



Energa SA's Management Board Report on performance of the Energa Capital Group in the first half of 2022

Gdańsk, 4 August 2022

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1. SUMMARY

ENERGA GROUP IN H1 2022



One of the leading energy groups and a reliable supplier of electricity and services for ¼ of Poland, with a 36% share of RES in own production.




Financial data

Revenues	EBITDA	EBITDA margin
PLN 9,517 m	PLN 2,018 m	21.2%

Renewable energy sources

Installed capacity	RES production	
543 MWe	827 GWh	

Operating data





Volume of electricity supplied	Gross electricity production	Retail sales of electricity
 11.9 TWh	 2.3 TWh	 9.0 TWh

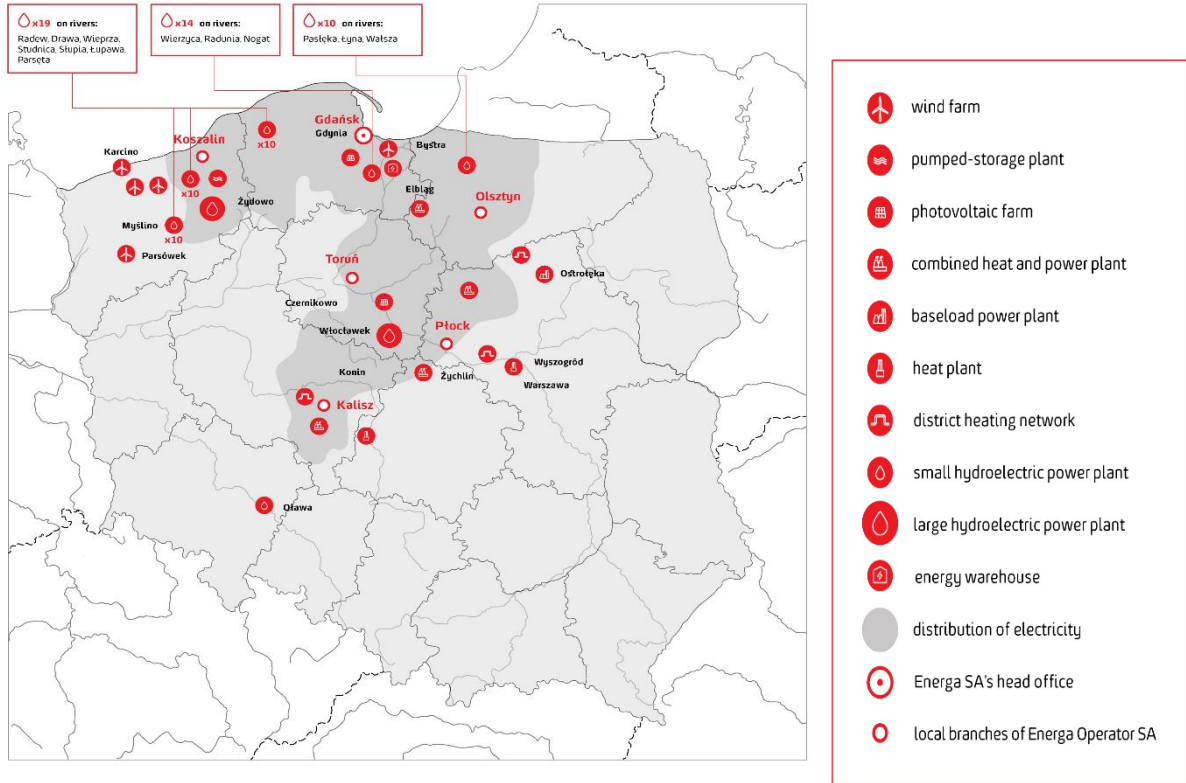
Investor's guide*

Capitalization	Share price	Fitch rating	Moody's rating
PLN 2.8 billion	PLN 6.60	BBB-	Baa2

* As at 30 June 2022

Key resources

Distribution grid	Installed capacity	Number of clients	Number of employees
194 k km 	1.39 GWe <i>of which 39% are RES</i> 	<i>Distribution:</i> 3.3 m <i>Sales:</i> 3.2 m 	8.9 k 



Key Business Lines

Distribution	Generation	Sales
		
EBITDA: PLN 1,277 m	EBITDA: PLN 453 m	EBITDA: PLN 307 m

Investments

PLN 935 m	New customer connections	Modernization of HV, MV and LV lines	New RES
Of which Distribution: PLN 664 m	33 k	1,446 km	635 MW



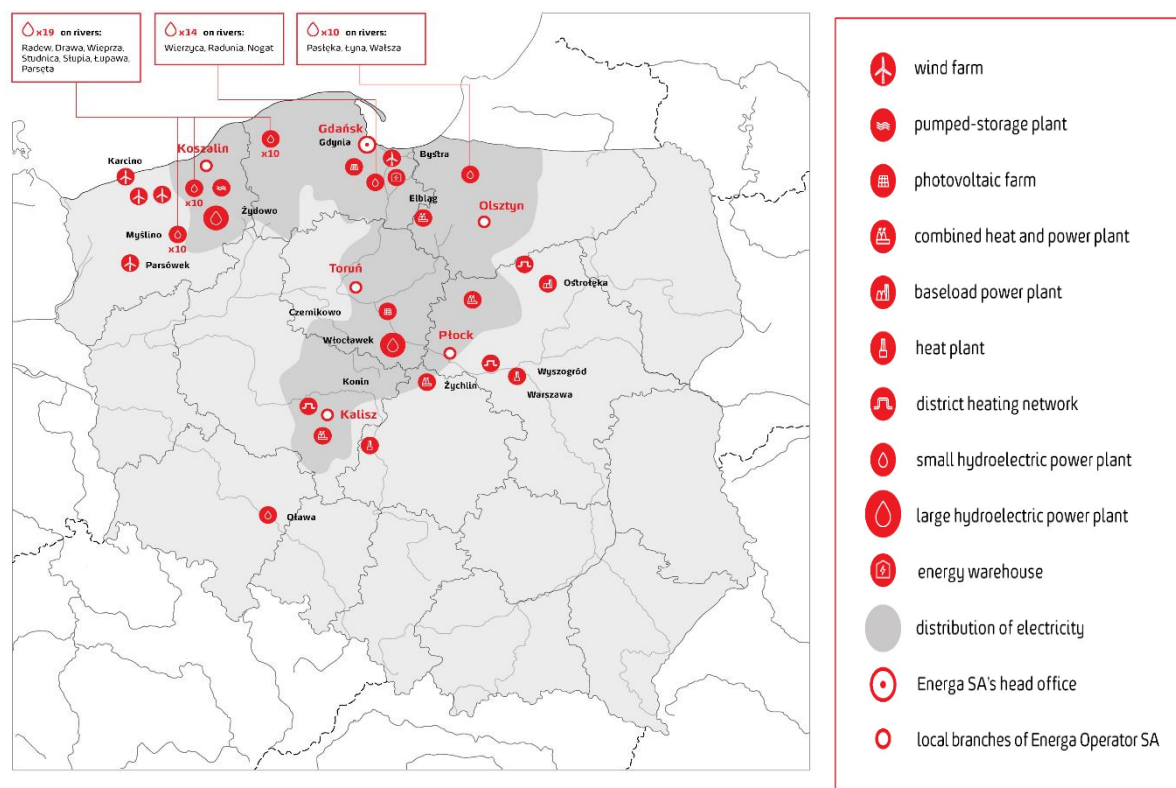
Hydro plant Żelkowo

Key information about the Energia 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 Capital Group (“Group”, “Energa Group”) involves the distribution, generation and the sale of 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 profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (“ERO”). Energa Operator SA acts as the leading entity in this Line. 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 3.3 million customers, approximately 3.1 million of whom are customers with universal agreements and 178 thousand are TPA (Third Party Access) customers. At the end of June 2022, the total length of the power lines operated by the Group was more than 194 thousand km and covered almost 75 thousand sq. km, i.e. approximately 24% of the area of Poland.

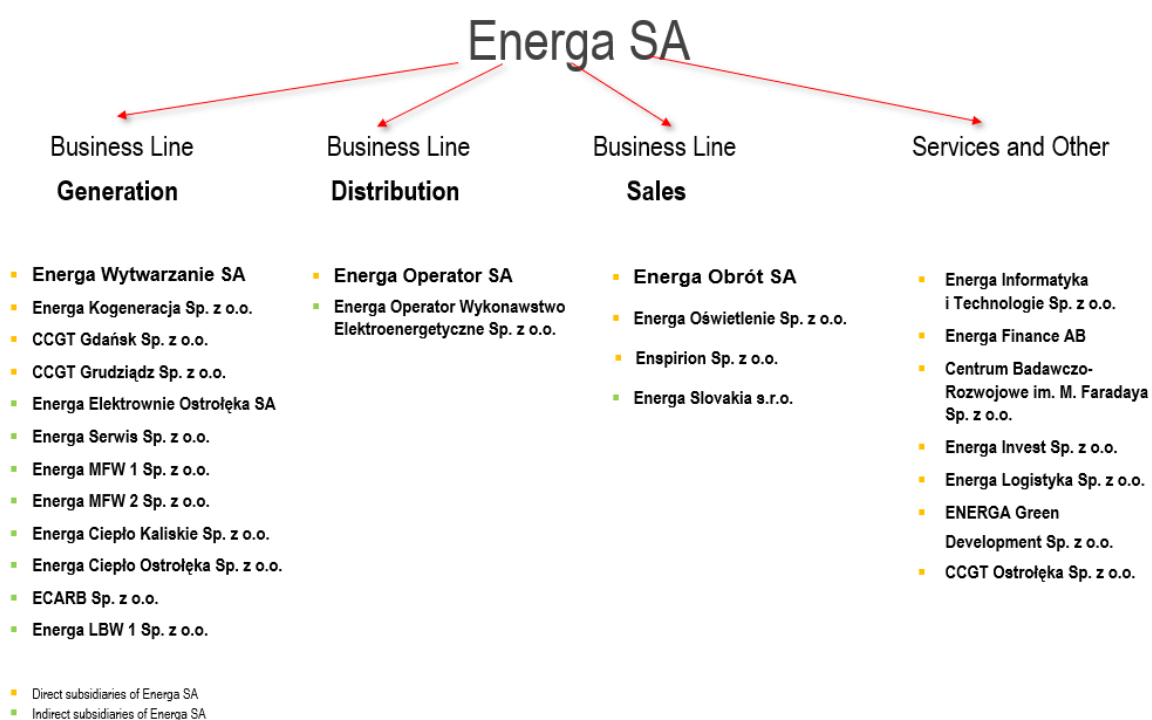
Generation Business Line. The operation of this Business Line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of June 2022, the total installed generation capacity in the Group’s power plants was approx. 1.4 GW. The leading entity in this Business Line is Energa Wytwarzanie SA (the previous name of this company was Energa OZE SA). In H1 2022 the Group generated approx. 2.3 TWh of gross electricity, of which 62% originated from coal, 23% from hydro, 13% from wind, 1% from biomass and small amount from PV. The Energa Group owes its leading position, in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy by its hydro power plants and wind power plants. Green energy is produced by 46 hydropower plants, 6 wind farms, as well as biomass-fired installations (i.a. as part of Energa Kogeneracja entity) and photovoltaic installations owned by the Group.

Sales Business Line. The Business Line with Energa Obrót SA as the leading entity sells electricity, gas and additional services offered to all customer segments. As at the end of first half-year of 2022, the Energa Group had approx. 3.2 m customers, including 2.9 m classified as G tariff customers, with the remainder being customers from tariff groups: C, B and A, in a decreasing order.

Structure of the Group

As at 30 June 2022, the Energa Group consisted of 26 companies, including its parent company, Energa SA (“Energa”, “Company”, “Issuer”).

Figure 2: Simplified organizational chart of the Energa Group as at 30 June 2022



Additionally, as at 30 June 2022 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

Establishment of Energa LBW 1 Sp. z o.o.

The Company was registered with KRS on 20 June 2022. The company is wholly owned by Energa Wytwarzanie SA. Energa LBW 1 Sp. z o.o. was established in connection with a demerger plan for ECARB Sp. z o.o., involving a transfer of some assets of ECARB Sp. z o.o., being shares of PGG, to Energa LBW 1 Sp. z o.o. in consideration for shares that Energa LBW 1 Sp. z o.o. will issue to the sole shareholder of ECARB Sp. z o.o., that is Energa Wytwarzanie SA.

Change of subsidiary’s name

Following the registration with KRS on 25 May 2022, Energa OZE S.A. currently operates under the name Energa Wytwarzanie S.A.

2.2. Key events in H1 2022 and after the balance sheet date

2.2.1. Material events in the reporting period

Maintaining the rating of Energa SA by Fitch Ratings

On 20 January 2022 Fitch Ratings ("Agency", "Fitch") maintained the Company's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' with a Rating Watch Positive, rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) at 'BBB-', and rating for Energa SA's hybrid bonds at 'BB' (more information is presented in section 6.3. Ratings).

Termination of the capacity contract entered into by Elektrownia Ostrołęka Sp. z o.o.

On 31 January 2022 the Issuer received the information from Elektrownia Ostrołęka Sp. z o.o. ("subsidiary Company") about the termination by the subsidiary Company, as of the same day, of the contract to fulfil the capacity obligation contracted by the subsidiary Company as a result of the outcome of the capacity market auction for 2023. Under Article 47b(3) of the Capacity Market Act of 8 December 2017 ("Act"), a capacity contract is terminated upon identifying capacity contracts which meet the criteria laid down in the Act to the operator, Polskie Sieci Elektroenergetyczne S.A. ("PSE"). The subsidiary Company has identified to PSE two capacity contracts meeting the criteria laid down in the Act, entered into by CCGT Ostrołęka Sp. z o.o. and CCGT Grudziądz Sp. z o.o., as contracts referred to in Article 47b(3)(1) and (2) of the Act. As a result of the identification of the above-mentioned capacity contracts, the financial security provided by the subsidiary Company in the amount of PLN 36.6 million is released and contractual penalties, if any, are forgiven. As at the date of termination of the above mentioned capacity contract no contractual penalties had been charged on its basis and the Issuer had not recognized any provisions for such potential penalties. The termination of the capacity contract is the consequence of changing the power source from coal to gas in the project to build and operate a new power plant in Ostrołęka.

