWh and PLN 340 to PLN 320/MWh, respectively).
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Legislative processes conducted in the first half of 2021

Table 4: Overview of legislation having a material effect on the Group

Legal act	Description and purpose of the regulations
Act Amending the Capacity Market Act and Certain Other Acts parliamentary paper No 1276 and 1307 Senate paper No 439	<p>The Bill is at the stage of being worked on by the Senate. The main objective of the Act is to ensure compliance of the provisions of the Capacity Market Act of 8 December 2017 with the provisions of the so-called EU Market Regulation 943/2019 by introducing the emission standards EPS 550 g CO₂/kWh and EPS 350 kg CO₂/kW/year into the Polish support system.</p> <p>In addition, to support the implementation of new generation sources, including in particular low-carbon sources, and to increase incentives for demand reduction during peak demand times, which contributes to the primary objective of establishing a capacity market, which is to increase the stability of the electricity system. The Bill includes:</p> <ul style="list-style-type: none"> ✓ The possibility of converting a unit with an existing capacity contract and not meeting the 550g CO₂/kWh emission limit to a unit meeting this limit through a change in electricity generation technology, implemented under an existing contract or through the replacement of an existing contract with new capacity contracts; ✓ The possibility of changing the capacity of a new capacity market unit if the capacity of such a unit after its implementation deviates slightly from the capacity that was assumed at the planning stage, thus avoiding an increase in specific emissions caused by the need to introduce less efficient installations to provide the missing capacity; ✓ A reduction of the capacity charge for units with a flat consumption profile.
Programme of the Ministry of State Assets entitled "Transformation of the electricity sector in Poland. Spin off of coal production assets from companies with State Treasury participation"	<p>The Ministry of State Assets announced on 25 May 2021 its Programme entitled "Transformation of the electricity sector in Poland. Spin off of coal production assets from companies with State Treasury participation". The main objective of the document is:</p> <ul style="list-style-type: none"> ✓ Implementation of assumptions of the "Polish Energy Policy until 2040" in the area of ownership supervision over companies with State Treasury shareholding and adjustment of energy companies to the challenges of transformation. Once the coal assets are spun off, they will focus on delivering low- and zero-carbon investments; ✓ The concept assumes acquisition by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. of subsidiaries generating electricity in conventional coal-fired units.
Bill amending the RES Act and Certain Other Acts Parliamentary paper No. 1129	<p>The Bill is at the stage of the second reading in the Sejm. The main objective of the Act is, among others, to limit concession obligations for entrepreneurs conducting business in the field of small installations, which will be achieved by raising the upper threshold of the total installed electric capacity or thermal power in cogeneration for renewable energy source installations, and to confirm the current practice of determining the total installed electric capacity of RES installations at the level of the Act. The Bill includes one of the key elements (parameters) of the auction system - the "installed electric capacity" of a given installation, which determines, inter alia, its participation in the relevant auction basket.</p> <p>The changes concern, among others:</p> <ul style="list-style-type: none"> ✓ the obligation to purchase unused electricity at a fixed price or the right to have the electricity market price supplemented in the FIT and FIP systems; ✓ the obligation to purchase electricity at a fixed price or the right to have the electricity market price supplemented under the auction system; <p>- the deadline of 30 June 2047, which coincides with the final date of providing public aid, i.e. until 31 December 2027, The 30 June 2047 also includes the period necessary for the investor to fulfil the obligation referred to in Article 79 section 3 clause 8 letter a of the Act, i.e. to sell electricity for the first time under the auction system within 42 months of the closing of the auction session.</p> <ul style="list-style-type: none"> ✓ the addition of a definition of a hybrid RES installation and the share of electricity fed into the grid from a hybrid RES installation via an electricity storage facility; ✓ the possibility of concluding a lease agreement on state-owned agricultural real estate managed by the National Support Centre for Agriculture, through state-owned companies over which the Ministry of State Assets exercises owner supervision.
Bill on Amending the Energy Law and the Renewable Energy Sources Act No. on the list: UC74	<p>The Bill is at the stage of being worked on by the Government Legislation Centre: Public Consultations and Opinions. The main objective of the Bill under consideration is, among others, to establish rules concerning generation, transmission, distribution, supply and storage of electricity, together with aspects of consumer protection, with a view to creating integrated, competitive, consumer-oriented, flexible, fair and transparent electricity markets.</p> <p>A wide range of changes, including:</p> <ul style="list-style-type: none"> ✓ Introduction of provisions allowing, from 2026, a technical change of the electricity seller in 24 hours; ✓ Introduction of access for household electricity consumers and micro-entrepreneurs with an annual consumption of less than 100,000 kWh to an electricity comparison tool; ✓ Introduction of a legal framework for the operation of Citizen Energy Communities, regulating their rights and obligations, including the right of a consumer to join a Citizen Energy Community while retaining full consumer rights and to leave the community without penalty; ✓ Introduction of the customer's right to conclude contracts with dynamic electricity prices with at least one seller and any seller with more than 200,000 customers and the right to receive information on the benefits and risks of such contracts; ✓ Introduction of provisions on the electricity market aggregator, its tasks and powers; ✓ Introduction of provisions on the response of off-takers and active customers in the energy market, including the proposal of a new prosumer billing model, where it will be possible to use separate billing for electricity entering and leaving the grid; ✓ The existing rights of consumers are strengthened and new rights on the sale of electricity are introduced (new contractual terms and conditions, billing obligations, resolution of disputes with the seller, information obligations), and the provisions of the Act are aligned with the provisions of the Energy Policy of Poland until 2040 in terms of the obligation to conclude only comprehensive agreements with household electricity consumers;

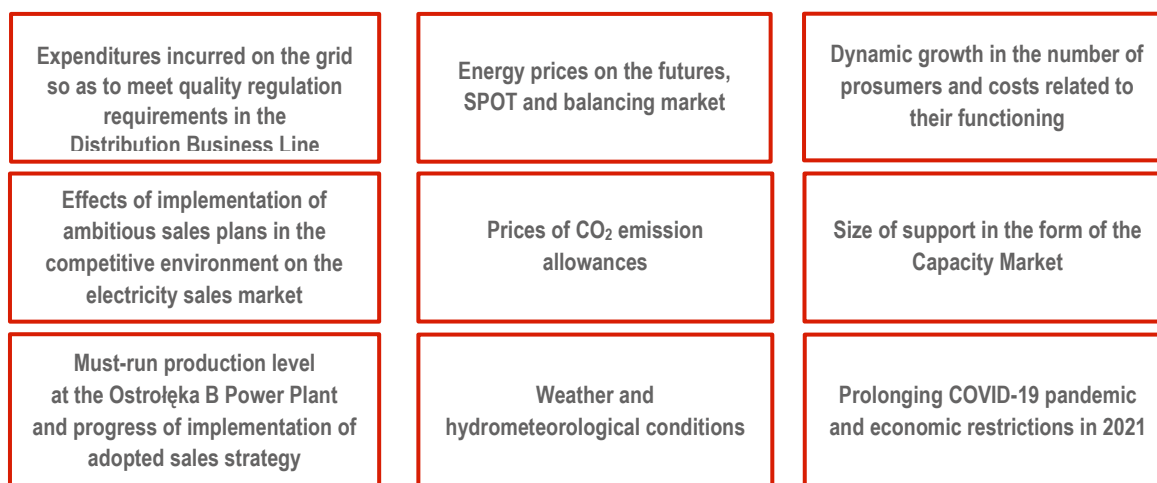
	<ul style="list-style-type: none"> ✓ The tasks of the electricity transmission system operator and electricity distribution system operators are aligned with the provisions of Directive 2019/944, including the introduction of provisions on system services, flexibility services and changes to balancing; ✓ The tasks of the regulator are aligned with the provisions of Directive 2019/944, including the tasks related to the regional coordination centres established under Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market in electricity, hereinafter referred to as "Regulation 2019/943", and introduction of the possibility for anyone whose rights are affected by the performance of obligations by an electricity system operator to notify the President of the ERO regarding a suspected breach of those obligations as defined in the Energy Law, which fulfils the norm of Article 60(2) of Directive 2019/944; ✓ Introduction of regulations clarifying the status of energy storage facilities by electricity distribution system operators and by electricity transmission system operators; ✓ Changes are made in the scope (extension) of the activity of the Coordinator for Negotiations, extending, inter alia, the scope of the tasks of this entity to include new types of agreements introduced into the Energy Law; inter alia, in agreements: for connection to the ee. network; for provision of ee. and natural gas transmission and distribution services; for aggregation; for sale; for provision of electricity storage services; for connection to the electricity, gas or district heating network, including connection to a micro-installation; ✓ A mechanism for non-market-based curtailment of generation from renewable energy sources by electricity system operators is implemented; ✓ The President of the ERO is granted the power to intervene ex officio or at the request of a party in the content of a contract for the provision of services of transmission or distribution of gaseous fuels or electricity concluded between the seller and a distribution system operator or a transmission system operator, in specific cases; ✓ The President of the ERO is granted the power to set prices and charge rates for an electricity undertaking himself in the event of a decision by the President of the ERO refusing to approve a tariff for that undertaking, where that decision is justified by the need to reduce prices and charge rates; ✓ The President of the ERO is granted the power to grant certain entities a derogation from the application of the provisions indicated in the decision as part of the implementation of a project aimed at the implementation of innovative technologies, services, products, models of cooperation of system users, technological or ICT solutions within the so-called "regulatory sandbox"; ✓ The rules on the trade mark of a distribution system operator which is part of a vertically integrated undertaking are clarified so that it cannot be misleading as to the separate identity of the seller who is part of the same vertically integrated undertaking; ✓ Provisions are added to provide a legal basis for electricity undertakings engaged in the transmission or distribution of electricity or gaseous fuels to coordinate actions and exchange information in the event of applications for connection to the gas network and electricity grid with a nominal voltage of 110 kV and higher, equipment, installations or networks that use gaseous fuel for generating electricity; ✓ Doubts about the ability of the storage system operator to engage in the liquefaction or regasification of natural gas are resolved; ✓ The fee for connection to the gas transmission network is increased from 25% to 100% of the actual costs incurred by the operator; ✓ Changes are made in the area of direct lines.
<p>Consultation and arrangements with the EC - National Recovery and Resilience Plan</p>	<p>The National Recovery Plan (NRP) is at the consultation stage between the Polish Government and the European Commission. On 26 February 2021, the Prime Minister's Office published a draft and announced a consultation on the National Recovery Plan (NRP). Key assumptions of the NRP:</p> <ul style="list-style-type: none"> ✓ The NRP is a policy document setting out the objectives connected with rebuilding and creating Poland's socio-economic resilience after the crisis caused by the COVID-19 pandemic. The document forms the basis for applying for support from the European Recovery and Resilience Facility (RRF). The time horizon for the implementation of the document closes at the end of August 2026; ✓ The aim of the measures undertaken under the NRP is firstly to address the challenges posed by the COVID-19 pandemic and seek to overcome the health, economic and social consequences of the pandemic, to mitigate the impact of COVID-19 on the economy and, in the longer term, to support the transition process and enhance the country's social and territorial cohesion. ✓ It should be borne in mind that certain reforms and types of investment are already planned to be supported by national and EU funds and instruments, including cohesion policy, the Common Agricultural Policy and the Just Transition Fund. As part of the EU funds in 2020-2027 (MFF, NGEU), Poland will have more than EUR 170 billion at its disposal for activities supporting the structural transformation of the Polish and European economies. Funds for Poland broken down by individual support instruments: <ul style="list-style-type: none"> ▪ 23.9 billion in grants from the Recovery Fund; ▪ 34.2 billion in loans from the Recovery Fund; ▪ EUR 72.2 billion for the cohesion policy (20% of the funds for the whole EU will go to Poland); ▪ 3.8 billion from the Just Transition Fund; ▪ EUR 21.6 billion for direct payments to farmers; ▪ EUR 10.6 billion for rural development; ▪ Approximately €2 billion in COVID-19 support.
<p>Bill on Amending the Act on Investments in Wind Power Farms and Certain Other Acts No. on the list: UD 207</p>	<p>The Bill is at the stage of being worked on by the Government Legislation Centre: Public Consultations and Opinions. The purpose of the planned changes is to facilitate the implementation of investment projects in onshore wind power farms in communes that express the will to locate such infrastructure, while maintaining maximum safety of operation and ensuring full information on the planned investment for the inhabitants of the surrounding areas.</p> <p>The most significant changes:</p> <ul style="list-style-type: none"> ✓ The main idea of the Bill is to maintain the basic principle of locating a new wind power plant, which states that a new wind power plant can only be constructed on the basis of a local zoning plan. However, the obligation to draw up a local zoning plan or its amendment for the needs of the investment in question will apply to the area of the expected impact of the wind power plant, and not, as it has been the case so far, to the entire area delimited in accordance with the so-called "10H rule" (i.e. for the area within the radius determined by ten times the total height of the planned wind power plant); ✓ The statutory minimum distance of a wind turbine, which must not be less than that set under the so-called "10H rule", is retained. However, taking into account the limitations resulting from the definition of a single, rigid distance principle, a more effective approach in this respect is to make the abovementioned statutory distance rule more flexible and to give

	<p>more authority for determining the location of wind power plants to individual communes as part of the planning procedure, i.e. concerning the adoption or amendment of the local zoning plan prepared for a wind power plant;</p> <ul style="list-style-type: none"> ✓ Accordingly, the local zoning plan will be able to specify a different distance of the wind power plant from the residential building, taking into account the range of impacts of the wind power plant with respect to the absolute minimum distance (500 m) specified in the draft amendment. ✓ The absolute minimum distance of 500 m adopted in the Bill and strong emphasis on the determination of the actual range of impacts and the resulting location of wind turbines on the basis of the environmental impact forecast, prepared for the project and the amendment to the local zoning plan, and the decision of the RDOŚ on the environmental conditions for the project, issued on the basis of a detailed environmental impact report prepared by the investor, are among others the result of an analysis of solutions adopted in other European countries; ✓ The Bill does not change the rules for claiming compensation for property owners in connection with the adoption of the local zoning plan; ✓ The final distance from residential buildings will be verified and determined by the RDOŚ as part of the procedure of issuing the decision on environmental conditions for a given project.
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3.4. Factors likely to impact the Energa Group’s performance within at least the subsequent quarter

In the opinion of the Management Board of Energa SA, the factors described below will affect the performance and operations of the Company and the Energa Group within at least the next quarter.

Figure 12: Factors likely to impact the Energa Group’s performance within the subsequent quarter





Photovoltaic farm in Bystra

Financial and assets situation of the Energa Group

4. FINANCIAL AND ASSETS SITUATION OF THE GROUP

4.1. Rules of preparing the mid-year consolidated financial statements

The Condensed Interim Consolidated Financial Statements of the Energa Group for the six-month period ended 30 June 2021 have been prepared:

- in accordance with the International Financial Reporting Standards endorsed by the European Union,
- on a historical cost basis, except for financial instruments measured at fair value through profit or loss and hedging derivatives,
- in millions of Polish zlotys ("PLN m"),

based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of drawing up the financial statements, there is no evidence indicating that the continuation of the Energa Group's business activities as a going concern may be at risk.

The accounting principles (policy) used in the preparation of the Condensed Interim Consolidated Financial Statements have been presented in Note 7 to the Condensed Interim Consolidated Financial Statements of the Energa Group as at and for the six-month period ended 30 June 2021.