Issue of a notice to proceed related to the construction of CCGT power plant in Ostrołęka

On 24 March 2022 the company CCGT Ostrołęka Sp. z o.o. had issued the Commencement Order (a notice to proceed - NTP) related to the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka for the general contractor - GE Power Sp. z o.o. with its registered office in Warsaw together with General Electric Global Services, GmbH with its registered office in Baden, Switzerland (operating through a branch in Poland).

Changes in the Supervisory Board of Energa SA

On 20 January 2022 the majority shareholder of Energa SA, PKN ORLEN S.A. ("PKN ORLEN"), submitted a statement informing that as of 1 February 2022 it appointed Mr. Jaroslaw Piotr Dybowski to the Company's Supervisory Board of the 6th joint term of office.

On 24 February 2022 the majority shareholder of the Company, PKN ORLEN, submitted a statement informing that as of 1 March 2022 it appointed Ms. Barbara Hajdas to the Company's Supervisory Board of the 6th joint term of office.

Ms. Barbara Hajdas submitted a statement of resignation as of the end of 27 March 2022 from the position of Member of the Supervisory Board of the Company.

On 19 April 2022 the majority shareholder of the Company, PKN ORLEN, submitted a statement informing that as of 20 April 2022 it appointed Mr. Daniel Obajtek to the Company's Supervisory Board of the 6th joint term of office. Mr. Daniel Obajtek performs a function in the Company's Supervisory Board without remuneration.

On 20 April 2022 Ms. Agnieszka Żyro submitted a statement of resignation from the position of Member of the Supervisory Board of the Company, effective as of the end of 21 April 2022..

On 22 April 2022 the majority shareholder of the Company, PKN ORLEN, submitted a statement informing that as of 26 April 2022 it appointed Ms. Iwona Waksmundzka-Olejniczak to the Company's Supervisory Board of the 6th joint term of office.

On 13 May 2022 Mr. Trajan Szuladziński submitted a statement of resignation from the position of Member of the Supervisory Board of the Company.

On 20 May 2022 the General Meeting of Company adopted a resolution on appointment of Ms. Barbara Hajdas to the Company's Supervisory Board of the 6th joint term of office.

Changes in the Management Board of Energa SA

On 30 March 2022 the Supervisory Board of the Company adopted a resolution on appointment the following persons to the Company's Management Board for the new common 7th term of office:

- Ms. Iwona Waksmundzka-Olejniczak to the position of the President of the Management Board,
- Mr. Michał Perlik to the position of the Vice-President of the Management Board for Finance,
- Ms. Adrianna Sikorska to the position of the Vice-President of the Management Board for Communication,
- Mr. Janusz Szurski to the position of the Vice-President of the Management Board for Corporate Affairs,
- Mr. Dominik Wadecki to the position of the Vice-President of the Management Board for Operations.

The appointment of the above mentioned persons to the Management Board of the Company of the 7th term of office became effective on the day following the day the General Meeting of the Company approving the Company's financial statements for the financial year 2021, that is 21 May 2022.

On 7 April 2022, Ms. Iwona Waksmundzka-Olejniczak submitted her resignation from the functions of the President of the Company's Management Board and the Member of the Company's Management Board, effective as of the end of 8 April 2022. The reason for the resignation is appointing Ms. Iwona Waksmundzka-Olejniczak for the function of the President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A.

On 19 April 2022 Mr. Marek Kasicki submitted his resignation from the functions of the Vice-President of the Company's Management Board for Finance and the Member of the Company's Management Board, effective as of the end of 22 April 2022.

On 21 April 2022 the Company's Supervisory Board decided to delegate a Member of the Supervisory Board of the Company, Mr. Daniel Obajtek, to temporarily perform the duties of the President of the Management Board of the 6th current and 7th term of office (which commenced on the day following the day the General Meeting of Energa SA approving the Company's financial statements for the financial year 2021, that is 21 May 2022) for the period from 21 April 2022 to 21 July 2022. Mr. Daniel Obajtek performs the duties of the Company's Management Board President without remuneration.

On 25 April 2022 the Supervisory Board of the Company adopted the resolution to appoint as of 26 April 2022 Mr. Michał Perlik to the Management Board of the current 6th term of office for the function of Vice-President of the Management Board for Finance.

Completion of the settlement process of the Coal Project with the General Contractor under the contract for the construction of the Ostrołęka "C" Power Plant

On 1 April 2022 the Management Board of Energa SA received the information from the company Elektrownia Ostrołęka Sp. z o.o. ('EO') on the completion of the settlement on 31 March 2022, in accordance with the concluded agreement of the Coal Project under the contract for the construction of the Ostrołęka "C" Power Plant with the General Contractor - consortium GE Power sp. z o.o. based in Warsaw and GE Steam Power Systems S.A.S. based in Boulogne-Billancourt, France. The final value of the receivables resulting from the settlement was PLN 958 million net and therefore the amount due to the General Contractor, resulting from the difference between the above value and the total amounts already paid, was already paid in full by EO. Thus, the process of settlement of the Coal Project with the General Contractor was completed. The costs incurred by the Issuer in connection with the settlement of the works of the General Contractor amounted to 50% of the above mentioned amount, i.e. PLN 479 million net (the same amount of costs was incurred by Enea S.A.). In relation to the above the Issuer identified the possibility of further release of the provision - to the level of approx. PLN 16 million - created initially in 2020 in the amount of PLN 218 million to finance EO for the purposes of the settlement of the Coal Project. The impact of the above event on the consolidated net result of the Energa Group and standalone net result of Energa SA for 2022 amounted to approx. PLN 30 million (as a result of decreasing of the above mentioned provision from the level of PLN 46 million at the end of 2021). The event is of a non-cash nature increasing the net result without affecting the EBITDA.

Energa SA Management Board's recommendation on distribution of the Company's net profit for 2021

On 8 April 2022 the Management Board of Company decided to recommend to the General Meeting of Energa SA ('GM') to transfer the entire Company's net profit for 2021 in the amount of PLN 210 m to the reserve capital. On 21 April 2022 the Supervisory Board of Company positively assessed the Company Management Board's motion to the GM on transferring the entire Company's net profit for 2021 to the reserve capital. The Management Board's motion along with the assessment of the Supervisory Board was submitted to the GM, which made the final decision on distribution of the Company's net profit for 2021 in accordance with the recommendation of the Company's Management Board.

Dismissal of legal action to repeal the resolution of the Energa SA's Extraordinary General Meeting on the withdrawal of the Company's shares from trading on the regulated market

On 11 May 2022 the Company received information that the same day the Regional Court in Gdańsk, 9th Commercial Division issued a judgement dismissing the legal action brought by the shareholders of the Company (about which the Company informed in current report No. 82/2020 of 9 December 2020) to repeal the 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 the Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 269,139,114 series AA ordinary bearer shares of the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code. The judgment is not final non-appealable.

Signing of agreement with the General Contractor for the construction of the CCGT power plant in Grudziądz

On 18 May 2022 CCGT Grudziądz Sp. z o.o. had signed the agreement with the general contractor - consortium of Siemens Energy Global GmbH & Co KG, Siemens Energy Sp. z o.o. and Mytilineos S.A. - for the design and construction of a 563 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Grudziądz for an estimated amount of approx. PLN 2 billion.

The planned power plant will be designed and constructed by the general contractor as a single-shaft unit: with one gas turbine, a recovery boiler, a condensing steam turbine unit and a wet fan cooler. The project will be performed on a 'turnkey' basis, covering the performance of all works including, but not limited to, design, obtaining selected administrative decisions on behalf of the contracting party, deliveries, civil works, assembly, staff training, trial run, test run, commissioning of the power plant and provision of warranty services in the period following commissioning of the power plant. The schedule for the implementation of the project provides for the commencement of construction works in 2022, and the commissioning of the power plant in 2025.

At the same time, CCGT Grudziądz Sp. z o.o. informed that in connection with the above-mentioned agreement it had concluded the long-term contract with Siemens Energy Sp. z o.o. for the provision of maintenance services for the CCGT power plant in Grudziądz (up to a maximum of 20 years from the date of commissioning the power plant).

The situation in Ukraine and its impact on the Energa Group's performance

Russia's attack on Ukraine undoubtedly has a significant impact on the domestic and international economy.

The Company monitors the situation in Ukraine on an ongoing basis in terms of its impact on business operations. However, the situation is very volatile and forecasting economic consequences of the war is subject to a high risk of making erroneous assumptions. Considering the highly fluid geopolitical and economic situations, and difficulties in developing or obtaining unreserved and highly likely economic and financial forecasts, it is not possible at the moment to measure the potential impact of the conflict on the Group's activities and financial performance.

Further military actions, the scope and effectiveness of sanctions imposed on Russia and Belarus and the response from central banks and other financial institutions to the crisis will be of key relevance for a full assessment of the implications of the current situation for the future financial results of the Group.

Bearing in mind the above, the Group has identified the following market risks:

- the risk of the Polish currency's weakening against major currencies, including specifically against euro. The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects,
- the risk of an increase in prices of energy inputs (coal and gas) as a result of their limited availability due to the embargo imposed on Russia. It needs to be stressed that the Group no longer purchases fuels from operators based in Russia, Belarus or Ukraine. The Group understands that the current situation may significantly affect the hard coal availability and prices, and therefore the Group identifies as risk the adverse impact of that factor on its operations and financial performance. The Group monitors the availability and level of prices of that fuel on an ongoing basis for the respective periods and takes actions to secure the supply and prices that allow uninterrupted and profitable operations of the Generation Business Line,
- the existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg are exposed to this risk),
- the risk of unavailability and increase in the price of electrical engineering materials being purchased as well as other components. Price growth in that area may lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure; In particular, the Group monitors the timeliness of

delivery of measuring infrastructure items, and takes the corresponding adaptive actions required to ensure the continuity of operations as regards the installation of meters in the distribution network,

- greater risk of attacks against the generation and distribution infrastructure which is required to achieve the Group's main business goals, which necessitates higher expenditure on protection of IT systems and facilities, buildings and civil structures, and the use of more advanced tools, equipment and security systems,
- risk of a further increase in inflation and interest rates. This may result in higher financing costs, and in effect deteriorating financial standing of the Company and other entities and customers in Poland, which in turn may affect the payment discipline of customers,
- as at the date of this report, the Group does not identify as a risk significant delays in payments from customers, but takes that into consideration and takes the relevant actions to monitor the payment performance of the respective customer groups,
- the risk of limited access to external financing sources or less favourable financing conditions.

On the other hand, the Group has not identified any direct impact of the war in Ukraine on its financial performance in H1 2022.

The Group companies have no business relations with business operators registered in the territory of Ukraine, Russia or Belarus.

2.2.2. Material events after the balance sheet date

Changes in the Supervisory Board and the Management Board of Energa SA

On 12 July 2022 Ms. Iwona Waksmundzka-Olejniczak submitted a statement of resignation effective as of the same day from the position of Member of the Supervisory Board of the Company.

On 19 July 2022 the Company's Supervisory Board decided to delegate a Member of the Supervisory Board of the Company, Mr. Daniel Obajtek, to temporarily perform the duties of the President of the Management Board of the 7th term of office for the period from 22 July 2022 to 31 August 2022. Mr. Daniel Obajtek performs the duties of the Company's Management Board President without remuneration.

Information on impairment losses

As a result of impairment tests of Energa Group's fixed assets and impairment tests on stakes in subsidiaries owned by Energa SA, which were conducted for the second quarter of 2022 in accordance with IAS 36, the impairment loss on the subsidiary Energa Kogeneracja Sp. z o.o. shares and the impairment losses on fixed assets owned by this company (heat and power plant in Elbląg, heat and power plant in Kalisz, heat plant in Żychlin) were created. The total impact of the above events on the consolidated net result of Energa Group for the first half of 2022 was PLN -63 million, and on the standalone net result of Energa SA PLN -183 million. The above events are of a non-cash nature. They decreased the net results of the Energa Group and Energa SA (without affecting the EBITDA result).

Conditional agreement for sale of shares in PGG

On 3 August 2022 a conditional agreement was signed for the sale of shares of Polska Grupa Górnicza S.A. ("Conditional Sale Agreement"). The sellers in the Conditional Sale Agreement include: ECARB Sp. z o.o. (the Issuer's subsidiary), PGNiG Termika S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA S.A., Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. and WĘGLOKOKS S.A., and the purchaser is the State Treasury of Republic of Poland ("State Treasury").

According to the Conditional Sale Agreement, ECARB Sp. z o.o. will sell to the State Treasury all possessed shares in PGG, i.e. 6 000 000 ordinary registered shares (representing 15.32% in the PGG's share capital), for the amount of PLN 1 for all possessed shares. The value of the investment in PGG in the Energa Group's latest published consolidated financial statements as at 30 June 2022 amounts to PLN 0, therefore the sale of PGG shares will not have a significant impact on the net result of the Issuer and of the Energa Group.

The transfer of the ownership of shares will take place provided that the National Support Centre for Agriculture ("KOWR") will not exercise the pre-emption right, pursuant to art. 3a section 1 of the Act of 11 April 2003 on the shaping of the agricultural system.

As a result of the sale of shares in PGG, the Energa Group will not to be the owner of the hard coal mining sector assets, what is consistent with the implementation of its strategic goals in the field of decarbonization.

2.3. B+R and innovation activities

In H1 2022, Energa Group companies implemented 19 projects in the area of Research, Development and Innovation (R&D&I), whose budget was slightly above PLN 245 m. The budget plan for the projects implemented in H1 2022 came to over PLN 2.5 m, and its execution in the period totalled over PLN 1.4 m. The overview of selected RDI projects is given in point 2.3.1. *Key projects of Energa Group implemented in H1 2022 below.*

In addition, in Q2 2022, Energa SA joined the Orlen Skylight Accelerator scheme and submitted a dozen or so technology challenges of relevance for the Energa Group. The Orlen Skylight Accelerator scheme is Poland's first industrial acceleration scheme for the authors of innovative technology solutions of international reach. The scheme is intended for innovative companies from across the world that have ready-made products and services in the final incubation phase (MVP). Its purpose is to support further robust growth of the respective business areas of the Orlen Group, including for example petrochemical production, power engineering, or retail sales. Within the scheme, the Energa Group submitted green transition and digital organization challenges in H1 2022.

Since 2017 the Energa Group has operated the M. Faraday Research and Development Center (CBRF) (Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o. o.) which continued with the project launched in 2021 for the development of a modular reversible solid oxide cell (rSOC) installation. The overview of the rSOC project is given below.

2.3.1. Key projects of Energa Group implemented in H1 2022

SERENE

The "Serene" project was launched in August 2019 and is being implemented by Energa Operator SA. The purpose of the SERENE project is to develop mechanisms and business models for new grid services that would improve flexibility of MV and LV distribution network, apply technical solutions that support active management of the LV grid using AMI meters. As part of the project, research will be conducted in three demonstration areas in three European countries: Denmark, the Netherlands and Poland (in the Przywidz municipality). The research will help investigate the potential for using V2G and DSR solutions on industrial sites, mobile energy storage in the LV network and smart zero-emission buildings to provide services to DSOs increasing the flexibility of network operation. The project received funding from the European Commission's Horizon 2020 programme in December 2020. In 2022, measuring data transmission to the IT systems of the Flow Machines Institute was launched, consultations were held on the connection of the energy storage and electric vehicle charger in the municipality of Przywidz, and a site inspection was organized with residents of the municipality of Przywidz in order to install on their premises measuring systems and systems for PV control. In Q3 2022, the investment process will be launched for the replacement of a MV/LV station with a Smart Station. The project is being implemented according to the adopted schedule and planned for completion on 30 June 2025.

rSOC

The "rSOC" project was launched in January 2020 and is being implemented by Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o., which obtained funding from the National Centre for Research and Development. In March 2020, the M. Faraday Research and Development Centre (CBRF) and the National Centre for Research and Development ("NCBiR") signed an agreement for EU co-funding of the rSOC project involving construction of a modular installation of reversible hydrogen-producing solid oxide cells. 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 electrolyser 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), will make it possible to improve flexibility of operation of conventional power units. Under the "rSOC" project, the process system was tested in laboratory conditions in H1 2022, and tests of the installation at the Elbląg CHP were planned for subsequent months of 2022. The project proceeds according to its schedule. Its planned completion date is 31 March 2023.

OneNet

The OneNet project was launched in November 2019 and is implemented by Energa Operator SA, which is testing the provision of flexibility services to DSOs and TSO using a digital platform where flexibility services in the area of balancing, congestion management and auxiliary voltage control services will be ordered and activated to provide services to DSOs and TSO and to optimise the project scopes in view of supporting high quality of energy supply and development of distributed generation. The

purpose of the project is to develop new mechanisms and business models to support new grid services which increase flexibility of the HV, MV and LV 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 expansion of IT systems) and to test the potential for using grid services to improve grid efficiency and flexibility. As part of the project, potential areas for flexibility services have been mapped, and work has been done on preparing business use cases and an IT architecture model. 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. In H1 2022, the project work included in particular: selection of HV, MV and LV network areas where tests would be conducted as part of the Polish demonstration, the scope of flexibility services and products for the demo was confirmed, tests in the testing environment were conducted for the purchase of network relief services and voltage adjustment to verify correct operation of business processes on the market platform, a market platform was launched in the production environment and a new version of the test plan was developed for the Polish demo, and MV network models were prepared for the Puck and Przywidz area.

The project is being implemented in accordance with the adopted schedule and the completion of the project is scheduled for December 2023.

EUniversal

In June 2018, Energa Operator SA launched the EUniversal project in the area of development of grid flexibility and opportunities for using 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. In H1 2022, the project work covered continued preparations to the flexibility service tests, under which a meeting with the residents of Mława was held, where consents of 7 residents to participation in the project were obtained (the goal being 5 consents). Preliminary connection tests for the Nodes platform were conducted, and locations of smart stations (FS) were selected and their designs approved, which will be followed by the installation and technical inspection of the station, scheduled for Q3 2022.

The project is being implemented according to the adopted timeline and scheduled for completion on 30 September 2023.

2.4. Capital expenditures and realization of key projects

In the first 6 months of 2022, capital expenditures in the Energa Group amounted to PLN 935 million and were at a similar level as in the corresponding period of the previous year. The Distribution Business Line investments accounted for 71% of all expenditures incurred by the Group and amounted to PLN 664 million.

The investments of the Distribution Business Line included connecting consumers and energy sources and the related construction of new grids, as well as modernization and replacement of existing assets related to the improvement of service quality and/or an increase in power demand.

In the Generation Business Line, capital expenditures totalled PLN 50 million, a significant portion of which were tasks associated with development of district heating assets and new capacity in photovoltaic energy sources.

In the Sales Business Line PLN 21 million was allocated to investments, the most of which were for work related to lighting assets.

In Other Business Line the remaining expenditure was mainly related to the implementation of works on the gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka.

Table 1: Status of the investment programme for 6 months of 2022

Project description	Capital expenditure in 6M 2022 (PLN m)
Distribution Business Line	664
Connecting electricity customers and sources and the associated construction of new grids	386

Upgrading and reconstruction of the existing assets, associated with improvement in service quality and increased power demand	189
Other capital expenditures, collisions and corrections	89
Generation Business Line	50
Energa Kogeneracja KRS 2x20 MWt + 1x10MWt + SUW (Kalisz)	9
ENERGA Wytwarzanie New production capacities	12
ENERGA Elektrownie Ostrołęka Upgrading of the cooling water system	2
Other investments	27
Sales Business Line	21
Capital expenditures for lighting assets	18
Other capital expenditures	3
Other companies, projects and corrections	200
CCGT Ostrołęka	184
Other investments	16
Total	935

Investment programme in the area of heat assets

Construction of a reserve-peak boiler house with a capacity of 3 x 38 MWt was completed in Elbląg. The facility was handed over for operation on 20 April 2022. Preparations are also underway in respect of the construction of 3xSG10 gas engines, as the contract was signed on the design and execution of demolitions to accommodate the future engines.

In Kalisz, a contract for construction of a reserve-peak boiler house and a water treatment plant is underway. Foundations for the boilers were cast and boiler prefabrication was completed. The contractor for the cogeneration section based on 2xSG10 gas engines was selected. The contract took effect at the end of June this year.

In Ostrołęka, work was underway to develop the assumptions for a new heat source (CHP Ostrołęka). Work is underway to prepare documentation for administrative permits and for the competitive procedure to select the general contractor for the project.

In H1 2022, development and modernization investments were also in progress in the area of heating networks.

CCGT Ostrołęka power plant development project

The schedule of the project stipulates handing over for operation of the CCGT unit in 2025, and the launch of the power service on 1 January 2026.. In December 2021, as a result of the main auction of the capacity market for the year 2026, CCGT Ostrołęka Sp. z o.o. signed a capacity contract for a period of 17 years (capacity requirement of 695.951 MW). On 24 March 2022, CCGT Ostrołęka Sp. z o.o. issued Commencement Order (a notice to proceed - NTP) related to the construction of a 745 MWe net gas-fired combined cycle gas turbine (CCGT) power plant in Ostrołęka for the general contractor - GE Power Sp. z o.o. with its registered office in Warsaw together with General Electric Global Services, GmbH with its registered office in Baden, Switzerland (operating through a branch in Poland). Construction is currently underway.

Development of CCGT Grudziądz power plant

The project schedule assumes that the CCGT unit will be handed over for operation in 2025 and that the provision of power service will commence from 1 January 2026. In December 2021, as a result of the main auction of the capacity market for the year 2026, CCGT Grudziądz Sp. z o.o. signed a capacity contract for a period of 17 years (capacity requirement of 518.370 MW). On 18 May 2022, CCGT Grudziądz sp. z o.o. signed a contract with the general contractor - consortium of Siemens Group companies and Mytilineos. On 24 June 2022, the company gave possession of the site to the general contractor. More information on the CCGT Grudziądz project can be found in section 2.2.1. *Material events in the reporting period*

CCGT Gdańsk project

On 29 December 2021, Energa, PKN ORLEN and LOTOS SA Group signed an amendment to the letter of intent concerning an analysis of feasibility and potential conditions for a joint investment to build a gas and steam power plant in Gdańsk. The letter of intent binds the parties until respective agreements are concluded, not later than by 31 December 2022.

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 stabilize the operation of the distribution system in the area of connection of the 4 MW photovoltaic 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. Tests of the energy storage facility are currently underway.

PV Gryf project

The objective of the project is to develop a photovoltaic farm with a capacity of 19.83 MW. According to the RES auction results announced on 14 December 2020, Energa OZE won the ordinary auction for the installations. The company issued the notice to proceed (NTP) on 30 December 2020. The farm is being developed in the Przykona commune, on land reclaimed from the Adamów brown coal opencast mine. On 30 June 2022, final acceptance (inspection) of PV Gryf took place, and the farm is due to be extended by an additional ca. 5.25 MW.

PV Mitra project

The project involves preparation, construction and commissioning of a photovoltaic installation comprising the system of photovoltaic power station with the total installed capacity of approx. 65 MW, 23 substations 30/0.8kV, HV 110 kV power service line with an optical fiber 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. The planning permission for an installation with installed capacity of up to 65 MW was issued on 17 December 2021. The connection conditions were obtained for the installation.

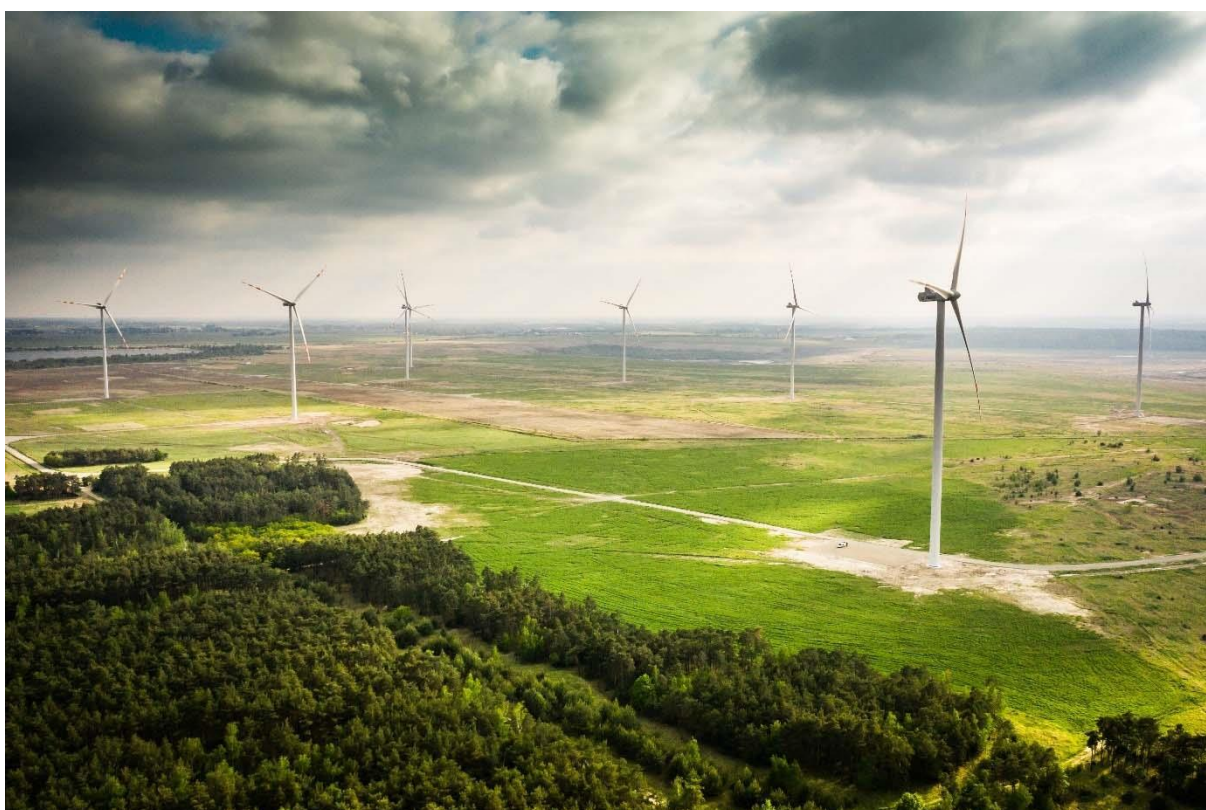
5xPV

The purpose of the project is to build five photovoltaic farms (PV Czernikowo+, PV Samolubie 1, PV Samolubie 2, PV Przykona, PV Pierzchały) with capacity up to 1 MW each, together with power offtake points. 5 PVs are scheduled for completion in the third quarter of 2022. The development of new capacities will increase the share of renewable electricity in the total generation mix of the Energa Group's entire fleet.