4.2. Explanation of the economic and financial data disclosed in the mid-year consolidated financial statements

Table 5: Consolidated profit or loss statement (PLN m)

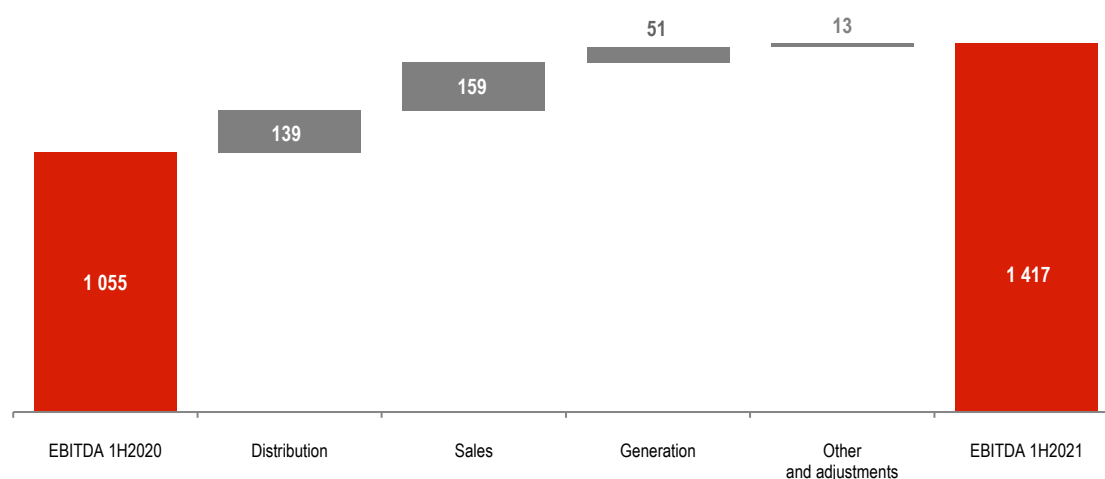
PLN m	Q2 2020*	Q2 2021	Change	Change (%)
Sales revenues	2,842	3,228	386	14%
Revenue from the Price Difference Refund Fund	-	-	-	-
Cost of sales	(2,434)	(2,535)	(101)	4%
Gross profit on sales	408	693	285	70%
Other operating income	145	36	(109)	-75%
Selling and distribution expenses	(207)	(207)	-	-
General and administrative expenses	(89)	(88)	1	-1%
Other operating expenses	(501)	(111)	390	-78%
Operating profit	(244)	323	567	> 100%
Result on financial activity	(359)	(44)	315	-88%
Share in profit/(loss) of the entities measured by the equity method	(252)	113	365	> 100%
Profit or loss before tax	(855)	392	1 247	> 100%
Income tax	(23)	(108)	(85)	> 100%
Net profit or loss for the period	(878)	284	1 162	> 100%
EBITDA	487	659	172	35%

*restated data

PLN m	H1 2020*	H1 2021	Change	Change (%)
Sales revenues	6,092	6,669	577	9%
Revenue from the Price Difference Refund Fund	3	-	(3)	-100%
Cost of sales	(5,045)	(5,180)	(135)	3%
Gross profit on sales	1,050	1,489	439	42%
Other operating income	218	103	(115)	-53%
Selling and distribution expenses	(458)	(455)	3	-1%
General and administrative expenses	(189)	(150)	39	-21%
Other operating expenses	(558)	(180)	378	-68%
Operating profit	63	807	744	> 100%
Result on financial activity	(458)	(56)	402	-88%
Share in profit/(loss) of the entities measured by the equity method	(271)	113	384	> 100%
Profit or loss before tax	(666)	864	1,530	> 100%
Income tax	(101)	(196)	(95)	94%
Net profit or loss for the period	(767)	668	1,435	> 100%
EBITDA	1,055	1,417	362	34%

* restated data

Figure 13: EBITDA bridge by business lines (PLN m)



The Group's EBITDA in H1 2021 was PLN 1,417 million compared to PLN 1,055 million in H1 2020. The highest growth was recorded by the Sales Business Line which was mainly due to the low base. In 2020, an unfavourable household tariff imposed by the President of the Energy Regulatory Office had been in force, and 2020 results (especially in Q2) were also down due to the pandemic. In addition, there was an overall improvement in the margin on electricity sales to end users in 2021. As a consequence of both these factors (low base and improvement in profitability), there was a rapid increase in the margin on electricity sales and thus also in EBITDA. In the Distribution Business Line, the reason for the increase in EBITDA was a higher distribution margin (accounting for grid losses) due to higher distribution volumes and lower OPEX (including a non-recurring event of releasing actuarial provisions established under the Company Social Benefit Fund for old age and disability pensions, and a decrease in expenses related to some work being postponed due to the pandemic). The y/y EBITDA increase in the Generation Business Line was mainly due to higher revenues from electricity sales and from system services provided to

Polskie Sieci Elektroenergetyczne, but those were partially offset by significantly higher costs of CO₂ emission allowances caused by an increase in the market price of the allowances, and higher fuel costs.

In H1 2021, the Distribution Business Line had the greatest share in the Group's EBITDA (76%). The Generation Business Line and Sales Business Line had a share of 11% and 15%, respectively. Operating profit ("EBIT") in H1 2021 amounted to PLN 807 million, up by PLN 744 million compared to the same period in 2020. The biggest impact on the increase in EBIT y/y was due to the operational factors described above affecting EBITDA, as well as the effect of the low base in terms of impairment losses on non-financial non-current assets – in H1 2020, impairment losses amounted to PLN 470 million, while in the reported period they amounted to PLN 72 million (the impact on the change in EBITA y/y was PLN +398 million).

In H1 2021, the share in the results of affiliated entities and joint ventures amounted to PLN 113 million which represents a favourable change compared to the same period of the previous year by PLN 384 million. Such a significant change is the effect of the negative result in H1 2020 (PLN -271 million), when a provision was created for the settlement with Elektrownia Ostrołęka sp. z o.o. as a result of the proposal made by the general contractor to settle the investment project concerning the construction of the Ostrołęka C Power Plant based on coal fuel ("Coal Project"), as well as the recognition of the share in the result of Polska Grupa Górnicza S.A. In H1 2021, the share in profit/loss of entities accounted for using the equity method was positive (+ PLN 113 million), which was mainly connected with the partial release of the provision for the settlement of the Coal Project. The Group's net profit in H1 2021 was PLN 668 million compared to a net loss in H1 2020 of PLN 767 million. In addition to the issues described above (operating factors affecting EBITDA, write-downs of assets and share in profit/loss of entities accounted for using the equity method), the y/y increase in net profit was also influenced by a better result on financing activities (by PLN 402 million), which was mainly due to the low base effect - in H1 2020 high financial costs were recorded (primarily the effect of recognising a write-down of the loan granted to Elektrownia Ostrołęka Sp. z o.o. in connection with the decision not to continue the Coal Project and the write-down of the investment in the joint venture in PGG).

In H1 2021, the Group's sales revenue amounted to PLN 6,669 million and was 9%, i.e. PLN 574 million, higher than the revenue achieved in H1 2020. The increase in revenues is mainly attributable to the Generation Business Line, which is the result of higher electricity production at the Ostrołęka power plant (higher level of forced operation) and hydroelectric sources, as well as higher levels of electricity sales prices. Revenues from system services were also higher due to the implementation of the settlement mechanism in the form of the Capacity Market in the current year (the Group's revenues from the Capacity Market in the first half of 2021 amounted to PLN 119 million, while in Q2 2021 alone they amounted to PLN 56 million).

Group EBITDA in Q2 2021 was PLN 659 million compared to PLN 487 million in Q2 2020. All major Business Lines generated higher EBITDA in Q2 2021 / Q2 2020. The largest increase was recorded by the Distribution Business Line (EBITDA higher by PLN 112 million), which is mainly due to a higher margin on distribution (effect of higher distribution volumes) and lower OPEX costs of the Line. At the same time, a non-recurring event took place in Q2 2020 regarding the change in the recognition of infrastructure received free of charge, which improved the performance of this Line in that period. The higher EBITDA of the Generation Business Line in Q2 2021 (by PLN 16 million y/y) was mainly due to higher revenues from electricity sales and higher revenues from system services. EBITDA of the Sales Business Line was higher by PLN 49 million in Q2 2021 /Q2 2020, which is mainly due to the low base effect (in 2020, the unfavourable tariff of the President of the ERO for households was in force, and also the results of the second quarter of 2020 were reduced due to the pandemic – realisation of losses on the sale of surplus energy) and a general improvement in the profitability of electricity sales to end users in 2021.

The impact of untypical events affecting the EBITDA result is presented below (the materiality criterion has been set at PLN 25 million).

Table 6: EBITDA after material one-off events* (PLN m)

EBITDA (PLN m)	
Q2 2021	
EBITDA	659
Adjusted EBITDA	659
Q2 2020	
EBITDA	487
Adjusted EBITDA	501

including:

Provision for onerous contracts	(29)
Revenue loss due to G Tariff	47
Estimated impact of COVID-19	68
Change of recognising the infrastructure obtained free of charge (alignment of the accounting policy with PKN Orlen Group)	(85)
EBITDA (PLN m)	
6 months of 2021	
EBITDA	1,417
Adjusted EBITDA	1,375
<i>including:</i>	
Actuarial reserves	(41)
6 months of 2020	
EBITDA	1,055
Adjusted EBITDA	1,116
<i>including:</i>	
Provision for onerous contracts	(67)
Revenue loss due to G Tariff	96
Estimated impact of COVID-19	95
Change of recognising the infrastructure obtained free of charge (alignment of the accounting policy with PKN Orlen Group)	(85)

* The table presents non-recurring items identified on the basis of the criterion of materiality, which was set at PLN 25 million.

Table 7: Consolidated statement of financial position (PLN millions)

	As at 31 December 2020*	As at 30 June 2021	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	14,565	14,811	246	2%
Intangible assets	926	1,066	140	15%
Right-of-use assets	907	1,001	94	10%
Goodwill	11	11	-	-
Investments in associated entities and joint ventures measured using the equity method	105	128	23	22%
Deferred tax assets	207	242	35	17%
Other non-current financial assets	77	84	7	9%
Other non-current assets	141	204	63	45%
	16,939	17,547	608	4%
Current assets				
Inventories	140	112	(28)	-20%
Current tax receivables	30	9	(21)	-70%
Trade receivables	1,941	1,856	(85)	-4%
Contract assets	-	-	-	-
Other current financial assets	60	31	(29)	-48%
Cash and cash equivalents	221	476	255	> 100%
Other current assets	337	272	(65)	-19%

	2,729	2,756	27	1%
Assets classified as held for sale	-	40	40	-
TOTAL ASSETS	19,668	20,343	675	3%
EQUITY AND LIABILITIES				
Equity				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	5	4	(1)	-20%
Reserve capital	1,018	821	(197)	-19%
Supplementary capital	1,661	1,661	-	-
Cash flow hedge reserve	(96)	(60)	36	38%
Retained earnings	1,669	2,514	845	51%
Equity attributable to equity holders of the Parent Company	8,779	9,462	683	8%
Non-controlling interest	(36)	(44)	(8)	-22%
	8,743	9,418	675	8%
Non-current liabilities				
Loans and borrowings	1,690	1,508	(182)	-11%
Bonds issued	2,520	2,469	(51)	-2%
Non-current provisions	923	905	(18)	-2%
Deferred tax liabilities	777	808	31	4%
Deferred income and non-current grants	214	268	54	25%
Liabilities on account of leases	704	766	62	9%
Other non-current financial liabilities	22	13	(9)	-41%
Contract liabilities	11	10	(1)	-9%
	6,861	6,747	(114)	-2%
Current liabilities				
Trade liabilities	792	840	48	6%
Contract liabilities	131	165	34	26%
Current loans and borrowings	1,742	1,444	(298)	-17%
Bonds issued	41	49	8	20%
Current income tax liability	-	14	14	-
Deferred income and grants	187	154	(33)	-18%
Short-term provisions	763	883	120	16%
Other financial liabilities	249	428	179	72%
Other current liabilities	159	174	15	9%
	4,064	4,151	87	2%
Liabilities directly related to assets classified as held for sale	-	27	27	-
Total liabilities	10,925	10,925	-	-
TOTAL EQUITY AND LIABILITIES	19,668	20,343	675	3%

*restated data

As at 30 June 2021, the balance sheet total of the Energa Group was PLN 20,343 million, up by PLN 675 million compared to the end of 2020.

In assets, the most significant change was recorded under property, plant and equipment. The increase mainly concerned expenditures less depreciation in the Distribution Business Line (expenditures on expansion and modernisation of the grid) and in Other Activities (transaction of disposal of assets connected with the gas power plant construction process concluded between Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o.). Among current assets, the most significant change related in particular to the cash position. The reasons for the change in cash are described further in the section on cash flows.

As at 30 June 2021, Energa Group's equity was PLN 9,418 million, and financed the Group's assets in 46%.

There were no significant changes in liabilities. In the current reporting period, the financing from PKN ORLEN was activated, in parallel the debt under the syndicated loan and the loan from Bank Gospodarstwa Krajowego was reduced.

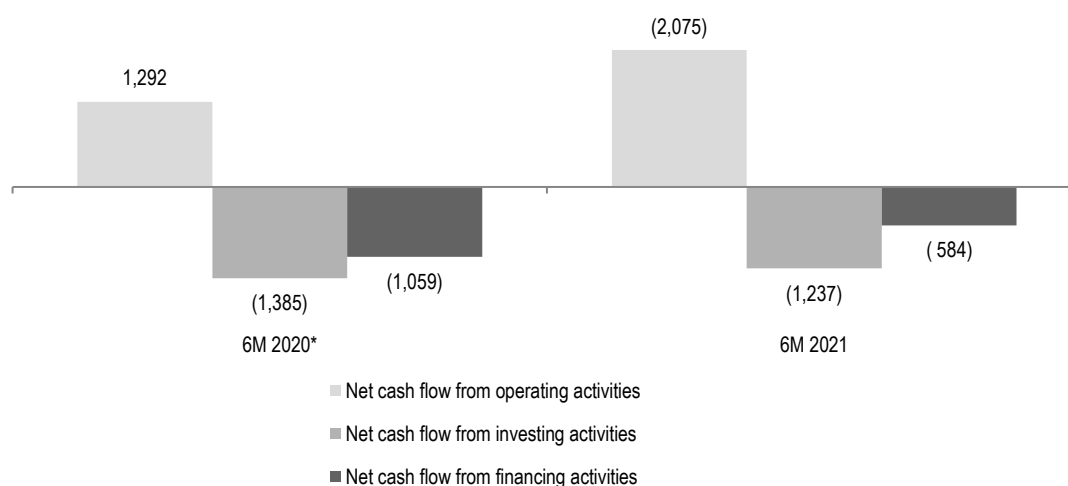
As at 30 June 2021, the following items were identified in the consolidated statement of financial position: Assets classified as held for sale and Liabilities directly related to assets classified as held for sale which is connected with actions taken by the Group to sell shares in subsidiaries Energa Centrum Usług Wspólnych Sp. z o.o. and Energa Ochrona Sp. z o.o.

Table 8: Consolidated cash flow statement (PLN m)

PLN m	6 months of 2020*	6 months of 2021	Change	Change (%)
Net cash flow from operating activities	1,292	2,075	783	61%
Net cash flows from investment activities	(1,385)	(1,237)	148	11%
Net cash flows from financial activities	(1,059)	(584)	475	45%
Net increase / (decrease) in cash	(1,152)	254	1,406	> 100%

*restated data

Figure 14: Consolidated cash flow statement (PLN m)



Total net cash flows from operating, investment and financing activities of the Group in H1 2021 were positive and stood at PLN 254 million, compared to negative flows of PLN (1,152) million in the same period of 2020.

Cash flows from operating activities amounted to PLN 2,075 million compared to PLN 1,292 million in H1 2020. The increase in cash flows from operating activities was mainly due to a profit before tax of PLN 864 million compared to a loss of PLN (666) million in H1 2020 with a decrease in trade receivables, a decrease in inventories and an increase in trade payables. These items exceeded the other negative flows, the most significant of which concerned the payment of income tax of PLN (162) million compared to PLN (76) million paid in 2020.

Net expenses from investment activities in 2021 amounted to PLN (1,237) million and were lower by PLN 148 million in comparison to the first half of 2020, which was mainly due to the lower level of expenditure on investment assets in the amount

of PLN (185) million while maintaining a comparable level of expenditure on the purchase of property, plant and equipment, which amounted to PLN (1,262) million in the first half of 2021 compared to PLN (1,216) million in the same period of 2020.