2.5. Awards and distinctions

No.	Name/Title of Distinction/Award	Description - what the prize was awarded for	Date of award of the prize/distinction (month)	Company
1.	Patron of Toruń Sport 2021	It was already the 8th edition of the event organized since 2013 on the initiative of the Mayor of the City of Toruń to honour specifically those who support the local government in financing sport in Toruń.	January 2022	Energa SA
2.	2021 Sponsor of the Year	19th edition of the Toruń Athlete of the Year contest (for 2021)	March 2022	Energa SA
3.	Sierpieckie Orły 2022 (Eagles of Sierpc 2022)	Award for Michał Magdziarz, General Director of Energa Operator SA Oddział w Płocku, in recognition of the company's activities in this area.	March 2022	Energa Operator SA Oddział w Płocku

4.	Safety Leader	Maritime Industry Safety Forum in Gdańsk – Energa Wytwarzanie SA was awarded the Safety Leader distinction in the "Leader of Green Transformation" category	March 2022	Energa Wytwarzanie SA
5.	CSR Silver Lead	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 often rely 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.	May 2022	Energa SA
6.	Kind-Hearted Employer	The certificates are awarded to companies that employed disabled persons. Over 40 companies have already been recognized in the campaign, for example PKN ORLEN. Energa SA now joins them, as the employer of five persons with disabilities. The mastermind of the "Kind-Hearted Employer" is Joanna Olszewska, CEO at BPO Network, a home-based worker for 10 years, and a person who works with disabled persons only on a daily basis.	May 2022	Energa SA
7.	Responsible Business in Poland report. Good Practice 2021	Energa was awarded and included in the annual Responsible Business in Poland report. Good Practice 2021 - 9 of our CSR initiatives. Our educational efforts were recognized, such as the Energa Team, the Energa Planet, the Energy/a to study, Active Charity, Shine with Energa, Good Energy Houses, integrated environmental and energy management system compliant with the EMAS regulation, and Electromobility and development of electric vehicle charging stations, compliance management system.	May 2022	Energa SA
8.	National Education Commission Medal	Award for the president of Energa Operator SA, Alicja Barbara Klimiuk, for exceptional service for education - for the "Energy/a to study" programme of the company.	June 2022	Energa Operator SA
9.	Distinction for the Name Sponsor of top basketball divisions for men and women in Poland (Energa Basket Liga and Energa Basket Liga Kobiet)	Energa as the Name Sponsor of the professional basketball divisions received the award at the season end gala of Energa Basket Liga and Energa Basket Liga Kobiet. The best basketball players of the year also received their distinctions for performance and hard work. Awards went also to the respective clubs.	June 2022	Energa SA



Przykona Wind Farm

Regulatory and business environment

3. REGULATORY AND BUSINESS ENVIRONMENT

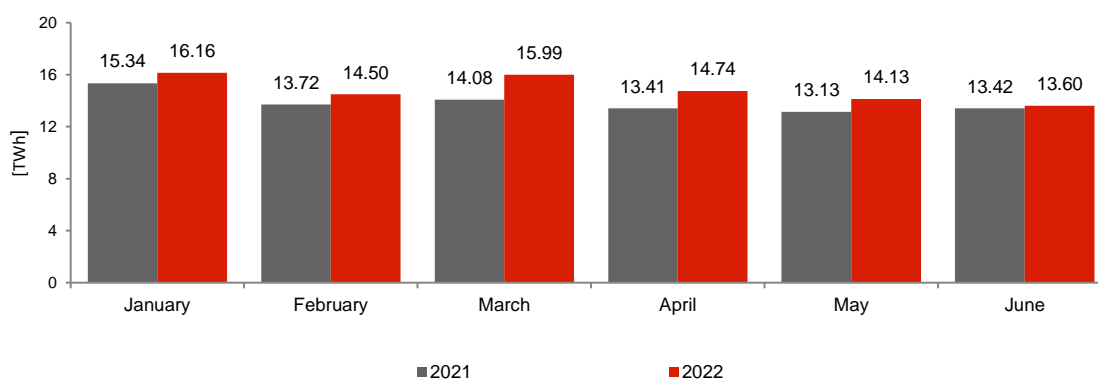
3.1. Electricity market in Poland

Developments in the market environment are of key importance for the financial performance of the Group. In this context, attention is drawn specifically 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 data published by Polskie Sieci Elektroenergetyczne ("PSE"), in the first quarter of 2022 production of electricity in Poland totalled 89.12 TWh and was 6.03 TWh, or 7.3%, higher compared to the corresponding period of the previous year (83.09 TWh). Higher production was noticeable in power plants using lignite, in wind sources and in PV sources. The increase in production came in response to higher demand for energy in the National Power System (KSE).

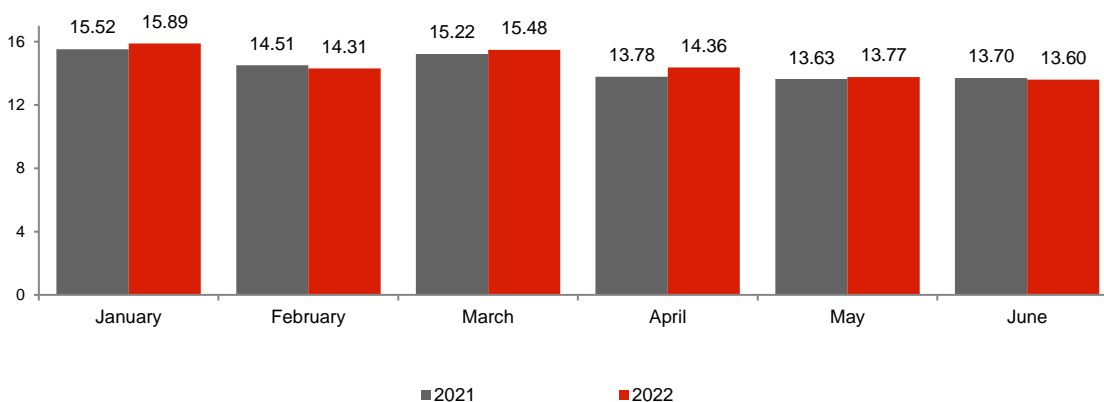
Figure 3: Production of electricity in Poland in H1 2022 (TWh)



Source: PSE

In the first half of 2022, domestic consumption of electricity in Poland was at 87.41 TWh and was higher by 1.04 TWh, i.e. 1.2%, than in the corresponding period of the previous year (86.37 TWh). The increase in consumption was due to higher demand from the recovering economy after the COVID-19 pandemic and the smaller scale of restrictions associated with the pandemic compared to the same period last year, regardless of the negative impact of geopolitical factors.

Figure 4: Consumption of electricity in Poland in H1 2022 (TWh)

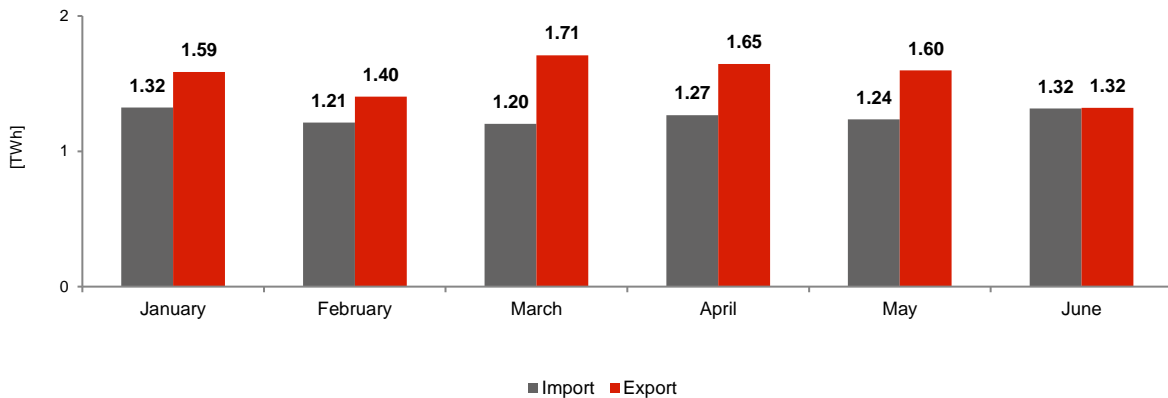


Source: PSE

Poland's cross-border power exchange

In the first half of 2022, electricity exports were 4.39 TWh higher than in the same period last year. When comparing the two corresponding periods, a slight drop in electricity imports by 0.59 TWh can be observed, which nevertheless failed to affect the surplus of net electricity exports in the period under review, that is 1.71 TWh surplus of net electricity exports in the period under review over net imports of 3.27 TWh in the corresponding period of the previous year. This is attributable to the increased delivery of electricity in parallel exchange due to the increase in energy prices throughout Europe being considerably higher than in Poland.

Figure 5: Monthly volumes of cross-border exchange in Poland in H1 2022 (TWh)

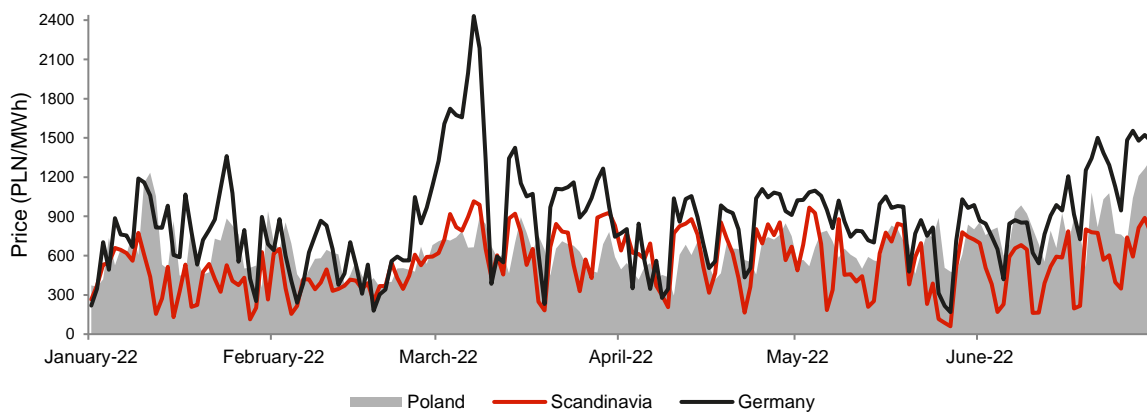


Source: PSE

Energy prices in selected countries neighbouring with Poland

The average prices in the SPOT market in Poland in H1 2022 were, similarly to Q1 2022, higher than in the Scandinavian market and lower than in Germany. Increased demand for power and growing geopolitical tensions leading to price growth as well as gas and coal shortages, supported by increased system losses, resulted in price increases in the Polish market as well as in the neighbouring markets. The biggest price differences were found in comparison to the German market (-24.3%, or PLN -211.49/MWh), whereas smaller price differences were identified in comparison to the Scandinavian market (+22.3%, or PLN 120.21/MWh).

Figure 6: Prices of energy in the SPOT market in Poland and in selected neighboring countries in H1 2022 (price (PLN/MWh))



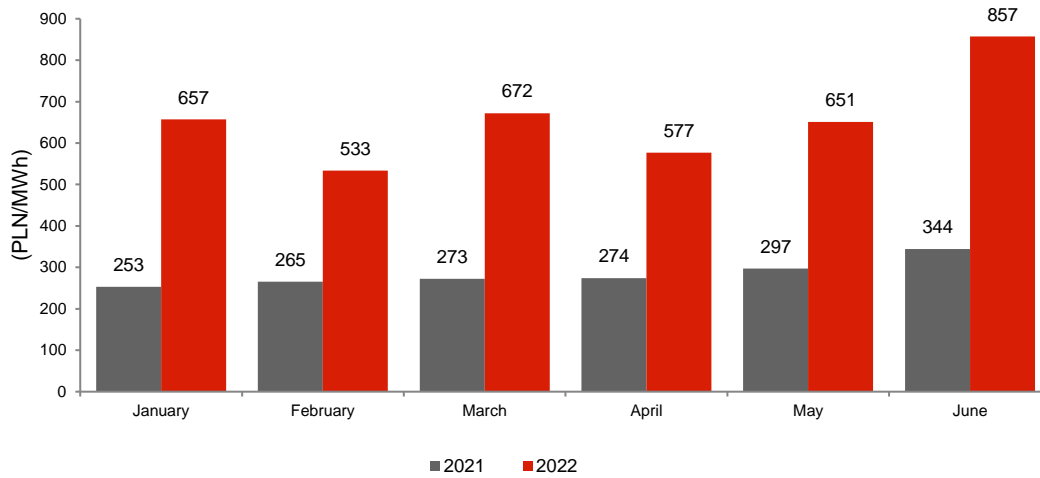
Source: Bloomberg, TGE

Day-Ahead Market of electricity in Poland

In the first half of 2022, the TGeBase index averaged PLN 659.42/MWh, and was higher by PLN 375.19/MWh than in the corresponding period of the previous year (PLN 284.22/MWh). When comparing Q2 2022 to Q2 2021, an increase of the price by PLN 389.85/MWh can be seen. The increase in domestic power demand was supported by an increase in system losses

and a surplus of energy imports over exports, which, combined with the supply shock in the raw materials market, sanctions on their imports from Russia to the EU, consequently contributed to price growth in relation to the same period of the previous year.

Figure 7: TGeBase index in H1 2022 (PLN/MWh)



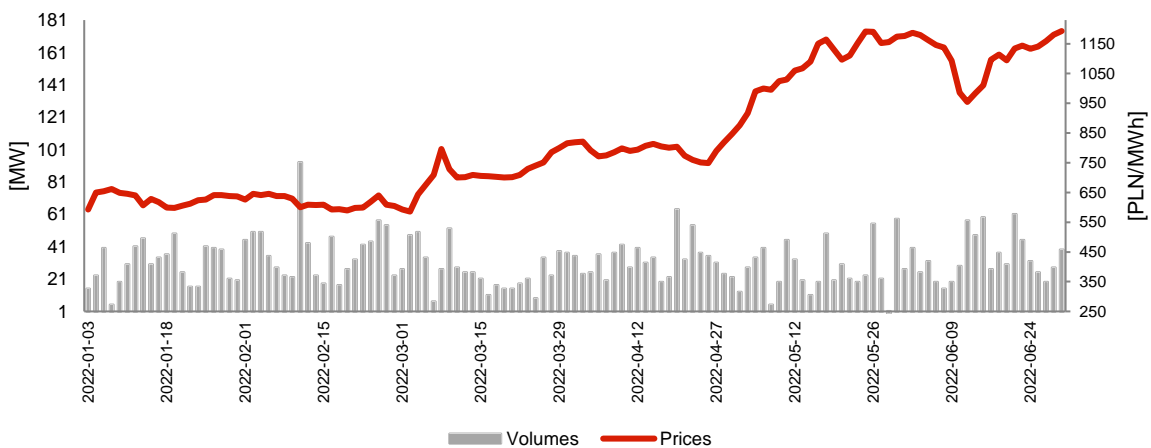
Source: TGE

Electricity futures market in Poland

In H1 2022, the futures market saw a growing trend, ending the period near PLN 1,200.00/MWh (BASE 2023). The main determinants of the energy price increase in the first half of the year in the futures market were:

- growing geopolitical tension supported by sanctions on the imports of energy resources from Russia to the EU, resulting in growing prices in the gas and coal market,
- increase in SPOT market prices,
- increased demand for electricity in the National Power System; and
- persistently high CO₂ emission allowance prices.

Figure 8: Forward contract price, BASE with delivery for 2023 in H1 2022



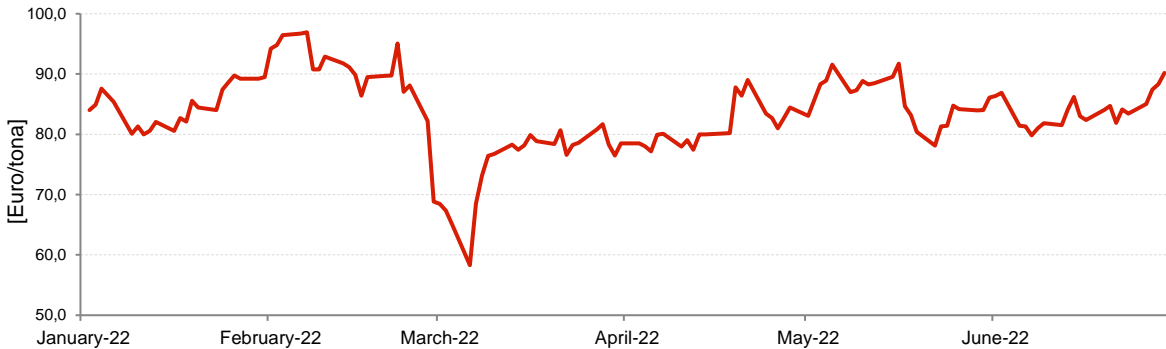
Source: TGE

Emission allowance market

On 12 May 2022, the European Commission reported that more than 1,449 million emission allowances were in circulation at the end of 2021 (a drop in the number of allowances by less than 14% y/y is the result of the post-pandemic recovery in 2021, resulting in higher emissions). 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

Reserve, a total of nearly 348 million allowances will be placed in the Market Stability Reserve over a 12-month period - from 1 September 2022 to 31 August 2023. 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). Key factors determining the EUA price in H1 were growing coal and gas prices, resulting from geopolitical tensions and sanctions on the imports of resources from Russia to the EU, and negotiations on the adoption of the *Fit for 55* package. The first attempt to pass the *Fit for 55* in a parliamentary vote (8 June) was unsuccessful. A part of the package was rejected and sent back to the Commission. After the introduction of amendments, it was finally passed by the European Parliament (EP) on 22 June. The negotiation position adopted by EP covers three key projects: reform of the CO₂ emission allowances trading system (EU ETS) and introduction of the Carbon Border Adjustment Mechanism (CBAM) and the Social Climate Fund (SCF). The next step, after the positions of the European Parliament and of the Council are aligned, will be negotiations on the draft acts together with EC as part of the so-called trilogues. The directive is set to take effect at the turn of 2023 and 2024. Consequently, the EUA exchange rate reached an all-time high during Q2 (EUR 96.93/t) and amounted to EUR 90.16/t at the end of H1 2022, having fallen by 14% since the end of 2021, while rising by 60% compared to the end of H1 2021.

Figure 9: EUA prices in H1 2022 (EUR/ton)



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 2021 (PLN/MWh)	H1 2022 (PLN/MWh)		
OZEX_A (green)	149.34	218.62	19.0*	300.03*

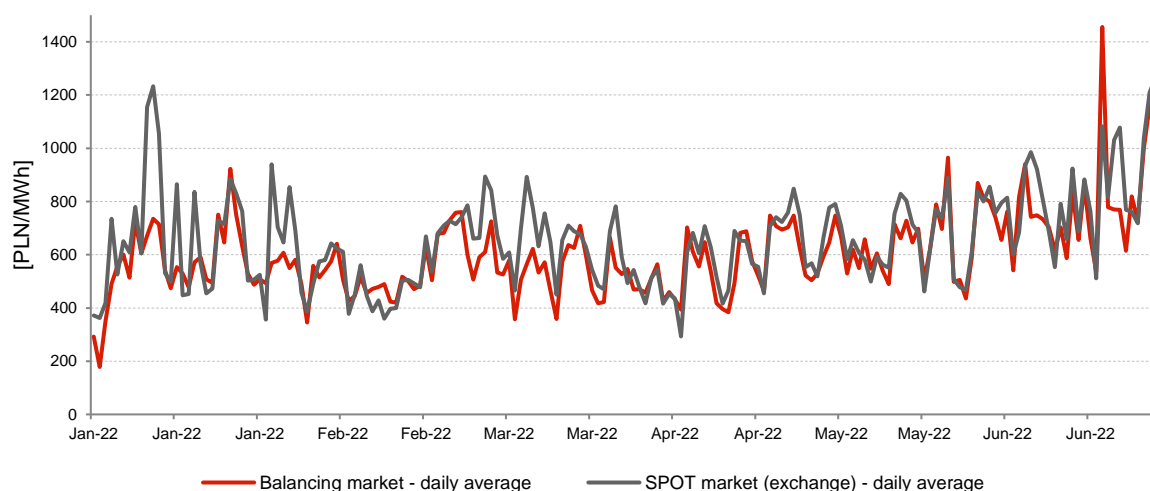
* value of the substitution fee and redemption obligation for 2022.

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. The prices of RES PR in session transactions were consistently falling over the entire H1 2022. At the end of H1 2022, RES PR were quoted at 173.31 PLN/MWh.

Balancing market

Since 1 January 2019, the limits for electricity clearing prices in the balancing market changed and currently range from PLN -50,000.00/MWh to PLN +50,000.00/MWh. For most of the first half of 2022, the prices in the balancing market were similar to the day-ahead market prices. The situation on 20 June this year marked a clear departure from that rule, when the average daily price on the balancing market was PLN 1455.78/MWh, and the peak hour price reached PLN 1,666.00/MWh. The average price in the balancing market in the period under review was PLN 608.06/MWh, compared to PLN 277.51/MWh in the corresponding period of the previous year.

Figure 10: Comparison of prices in the balancing market and SPOT market (exchange) in H1 2022 (PLN/MWh)



Source: TGE, PSE

3.2. Regulatory environment

Legislative processes completed in the first half of 2022

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

Legal act	Description and purpose of the regulations
<p>Regulation of the Minister of Climate and Environment amending the Regulation setting out the specific rules of structuring and calculating tariffs JOURNAL OF LAWS OF 2022, ITEM 27</p>	<p>On 8 January 2022, Regulation of the Minister of Climate and Environment of 5 January 2022 amending the Regulation setting out the specific rules of structuring and calculating tariffs and billings in electricity trading came into force. The purpose of the planned legal changes is to expand the scope of information provided to the URE President in the course of the tariff process. Among other things, sellers are now obliged ex officio:</p> <ul style="list-style-type: none"> ✓ to provide households with information about the own cost of purchase of electricity. To that end, they shall attach to their electricity invoices a calculation comprising the details of the percentage structure of the so-called reasonable costs; ✓ to present separately the costs making up the final price of electricity, including average spending on the purchase of emission allowances, as well as the spending on the payment of the substitution fee, purchase of RES energy, or securing and redemption of certificates of origin.

Legislative processes conducted in the first half of 2022

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

Legal act	Description and purpose of the regulations
<p>Draft regulation of the Minister of Climate and Environment on collecting the capacity fee and defining the peak capacity demand hours in the system Number on the list: 797</p>	<p>On 24 January 2022, draft regulation of the Minister of Climate and Environment on collecting the capacity fee and defining the peak capacity demand hours in the system was published by the Government Legislation Center (RCL). Among other things, the regulation defines:</p> <ul style="list-style-type: none"> ✓ the timeframe for and method of transfer of capacity fee monies to the operator; ✓ the scope of and timeframe for providing information to the operator and to the power distribution system operator, hereinafter the "capacity fee payer", including the information on the total capacity fees due; ✓ the settlement periods between, respectively, the operator, the capacity fee payers and other entities obligated to pay the capacity fee; ✓ the method for defining the peak capacity demand hours in the system for the purposes of calculation of the capacity fee due from end consumers, excluding the end consumers referred to in Article 89a(1)(1) of the Act of 8 December 2017 on the capacity market; ✓ the scope of and timeframe for providing to the URE President of the information required to calculate the capacity fee rates. <p>Public consultations continued until 25 February 2022. Currently, the legislation is being opined within the Government Legislative Process. The projected regulation is set to come into force on the day following the date of its publication.</p>

<p>Draft Regulation of the Minister of Climate and Environment on particular conditions for the loss of the status of waste for waste resulting from the combustion of fuels for energy generation Number on the list: 655</p>	<p>On 8 February 2022, a draft Regulation of the Minister of Climate and Environment on particular conditions for the loss of the status of waste for waste resulting from the combustion of fuels for energy generation was published as part of the RCL work. The draft Regulation implements the statutory delegation to the minister competent for climate to determine particular criteria for the determination of particular criteria for the use of conditions for the loss of the status of waste if resulting from the combustion of fuels for energy generation, referred to in Article 14(1a) of the Act on Waste.</p> <p>Key assumptions of the draft:</p> <ul style="list-style-type: none"> ✓ to standardize the approach to waste resulting from the combustion of fuels for energy generation; ✓ to facilitate the procedure for the loss of waste status for waste resulting from those processes; ✓ to facilitate business practice in respect of the management of substances resulting from the loss of the waste status that are of economic importance, e.g. by proposing a list of minimum quality criteria for the generated products or materials and their uses. <p>The minimum quality criteria included in the draft will be a prerequisite and at the same time sufficient to conduct the procedure for the loss of waste status for waste from that category.</p> <p>Comments of the Energa Group were submitted on 18 February 2022 together with PKN Orlen to TGPE.</p> <p>The regulation is to take effect 14 days after its publication.</p>
<p>Draft act amending the Act on Renewable Energy Sources and Certain Other Acts, No. on the list: UC99</p>	<p>On 25 February 2022, a draft act amending the Act on Renewable Energy Sources and Certain Other Acts was published as part of the work carried out by the Government Legislation Center (RCL).</p> <p>The draft regulation covers specifically the proposed regulations implementing Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources into the Polish legal system.</p> <p>The draft proposes amendments to the following areas:</p> <ul style="list-style-type: none"> ✓ Biomethane: The draft defines biomethane as gas obtained from biogas or agricultural biogas whose combustion heat value amounts to not less than 34.0 MJ/m³. Biomethane shall be a gas fuel that could be used within distribution and transmission grids; ✓ Energy clusters: The draft introduces the regulations to support energy clusters that could be used until the end of 2029. Exemptions from RES fee, co-generation fee, excise duty as well as obligations associated with certificates of origin have been introduced. However, the requirements relating, among other things, to installation capacity, RES share, energy storage facilities and auto-consumption shall have to be fulfilled to become eligible. Clusters shall be able to provide peak burden limitation services through active management of electricity demand and generation. Clusters participating in the system shall be entered in the register kept by the Energy Regulatory Office (URE); ✓ Energy co-operatives: The draft expands the area of operation of energy co-operatives to the area of a single operator of a gas distribution system supplying consumers also with agricultural biogas or biomethane. Thus, energy co-operatives were allowed to generate and consume, in addition to biogas, also agricultural biogas in installations with annual efficiency below 40 m³ or biomethane in installations with annual efficiency below 24 m³; ✓ District heating and cooling (Articles 23 and 24 of RED II): (1) The obligation to connect the RES installation to the district heating grid and to purchase heat from RES shall extend to multi-fuel installations, also other than high-efficiency co-generation. On the other hand, no obligation relating to waste heat was introduced; (2) The right to disconnect from a district heating system that fails to fulfil the efficient system requirement by 2025 was introduced; (3) The right not to connect to the district heating grid was rendered dependent upon energy efficiency, utilization of own RES and non-contribution to low emissions; (4) The method of calculation of RES heat from a heat pump was replaced with a method compliant with the Directive; (5) District heating enterprises shall be obliged to inform end consumers about the share of RES in supplied heat; (6) The costs of connection of a RES installation to the district heating grid shall have a minimum rate of return of 7%; (7) Exemption was granted from the obligation to present to URE tariffs for heat generated from RES sources up to 5 MW; ✓ Guarantees of origin (Article 19 of RED II): (1) Expansion of the guarantee of origin of RES electricity to include that generated from biomethane and hydrogen. Guarantees shall be issued also when energy is not introduced into the grid; (2) Guarantees of origin of heat or cooling generated from renewable energy sources in RES installations. Guarantees may be issued in relation to heat or cooling introduced into a district heating or cooling grid. Guarantees are negotiable. No property rights are derived from guarantees; ✓ RES National Contact Point (Article 16 of RED II): The RES National Contact Point will be established with the Minister for Climate, and assist prosumers and major RES energy producers. It is envisaged that a manual of procedures and information shall be made available via a website with a gov.pl domain. The RES National Contact Point shall have 45 days to provide information, or 75 days if external opinions are sought; ✓ Administrative procedures (Articles 15 and 16 of RED II): (1) In accordance with the regulations of the building law, construction works consisting in installing PV devices with capacity greater than 50 kW shall now require a building permit decision. The threshold was raised to 150 kW; (2) The regulations governing Power Purchase Agreements (PPAs) to be concluded directly between a RES energy producer and its consumer were incorporated in the energy law. Performance of a PPA shall be rendered technically possible through supply of energy on the basis of an agreement on provision of energy transmission or distribution services or by means of a direct power line; ✓ Peer-to-peer (P2P) energy trading (Article 21 of RED II): P2P trade shall be possible between "market participants", also with the intermediation of the so-called aggregators. The statement of grounds stipulates that the reference is being made to P2P under the prosumer-to-prosumer and prosumer-to-consumer arrangements. Such agreements could be concluded via a platform, with power exchange coordinators also eligible as participants; ✓ Upgrading renewable energy source installations: (1) Upgraded RES may participate in auctions along with producers of electricity from new installations provided that the support period is shortened (investment at the level of 25-50% of costs) or coefficient adjusting the reference price (above 50% of the costs of the new reference installation) is applied. Installations with capacity of up to 500 kW similarly to new installations shall be covered by the guaranteed tariff system (<i>feed-in-tariff</i>) and those with capacity ranging from 500 kW up to 1 MW may qualify for the feed-in-premium system. Here, the support period shall also be shortened or the fixed price shall be recalculated using an additional adjustment coefficient; (2) For installations with installed electricity capacity greater than 1 MW, a competitive auction-based support system is envisaged; ✓ Operational support for RES installations for which the 15-year support system is elapsing; (1) Operational support system is intended for producers of energy from installations requiring capital expenditure smaller than 25 per cent in relation to the cost of construction of a new reference RES installation. Support is to be awarded over a period of 10