Cash flow from financing activities amounted to PLN (584) million and resulted mainly from the repayment schedule of the current debt instruments, which resulted in payments in the amount of PLN (1,551) million against the inflows from incurring new financial liabilities in the amount of PLN 1,066 million, leasing debt repayment PLN (54) million and current interest payments PLN (79) million as well as expenditure on guarantees granted PLN (6) million. In the same period last year, there was also a negative cash flow from financing activities in the amount of PLN (1,059) million, which resulted mainly from the higher balance of redemption of debt securities and repayment of credit debt with interest of PLN (3,875) million against the acquisition of external credit of PLN 2,799 million. Repayments of the debt incurred during the periods under review were made in accordance with the applicable schedules.

4.3. Structure of assets and liabilities in the consolidated statement of financial position

Figure 15: Structure of assets and liabilities



Table 9: Financial ratios of the Energa Group

Ratio	Definition	H1 2020	H1 2021
Profitability			
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets/ sales revenues (taking into account the revenue from the Price Difference Payout Fund)	17.3%	21.2%
return on equity (ROE)	net profit for the period* / total equity at the end of period	-24.0%	10.5%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the revenue from the Price Difference Payout Fund)	-12.6%	10.0%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	-10.5%	4.9%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2020	As at 30 June 2021
Liquidity			
current liquidity ratio	current assets/current liabilities	0.7	0.7
Debt			
financial liabilities (PLN m)	total liabilities due to loans and borrowings, debt securities and leases (both long- and short-term)	6,736	6,274

net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	6,515	5,798
net debt**/EBITDA* ratio	net financial liabilities/EBITDA	2.3	1.7

* EBITDA for the last 12 months

** net financial liabilities included in the calculation of the net debt/ EBITDA ratio include the key elements defined in the financing agreements

Both sales revenue and EBITDA recorded an increase in H1 2021 compared to the same period of the previous year (the factors affecting these changes are described in the section on discussion of financial figures). As EBITDA grew at a higher rate than revenues, the EBITDA margin ratio improved. Operational factors improving EBITDA, lower asset write-downs, a positive contribution to profit/loss of equity accounted investees and a higher balance of financing activities also improved net income y/y and therefore improved the profitability ratios.

The current ratio did not change significantly from the end of 2020 and stood at 0.7 at the end of H1 2021.

The decrease in the net debt/EBITDA ratio was driven by a lower level of financial liabilities and a higher level of cash and cash equivalents at 30 June 2021 compared to 31 December 2020, as well as higher annualised EBITDA at the end of June 2021 compared to EBITDA for 2020.

4.4. Description of significant off-balance sheet items

Information in this respect can be found in the consolidated financial statements - note 21: *Contingent assets and liabilities*.

4.5. Projected financial results

The Management Board of the Company has not yet published projections for separate and consolidated financial results for the financial year of 2021.



Włocławek Hydroelectric Power Station

Operations of the Energa Group Segments

5. OPERATIONS OF THE ENERGA GROUP SEGMENTS

Energa Group's financial performance by Business Line was as follows:

Table 10: EBITDA of the Energa Group, by Business Lines (PLN m)

EBITDA in PLN m	Q2 2020	Q2 2021	Change	Change (%)
DISTRIBUTION	447	559	112	25%
GENERATION	29	45	16	55%
SALES	18	67	49	> 100%
OTHER and consolidation eliminations and adjustments	(7)	(12)	(5)	-71%
Total EBITDA	487	659	172	35%

EBITDA in PLN m	H1 2020	H1 2021	Change	Change (%)
DISTRIBUTION	940	1,079	139	15%
GENERATION	98	149	51	52%
SALES	52	211	159	> 100%
OTHER and consolidation eliminations and adjustments	(35)	(22)	13	37%
Total EBITDA	1,055	1,417	362	34%

5.1. Distribution Business Line

5.1.1. Business and operating activities

Table 11: Distribution of electricity by tariff groups (GWh)

Distribution of electricity by tariff groups (billed sales) in GWh	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Tariff group A (HV)	710	885	176	25%	1,516	1,737	221	15%
Tariff group B (MV)	1,891	2,199	307	16%	4,092	4,460	368	9%
Tariff group C (LV)	943	1,080	137	15%	2,059	2,126	67	3%
Tariff group G (LV)	1,430	1,597	167	12%	3,001	3,244	243	8%
Total distribution of electricity	4,974	5,761	787	16%	10,668	11,567	899	8%

In H1 2021, the volume of electricity supplied was 11,567 GWh, up by 8% from the corresponding period of the previous year. A similar trend occurred in Q2 2021, where electricity distribution volumes amounted to 5,761 GWh and were higher by almost 16% y/y. Volume increases were recorded in all tariff groups and this was primarily the result of the lockdown in H1 2020 associated with the COVID-19 pandemic (there was then a y/y decrease in volume in groups A, B and C and a simultaneous increase in volume on tariff G due to increased household consumption resulting from remote working and learning).

Table 12: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q2 2020	16.8	4.3	21.1	0.4	0.0	0.4
Q2 2021	17.5	5.9	23.4	0.4	0.0	0.5
Change	0.7	1.6	2.3	0.0	0.0	0.1
Change (%)	4%	38%	11%	11%	47%	14%
H1 2020	50.5	8.9	59.4	0.9	0.1	0.9
H1 2021	36.0	11.0	47.1	0.8	0.1	0.8
Change 2021/2020	(14.5)	2.1	(12.4)	(0.1)	0.0	(0.1)
Change 2021/2020 (%)	-29%	24%	-21%	-11%	30%	-9%

In H1 2021, Energa Operator achieved SAIDI and SAIFI ratios of 47.1 min/customer and 0.8 outage/customer respectively, i.e. lower than in the corresponding period of the previous year, despite an increase in the ratios in Q2 this year. The improvement concerned unscheduled outages, which was connected with operational activities aimed at improving the process of restoring power supply after removing failures on the power grids and the implementation of grid modernisation projects. At the same time, more mass failures occurred in 2020 (in particular in Q1 2020).

5.1.2. Financial results

Figure 16: Results of the Distribution Business Line of the Energa Group (PLN m)

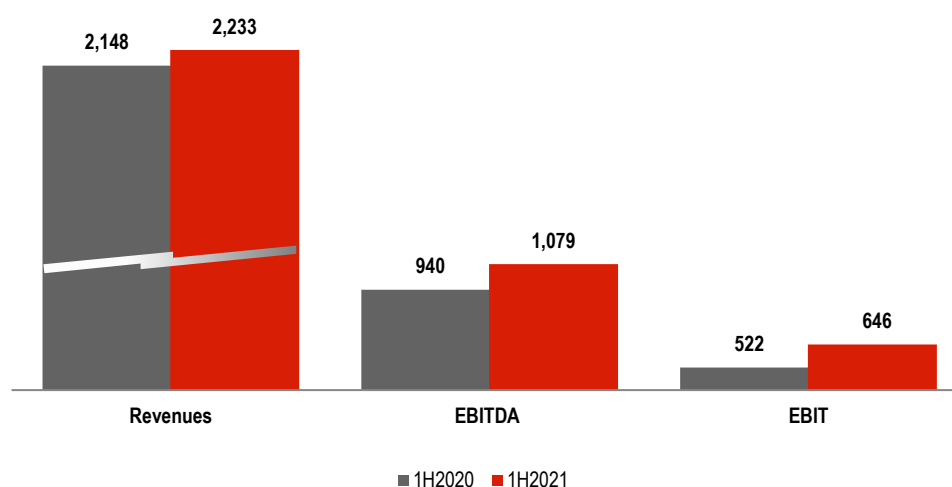


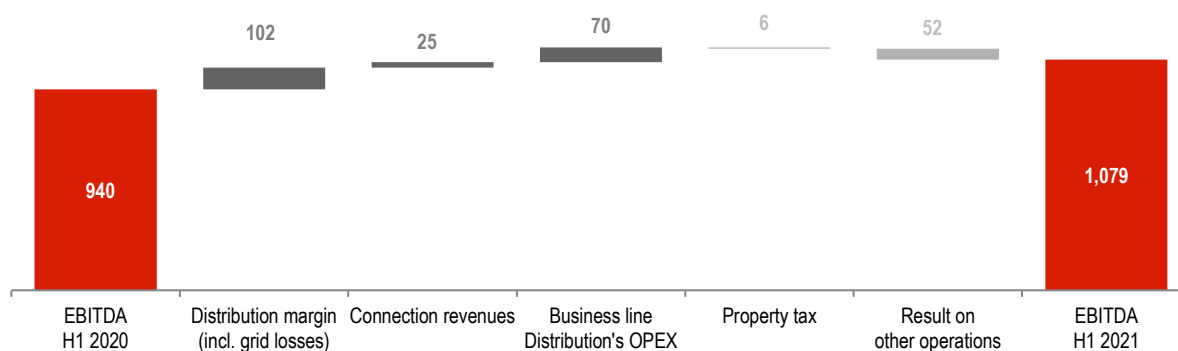
Table 13: Results of the Distribution Business Line (PLN m)

PLN m	Q2 2020	Q2 2021	Change	Change (%)
Revenues	1,002	1,092	90	9%
EBITDA	447	559	112	25%
amortization and depreciation	208	220	12	6%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	239	339	100	42%

Net result	156	192	36	23%
CAPEX	313	370	57	18%

PLN m	H1 2020	H1 2021	Change	Change (%)
Revenues	2,148	2,233	85	4%
EBITDA	940	1,079	139	15%
amortization and depreciation	418	433	15	4%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	522	646	124	24%
Net result	344	421	77	22%
CAPEX	579	670	91	16%

Figure 17: EBITDA Bridge of the Distribution Business Line (PLN million)



In H1 2021, the Distribution Business Line generated 76% of EBITDA for the Energa Group (89% in the corresponding period of 2020).

In H1 2021, sales revenues were PLN 2,233 million, up by 4% from the corresponding period of the previous year. The increase in revenues is due to higher revenues from the delivery of the distribution service, which is connected with sales volumes higher by 8%, and higher revenues from connections which went up by PLN 25 million due to the connection of more wind farms.

Line's EBITDA for the first half of 2021 was PLN 1,079 million compared to PLN 940 million in the same period last year. EBIT was significantly impacted by a PLN 102 million higher distribution margin (with grid losses), despite the unfavourable settlement of the actual December 2020 grid loss volume in January 2021.

OPEX costs of the Line in the period under review were lower by PLN 70 million y/y, affected among others by a non-recurring event of releasing actuarial provisions established under the Company Social Benefit Fund for old age and disability pensions and changes in the discount rate y/y, as well as a lower level of expenses related to some work being postponed due to the pandemic.

In other operating activities, despite the signing of a favourable settlement in the transmission fee litigation case, y/y results deteriorated owing to another one-off event in 2020. In Q2 2020, the recognition of infrastructure received free of charge (previously accounted for through deferred income) was changed in connection with the harmonisation of the accounting policy with the ORLEN Group, which improved the Line's results in that period by PLN 73 million.

The results were also unfavourably impacted by an increase in the cost of property tax due to an increase in property values and tax rates.

The Distribution Business Line's net profit in H1 2021 amounted to PLN 421 million, up 22% y/y. The improvement was mainly due to the change in EBIT and the inclusion in financial revenues of interest connected with the aforementioned settlement.

Capital expenditures for this Line amounted to PLN 670 million and were 16% higher than in H1 2020.

In Q2 2021, EBITDA of the Distribution Business Line amounted to PLN 559 million and was PLN 112 million higher than in the same period of the previous year. EBIT, on the other hand, reached PLN 339 million (up 42% y/y). The operating result was significantly impacted by a PLN 142 million higher distribution margin (with grid losses), PLN 24 million higher connection revenues and PLN 17 million lower OPEX of the Line. The slightly higher cost of property tax (up by PLN 3 million PLN y/y) and the lower balance on other operating activities (down by PLN 68 million y/y) had a negative impact. In Q2 2020, the aforementioned non-recurring event took place regarding the changed recognition of infrastructure received free of charge.

5.2. Generation Business Line

5.2.1. Business and operating activities

Table 14: Gross electricity production (GWh)

Gross electricity production (GWh)	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Power plants – coal-fired	296	497	201	68%	585	1,089	504	86%
Power plants - biomass co-fired	41	-	(41)	-100%	94	-	(94)	-100%
CHP plants - coal-fired	26	7	(19)	-74%	62	16	(46)	-74%
CHP plants - biomass-fired	2	21	19	> 100%	19	44	25	> 100%
Power plants – hydro	157	250	93	60%	366	510	144	39%
Pumped storage plant	7	15	7	100%	28	34	6	21%
Power plants – wind	93	103	10	11%	268	227	(41)	-15%
Power plants – photovoltaics	2	2	0	10%	3	3	0	1%
Total production of electricity	624	895	271	43%	1,425	1,922	498	35%
<i>including from RES</i>	295	377	82	28%	750	783	33	4%

In H1 2021, the generating assets in the Energa Group produced approximately 1.9 TWh of electricity vs. 1.4 TWh in the same period last year (up by 35%). The upward trend mainly concerned the Ostrołęka Power Plant and hydroelectric power plants. During that period, 57% of the Group's gross electricity production originated from hard coal, 28% from hydro, 12% from wind and 2% from biomass.

The level of production at the Ostrołęka power plant resulted from the must-run production for the Transmission System Operator in Poland and the availability of these units. Energy production in hydro sources is the effect of hydrological conditions, while the level of production in wind sources resulted from the prevailing weather conditions. Energy production in the Group's CHP plants was connected with the production of heat, which was mainly dependent on the heat demand from the Group's local consumers and the availability of the co-generation units.

In the second quarter of 2021, most of the Group's sources saw a y/y increase in production. Only thermal sources recorded stable production levels.

Table 15: Gross heat production (TJ)

Gross heat production in TJ	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	450	420	(30)	-7%	1,262	1,366	104	8%
ENERGA Elektrownie Ostrołęka S.A.	231	216	(15)	-7%	659	688	29	4%
Ciepło Kaliskie Sp. z o.o.	34	46	12	36%	157	194	36	23%
Total gross heat production	715	682	(33)	-5%	2,079	2,248	169	8%

In H1 2021, the Group produced 2079 TJ of thermal energy (up by 8% y/y), which was influenced by, e.g. the temperature shaping the demand for heat from the Group's local consumers in the cities of Ostrołęka, Elbląg and Kalisz.

However, lower heat production was recorded in Q2 2021 compared to the same period last year. The Group produced 33 TJ (i.e. 5%) less heat y/y, due to weather conditions.

Table 16: Volume and cost of consumption of key fuels*

Consumption of fuels*	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Hard coal								
Quantity (k tonnes)	161	242	81	51%	342	544	202	59%
Cost (PLN m)	50	68	18	36%	107	156	49	46%
Biomass								
Quantity (k tonnes)	24	20	(4)	-18%	72	45	(28)	-38%
Cost (PLN m)	11	8	(3)	-23%	36	19	(17)	-48%
Total fuel consumption (PLN m)	61	77	15	25%	143	175	32	22%

* including the cost of transport

In H1 2021, the Group's producers consumed more hard coal (up by 202 thousand tons) and less biomass (down by 28 thousand tons) compared to the same period of the previous year. The reduction in production from biomass is mainly due to the termination of production from co-firing at the Ostrołęka Power Plant. The higher coal consumption was an effect of higher electricity production, mainly by the Ostrołęka Power Plant. At the same time, lower unit costs of coal and biomass purchase were recorded. Similar trends were also noted in Q2 2021 alone.