	<p>years. (2) It is set to cover existing hydro power plants with capacity up to 5 MW, biogas power plants and biomass systems (also hybrid and waste-based ones); (3) Installations with capacity greater than 1 MW are to participate in auctions, with bids submitted for 1 (one) year and re-submitted thereafter; (4) Installations with capacity smaller than 1 MW may take advantage of a subsidy toward the market price based on the existing FIP mechanism.</p> <ul style="list-style-type: none"> ✓ Hybrid RES installations: Redefining hybrid RES installations. Such installation is to comprise various renewable energy sources and an energy storage facility, have a single connection point and assure a combined degree of utilization of installed electricity capacity of that system at a level greater than 3,504 MWh/MW/year. None of the energy generating devices may have installed electricity capacity greater than 80% of the combined installed electricity capacity of that system; ✓ Offshore wind energy generation (supplementing regulations): The regulations governing offtake of energy capacity from offshore power plants were amended in the Act on Maritime Areas so as to enable solely the companies holding location permits and contracts or preliminary conditions for connection of wind farms to do so; ✓ Other regulations: (1) Unit substitution fee shall be compared solely to the monthly price and not to the annual price; (2) Following reservations voiced by the European Commission, regulations governing application of the feed-in-tariff system to the installations with capacity of 1 MW (down from 2.5 MW) were reinstated for all technologies; (3) The deadline for discharge of the auction obligation for PV electricity was extended from 24 to 33 months; (4) The obligation to supply 85 per cent of the contracted energy; (5) A regulation was added whereby no application for issuance of a statement of admission to an auction submitted less than 14 days ahead of the applicable auction day shall be considered. <p>The act is set to come into force on 1 January 2023, except for the regulations that should come into force while taking into account the longer <i>vacatio legis</i>.</p>
<p>Draft regulation of the Minister of Climate and Environment amending the volume of the quantitative share of total electricity derived from redeemed certificates of origin confirming generation of electricity from renewable energy sources in 2023 Number on the list: 816</p>	<p>On 24 March 2022, the draft regulation of the Minister of Climate and Environment amending the volume of the quantitative share of total electricity derived from redeemed certificates of origin confirming generation of electricity from renewable energy sources in 2023 was published as part of the work of the Government Legislation Center (RCL).</p> <p>The purpose of issuance of the draft regulation is to change in 2023 the volume of the quantitative share of total electricity derived from redeemed certificates of origin confirming generation of electricity from renewable energy sources (for the so-called green certificates, the value is set statutorily at 19.35% and for the so-called blue certificates at 0.65%), similarly to the year 2022 for which, based on the regulation of the Minister of Climate and Environment amending the volume of the quantitative share of total electricity derived from redeemed certificates of origin confirming generation of electricity from renewable sources in 2022 (Journal of Laws item 1467), the respective values are 18.5% for the so-called green certificates and 0.5% for the so-called blue certificates. More importantly, however, compared to the level applicable to 2022, a change in the volume of the share relating to the so-called green certificates (its lowering by 8.5 percentage points, from 18.5% down to 10%) is envisaged in the projected regulation. The volume of the share defined at this level is meant to contribute to limiting the degree of burdening of end consumers with the costs arising from the operation of the system of certificates of origin while ensuring profitability of the installations and safety of participating producers. The volume of the share for the so-called blue certificates was maintained at the same level as in 2022 (still 0.5%).</p> <p>The regulations in force have contributed to reducing excessive supply of green certificates in the market. Last year, their prices appreciated considerably and currently green certificates cost approx. PLN 250/MWh. At the same time, electricity prices have risen. According to the calculations prepared by the Ministry of Climate, the combined revenue of investors from green certificates and energy sales in December 2021 exceeded PLN 1,100/MWh. Thus, it reached the “threshold which definitely exceeds the combined investment and operational assistance within the system of certificates of origin, specified for individual technologies in the decision of the European Commission concerning the assistance program”, argues the Ministry of Climate; The Polish Wind Energy Association (Polskie Stowarzyszenie Energetyki Wiatrowej) is of the view that the obligation should be maintained at the level of approx. 16%, to keep the demand for and supply of certificates stable. However, if the obligation is set at 10%, excessive supply of certificates in 2023 shall double up to approx. 14 TWh. A collapse of prices of green certificates shall impact the condition of RES producers as a large proportion of them have signed long-term contracts and do not take advantage of high prices, argues the Association;</p> <p>It is estimated that some 7.2 GW of RES installations shall remain in the green certificate system by the end of 2022, with wind farms accounting for three quarters of those. From 2020, the installations for which the 15-year support period has lapsed, have been gradually exiting the system, and so ca. 1 GW of power will exit the system in 2023-2025.</p> <p>The Ministry of Climate and Environment observes in the statement of grounds for the draft regulation that another adjustment can be made to the obligation for the subsequent years that would be adequate to the then applicable circumstances.</p> <p>The regulation is to take effect 14 days after its publication.</p>
<p>Assumptions for updating the Energy Policy of Poland until 2040 (PEP2040) – strengthening energy security and independence</p>	<p>On 29 March 2022, the Council of Ministers adopted the assumptions for updating the Energy Policy of Poland until 2040 (PEP2040). The government updates PEP2040 assumptions to neutralize or mitigate risks associated with potential domestic and international crises. This is also consistent with the pursuit of the main goal of energy policy, namely guaranteeing energy security while ensuring competitiveness of the economy and reduction of the impact of the energy sector on the environment.</p> <ul style="list-style-type: none"> ✓ PEP2040 revision shall aim to identify the right course of action in the new geopolitical and economic environment while taking into consideration protection of consumers against excessive growth of energy prices and deepening of energy poverty; ✓ The updated energy policy must also aim for energy sovereignty whose key element is ensuring that the national economy swiftly becomes independent of imported fossil fuels (coal, crude oil and natural gas) and their derivatives (LPG, diesel oil, petrol and kerosene) from Russia and other countries subject to economic sanctions. The policy’s objectives include diversification of supplies, investment in production capacity, line infrastructure and storage facilities as well as alternative fuels; ✓ As regards the remaining pillars of the Energy Policy of Poland, namely fair transition, construction of a zero-emission system and air quality improvement, the efforts to limit demand for fossil fuels from Russia and other countries subject to economic sanctions shall be accelerated to increase Poland’s energy security while focusing simultaneously on building the economy’s innovativeness and strengthening the economy as such. <p>The key planned amendments to the Energy Policy of Poland until 2040 include:</p> <ul style="list-style-type: none"> ✓ Increasing technological diversification and expanding capacity based on domestic sources; ✓ Further development of renewable energy sources; ✓ Improving energy efficiency; ✓ Further diversifying energy supplies and ensuring alternatives for hydrocarbons; ✓ Adapting decisions to invest in gas-based generation capacity to fuel availability;

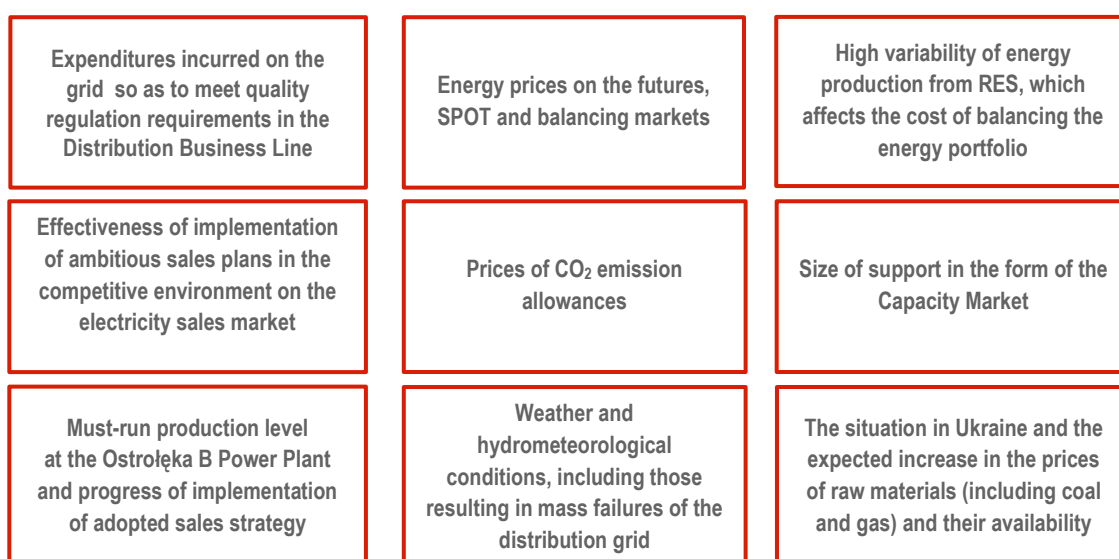
	<ul style="list-style-type: none"> ✓ Utilizing coal-fired units; ✓ Launching nuclear energy production; ✓ Expanding energy grids and storage; ✓ Negotiating amendments to EU regulations.
<p>European (EU) regulations in respect of the "Fit for 55" Package and the situation after the attack on Ukraine</p>	<p>Work is underway on EU legislation regarding the implementation of the "Fit for 55" Package. The documents are currently with the European Parliament and the Council</p> <p>Work as regards</p> <p>EU ETS / CO2 emission distribution and trading system: EP adopted its position before trilogues (negotiations between the EC, the Council and EP);</p> <p>CBAM / Border price adjustment mechanism considering CO2 emissions: Legislation processed by EP committees;</p> <p>ETD / taxation of energy products and electricity: Legislation processed by EP committees;</p> <p>RED III / renewable energy sources: Legislation processed by EP committees;</p> <p>AFIR / alternative fuels: Work in the Council and European Parliament Committees</p> <p>EED / energy efficiency: Legislation processed by EP committees;</p> <p>Delegated act / EC implementing regulation, covering certain types of nuclear and gas activities C(2022) 631 / 3: Legislation processed by the European Parliament;</p> <p>REPowerEU-Plan for a quick reduction in dependence on Russian fossil fuels and acceleration of the green transition COM(2022) 230 final: On 18 May 2022, the European Commission presented the REPowerEU plan, responding to the difficulties in the global energy market caused Russia's invasion on Ukraine. The transformation of the European energy system is necessary for two reasons, i.e.: (1) to end EU's dependence on Russian fossil fuels, used as economic and political weapon, costing European taxpayers nearly EUR 100bn per year; (2) combating the climate crisis.</p> <ul style="list-style-type: none"> ✓ EU attempts to eliminate its dependence on Russian fossil fuels more quickly, for example by energy saving, diversification of energy supply, and acceleration of the implementation of renewable energies to replace fossil fuels at home, in the industry and energy generation. ✓ Green transformation will enhance economic growth, safety and actions for climate for Europe and our partners. The Recovery and Resilience Facility (RRF) is central to the REPowerEU plan, supporting coordinated planning and funding of cross-border and national infrastructure, as well as energy projects and reforms. ✓ The Commission proposes to introduce targeted changes to Regulation of the European Parliament and of the Council (EU) 2021/241 establishing the RRF in order to include dedicated REPowerEU chapters to the existing Recovery and Resilience Plans (RRP) of the member states. <p>Key activity areas: Energy saving; Supply diversification and support for our international partners; Accelerated RES development; Reduced consumption of fossil fuels by the industry and transport; smart investments.</p>
<p>Draft Act Amending the Energy Law and the Renewable Energy Sources Act Number on the list: UC74</p>	<p>Since 30 June 2022, the draft is at the Government Legislation Center stage: Council of Ministers' Committee on Digitization. The main objective of the Act under consideration is, among others, to specify 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>Some changes relative to the previous version:</p> <ul style="list-style-type: none"> ✓ amplification of the definition of the aggregator, active user, system services, balancing market, and non-balancing; ✓ Extension of the definition of civil energy communities, including by biomass-related activities, housing cooperatives, tenants' associations, and agricultural cooperatives; ✓ Specification that the end user can enter into an agreement with a single aggregator for each power offtake point. The aggregator would have 6 months to commence activities from the entry on the URE's list; ✓ The draft Act introduces compensations for wind or solar energy production limitations to balance the energy supply and demand and ensure grid operating safety. The microinstallations as an exception were deleted as compared to the original version. DSO will be entitled to instruct all PV and wind installations to shut down or reduce the output for safety reasons. The compensation would be available on request, rather than automatically. Access to the data providing the basis for the calculation of the compensation is not given, the method of calculating the compensations, or the route to appeal against the calculated amounts are not specified. ✓ Adding a clause that the power system operators can adapt remote reading systems and remote reading meters used before 4 July 2019 to the requirements of the Act and provisions issued under Article 11x(2), by 4 July 2031. ✓ Power system operators and entities supplying heat are required to draft plans for the launch of limitations. In the case of heat, the plans are updated at least every three years, and every 12 months in the case of electricity. The plans are integral with the electricity transmission or distribution contracts, or comprehensive contracts for the supply of electricity or heat. The clients will have to adapt to the limitations according to the plans; ✓ Deletion of the provision on the direct line; Its definition was deleted along with all provisions regarding the construction of that line. However, a definition was added for the separate electricity generation unit whose entire energy it generates goes directly to the end user, bypassing the power system.
<p>National Recovery and Resilience Plan</p>	<p>On 1 June 2022, the National Recovery and Resilience Plan was accepted by the European Commission. On 17 June this year, the NRP was accepted by the EU Council.</p> <p>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 purpose of the NRP actions is first to address the challenges of 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.