5.2.2. Financial results

Figure 18: Results of the Generation Business Line of the Energa Group (PLN m)

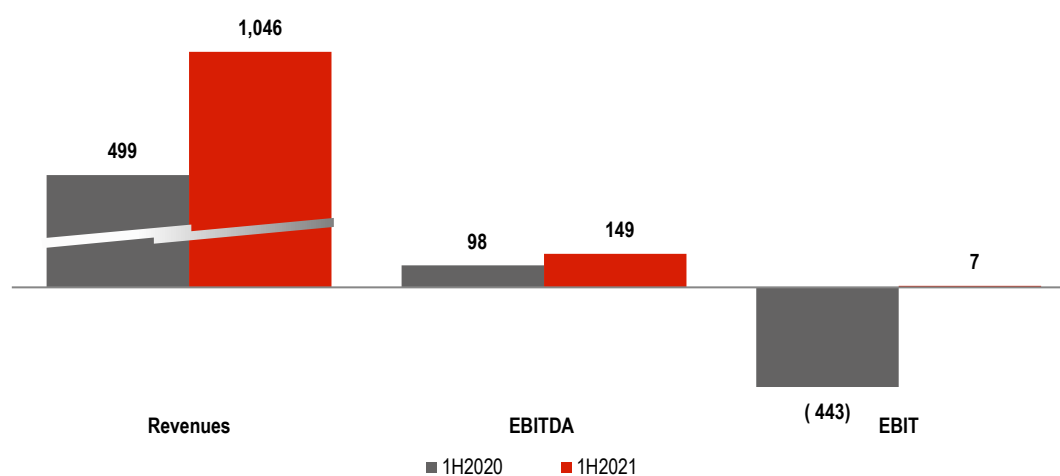


Table 17: Results of the Generation Business Line of the Energa Group (PLN m)

PLN m	Q2 2020*	Q2 2021	Change	Change (%)
Revenues	238	502	264	> 100%
EBITDA	29	45	16	55%
amortization and depreciation	33	36	3	9%
impairment of non-financial non-current assets	473	62	(411)	-87%
EBIT	(477)	(53)	424	89%
Net result	(486)	(74)	412	85%
CAPEX	145	41	(104)	-72%

PLN m	H1 2020*	H1 2021	Change	Change (%)
Revenues	499	1,046	547	> 100%
EBITDA	98	149	51	52%
amortization and depreciation	71	70	(1)	-1%
impairment of non-financial non-current assets	470	72	(398)	-85%
EBIT	(443)	7	450	> 100%
Net result	(476)	(33)	443	93%
CAPEX	197	70	(127)	-64%

*restated data

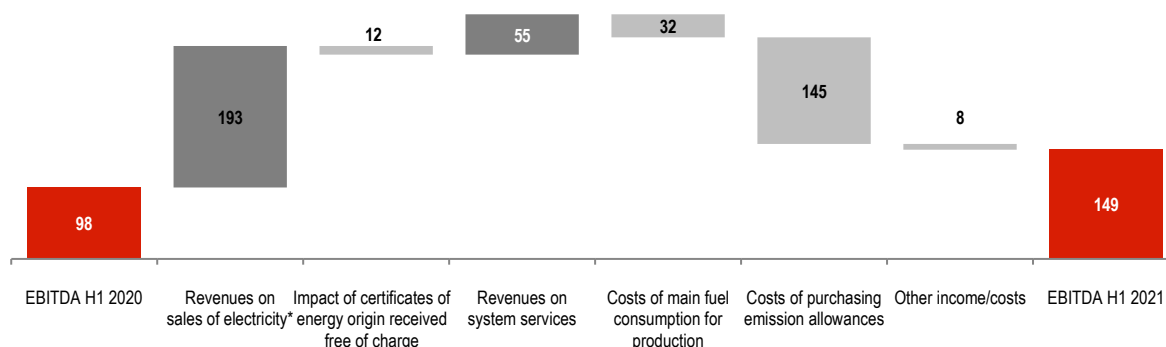
The following table presents EBITDA breakdown of the Generation Business Line into individual Generation Segments. The statement presents unit data with the elimination of mutual transactions among business segments and consolidation adjustments.

Table 18: EBITDA for Generation Business Line broken down to Generation Segments (PLN m)

EBITDA in PLN m	Q2 2020	Q2 2021	Change	Change (%)
Water	23	55	32	> 100%
Wind	16	26	10	62%
Ostrolęka Power Plant	(7)	(37)	(30)	< -100%
Other and adjustments	(3)	2	4	> 100%
Generation total	29	45	16	55%

EBITDA in PLN m	H1 2020	H1 2021	Change	Change (%)
Water	60	110	49	82%
Wind	57	60	2	4%
Ostrolęka Power Plant	(19)	(20)	(1)	-4%
Other and adjustments	(1)	(0)	1	81%
Generation total	98	149	51	52%

Figure 19: EBITDA bridge of the Generation Business Line (PLN m)



* includes net electricity trading (revenue less cost)

The share of the Generation Business Line in the total Group EBITDA was 11% in H1 2021 (9% in the same period of the previous year).

The higher EBITDA of the Line (up by PLN 51 million y/y) was mainly due to higher revenues from the sale of electricity and higher revenues generated by the system services provided to the Transmission System Operator. The positive impact of the above factors was partly mitigated by the higher variable cost (mainly the cost of using key fuels for production while the cost of purchasing emission allowances increased).

The higher revenues from electricity sales are mainly the result of higher energy production by the Ostrolęka Power Plant and hydro sources, as well as higher electricity sales prices.

The lower impact of certificates of energy origin received free of charge was mainly due to a lower production volume (e.g. discontinuation of co-firing at the Ostrolęka Power Plant and lower production of wind farms).

The higher revenues from system services were mainly due to the implementation at the beginning of 2021 of a clearing mechanism in the form of the Capacity Market used by the Group's sources. Total revenues from system services in H1 2021 amounted to PLN 98 million compared to PLN 43 million in the same period last year.

The cost of key fuel consumption for generation was mainly driven by the higher volume of electricity generation at the Ostrołęka Power Plant, the lower unit cost of fuel consumption and the efficiency of the generation facilities.

The increase in the cost of purchasing CO2 emission allowances was due to the increase in market prices of emission allowances, the volume of emissions of the Group's sources and the smaller pool of free emission allowances held.

The Line's capital expenditures in H1 2021 were lower by PLN 127 million y/y, mainly due to the tasks connected with the development of district heating assets in Elbląg.

In addition to the factors shaping EBITDA presented above, the significant factors shaping EBIT and the gross result of the Business Line, i.e:

- making a write-down in Q2 2020 of assets at the Ostrołęka B Power Plant for a total amount of PLN 473 million due to an impairment test. The reason for the write-down was a change of the end-of-life date of the core facilities to 2036. Thus, the residual value and the assumption of power plant operation without time limitation were eliminated from the test,
- making an impairment loss on assets in the Ostrołęka B Power Plant for a total amount of PLN 68 million in the second quarter of 2021. The calculations to determine the utility value in the impairment test were based on financial projections for a limited useful life of June 2021 - December 2026. The test period from the end of 2020 (test performed until 2025 in line with the end of support from the Capacity Market), was extended to 2026 due to the need to take into account flows from the settlement of CO2 emission allowance costs, following the introduction of a new allowance management model in the Group. The value of the assets of the Ostrołęka B CGU after the write-down, excluding land, rights of perpetual usufruct of land and property rights as at 30 June 2021 was PLN 0.

The Line's higher Q2 EBITDA y/y (increased by PLN 16 million y/y) was mainly due to higher revenues from electricity sales and higher revenues from system services. The positive impact of the above factors was only partially mitigated by the higher cost of using key fuels for production and the higher cost of purchasing emission allowances.

Table 19: Results of the Hydro Power Division (PLN m)

PLN m	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Revenues	47	78	30	64%	111	162	51	46%
EBITDA	23	55	32	> 100%	60	110	49	82%
EBIT	14	46	32	> 100%	43	92	49	> 100%
CAPEX	2	1	(0)	-19%	3	1	(2)	-61%

Table 20: Results of the Wind Power Division (PLN m)

PLN m	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Revenues	24	36	11	46%	75	78	3	4%
EBITDA	16	26	10	62%	57	60	2	4%
EBIT	2	9	7	> 100%	29	27	(3)	-9%
CAPEX	128	1	(127)	-99%	131	2	(129)	-98%

Table 21: Results of the Ostrołęka Power Plant Division (PLN m)

PLN m	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Revenues	146	355	209	> 100%	271	724	452	> 100%
EBITDA	(7)	(37)	(30)	< -100%	(19)	(20)	(1)	-4%
EBIT	(485)	(101)	384	79%	(503)	(79)	424	84%
CAPEX	4	3	(1)	-22%	48	6	(43)	-88%

Table 22: Results of the Other Generation and Adjustments Division (PLN m)

PLN m	Q2 2020*	Q2 2021	Change	Change (%)	H1 2020*	H1 2021	Change	Change (%)
Revenues	20	34	14	70%	42	83	41	98%
EBITDA	(3)	2	4	> 100%	(1)	(0)	1	81%
EBIT	(9)	(7)	2	18%	(12)	(33)	(20)	< -100%
CAPEX	12	35	24	> 100%	14	60	46	> 100%

*restated data

5.3. Sales Business Line

5.3.1. Business and operating activities

Table 23: Sales of electricity by the Sales Business Line (GWh)

Sales of electricity by the Sales Business Line in GWh	Q2 2020	Q2 2021	Change	Change (%)	H1 2020	H1 2021	Change	Change (%)
Retail sales of electricity	4,354	4,398	45	1%	9,275	9,315	40	0%
Sales of electricity in the wholesale market, including:	1,183	731	(452)	-38%	2,614	1,518	(1,096)	-42%
<i>Sales of energy to the balancing market</i>	299	397	98	33%	705	964	259	37%
<i>Sales of energy to cover network losses to Energa Operator</i>	-	-	-	-	-	-	-	-
<i>Other wholesale</i>	884	334	(550)	-62%	1,909	554	(1,355)	-71%
Total sales of electricity	5,537	5,129	(408)	-7%	11,889	10,833	(1,056)	-9%

In H1 2021, the total volume of electricity sold by the Sales Business Line declined by 9% (or 1.1 TWh) vs. H1 2020. It resulted from lower sales on the wholesale market.

Sales volumes in the retail market were at a comparable level to the same period last year (approximately 9.3 TWh). Within retail, there was a decrease in sales volumes to business customers (the effect of the economic restrictions associated with the COVID-19 pandemic, which in 2021 lasted longer than in 2020), while sales volumes to households increased (in addition to the lockdown effect, remote work or learning, there was the added effect of a cold winter).

At the end of the first half of 2021, the number of end-use electricity customers (Point of Consumption) of the Sales Business Line amounted to 3.2 million, an increase by approximately 62,000 customers y/y. The G tariff group (households) is mainly responsible for the increase in the customer base.

Electricity sales on the wholesale market decreased in H1 2021 by 1.1 TWh (i.e. by 42%) compared to the same period in 2020. The reason for the decrease was a reduction in the scale of activities carried out on the energy portfolio (abandonment of speculative transactions), as well as a lower production of wind farms on the local market, which reduced the phenomenon of having to collect this energy and resell it in case of a surplus.

In 2021, as in 2020, there were no sales of energy to cover grid losses to Energa Operator SA by Energa Obrót SA - another seller has been selected.

In Q2 2021, the trend was the same as in the entire H1 2021, i.e. energy sales volumes were 7% lower (by 0.4 TWh) y/y. The volume of sales in the retail market was similar to the level in the second quarter of the previous year, while the volume of energy sales in the wholesale market fell by 38% y/y.

5.3.2. Financial results

Figure 20: Results of the Sales Business Line of the Energa Group (PLN m)

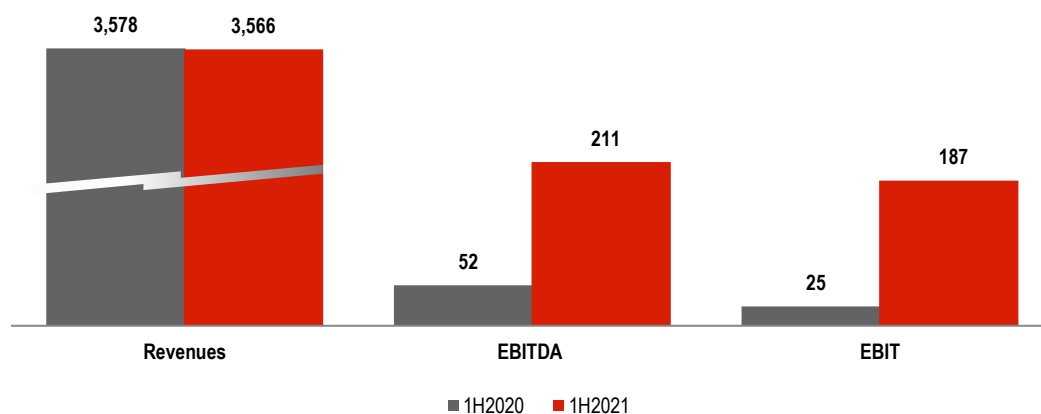
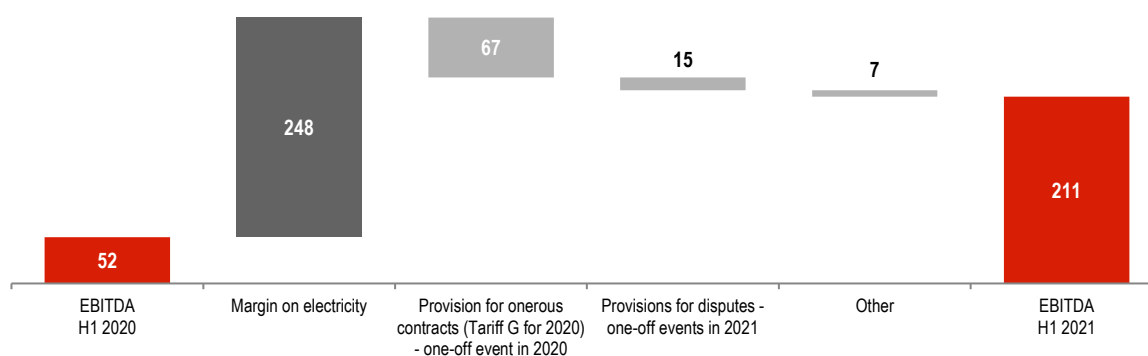


Table 24: Results of the Sales Business Line of the Energa Group (PLN m)

PLN m	Q2 2020	Q2 2021	Change	Change (%)
Revenues	1,655	1,709	54	3%
EBITDA	18	67	49	> 100%
amortization and depreciation	14	12	(2)	-14%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	4	55	51	> 100%
Net result	2	45	43	> 100%
CAPEX	17	11	(6)	-35%

PLN m	H1 2020	H1 2021	Change	Change (%)
Revenues	3,578	3,566	(12)	0%
EBITDA	52	211	159	> 100%
amortization and depreciation	27	24	(3)	-11%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	25	187	162	> 100%
Net result	12	152	140	> 100%
CAPEX	23	23	-	0%

Figure 21: EBITDA bridge of the Sales Business Line (PLN m)



In H1 2021, EBITDA of the Sales Business Line totalled PLN 211 million, up by PLN 159 million compared to the result achieved in H1 2020. The Line's EBITDA in the reported period represented 15% of the Group's EBITDA, compared to 5% in the corresponding period of 2020.

Revenues of the Sales Business Line in H1 2021 amounted to PLN 3,566 million, down by PLN 12 million in comparison to H1 2020. The slight decrease in revenues was due to a lower volume of energy sales in the wholesale market.

The dynamic y/y increase in EBITDA of the Sales Business Line was mainly driven by an increase in the margin on electricity sales (by PLN 248 million). This is mainly the result of a low base. In 2020, there was an unfavourable tariff issued by the President of the ERO for households billed on its basis, and also the results of 2020 (especially Q2) were reduced due to the pandemic – an unplanned loss was then recorded on the sale of surplus energy resulting from the sudden reduction in customer demand for electricity. In addition, there was an overall improvement in the margins of electricity sales to end-users in H1 2021 compared to the same period last year.

The change in EBITDA of the Business Line was also significantly affected by non-recurring events. The most significant event is the provision for onerous contracts relating to the G tariff in connection with the approval of the 2020 tariff by the President of the Energy Regulatory Office. This provision, created at the end of 2019, was successively dissolved in 2020 due to the materialisation of this event within the energy sales margin (achievement of lower revenues from energy sales from customers billed under the G tariff). Subsequently, in H1 2020, PLN 67 million of this provision was dissolved, while in the reported period no such event took place, which generated a negative impact on the y/y change in EBITDA. Another, less significant, one-off events in 2021 concerned the creation of provisions for disputes with counterparties in the total amount of PLN 15 million, which translated into a negative y/y change in EBITDA.

In Q2 2021, EBITDA of the Sales Business Line amounted to PLN 67 million and was PLN 49 million higher compared to the same period of 2020. The reasons for the y/y change in EBITDA in quarterly terms are similar to those presented above in half-year terms, i.e. the most significant impact on the increase in the result came from a higher margin on electricity sales (by PLN 112 million). The negative impact on the change in EBITDA was mainly due to the non-recurring events described above.



Hydro plant in Pierzchały

Risk management

6. RISK MANAGEMENT

6.1. Integrated Risk Management System of the Energa Group

The Integrated Risk Management System (hereinafter: IRMS) has been in place at the Energa Group since 2011 and is supervised centrally by Energa.

The IRMS has been implemented on the basis of a risk management process which is harmonised across the whole Group. It is based on international standards (ISO, COSO, FERMA) and spans all organisational levels and business lines. The risk management process consists of various interrelated stages that form a continuous process. It starts at the level of organisational units and moves on to top executives and from the level of Group companies to Energa as the Parent Company.

Figure 22: The Energa Group risk management process



The key document underlying the risk management process at the Energa Group is the *Risk Management Policy*, which defines, among other things, the harmonised approach, risk management principles and roles in the risk management process.



Management Board: defines the risk management focus, approves risk reporting outcomes and accepts risk appetite.



Risk Unit: coordinates the risk management process, conducts risk reviews and risk management strategy reviews, develops reports summarising the outcomes of risk reviews.



Risk Owner: manages risk, develops and implements the risk management strategy, monitors risk and reports its current level to the Risk Unit.



Employees: report risks and incidents.



Audit Committee: monitors the effectiveness of the risk management system.



Audit and Control Unit: performs an independent and objective assessment of the risk management system and incorporates the outcomes of risk reviews as part of performance of its tasks.

As part of the Integrated Risk Management System, the Energa Group conducts the following activities:



risk review – involving identification and assessment of risks and defining the risk management strategy,



review of risk management strategy – involving updates of the risk management strategy and verification of risk mitigation measures taken by Risk Owners,



ongoing risk management – involving identification and assessment of risks and definition of the risk management strategy, in the context of current events relevant to the Energa Group.



ad hoc monitoring of key risks – verification of validity of factors and effects as well as the implementation status of action plans, affecting the assessment of key risks.

Based on the semi-annual risk reviews, information on the risk exposure of the Energa Group is prepared. Relying on that information, the Management Board of Energa decides on the risk appetite level and approves the risk management strategy. The results of risk reviews are transmitted to the Risk Owners.

As part of the development of the IRMS in the Energa Group, an e-learning training course was held in the first half of 2021, introducing employees to the topic of risk management. The course also includes a module dedicated to Risk Owners, which deals in greater detail with methodological issues in the description and assessment of risks.

6.2. Description of major factors and risks

Key risks identified at the level of Energa SA and Group companies for each of the four Energa Group Risk Model areas are presented below, together with a description of key risk mitigation measures.

Strategic area

Table 25: Key strategic risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Risks of strategic plans	Risks associated with non-achievement of the objectives set out in the Long-Term Strategic Investment Plan (LSIP) and the Strategic Development Plan (SDP) in connection with, among other things, the efficiency of investment project management or the Group's financial capabilities, but also regulatory factors, the situation in the contractor market, the prices of materials and equipment, the tariff policy of the Energy Regulatory Office, obtaining the required approvals	<ul style="list-style-type: none"> • Implementation of investment projects in accordance with the investment plan criteria adopted; • Ongoing supervision over the implementation of the investment plan in accordance with the Energa Group Asset Management Policy and Group IT Policy;

and administrative decisions or supply chain disruptions caused by the coronavirus pandemic. Materialisation of risks may lead to a deterioration of the Group's economic indicators - failure to achieve the assumed EBITDA growth or decrease in operating costs. The risk may also result in penalties in the event of non-compliance with investment obligations arising from legislation, an unsatisfactory reduction in the Group's CO₂ emissions, an increase in variable costs, asset write-downs or loss of competitive position.

- Monitoring the implementation of the LSIP and the SDP through corporate bodies;
- Framework agreements with suppliers and contractors.

Project / investment risks	Risks associated with investments carried out within the Energa Group aimed at increasing the Energa Group's generation, distribution and sales potential. Materialisation of risks may lead to the absence of return on investment at the assumed level, the need to incur additional expenses or write off project costs, loss of potential revenue, delays in ongoing projects, escalation of claims pursued through the courts, the need to incur penalties or image effects.	<ul style="list-style-type: none"> • Implementation of investments in a project structure or through dedicated special purpose vehicles; • Ongoing checking and monitoring of investments at operational and strategic level (Committees and Top Management); • Contracts and agreements concluded; • Market environment monitoring of projects, pre-implementation monitoring.
Market risks	Risks involved in electricity trading including in the context of price volatility, liquidity in the futures and SPOT market, meeting customer demand or regulatory and legal requirements. Risks also take into account a decline in demand from PSE for energy produced by the Ostrołęka assets and the issue of securing CO ₂ emission allowances. Materialisation of these risks may give rise to problems in achieving strategic objectives, financial losses due to unfavourable conclusion of transactions, a decrease in the mass of margins, not ensuring cost coverage, a change in risk exposure, a loss of competitive position, increased operating costs, reduced flexibility of operations in specific markets.	<ul style="list-style-type: none"> • Risk management of the main sales activity; • Processes and rules connected with the areas of contracting, trading and purchasing; • Monitoring of trade in electricity, property rights, guarantees of origin, CO₂ emission allowances; • Use of advisory and legal services; • Implementation of projects in individual Companies aimed at cost and efficiency optimisation; • Monitoring of production costs.
Image risk	Risks related to the Group's marketing activities and change of corporate identity, affecting its image. Materialisation of the risk may lead to a deterioration of the Group's credibility and competitive position, fraud (impersonation of the Group's trademark), additional marketing and communication costs.	<ul style="list-style-type: none"> • Analysis of change scenarios with the help of a branding agency; • Centralisation of marketing in Energa Group at the level of Energa SA; • Visual Identification System - building a coherent image of the Group; • Monitoring the environment for brand presence; • External communication to support the Group's image, linked to CSR and sponsorship activities.

Legal and regulatory area

Table 26: Key legal and regulatory risks identified at the level of Energa SA and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Regulatory risk	Risk pertains to legislative changes affecting the functioning of Energa Group's individual Business Lines. Materialisation of this risk may give rise to a modification of investment plans, generation of lower than planned revenues or a rise in operating expenses, as well as the imposition of fines if legislation is not complied with. The risk additionally offers an opportunity to adopt new legal solutions which could enable	<ul style="list-style-type: none"> • Monitoring of changes in law; • Participation in the legislative process, including monitoring and issuing opinions regarding legislative initiatives; • Participation of the Group's representatives in the activities of industry associations.

raising additional funds or guarantee a support system for the Group's assets.

Risk of fraud	<p>The risk concerns situations and actions related to fraud, including potential conflicts of interest, corruption or misappropriation on the part of the employees of the Energa Group companies. The risk involves potential threat of fraudulent and corrupt practices in the operational processes, as well as in connection with implementation of projects subsidised from the EU funds. Materialisation of this risk may lead to financial losses and may entail proceedings conducted by law enforcement authorities against employees or governing bodies of the Group companies. The risk may have an adverse effect on the Energa Group's image and reputation, result in prohibition in applying for public funds (EU or domestic funds), and undermine employees' trust in supervisors, colleagues and the organisation as a whole.</p>	<ul style="list-style-type: none"> • Internal regulations in the field of fraud, creating and settling orders for projects co-financed with EU funds, and regulations applicable to the procurement process; • Training for employees (including, without limitation, anti-corruption); • A dedicated contact channel for reporting symptoms and fraud; • The organisation's three lines of defence (internal control system, risk management system and internal audit); • External controls; • Investigations; • Co-operation with the Legal Bureau concerning compliance management process in the area of fraud and reporting suspected crimes.
Legal risk	<p>The risk pertains to court or administrative proceedings pending by or against the Group's entities. The risk is also connected with the possibility of claims for damages filed by land owners. Materialisation of this risk may give rise to an obligation to pay damages and penalties, or to grant customer discounts arising from the provisions of law. The risk may also result in the impossibility of carrying out line investments, as stipulated in the Development Plan of Energa Operator SA.</p>	<ul style="list-style-type: none"> • Cooperation with law firms and verification of the quality of legal services rendered; • A system for monitoring key cases; • Internal regulations in the field of legal aid co-ordination in the Energa Group, as well as legal statuses of energy real property; • Compliance management system at the Energa Group; • Issuing of compliance opinions on contracts; • Obligation or legal and material agreements which govern establishing of transmission/land easement.
Personal data protection risk	<p>The risk involves assuring privacy and security of data subjects' details. Materialisation of risks may impair operating activities conducted by the company and give rise to penal sanctions, including financial and administrative ones, control of supervisory bodies, costs of proceedings at law and damages.</p>	<ul style="list-style-type: none"> • Enforcement of provisions of internal regulations governing the personal data protection area, including handling breaches, performing disclosure obligations, exercising data subjects' rights, or managing personal data protection risks; • Periodic training and informative communication on the core responsibilities of employees; • Recommendations of the ODO Forum.
Contractual risk	<p>The risk is related to the conclusion of agreements by the Company under unfavourable conditions, failure to perform or improper performance of contracts and possible claims/complaints or penalties arising therefrom. Materialisation of this risk may result in financial loss or the inability of the revenues generated by the contract to cover the costs of its performance.</p>	<ul style="list-style-type: none"> • Internal procedures for contracting and procurement; • Central Register of Contracts; • Register and assessment of qualified subcontractors; • Monitoring the progress of services and deliveries.

Operations area

Table 27: Key operational risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Coronavirus risk and its impact on the Energa Group	<p>The risk is related to the SARS-CoV-2 virus and the spread of COVID-19 disease caused by this virus, as well as the possible consequences of the virus/ disease affecting the operations of the Energa Group companies. The potential consequences of this risk may affect the health and life of</p>	<ul style="list-style-type: none"> • The COVID-19 risk monitoring team and working teams in each company; • Purchase of disinfectants, contactless thermometers, etc.;

	<p>employees as well as stakeholders of the Group. The risk may also lead to increased operating costs (higher prices for goods and services), longer process execution (e.g. as a result of waiting for administrative decisions) or lost revenues (lower volume of energy sales, losses from the sale of surplus energy, increased overdue receivables).</p>	<ul style="list-style-type: none"> • Suspension (reduction to a minimum) of business trips; • Replacing traditional meetings with remote communication tools (skype, phone, etc.); • Restricted access for outsiders to the facilities of Energa Group companies; • Accession of the Orlen Group to the National Vaccination Programme carried out by the Employer.
<p>Risk to the security of persons and property</p>	<p>The risk associated with unauthorised access to facilities, including power equipment. The risk additionally involves the safety and security of employees and third parties present on the premises of the Group's companies, as well as incidents involving terrorism and sabotage. Potential consequences of the risk may involve threats to the security of the grid's operation, disorganisation of ongoing operational processes, loss/destruction of property or interruption of operational continuity.</p>	<ul style="list-style-type: none"> • Assurance of safety and security of persons and corporate assets by a dedicated Group company; • Security Plans, including Critical Infrastructure Security Plans; • Internal safety and security policies; • Business Continuity Plans of the Group Companies; • Property insurance, third party liability insurance and insurance for lost revenues; • Physical and technical security systems for the Group's facilities; • Security incident monitoring within the Group; • Inspections of physical and technical protection.
<p>Risk of disruption of business continuity</p>	<p>Risks associated with a breach in the continuity of operation of key processes in Group entities or the occurrence of unexpected disruptions in the operation of these processes. The risk takes into account issues related to the availability of devices, their efficiency and performance, as well as the impact of atmospheric and hydrological factors and random events. Materialisation of risks may put human life and property in danger, cause disruptions to production, and lead to unavailability of critical process resources (sites, systems, employees) carrying out critical processes or breakdowns of other technologically connected equipment. This risk may also result in contractual penalties, and in extreme cases – loss of the license.</p>	<ul style="list-style-type: none"> • Business Continuity Strategy; • Emergency Procedures; • Critical Infrastructure Security Plan; • Rules of proceeding in emergency; • Backup sites; • Periodic testing within the business continuity management system; • Insurance; • Provisions of contracts with contractors pertaining to responding to faults; • Preventive actions, such as periodic inspections of infrastructure, performance of planned repairs and investments.
<p>Risk associated with social relations and trade unions</p>	<p>This risk involves dialogue with the social partner, specifically trade unions, on the process of maintenance of the relationship between the employer and employees, as well as the process of communication with employees. Materialisation of this risk may give rise to claims, business impairments or costs associated with possible downtime (strikes or protests) or employee departures, as well as image-related impacts.</p>	<ul style="list-style-type: none"> • Conducting the social dialogue; • Enforcing provisions of collective bargaining agreements and collective agreements; • Communicating with trade union organisations and informing employees about planned changes; • Negotiations.
<p>Customer settlements risk</p>	<p>The risk is associated with disruption of the invoicing process due to the unavailability of billing systems, ongoing migrations, incorrect records of reading data, which may lead, among other things, to lower customer satisfaction (increased number of complaints, abandonment of the Group's products and services), deterioration of the Group's image, disruption of cash flows, additional costs of rectifying errors/irregularities or proceedings before the Energy Regulatory Office and the Office for Competition and Consumer Protection.</p>	<ul style="list-style-type: none"> • Monitoring of supplied measurement data/issued invoices; • Servicing agreement with vendors of billing systems enabling swift elimination of critical errors; • Internal instructions governing, among other things, adjustments, interest, double invoicing control mechanism, prosumer sales and settlements or closing of a month; • Control mechanisms used.

Finance area

Table 28: Key financial risks identified at the level of Energa and Group companies

Risk	Description of the risk and its potential effects	Control mechanisms used
Liquidity risk	Risk associated with the ability to meet payment obligations in the short and long term, also involves the capacity to settle uncertain tax liabilities. Materialisation of the risk may hinder the achievement of strategic objectives and organisational development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.	<ul style="list-style-type: none"> • Financial policy, including the market risk management policy; • Financial projections; • Long-term financial model; • Financing of the Energa Group in a diverse form. • Cash pooling; • Cash flow projections; • Analysis of variances; • Work of dedicated Teams; • Co-operation with a third-party adviser, • Monitoring of ongoing changes in the tax law and case law.
Foreign exchange risk	The risk concerns changes in the exchange rate of foreign currencies in relation to the Polish zloty in view of debts contracted in a foreign currency or foreign currency surpluses held and investments or purchase contracts settled in a foreign currency. Failure to hedge currency risk can lead to increased cash management costs, increased capital expenditure as well as fluctuations in financial performance from period to period.	<ul style="list-style-type: none"> • Setting, monitoring and reporting limits on exposure to foreign exchange risk; • Entering into transactions hedging against foreign exchange risk; • Application of hedge accounting; • Use of the natural hedging mechanism.
Pricing policy risk	Risk associated with incorrect calculation of selling prices and approval by the President of the URE of tariff rates at a level which does not guarantee the viability of sales. The materialisation of risk may result in loss of market share (margin, volume, revenue) and lead to financial losses, e.g. due to market price volatility or regulatory changes.	<ul style="list-style-type: none"> • Ongoing market investigation for developments in the market, legal and regulatory environment; • Ongoing examination of the planned financial result and other selected ratios, and ongoing analysis of the impact of the adopted price calculation principles on that result/ratios; • Ongoing examination of offering mechanisms (including the Coupled Model) and proper performance of commercial IT systems and databases; • Internal regulations on electricity price calculation rules and margin management; • Offering monitoring system.
Credit risk related to collections	The risk involves the counterparties' failure to fulfil the liabilities resulting from the concluded contracts (no payment, late payment) or customers' attempts at renegotiation of the predetermined conditions. Risk materialization may lead, among others, to an increase in disputed and past due receivables, cash flow disruptions and the loss of a part of revenues.	<ul style="list-style-type: none"> • Increased frequency of cash flow monitoring; • Creating schedules/ paths of debt collection activities; • Cooperation with law firms; • Assessing the reliability of business customers and counterparties in the wholesale market; • Acquisition of collateral from debtors or negatively assessed counterparties, monitoring of debtors; • Reports on the assessment of the situation of the largest debtors with regard to the repayment of existing debts and preventing an increase in debt.