	<p>✓ Importantly, certain reforms and types of investment are already planned for by domestic and EU funds and instruments, including the cohesion policy, the Common Agricultural Policy, and the Just Transformation Fund. In 2020-2027, Poland will have at its disposal (MFF, NGEU) over EUR 170bn to support structural transformation of the Polish and European economy. Funds for Poland broken down by individual support instruments:</p> <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 EUR 2bn will go to the instrument to combat negative effects of COVID-19.
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3.3. 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 11: 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 ENERGA 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 2022 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 2022.

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

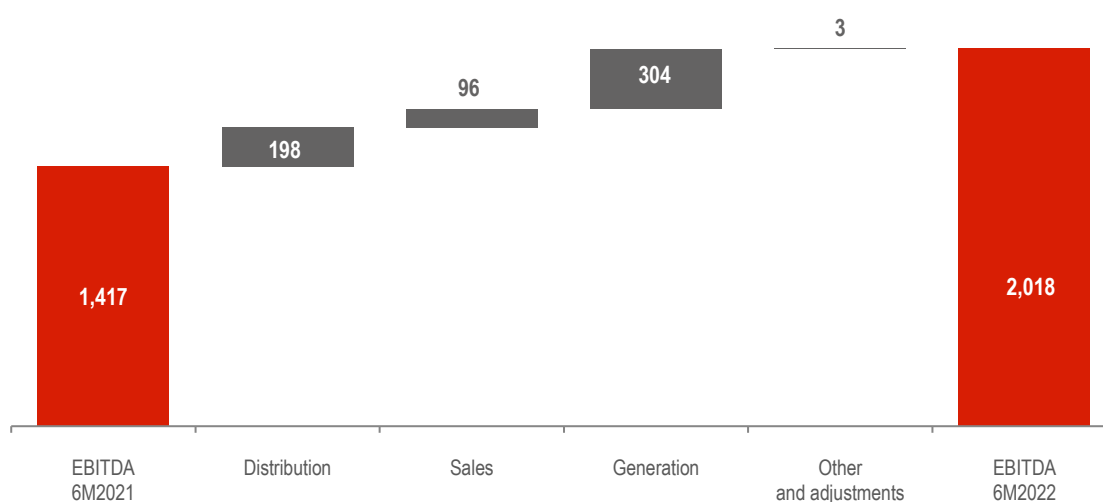
Table 5: Consolidated statement of profit or loss

PLN m	Q2 2021	Q2 2022	Change	Change (%)
Sales revenues	3,228	4,579	1,351	42%
Cost of sales	(2,535)	(3,578)	(1,043)	41%
Gross profit on sales	693	1,001	308	44%
Other operating income	36	132	96	> 100%
Selling and distribution expenses	(207)	(240)	(33)	16%
General and administrative expenses	(88)	(73)	15	-17%
Other operating expenses	(111)	(243)	(132)	> 100%
Operating profit	323	577	254	79%
Result on financial activity	(44)	(78)	(34)	77%
Share in profit/(loss) of the entities measured using the equity method	113	15	(98)	-87%
Profit or loss before tax	392	514	122	31%
Income tax	(108)	(68)	40	-37%
Net profit or loss for the period	284	446	162	57%
EBITDA	659	941	282	43%

PLN m	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Sales revenues	6,669	9,517	2,848	43%
Cost of sales	(5,180)	(7,372)	(2,192)	42%

Gross profit on sales	1,489	2,145	656	44%
Other operating income	103	263	160	> 100%
Selling and distribution expenses	(455)	(487)	(32)	7%
General and administrative expenses	(150)	(152)	(2)	1%
Other operating expenses	(180)	(386)	(206)	> 100%
Operating profit	807	1,383	576	71%
Result on financial activity	(56)	(148)	(92)	> 100%
Share in profit/(loss) of the entities measured using the equity method	113	48	(65)	-58%
Profit or loss before tax	864	1,283	419	48%
Income tax	(196)	(226)	(30)	15%
Net profit or loss for the period	668	1,057	389	58%
EBITDA	1,417	2,018	601	42%

Figure 12: EBITDA bridge by business lines (PLN m)



The Group's EBITDA in H1 2022 was PLN 2,018 million compared to PLN 1,417 million in H1 2021. The highest growth was recorded by the Generation Business Line, mainly on the back of higher revenue from electricity sales (higher production volume and higher selling prices recorded by the Ostrołęka power plant and wind farms), partially compensated by higher costs of CO2 emission allowances, and higher fuel consumption costs. The increase in EBITDA in the Distribution Business Line resulted mainly from a higher distribution margin (accounting for grid losses), which was a consequence of higher distribution volumes and lower grid losses, as well as favourable estimates of uninvoiced grid losses. On the other hand, the results were adversely impacted by recognition of the consequences of removal of mass breakdowns that were reported in H1 2022. The y/y EBITDA increase for the Sales Business Line was chiefly the result of a higher margin on electricity sale, which was significantly affected by the financial result on the sale of surplus energy from RES.

In H1 2022, the Distribution Business Line had the greatest share in the Group's EBITDA (63%). The Generation Business Line and Sales Business Line had a share of 22% and 15%, respectively. Operating profit ("EBIT") in H1 2022 amounted to PLN 1,383 million, up by PLN 576 million compared to the same period in 2021. The y/y increase in EBIT was primarily affected by the aforementioned operating factors affecting EBITDA.

In H1 2022, the share in the results of affiliated entities and joint ventures amounted to PLN 48 million which represents an unfavourable change compared to the same period of the previous year by PLN 65 million. In H1 2021, the share in the results of entities recognized using the equity method was positive (PLN +113 m), which resulted primarily from the partial release of

the provision on the billing of the Ostrołęka C Power Plant coal project. In H1 2022, the provision for the settlement of that project was also partially released, which translated positively into profit after tax, increasing it by PLN 41 m.

Profit after tax in H1 2022 amounted to PLN 1,057 million, up by PLN 389 million (58%) compared to H1 2021. The y/y increase in profit after tax was primarily affected by the aforementioned operating factors affecting EBITDA. The other factors affecting profit after tax were adverse, such as the share in the result of entities recognized by equity method (PLN -65 m) on the result from financial activity (PLN -92 m) and income tax (PLN -30 m).

In H1 2022, the Group's sales revenue amounted to PLN 9,517 million and was 43%, i.e. PLN 2,848 million, higher than the revenue achieved in H1 2021. The increase in revenues is mainly attributable to the Sales Business Line, which is the result of higher selling prices of electricity and gas, reflecting their rapid growth on the market. The Energa Group's total revenues from the Capacity Market in H1 2022 amounted to PLN 127 million (PLN 62 million in Q2 2022) compared to PLN 119 million in H1 2021 (PLN 56 million in Q2 2021).

Group EBITDA in Q2 2022 was PLN 941 million compared to PLN 659 million in Q2 2021. All main Business Lines generated a higher EBITDA y/y. The highest growth was reported by the Sales Business Line, whose EBITDA was PLN 181 m higher, which was chiefly the result of a PLN 166 m higher margin on electricity sale (the effect of e.g. high financial result in Q2 2022 on the sale of surplus energy from RES). The Generation Business Line's EBITDA for Q2 2022 was PLN 102 m higher y/y, which results, similarly as for the entire year-half, from higher margin on the sale of electricity from generation units.

The impact of atypical 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

EBITDA (PLN m)	
Q2 2022	
EBITDA	941
Adjusted EBITDA	917
Q2 2021	
EBITDA	659
Adjusted EBITDA	659
EBITDA (PLN m)	
H1 2022	
EBITDA	2,018
Adjusted EBITDA	1,977
<i>including:</i>	
Actuarial reserves	(41)
H1 2021	
EBITDA	1,417
Adjusted EBITDA	1,375
<i>including:</i>	
Actuarial reserves	(41)

Table 7: Consolidated statement of financial position

(PLN m)	As at 31 December 2021	As at 30 June 2022	Change 2022/2021	Change 2022/2021 (%)
ASSETS				
Non-current assets				
Property, plant and equipment	15,281	15,573	292	2%
Intangible assets	974	902	(72)	-7%
Right-of-use assets	1,063	1,093	30	3%
Investments in associates and joint ventures measured using the equity method	128	136	8	6%
Deferred tax assets	237	252	15	6%
Other non-current financial assets	254	307	53	21%
Other non-current assets	289	620	331	> 100%
	18,226	18,883	657	4%
Current assets				
Inventories	111	180	69	62%
Current tax receivables	102	161	59	58%
Trade receivables	2,074	2,521	447	22%
Other current financial assets	105	136	31	30%
Cash and cash equivalents	340	657	317	93%
Other current assets	231	481	250	> 100%
	2,963	4,136	1,173	40%
Assets classified as held for sale	49	56	7	14%
TOTAL ASSETS	21,238	23,075	1,837	9%
EQUITY AND LIABILITIES				
Equity				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	5	6	1	20%
Reserve capital	821	1,031	210	26%
Supplementary capital	1,661	1,661	-	-
Cash flow hedge reserve	87	144	57	66%
Retained earnings	2,912	3,821	909	31%
Equity attributable to equity holders of the Parent Company	10,008	11,185	1,177	12%
Non-controlling interest	(66)	396	462	> 100%
	9,942	11,581	1,639	16%
Non-current liabilities				
Loans and borrowings	1,309	1,285	(24)	-2%

Bonds issued	2,501	2,556	55	2%
Non-current provisions	734	596	(138)	-19%
Deferred tax liability	910	923	13	1%
Deferred income and non-current grants	301	297	(4)	-1%
Liabilities on account of leases	838	837	(1)	-0%
Other non-current financial liabilities	9	8	(1)	-11%
Contract liabilities	9	9	-	-
	6,611	6,511	(100)	-2%
Current liabilities				
Trade liabilities	1,067	1,546	479	45%
Contract liabilities	297	281	(16)	-5%
Current part of loans and borrowings	1,395	1,303	(92)	-7%
Bonds issued	31	25	(6)	-19%
Current income tax liability	13	3	(10)	-77%
Deferred income and grants	180	169	(11)	-6%
Short-term provisions	1,073	1,071	(2)	-0%
Other financial liabilities	448	396	(52)	-12%
Other current liabilities	161	174	13	8%
	4,665	4,968	303	6%
Liabilities directly related to assets classified as held for sale	20	15	(5)	-25%
Total liabilities	11,296	11,494	198	2%
TOTAL EQUITY AND LIABILITIES	21,238	23,075	1,837	9%

As at 30 June 2022, the balance sheet total of the Energa Group was PLN 23,075 million, up by PLN 1,837 million compared to the end of 2021.

In non-current assets, the greatest change was recorded in two line items: Other non-current assets (the growth was mainly on the back of prepayments related to the development process of gas and steam power plants in Ostrołęka and Grudziądz) and Property, plant and equipment (the growth was primarily in expenditures reduced by depreciation in the Distribution Business Line, and in other activities (development of the gas and steam power plant in Ostrołęka). As a result of impairment tests on non-current assets, the increase in the item Property, plant and equipment was partially balanced by impairment losses on assets in Energa Kogeneracja Sp. z o.o. (Generation Business Line)

In terms of current assets, the most significant change involved trade receivables, in particular in Energa Obrót SA. Increased receivables were the result of a rise in the value of electricity sale to end consumers as a result of dynamic energy prices growth.

As at 30 June 2022, Energa Group's equity was PLN 11,581 million, and financed the Group's assets in 50%.

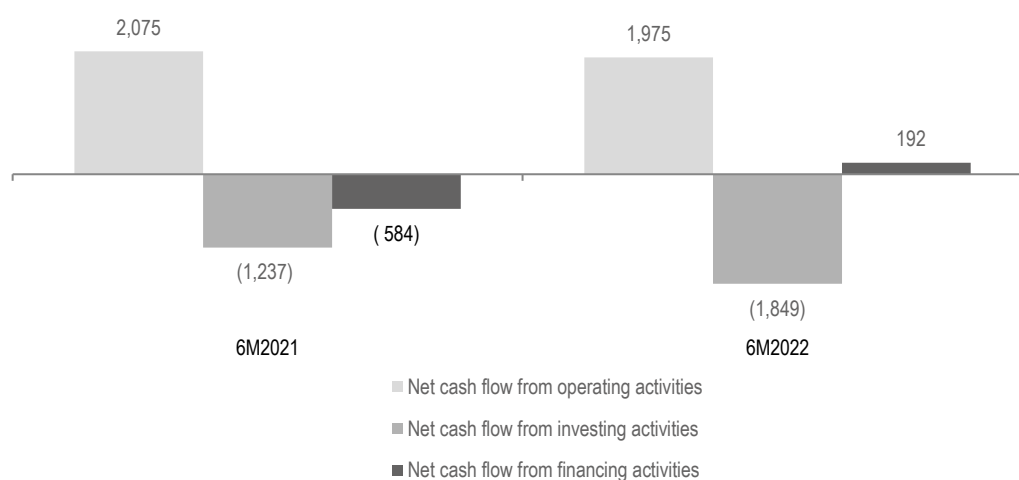
In terms of liabilities, the most significant growth was in trade receivables (higher energy prices). In turn, a decline in liabilities affected primarily a non-current provision for retirement and similar benefits, which was in particular the product of the discounting rate growth.

As at 30 June 2022, the following items were identified in the consolidated statement of financial position: Assets classified as held for sale and liabilities directly associated with assets classified as held for sale, which is connected with the actions taken by the Group to sell shares in Energa Invest Sp. z o.o., a subsidiary.

Table 8: Consolidated statement of cash flows

PLN m	6 months of 2021*	6 months of 2022	Change 2022/2021	Change 2022/2021 (%)
Net cash flow from operating activities	2,075	1,975	(100)	-5%
Net cash flows from investment activities	(1,237)	(1,849)	(612)	-49%
Net cash flows from financial activities	(584)	192	776	> 100%
Net increase / (decrease) in cash	254	318	64	25%

* restated data

Figure 13: Consolidated cash flow statement (PLN m)

Total net cash flows on operating, investment and financing activities of the Group in H1 2022 were positive and stood at PLN 318 million, compared to PLN 254 million in the same period of 2021.