Implementing the provisions of the Energa Group's financial policy, group companies enter into various kinds of financial agreements that generate financial and market risks. The most important ones include interest rate risk, foreign exchange risk, credit risk as well as liquidity risk. The above risk categories determine the financial performance of individual companies, as well as the Energa Group as a whole.

Interest rate risk

The Energa Group finances its operating or investing activity with debt liabilities bearing interest at a floating or fixed interest rate. Interest rates are also involved when surplus cash is invested in floating or fixed interest rate assets.

The floating interest rate risk resulting from existing debt liabilities applies to WIBOR-based rates only. With respect to liabilities denominated in euro, the Energa Group has a financial liability arising from issues of fixed-coupon eurobonds, as well as issues of hybrid eurobonds, also based on a fixed coupon.

According to the interest rate risk policy, the risk of interest rates fluctuation is mitigated by maintaining a portion of debt with a fixed interest rate. In line with these assumptions, IRS floating interest rate hedging transactions are executed.

In connection with implementation of hedge accounting, the Energa Group also identifies interest rate risk related to the concluded CCIRS and IRS hedging transactions, which however has no effect on the Group's financial result. Moreover, the level of interest rates has a direct effect on the WACC quoted by the President of the URE to calculate the return on RAB, which is included in the Energa Operator SA tariffs. Low interest rates result in a lower return on RAB and an increase in actuarial provisions.

Foreign exchange risk

In the financial area, the foreign exchange risk is associated mainly with incurring and servicing Energa Group's debt liabilities in foreign currencies under the EMTN eurobond programme, as well as issue of hybrid bonds. Additionally, some Energa Group companies have a foreign currency surplus resulting from their operating activity or investing activity. The Energa Group monitors the foreign exchange risk and manages it mainly through CCIRS hedge transactions and hedge accounting.

Credit risk

Credit risk is associated with the counterparty's potential permanent or temporary insolvency with regard to financial assets such as cash and cash equivalents and available-for-sale financial assets. The risk arises due to the contractual counterparty's inability to make the payment and the maximum exposure to this risk equals the carrying amount of the instruments acquired.

Within the scope covered by the analysis, in order to minimise the credit risk, ratings of financial institutions cooperating with the Energa Group are regularly monitored.

Liquidity risk

Liquidity risk involves the likelihood of becoming unable to pay current liabilities on time or losing the potential benefits of over-liquidity.

The Energa Group companies monitor the liquidity risk using a regular liquidity planning tool. The tool takes into account the payment due/maturity dates for investment liabilities and financial assets and liabilities and projected cash flows from operating activity. The Group aims to maintain a balance between continuity and flexibility of financing by using many different sources of financing, such as working capital and investment loans, hybrid bonds and eurobonds. Since the Group's debt operations are centralised within Energa, this company monitors the fulfilment of covenants on an ongoing basis and their long-term projections, enabling the determination of the Energa Group's creditworthiness to incur more debts.



Energa's Wind Farm

Shares and shareholding structure

7. SHARES AND SHAREHOLDING STRUCTURE

7.1. Energa's shareholding structure

Energa SA shares have been listed on the Warsaw Stock Exchange (WSE) since 2013. From the Company's inception, i.e. from 2006 to 29 April 2020, the State Treasury was the Company's strategic shareholder holding as at 31 March 2020 a 51.5% share in the Company's share capital, or 64.1% of votes at the General Meeting of the Company ("GM").

As at 30 June 2021 and as at the preparation date of this Report, PKN ORLEN is the strategic shareholder, holding 90.92% of the Company's shares, which translates to 93.28% of votes at the GM.

Table 29: Company's shares by series and type as at 30 June 2021

Series	Type of shares	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	preferred registered*	144,928,000	35.00	289,856,000	51.85
TOTAL		414,067,114	100.00	558,995,114	100.00

* One preferred share entitles to two votes at the General Meeting.

Table 30: Shareholding structure of Energa as at the date of this Report

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
PKN ORLEN	376,488,640	90.92	521,416,640	93.28
others	37,578,474	9.08	37,578,474	6.72
TOTAL	414,067,114	100.00	558,995,114	100.00

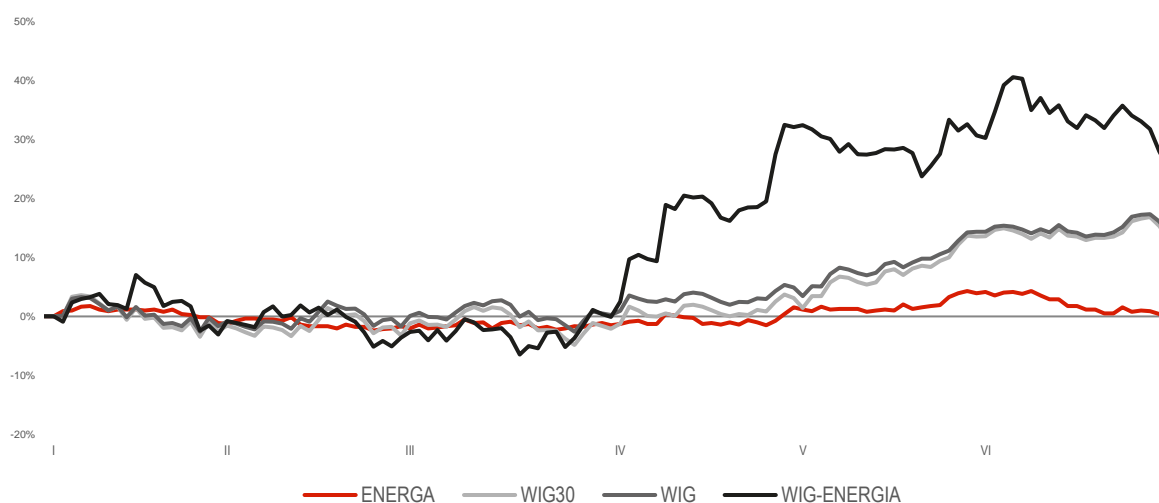
7.2. The Company's stock prices on the Warsaw Stock Exchange

Table 31: Data on Energa's stock as at 30 June 2021

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 7.90
Capitalization at the end of the period	PLN 3,27 bn
6M 2021 minimum	PLN 7.70
6M 2021 maximum	PLN 8.30
Average trading value in 6M 2021	PLN 0.24 m
Average trading volume in 6M 2021	30 ths
Average number of transactions in 6M 2021	0.1 ths

Source: Proprietary material based on data from www.infostrefa.com

Figure 23: Changes in Energa SA stock prices in comparison with changes in WIG, WIG30 and WIG-ENERGIA indices



Source: Proprietary material based on data from www.infostrefa.com

Energa's stock price at the close of the stock exchange session held on 30 June 2021 amounted to PLN 7.90, which means that it decreased by 0,30% in comparison with the price on the last business day of the year 2020 (i.e. on 30 December). During the discussed period, WIG30 index increased by 13.03% and WIG-Energia index increased by 32,04%.

Following a decrease in the number of free-floating Energa shares below 10% (after announcement of results of the delisting tender offer by PKN ORLEN) WSE deleted Energa shares from all of its stock market indices effective after the 3 December 2020 session.

7.3. Ratings

In H1 2021 ratings remained unchanged.

7.4. Changes to shares held by executive and supervisory personnel

As at 30 June 2021 and as at the date of this Report, no member of Energa SA's Supervisory Board and no member of Energa SA's Management Board held any Company shares, Company share options or any shares in the Company's related parties.



Włocławek Hydroelectric Power Station

Other information about the Group

8. OTHER INFORMATION ABOUT THE GROUP

8.1. Information on material contracts, agreements and transactions

Information on material transactions with related parties made on non-arm's length terms

All transactions within the Energa Group are entered into based on arm's-length prices of the goods, products or services delivered, which result from the cost of production. For details, please see Note 20 to the Consolidated financial statements for 6 months ended 30 June 2021.

Agreements for loans and borrowings

Details of agreements for loans and borrowings was included in Note 18 to the Consolidated financial statements for 6 months ended 30 June 2021.

Lending agreements with multilateral financial institutions

Loans to finance the investment programme at Energa Operator for the years 2009-2012

In 2009-2010, Energa and its subsidiary Energa Operator signed the following lending agreements in connection with the development and upgrading of its distribution grid in 2009-2012:

- with the European Investment Bank ("EIB") for a PLN 1,050 m facility,
- with the European Bank for Reconstruction and Development ("EBRD") for a PLN 1,076 m facility,
- with the Nordic Investment Bank ("NIB") for a PLN 200 m facility.

The financing was fully utilised by the Company, and the following balances remain outstanding:

- to EIB – PLN 334.3 m with a final maturity date on 15 December 2025,
- to EBRD – PLN 324.1 m with a final maturity date on 18 December 2024,
- to NIB – PLN 21.6 m with a final maturity date on 15 June 2022.

Loans to finance the investment programme at Energa Operator for the years 2012-2015

In 2013, Energa together and Energa Operator entered into the following lending agreements to finance the investment programme of Energa Operator in 2012-2015, in connection with the development and upgrading of the distribution grid:

- an agreement with EBRD for a PLN 800 m facility – as at 30 June 2021 PLN 333.5 m were utilised (of which PLN 132.2 m by Energa and PLN 201.3 m by Energa Operator SA). The facility's final maturity date is 18 December 2024,
- an agreement with EIB for a PLN 1,000 m facility – as at 30 June 2021, PLN 704 m were utilised (of which PLN 533 m by Energa and PLN 171 m by Energa Operator SA). The final maturity date of the drawn facility is 15 September 2031.

Nordic Investment Bank

On 23 October 2014, Energa signed a bank credit facility agreement with the Nordic Investment Bank for a PLN 67.5 m facility to finance a wind farm construction project in Myślino. As at 30 June 2021, PLN 33 m were utilised under the facility. The facility's final maturity date is 15 September 2026.

Revolving ESG-linked credit facility

On 17 September 2019, Energa signed a revolving ESG-linked credit facility agreement totalling PLN 2,000 m. The agreement was made with a consortium of banks, namely: Santander Bank Polska S.A. with its registered office in Warsaw, Bank Gospodarstwa Krajowego with its registered office in Warsaw, Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw, Caixabank SA (Spółka Akcyjna) Oddział w Polsce with its registered office in Warsaw and MUFG Bank (Europe) N.V. with its registered office in Amsterdam.

The funding under the facility may be spent, among other things, on growth of RES capacity and further modernisation of power lines, and may also be partially allocated towards repayment of related prior indebtedness. The facility is granted on the condition that the provided funds are not spent on coal-based power generation. The facility is granted for a term of 5

years from the date of signing of the agreement which may be extended by one-year periods twice. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. The credit facility is unsecured. As at 30 June 2021 the credit was not utilised.

BGK renewable loan

On 3 July 2020 Energa and Bank Gospodarstwa Krajowego concluded a revolving facility agreement worth PLN 500 million for financing of corporate objectives of Energa SA, including financing of day-to-day operations and the CapEx programme, and refinancing of financial debt. The facility's final maturity date is 3 July 2022. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. As at 30 June 2021, the loan was utilised in amount of PLN 250 m.

SMBC renewable loan

On 28 July 2020 Energa and SMBC Bank EU concluded a revolving facility agreement worth EUR 120 million in the ESG-linked loan formula, based on the assessment of the borrower's involvement in the area of sustainable development and responsible business, intended for the financing of the Company's corporate goals, including financing of day-to-day operations, financing of the CapEx programme, and refinancing of financial debt, excluding capital expenditure on coal-fired energy. The facility's final maturity date is 28 July 2025. The credit facility's interest was set on the arm's length principle based on the EURIBOR rate plus margin. The company undertook to secure an Environmental, Social, Governance (ESG) rating, the level of which may impact the margin. As at 30 June 2021, the loan was not utilised.

Loans granted by Energa Finance AB (publ)

In 2020, two loans originally totalling EUR 499 m, granted to the Company by subsidiary Energa Finance AB (publ) in March 2013 and maturing on 28 February 2022 were continued. As at 30 June 2021 EUR 110 million was drawn down under these loans.

The loan granted to Energa in June 2017 by Energa Finance AB (publ) at EUR 200 million maturing on 28 February 2027 was also continued.

PKN ORLEN SA loan

On 30 May 2021 Energa and PKN ORLEN concluded a revolving facility agreement in amount of PLN 1,000 m intended for the financing of the Energa SA corporate goals. The facility's final maturity date is 30 May 2022. The credit facility's interest was set on the arm's length principle based on the WIBOR rate plus margin. As at 30 June 2021, the loan was utilised in amount of PLN 800 m.

Loans granted

On 23 December 2019, a loan agreement was made between Energa and Enea S.A. on the one hand, and Elektrownia Ostrołęka Spółka z o.o. on the other hand, for the total sum of PLN 340 million.

Granting of the loan constituted partial performance of Energa's obligations under the Memorandum of Understanding of 30 April 2019 between Energa and Enea on the financing of the construction of the Ostrołęka C Power Plant, further detailing the declarations of financial commitment made by Energa and Enea in the Memorandum of Understanding of 28 December 2018.

As at 30 June 2021 liability of Elektrownia Ostrołęka spółka z o.o. to Energa under the loan was PLN 170 million. Due to earlier write-down the value of the loan in account books of Energa SA was PLN 0 as at 30 June 2021.

On 31 December 2019, Energa entered into a long-term lending agreement with Energa Operator SA, its subsidiary, in the amount of PLN 4,900 m, intended for the refinancing of Energa Operator SA debt towards Energa on account of long-term bonds up to PLN 1,566 m and financing of the borrower's investment programme pursued in 2020-2023, up to the amount of PLN 3,334 m. As at 30 June 2021 PLN 2,940 million of the loan was utilized.

On 8 June 2021 Energa and its subsidiary Energa OZE concluded a long-term loan agreement in amount of PLN 579.2 m, intended for the refinancing of Energa OZE's debt towards Energa under long-term bonds. As at 30 June 2021, the loan was utilised in amount of PLN 574.2 m.

Furthermore, the Energa Group serviced its internal bond issue programmes during the reporting period. The following table presents the par values of bonds taken up by Energa SA and not redeemed, broken down by individual Energa Group issuer companies, as at 30 June 2021.

Table 32: Par value of bonds taken up by Energa and not redeemed, by issuer, as at 30 June 2021

No.	Company name	Par value of the bonds taken up (PLN '000)
1.	Energa Operator	1,066,000
2.	Energa OZE	68,000
3.	Energa Kogeneracja	4,705
TOTAL		1,138,705

Insurance contracts

The Group has a common insurance policy in place, which provides for insurance coverage for the companies against risks involved in their business and assets, conforming to the highest market standards, at a fairly calculated market premium. The adopted sums insured are set at an adequate level for the diagnosed own risks and external factors and correspond to the profile of energy sector companies in Poland.

A joint Insurance Programme in Energa Group is carried out in cooperation with a brokerage company. In accordance with the conditions of the Programme, all companies have a coinciding insurance period in key risks, and in most cases contracts are made for three years. The Programme accepts standardised coverage for insured risks, with individual extension clauses taking into account specific needs of the companies.

Insurance contracts are made with leading insurers operating in Poland. Currently, the Energa Group's main insurance partner is Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Guarantees and sureties granted

Table 33: Information on Energa's guarantee and surety business as at 30 June 2021

No.	Date guarantee or surety granted	End date of guarantee or surety	Entity for which guarantee or surety was granted	Entity in favour of which guarantee or surety was granted	Form of surety or guarantee granted	Amount of guarantee or surety (PLN million)	Amount of liability as at 30 June 2021 covered by surety or guarantee (PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5,651.0	1,300.9
2.	2017-11-22	2021-03-31	Energa Operator SA	State Treasury	surety agreement	40.0	40.0
3.	2018-10-31	2026-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.1	3.7
4.	2019-11-15	2027-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.7	10.7
5.	2020-03-17	2023-03-24	Energa Ochrona Sp. z o.o.	Carfleet	surety agreement	0.2	0.2
6.	2020-04-28	2021-08-31	Energa Obrót SA	QSUN Group	surety agreement	4.7	4.7

7.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	17.2	17.2
8.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	4.0	4.0
9.			Other Energa Group companies		surety** - guarantee agreement	58.6	11.9
TOTAL						5,796.5	1,393.3

*The Euro Medium Term Note (EMTN) programme for up to EUR 1,000,000,000 was established on 15 November 2012. As part of the EMTN Programme, Energa Finance AB (publ), a Swedish law subsidiary of Energa SA, can issue Eurobonds with maturities of one to ten years. Under a surety agreement of 15 November 2012, as amended on 16 February 2017, Energa undertook to unconditionally and irrevocably guarantee the Eurobond liabilities of Energa Finance AB (publ) up to EUR 1,250,000,000 until 31 December 2033 inclusive. On 19 March 2013, Energa Finance AB (publ) issued the first series of Eurobonds totalling EUR 500,000,000 which were redeemed on 19 March 2020; on 7 March 2017, it issued the second series of Eurobonds totalling EUR 300,000,000 and maturing on 7 March 2027.

** Civil-law sureties granted by Energa for liabilities of the Energa Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to Energa Group companies. The facility is available until 19 September 2022. The expiry dates of guarantees provided under the facility can fall beyond the end date of the facility itself. The repayment of liabilities is secured by a civil-law surety.

The remaining guarantees granted on the instruction of Group companies include, without limitation, PLN 90.4 m granted to Energa Obrót by Pekao SA.

Assessment of the management of financial resources and the prospects of investment projects

During the financial year, the Energa Group had sufficient financial resources to timely cover all current and planned expenses in connection with its operating and investing activities. The cash held by the Group as well as the available credit facilities allow the Group to pursue a flexible liquidity management policy.

The execution of investment projects was based on the use of own funds combined with debt financing. The structuring of the projects implemented by the Energa Group assumes that its financial security will be maintained, which is reflected in the use of long-term debt financing sources, pursuing a dividend policy aligned with the strategy, maintaining financial covenants as agreed with debt capital providers, and maintaining the investment-grade rating. The two latter represent restrictions that determine the investment capabilities of the Energa Group, which are defined in the long-term perspective. Such a conservative approach allows to carry out the investing policy in a way that minimises any risk of violation of financial covenants or rating downgrades, while optimising the financial structure of the Group in consideration of the current and projected financial market trends.

The Company monitored its liquidity risk using a regular liquidity planning tool, taking into account the due/maturity dates of investment liabilities, financial assets and financial liabilities, as well as the projected cash flows from operating activities, in order to maintain a balance between continuity and flexibility of financing by using many different sources of financing.

In H1 2021, the Energa Group continued the optimisation of liquidity management using zero-balancing cash pooling, which took over the functions associated with short-term bond issuances, and additionally maximised the Group's ability to use its surplus cash to finance the current activities of its individual companies.

8.2. Proceedings pending before courts, arbitration or public administration bodies

As at 30 June 2021, the Energa Group was a party to 12,788 court proceedings. The Group was a plaintiff in 10,429 cases where the aggregate amount in dispute was approx. PLN 482 m. The Group was a defendant in 1,495 cases where the aggregate amount in dispute was approx. PLN 627 m. Information on the total litigated value does not include proceedings where the claim is non-pecuniary.

As at 30 June 2021, the total amount of claims involving the location of power installations on third-party properties without a legal title, awarded by final judgments, was approx. PLN 36.5 m in 620 cases. 989 court cases with amounts in dispute totalling approx. PLN 787,5 m were pending.

Based on the available data pertaining to the value of pending proceedings, the Company assumes that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 474.2 m, which is subject to change if new court cases involving power installations located on third-party properties without a necessary legal title are brought against Energa Operator SA.

The above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases.

As at 30 June 2021, the aggregate value of the cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases amounted to approx. PLN 204 m, of which:

Type of receivables	Balance at the end of H1 2021 (PLN m)
court and enforcement-based	126.5
bankruptcies	67
non-billed	7.5
non-billed – bankruptcies	2.6
TOTAL	203.7

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2021. The Company's previous periodic reports contain details of the legal steps taken during earlier years.

Table 34: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute and details of the case
Energa Operator SA (plaintiff); Arcus SA (defendant)	Claim for payment of contractual penalties under the a contract for the delivery and start-up of metering infrastructure during Stage I <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 23.1 million</i> Evidence proceedings before the Court of the first instance are pending. As at the date of update of the case, two opinions prepared by court experts were received by Energa Operator ("EOP"): one in the field of meteorology and one in the field of metrology. The court plans to commission a supplementary opinion in the field of metrology.
Energa Operator SA (defendant) Arcus SA (plaintiff);	Claim for declaration of annulment of the contract of delivery and commissioning of the metering infrastructure at Stage II <i>Litigated value: approx. PLN 78 million</i> Counterclaim for payment of contractual penalties for a delay in performance of the contract of delivery and commissioning of the metering infrastructure <i>Litigated value: approx. PLN 157 million</i> <i>Regional Court in Gdańsk</i> Energa Operator SA does not admit any part of the claim. Evidence proceedings before the Court of the first instance are pending. As at the date of update of this case, the court is looking for experts capable of preparing an opinion in the field of information technology.
Energa Operator SA (defendant) Arcus SA (plaintiff);	Claim for payment of compensation for unlawful acts/unfair competition practices <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 174 million</i> Energa Operator SA disputes legitimacy of that statement of claim and in response to the statement of claim dated 30 April 2018 applied for the claim to be dismissed. Pursuant to Article 177 § 1 Clause 1 of the Code of Civil Procedure, the court suspended the related proceedings. Energa Operator SA appealed against this decision in a complaint, which was dismissed. The proceedings have been stayed.

<p>Energa Operator SA (defendant) Arcus SA (plaintiff);</p>	<p>Claim for payment for additional works under the contract of delivery and commissioning of the metering infrastructure <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 4.7 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and has moved for it to be dismissed.. The court did not grant the motion to dismiss the lawsuit</p>
<p>Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority <i>Regional Court in Warsaw</i> <i>Litigated value: PLN 11 million</i></p> <p>The Company received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on Energa Operator SA for misleading the President of the URE. On 24 May 2019, the Regional Court in Warsaw issued a judgment reducing the fine to PLN 5.5 million. Both parties filed appeals in this case.</p>
<p>Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority <i>Regional Court in Warsaw</i> <i>Litigated value: approx. PLN 13.2 million</i></p> <p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13.6 million for breaching the Traffic and Distribution Grid Operation Manual through: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failure to meet the deadlines to provide measurement data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (5) failure to meet the deadlines for the final settlement of electricity sales agreements; and (6) failure to restart power supplies to one of the customers. With its judgment of 8 December 2020 the Regional Court in Warsaw dismissed the appeal. The company appealed.</p>
<p>Energa Kogeneracja Sp. z o.o. (plaintiff), Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction <i>Regional Court in Gdańsk, file No. IX GC 494/17</i> <i>Litigated value (after expansion of the claim): approx. PLN 114.4 million, with approx. PLN 7.8 million under the counterclaim</i></p> <p>Energa Kogeneracja Sp. z o.o. moved to the court to award the amount of approx. PLN 114.4 million from Mostostal Warsaw S.A., which includes: approx. PLN 22.6 million in contractual penalties, approx. PLN 90.3 million in reduced remuneration and approx. PLN 1.5 million in capitalised interest. In its statement of defence of 15 December 2017, Mostostal Warszawa SA moved to the court to dismiss the claims in their entirety and filed a counterclaim to award the amount of approx. PLN 7.8 million from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 7.4 million in repayment of bank guarantee unduly withdrawn and approx. PLN 0.4 million in capitalised interest.</p> <p>There was only one hearing in the case regarding opposition by Mostostal Warszawa S.A. against third-party respondent entering the case, namely the Minister of Energy (whose tasks, after reorganisation, were taken over by the Minister of Climate). Objection by Mostostal Warszawa S.A. to third-party respondent entering the case was dismissed, so the third-party respondent is still present in the case.</p> <p>The court admitted evidence from the opinion of a scientific and research institute for the purpose of securing evidence. So far, the opinion has not been drawn up because none of the institutes which the court asked about the possibility of drawing up an opinion has confirmed such a possibility (both in Poland and abroad).</p> <p>Currently, the parties are waiting for a response from institutes in Stockholm, Hamburg and Vienna. Negotiations between the parties aimed at reaching the settlement have been unsuccessful.</p>
<p>Mostostal Warszawa SA (plaintiff) Energa Kogeneracja Sp. z o.o. (defendant)</p>	<p>Claim for payment of remuneration <i>Regional Court in Gdańsk, file No. IX Gc 190/18</i> <i>Litigated value: approx. PLN 26.3 million</i></p> <p>Mostostal Warszawa SA filed for awarding the amount of approx. PLN 26.3 m from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 20 m in remuneration (in part) and approx. PLN 6.3 m in capitalised interest. Initially a writ of payment in writ-of-payment proceedings was issued, but following an objection by Energa Kogeneracja Sp. z o.o. the case was referred to regular proceedings. There were 7 hearings in the case and all witnesses were heard.</p>

The court allowed evidence from an opinion prepared by an expert in construction industry. In the course of preparing his opinion, the expert requested the parties to provide additional documents, an obligation which both parties complied with. The news portal reported that the expert delivered his opinion to the court in early June 2021. It should be sent to the parties in the near future.

Negotiations between the parties aimed at reaching a settlement have not yet led to it.

**shareholders of the Company
(plaintiffs)**

Energa SA (defendant)

appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020

Regional Court in Gdańsk, file No. IX GC 1158/20

The claim is financial and non-pecuniary.

On 9 December 2020, the Management Board of Energa SA learned of the issuance on 7 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution.

The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 21 January 2021 and 7 January 2021 respectively). The Chairman of the Polish Financial Supervision Authority joined the case.

On 21 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 7 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in the amount of PLN 1,360,326.23. As at 19 July 2021, there was no information about the deposit. On 28 April 2021, the Plaintiffs' attorney filed a motion for the grounds for the 12 April 2021 order. On 11 May 2021, the grounds for the order of 12 April 2021 were prepared.

**shareholders of the Company
(plaintiffs)**

Energa SA (defendant)

appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020

Regional Court in Gdańsk, file No. IX GC 1164/20

The claim is financial and non-pecuniary.

On 16 December 2020, the Management Board of Energa SA learned of the issuance on 10 December 2020 by the Regional Court in Gdańsk, 9th Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution. The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing or annulling the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 12 January 2021 and 25 February 2021, respectively). On June 8, 2021, the Court received Plaintiffs' reply to the statement of defence. In the case, a motion was filed by the Company for the Court's permission to file a pleading - a rejoinder to the statement of defence. The motion is pending before the Court.

On 14 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 10 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in the amount of PLN 1,360,326.23. On 5 May 2021 the Company received information that the security deposit was paid by the plaintiffs to the account of the Regional Court in Gdańsk.

Energa SA (applicant)

Komisja Nadzoru Finansowego (Polish Financial Supervision Authority)

On 30 October 2020 the Company applied to the Polish Financial Supervision Authority for withdrawal of Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

On 19 January 2021 the Company learned that on 15 January 2021 the Polish Financial Supervision Authority decided to stay the procedure.

Boryszewo Wind Invest Sp. z o.o. (plaintiff), Energa Obrót SA (defendant)

Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in certificates of origin for renewable electricity.

Regional Court in Gdańsk, file No. IX GC 701/17

Litigated value: approx. PLN 31,8 million (amount appealed: approx. PLN 17,8 million)

On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót SA for payment of approx. PLN 31.9 m plus interest as damages for a failure to perform part of the Framework Agreement for the Sale of Property Rights under Certificates of Origin No. W/HH/210/2010/1, which consisted in making a representation about partial termination of the agreement and refusal to acquire property rights in the Certificates of Origin. The amount claimed comprises the "losses" incurred by the plaintiff due to the necessity to sell the property rights at the TGE exchange plus statutory interest (approx. PLN 25.7 m) and incidental costs relating to debt service under a credit facility agreement (approx. PLN 6.3 m).

The case was concluded in the first instance with a judgment awarding approx. PLN 17.8 m plus statutory interest accruing from 26 July 2017 in favour of Boryszewo Wind Invest and dismissing the remaining part of the claim. Energa Obrót SA filed an appeal. Judgment of the Court of second instance announced on 28 October 2019, appeal by Energa Obrót SA was dismissed. On 22 July 2020, Energa Obrót SA filed a cassation appeal, and on 7 September 2020 Boryszewo Wind Invest filed a response to the cassation appeal. By the decision of December 16, 2020, the Supreme Court accepted the cassation appeal for examination.

**Eco for companies (reason)
Energa Obrót SA (defendant)**

Action for payment of PLN 5,440,904.06 together with interest on account of remuneration in connection with Agency Agreement No. 1/2012, registry number 236/IN/2012/EOB concerning the sale of electricity and gas products to Energa Obrót SA.

Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 319/21

The value of the claim is approx: PLN 5 4 million

Energa Obrót SA was obliged to prepare a statement of defence within 21 days of its receipt. A statement of defence has been prepared.

Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")

**Energa Obrót SA (plaintiff)
MEGAWATT BALTICA SA
(defendant 1), Powszechna
Kasa Oszczędności Bank
Polski SA (defendant 2)**

Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 128/17

Second instance file No: I Aga 35/19

Litigated value: approx. PLN 23.3 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to the summons for a settlement attempt. No settlement was signed.

An updated counterclaim was filed by Megawatt Baltica SA on 1 September 2018. The amount of the claim is approx. PLN 17 m including statutory penalty interest.

On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded from Energa Obrót SA in favour of Megawatt Baltica SA. The amount of the contractual penalties awarded was reduced by 10% (i.e. approx. PLN 15.3 m).

On 26 September 2019, hearings were held regarding Energa Obrót SA's complaints for reversing the partial and final judgment.

The judgment dismissing the appeal filed by Energa Obrót SA against the final judgment was passed by the court on 10 October 2019. The court awarded the costs of proceedings amounting to PLN 2.4 thousand from Energa Obrót SA to Megawatt Baltica SA. On 11 October 2019, Energa Obrót SA filed a request for the statements of grounds for the judgments. The company decided not to file the cassation appeal in the case of the appeal to reverse the partial judgment. On the other hand, the cassation appeal relating to the appeal to reverse the final judgment was filed on 17 February 2020. On 24 March 2020, the opponent filed a response to the cassation appeal. By a decision of 17 July 2020, the Supreme Court accepted the cassation appeal for examination.

Energa Obrót SA (plaintiff) C&C WIND sp. z o.o. (defendant 1), Bank Ochrony Środowiska SA (defendant 2)	<p><i>Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 127/17</i></p> <p><i>Second instance file No.: VII Aga 1994/18; VII AGa 188/19</i></p> <p><i>Litigated value: approx. PLN 2.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 29 December 2017, Energa Obrót SA withdrew the statement of claim against BOŚ. In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ SA as the statement of claim filed against that entity had been withdrawn. Arbitration procedures were concluded by final judgments of the arbitration court, against which Energa Obrót SA sought extraordinary remedies – appeals to reverse the judgments were filed with the Court of Appeal in Warsaw. The complaints were legally dismissed, and cassation appeals are available against the judgments in this regard. The parties attempted to negotiate a settlement but they did not reach an agreement. Energa Obrót SA applied for delivery of court judgments with explanatory memorandum of 22 October 2020 and 20 November 2020. On January 18, 2021, the judgment was delivered dismissing the complaint to set aside the partial award of the Court of Arbitration. The cassation appeal has not been filed. On 24 March 2021, a judgment was delivered dismissing the complaint to set aside the final judgment of the Court of Arbitration. The cassation appeal has not been filed.</p>
Energa Obrót SA (plaintiff) BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 799/17</i></p> <p><i>Second instance file No VII AGa 8/19</i></p> <p><i>Litigated value: approx. PLN 10.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim and exchanged procedural writs.</p> <p>In September 2018, the Court closed the court proceedings and issued a judgment dismissing the statement of claim, and Energa Obrót SA filed an appeal on 2 November 2018.</p> <p>On 21 December 2018, Boryszewo Wind Invest filed a response to the appeal and mBank SA did so on 28 December 2018.</p> <p>On March 10, 2021, the Court of Appeal in Warsaw dismissed the appeal of Energi Obrót SA and awarded Boryszewo Wind Invest and mBank approx. PLN 18.8 thousand for reimbursement of court fees. Energa Obrót SA will submit an application for delivery of the judgment with justification.</p>
Energa Obrót SA (plaintiff) JEŻYCZKI WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 805/17</i></p> <p><i>Second instance file No VII AGa 1998/18</i></p> <p><i>Litigated value: approx. PLN 15.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties submitted a response to the counterclaim and exchanged procedural writs. Thereafter, a hearing was held, during which, on 6 June 2018 the court issued a judgment dismissing the statement of claim. On 13 July 2018 Energa Obrót SA filed an appeal, and then on 17 August 2018 MBANK and on 31 August 2018 Jeżyczki Wind Invest submitted a response to the appeal. The court of second instance passed a judgment dismissing the appeal of Energa Obrót SA. The Company applied for a copy of the judgment with reasoning. On 29 March 2021, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal.</p>
Energa Obrót SA (plaintiff) WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 798/17</i></p> <p><i>Second instance file No VII AGa 1004/19</i></p> <p><i>Litigated value: approx. PLN 15.2 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The judgment was delivered on 19 September 2019. The court dismissed the statement of claim filed by Energa Obrót SA. On 27 November 2019, Energa Obrót SA filed an appeal. An appeal hearing was held on 19 November 2020 – the appeal by Energa Obrót SA was dismissed. On 24 November 2020, Energa Obrót SA filed a request for delivery of the judgment with the explanatory memorandum. On 22 March 2021, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal.</p>
Energa Obrót SA (plaintiff) STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	<p><i>Regional Court in Warsaw, file No. XVI GC 802/17</i></p> <p><i>Second instance file No.: VII AGa 61/20</i></p> <p><i>Litigated value: approx. PLN 13.8 million</i></p>

	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 17 November 2017, the defendants filed statements of defence, the parties exchanged procedural writs and the witnesses were heard.</p> <p>With its judgment of 24 September 2019, the court dismissed the action for declaration. On 17 December 2019, Energa Obrót SA filed an appeal against the judgment. On 19 March 2020, Stary Jaroslaw Wind Invest filed a response to the appeal. On 23 March 2020, mBank filed a response to the appeal.</p> <p>An appellate hearing was held on 8 October 2020, during which the parties upheld their positions. The court ended the hearing and postponed the delivery of the judgment until 26 October 2020. This date was cancelled thereafter. The new date was set for 15 April 2021.</p> <p>On 15 April 2021, the court of second instance issued a verdict dismissing the appeal filed by Energa Obrót SA. Energa Obrót SA filed an application for the delivery of the verdict together with the statement of grounds.</p>
<p>Energa Obrót SA (plaintiff) KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XVI GC 803/17</i> <i>Second instance file No.: VII AGa 572/19</i> <i>Litigated value: approx. PLN 5.6 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case is now pending before a court of second instance. The case was concluded by the court of first instance with a judgment dismissing the Company's action. Energa Obrót SA appealed on 2 July 2019. The appellate hearing scheduled for 17 April 2020 was rescheduled due to the state of epidemic to 27 August 2020. At the hearing, the court closed the court proceedings. On 15 September 2020, the Court dismissed the appeal of Energa-Obrót SA. The judgment with the explanatory memorandum was delivered to Energa Obrót SA on 30 October 2020. On 30 December 2020, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) EW CZYŻEWO sp. z o.o. (defendant 1/counter-plaintiff), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p><i>Regional Court in Gdańsk, file No. IX GC 736/17</i> <i>Second instance file No I AGa 56/19</i> <i>Litigated value: approx. PLN 3.9 million</i></p> <p>The case was concluded by the court of first instance. The Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. Appellate hearings were held on 23 July and 28 October 2019. The judgment was delivered on 28 November 2019. A cassation appeal was filed against the judgment. BGŻ BNP's response to the cassation appeal was served on 8 July 2020; on 10 July 2020 EW Czyżewo's response to the cassation appeal was served.</p>
<p>Energa Obrót SA (plaintiff), ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p><i>Regional Court in Warsaw, file No. XXVI GC 712/17</i> <i>Litigated value: approx. PLN 3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded in the first instance by dismissal of the action (21 February 2020). Energa Obrót SA appealed on 7 July 2020. On 24 September 2020 EW EOL and Santander (formerly Bank Zachodni WBK) filed a response to the appeal.. On 25 June 2021, the Court of Appeal delivered a judgment dismissing Energa Obrót SA's appeal. On 29 June 2021, Energa Obrót SA filed a motion for the delivery of the grounds for the judgment.</p>
<p>Energa Obrót SA (plaintiff), WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p><i>Regional Court in Gdańsk, file No. IX GC 735/17</i> <i>Second instance file No I AGa 74/19</i> <i>Litigated value: approx. PLN 3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim.</p> <p>The case was closed by the court of first instance. The parties attempted to negotiate a settlement but no settlement was signed. Energa Obrót SA filed a cassation appeal on 5 August 2020. In September 2020, Wielkopolskie Elektrownie Wiatrowe and BNP Paribas filed a response to the cassation appeal.</p>

Energa Obrót SA (plaintiff) EW KOŹMIN sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)	<i>Regional Court in Gdańsk, file No. IX GC 738/17</i> <i>Second instance file No I AGa 21/19</i> <i>Litigated value: approx. PLN 2.8 million</i>
<p>On 11 September 2017, Energa Obrót SA filed a statement of claim.</p> <p>The case was concluded by the court of first instance. The defendant wind farm filed a counterclaim against the company for payment of contractual penalties. On 30 August 2018, the Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. On 24 June 2020, the court of second instance delivered a judgment dismissing the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. The judgment with reasoning was served on 10 August 2020. On 12 October 2020, Energa Obrót SA filed a cassation appeal. On 9 November 2020 EW Koźmin sp. z o.o., and then on 10 November 2020 Bank BGŻ BNP Paribas S.A. filed a response to the cassation appeal.</p>	
Wielkopolskie Elektrownie Wiatrowe sp. z o.o. (plaintiff), Energa Obrót SA (defendant)	<i>Regional Court in Gdańsk, file No. IX GC 719/19</i> <i>Litigated value: approx. PLN 6.1 million</i>
<p>On 17 October 2019, Energa Obrót SA filed a statement of defence. On 4 March 2021, the Court of First Instance issued a judgment upholding part of the claim, i.e. adjudging the amount of PLN 2,449,632.93 from Energa Obrót SA to WEW, together with statutory interest and legal costs (PLN 35,435.09). The remainder of the claim, i.e. more than half of the claimed amount, was dismissed. In the grounds, the court indicated that the claim for contractual penalties for non-performance of the CPA was justified, but that the penalties should nevertheless be subject to substantial mitigation, up to the amount of the actual damage suffered.</p> <p>The judgment is not final. On 5 March 2021, a motions was filed for drawing up written grounds for the judgment. Energa Obrót SA has not appeal against the judgment. On 20 May 2021, Wielkopolskie Elektrownie Wiatrowe Sp. z o.o. filed an appeal contesting the judgment in part (demanding that the contractual penalties be awarded up to 75% of their amount, together with statutory interest for delay on the respective amounts).</p>	
Elektrownia Wiatrowa Zonda sp. z o.o (plaintiff), Energa Obrót SA (defendant)	<i>Regional Court in Gdańsk, file No. IX GC 735/19</i> <i>Litigated value: approx. PLN 2.1 million</i>
<p>Energa Obrót SA filed a statement of defence. A preparatory hearing was held on 31 January 2020, followed by hearings on 13-14 July 2020. On 17 August 2020, the court issued a judgment allowing the claim of Zonda Sp. z o.o. On 18 August 2020, Energa Obrót SA filed a request for service of the judgment with grounds, and subsequently filed an appeal on 29 October 2020. The statement of defence was received on 4 January 2021. A hearing date was set for 28 April 2021. On 17 May 2021, the court issued a judgment dismissing Energa Obrót SA's appeal.</p> <p>On 21 May 2021, Energa Obrót SA filed a request for service of the grounds for the judgment. On 29 June 2021, the judgment with grounds was served.</p>	
Elektrownia Wiatrowa EOL sp. z o.o. (plaintiff), Energa Obrót SA (defendant)	<i>Regional Court in Gdańsk, file No. IX GC 740/19</i> <i>Litigated value: approx. PLN 6.8 million</i>
<p>On 20 August 2019, Elektrownia Wiatrowa EOL filed a statement of claim for payment by Energa Obrót SA of contractual penalties on account of Energa Obrót SA's failure to perform the Agreement for the Sale of Property Rights under Certificates of Origin (CPA). The case is now pending in the first instance. Energa Obrót SA filed a statement of defence. The proceedings are now stayed.</p>	
Jeżyczki Wind Invest ("JWI"), Wind Invest ("WI"), Stary Jarosław Wind Invest ("SJWI"), Krupy Wind Invest ("Krupy Wind Invest"), Boryszewo Wind Invest ("BWI") (plaintiffs), Energa Obrót SA (defendant)	<i>Regional Court in Gdańsk, 9th Commercial Department</i> <i>Case reference no. IX GC 1263/20</i> <i>Value of the object of litigation: approx. PLN 56.6m</i>
<p>The suit for payment of damages on account of non-performance by Energa Obrót SA of the agreements on sale of property rights derived from certificates of origin (CPA).</p> <p>On 30 December 2020, the plaintiffs had filed a suit that was delivered to Energa Obrót SA on 12 February 2021 together with the obligation to file the defense against the suit within 60 days.</p> <p>The defense against the suit was filed on 13 April 2021. On June 16 2021, Plaintiffs filed a reply to the statement of defence.</p>	

Wind Invest Group companies: Boryszewo Wind Invest, Dobiesław Wind Invest, Gorzyca Wind Invest, Krupy Wind Invest, Nowy Jarosław Wind Invest, Pękanino Wind Invest (plaintiffs) Energa Obrót SA (defendant)	<i>Regional Court in Gdańsk, 9th Civil Law Department</i> <i>Case reference no. IX GC 1/21</i> <i>Value of the object of litigation: approx. PLN 6.9m in total</i> <p>The suit for payment of damages on account of the damage sustained by the companies as a result of Energa Obrót SA failure to sign the agreement on sale of electricity produced by the plaintiff companies and, consequently, the sale of electricity to other entities at the prices lower than those Energa Obrót SA was obliged to pay the plaintiffs.</p> <p>On 13 April 2021, a statement of defence was filed together with a request for a stay of proceedings. On 24 May 2021, the Plaintiffs filed a preparatory writ.</p>
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8.3. HR and payroll situation

Employment

As at 30 June 2021, the Energa Group employed the total of 9,693 persons compared to 9,731 as at the end of last year. The main reason for changes in the level of employment in H1 2021 (down by 38 people) was natural rotation and postponement of scheduled recruitments.

Collective disputes and dismissals

Collective dismissals

In H1 2021, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules for termination of employment contracts for reasons not attributable to employees.

Collective disputes

As at 30 June 2021 in the companies of the Energa Group 33 trade unions were engaged in trade union activities. The union membership rate in the Energa Group as at 30 June 2021 amounted to 61.6%. Trade unions had approx. 5,900 employees.

At the end of June 2021, there were two collective disputes pending at the Group, which are currently at mediation stage:

1. Collective dispute at the employer ENERGA Logistyka Sp. z o.o. concerning the dispute demands submitted by the trade union on 24 September 2020 (demands of trade union MOZ NSZZ Solidarność at EOP Branch in Płock) and on 30 September 2020 (demands of trade union Międzyzakładowy Związek Zawodowy Pracowników Energetyki Płockiej). The demands concerned:
 - a. concluding a new agreement, whereby this agreement would guarantee the rights of employees at a level no worse than currently in force,
 - b. or reaching an agreement with the trade unions on the withdrawal of the notice provisions of the agreement.
2. Collective dispute at the employer of ENERGA-OPEATOR SA Branch in Płock regarding dispute demands submitted on 30 September 2020 by trade union Międzyzakładowy Związek Zawodowy Pracowników Energetyki Płockiej and demands submitted in October 2020 by trade unions MOZ NSZZ Solidarność at EOP Branch in Płock and NSZZ ENERGETYK. The demands concerned:
 - a. concluding a new agreement, whereby this agreement would guarantee the rights of employees at a level no worse than currently in force,
 - b. reaching an agreement with the trade unions on the withdrawal of the notice provisions of the agreement.

MANAGEMENT BOARD REPRESENTATION AND INFORMATION

Gdańsk, 11 August 2021

The Management Board of Energa SA hereby informs and represents that:

- (1) according to the best knowledge, the Condensed interim consolidated and standalone financial statements and the comparative data were prepared in line with the accounting principles, and reflect, truly, reliably and clearly, the asset and financial position of the Energa Group and its financial result. Management Board Report on performance of the Energa Capital Group gives a true view of the Group's development, achievements and condition, and includes a description of the key risks and threats;
- (2) KPMG Audyt Sp. z o.o. Sp.k., an entity authorized to audit financial statements, which reviewed the Condensed interim consolidated financial statements of the Energa Group and the Standalone interim financial statements of Energa SA for the first half of 2021 was selected in accordance with the applicable regulations. The said entity and the statutory auditors who reviewed the said statements met the conditions for expressing an unbiased and independent opinion on the reviewed interim condensed consolidated financial statement and reviewed interim condensed standalone financial statement, in accordance with the governing law and professional standards.

Signatures of Energa SA Management Board Members

Iwona Waksmundzka-Olejniczak

Acting President of the Energa SA Management Board, Vice-President of the Energa SA Management Board for Corporate Affairs

Marek Kasicki

Vice-President of the Energa SA Management Board for Finance

Adrianna Sikorska

Vice-President of the Energa SA Management Board for Communication

Dominik Wadecki

Vice-President of the Energa SA Management Board for Operations

Magdalena Kamińska

Director of the Finance Department

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Glossary of terms and abbreviations

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials
CAPEX	Capital expenditures
Certificate of origin from co-generation	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency co-generation in: (i) a gas-fired co-generation unit or a co-generation unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a co-generation unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another co-generation unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate)
CIRS, CCIRS (Currency Interest Rate Swap, Cross-Currency Interest Rate Swap)	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions in which payments are made over a specified period with a prescribed frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS)
Co-firing	Electricity or heat generation based on a joint, simultaneous process of biomass or biogas combustion with other fuels in one device; part of the energy generated in the above manner may be considered as energy produced from a renewable energy source
Co-generation, CHP	An engineering process of simultaneous production of heat and electrical or mechanical energy in the course of the same engineering process
CO ₂	Carbon dioxide
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems
EIB	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets.
EBIT (earnings before interest and taxes)	Operating profit
EBOR	European Bank for Reconstruction and Development
Energa SA, Energa	Parent company in the Energa Group of Companies
Energa Operator, EOP	Energa Operator SA – a subsidiary of Energa SA and the Leading Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, EOB	Energa Obrót SA – a subsidiary of Energa SA and the Leading Entity of the Sales Business Line in the Energa Group

EMTN	The Euro Medium Term Notes programme
EUR	Euro, currency used in European Union's eurozone countries
Energa Group of Companies, Energa Group	A Group of Companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services
GDP	Gross Domestic Product
GUS	Central Statistical Office
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate
KRS	National Court Register (Krajowy Rejestr Sądowy)
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NIB	Nordic Investment Bank
OR	Operating reserve
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session
PLN	Polish zloty; national currency
PMI	Industrial economic activity index calculated by Markit in cooperation with HSBC
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions.
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from co-generation
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the Electricity Transmission System Operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014
QoQ	quarter on quarter
RAB	Regulatory Asset Base
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
Tariff G	A tariff group for individual customers – households
TPA (Third Party Access)	The rule which means the ability to use the power grid of a power company without an obligation to buy electricity from that company
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
URE	Energy Regulatory Office
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate

WSE	Warsaw Stock Exchange
YoY	year on year