Positive cash flows on operating activities were mainly due to a profit before tax of PLN 1,283 million compared to PLN 864 million in the same period of 2021. However, negative working capital, at PLN (305) million, compared to PLN 452 million in the same period of 2021, which resulted primarily from the increase in receivables in the amount of PLN (569) million, compared to PLN (16) million in H1 2021, and higher income tax paid, in the amount of PLN (329) million, compared to PLN (162) million in the same period of 2021, resulted in the overall value of cash flows on operating activities in H1 2022 in the amount of PLN 1,975 million, lower than the flows of PLN 2,075 million in the same period of 2021.

Net flows on investment activities in H1 2022 totalled PLN (1,849) million as compared to PLN (1,237) in the same period of 2021, which mainly resulted from expenditures to purchase property, plant and equipment, in the amount of PLN (1,884) million in 2022, compared to PLN (1,262) million in the same period of 2021.

In H1 2022, cash flows on financing activities totalled PLN 192 million, and chiefly resulted from new financial liabilities in the amount of PLN 1,300 m, the issue of shares in CCGT Ostrołęka Sp. z o.o. for the amount of PLN 447 m, and grants received in the amount of PLN 14 m. Expenditures under financing activities in H1 2022 resulted from the schedule of repayment of current debt instruments at PLN (1,404) million, repayment of lease debt at PLN (60) million, current interest payments at PLN (98) million and commission expenses at PLN (7) million. In the corresponding period of 2021, there were negative cash flows on financing activities in the amount of PLN (584) million, which came chiefly on the back of a higher repayment balance for debt securities, repayment of loan and lease debt, including interest, in the amount of PLN (1,684) million, balanced by external financing in the amount of PLN 1,066 million and grants received in the amount of PLN 40 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 14: Structure of assets and liabilities

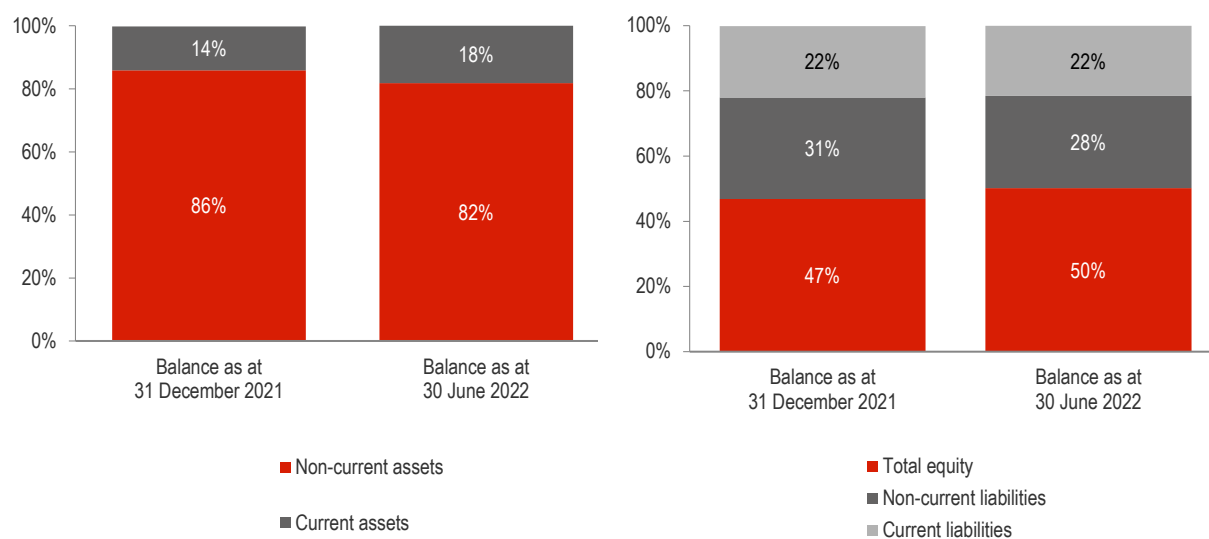


Table 9: Financial ratios of the ENERGA Group

Ratio	Definition	H1 2021	H1 2022
Profitability			
EBITDA margin	operating result + depreciation and amortization + impairment losses on non-financial non-current assets / sales revenues	21.2%	21.2%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	10.5%	11.4%
return on sales (ROS)	net profit for the period / sales revenues	10.0%	11.1%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	4.9%	5.7%
Ratio	Definition	As at 31 December 2021	As at 30 June 2022
Liquidity			
current liquidity ratio	current assets/current liabilities	0.6	0.8
Debt			
financial liabilities (PLN m)*	total liabilities due to loans and borrowings, debt securities and leases (both long- and short-term)	6,113	6,050
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	5,773	5,393
net debt**/EBITDA* ratio	net financial liabilities/EBITDA	1.6	1.2

* 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 2022 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 and revenues grew at a similar rate, the EBITDA margin ratio did not change, and came to 21.2% in H1 2022. Operational factors improving EBITDA also improved net income y/y and therefore improved the profitability ratios.

The current liquidity ratio improved from the end of 2021 and amounted to 0.8 at the end of H1 2022.

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 2022 compared to 31 December 2021, as well as higher annualized EBITDA at the end of June 2022 compared to EBITDA for 2021.

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 published projections for separate and consolidated financial results for the financial year of 2022.



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 Line

PLN m	Q2 2021	Q2 2022	Change	Change (%)
DISTRIBUTION	559	565	6	1%
GENERATION	45	147	102	> 100%
SALES	67	248	181	> 100%
OTHER and consolidation eliminations and adjustments	(12)	(19)	(7)	-58%
Total EBITDA	659	941	282	43%

PLN m	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
DISTRIBUTION	1,079	1,277	198	18%
GENERATION	149	453	304	> 100%
SALES	211	307	96	45%
OTHER and consolidation eliminations and adjustments	(22)	(19)	3	14%
Total EBITDA	1,417	2,018	601	42%

5.1. Distribution Business Line

5.1.1. Business and operating activities

Table 11: Distribution of electricity by tariff groups

Distribution of electricity by tariff groups (invoiced sales) in GWh	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Tariff group A (HV)	885	933	48	5%	1,737	1,853	116	7%
Tariff group B (MV)	2,199	2,271	73	3%	4,460	4,702	242	5%
Tariff group C (LV)	1,080	991	(89)	-8%	2,126	2,158	32	2%
Tariff group G (LV)	1,597	1,473	(124)	-8%	3,244	3,165	(79)	-2%
Total distribution of electricity	5,761	5,668	(93)	-2%	11,567	11,879	312	3%

In H1 2022, the volume of electricity supplied was 11,879 GWh, up by 3% from the corresponding period of the previous year. In Q2 2022, the volume of electricity distributed was 5,668 GWh, recording a 2% y/y drop. Volume changes in H1 and in Q2 resulted from the restrictions and events of the COVID-19 pandemic, the partial lockdown of the economy and an increase in the scope of remote work and learning in households in 2021. Restrictions that were in place in H1 2022 were much smaller in scope. Furthermore, there was an increase in the number of customers in all tariff groups. The drop in the volume in Q2 2022 is also results from the increase in the number of prosumers, and thus the reduction of electricity consumption as a result of higher self-consumption from photovoltaic generation and the increased propensity of consumers to save due to the macroeconomic and geopolitical situation.

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 2021	17.2	5.6	22.8	0.4	0.0	0.4
Q2 2022	26.9	6.9	33.9	0.5	0.0	0.6
Change	9.8	1.3	11.1	0.1	0.0	0.1
Change (%)	57%	24%	49%	32%	23%	31%
H1 2021	35.3	10.5	45.9	0.7	0.1	0.8
H1 2022	329.7	11.9	341.6	2.2	0.1	2.3
Change 2022/2021	294.4	1.3	295.7	1.5	0.0	1.5
Change 2022/2021 (%)	> 100%	12%	> 100%	> 100%	7%	> 100%

In H1 2022, the Energa Group's SAIDI (planned and unplanned incl. catastrophic) was high at 341.6 minutes per consumer compared to 45.9 minutes per consumer in the corresponding period of 2021. The value of SAIFI index also deteriorated. The combined values of SAIDI and SAIFI supply reliability indices obtained in H1 2022 are the effect of three major mass breakdowns caused by gale force winds in January and February, as well as one mass breakdown in Q2 2022. In H1 of the previous year, no events were recorded that would affect the ratios so significantly.

SAIDI and SAIFI for high and medium voltage (HV and MV) achieved by Energa Operator SA, excluding the mass breakdowns, were as follows:

- SAIDI (minutes per consumer) – 56.2 w H1 2022 compared to 36.0 in H1 2021,
- SAIFI (disruptions per consumer) – 1.1 w H1 2022 compared to 0.8 in H1 2021,

5.1.2. Financial results

Figure 15: Results of the Distribution Business Line of the Energa Group (PLN m)

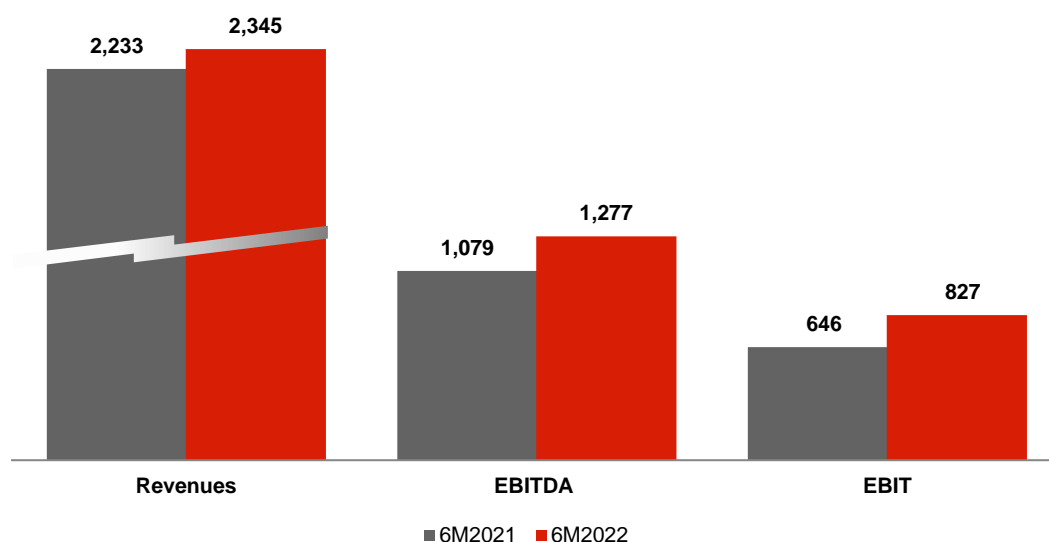


Table 13: Results of the Distribution Business Line

PLN m	Q2 2021	Q2 2022	Change	Change (%)
Revenues	1,092	1,110	18	2%
EBITDA	559	565	6	1%
amortization and depreciation	220	228	8	4%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	339	337	(2)	-1%
Net result	192	224	32	17%
CAPEX	370	388	18	5%

PLN m	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	2,233	2,345	112	5%
EBITDA	1,079	1,277	198	18%
amortization and depreciation	433	450	17	4%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	646	827	181	28%
Net result	421	577	156	37%
CAPEX	670	664	(6)	-1%

Figure 16: EBITDA Bridge of the Distribution Business Line (PLN m)



In H1 2022, the Distribution Business Line generated 63% of EBITDA for the Energa Group (76% in the corresponding period of 2021).

In H1 2022, sales revenues were PLN 2,345 million, up by 5% from the corresponding period of the previous year. The increase in revenues comes mainly on the back of higher revenues from the delivery of the distribution service, which is connected with higher sales volumes and higher average selling price for the distribution service.

The line's EBITDA for the first half of 2022 was PLN 1,277 million compared to PLN 1,079 million in the same period last year. The distribution margin (with grid losses) was higher by PLN 256 m and had a considerable bearing on EBIT. That was primarily the effect of the distribution service sales volume being higher by approx. 3%. The lower volume of energy for coverage of grid losses and the valuation of estimated non-invoiced grid losses also made a beneficial contribution.

The remaining factors contributing to the change in the level of EBIT operating result include a substantial unfavourable balance of random losses in connection with mass breakdowns reported in H1 2022 as well as absence of an advantageous non-recurring event that improved the Line's results in 2021, that is recognition of the settlement agreement with PKN ORLEN. Positive impact was exerted by lower OPEX of Line.

In H1 2022, the Distribution Business Line reported net profit of PLN 577 m, or 37% higher y/y. The improvement was mainly the result of the change in EBIT.

Capital expenditure of the Line totalled PLN 664 m and was similar to the corresponding period of the preceding year.

In Q2 2022, EBITDA of the Distribution Business Line amounted to PLN 565 million and was slightly higher y/y. EBIT stood at PLN 337 million, unchanged since H1 2021. The operating result was significantly impacted by a PLN 12 million lower distribution margin (with grid losses), PLN 16 million lower connection revenues and PLN 15 million lower OPEX of the Line. Damages for fortuitous losses were in turn a positive factor in the figure.

5.2. Generation Business Line

5.2.1. Business and operating activities

Table 14: Gross electricity production

Gross electricity production (GWh)	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Power plants - coal-fired	497	691	194	39%	1,089	1,443	354	32%
Power plants - biomass co-fired	-	-	-	-	-	-	-	-
CHP plants - coal-fired	7	4	(3)	-43%	16	9	(7)	-44%
CHP plants - biomass-fired	21	21	(0)	-2%	44	34	(10)	-22%
Power plants – hydro	250	198	(53)	-21%	510	493	(17)	-3%
Pumped storage plant	15	24	9	64%	34	47	13	38%
Power plants – wind	103	107	4	4%	227	296	70	31%
Power plants – photovoltaics	2	3	1	36%	3	4	1	40%
Total production of electricity	895	1,048	153	17%	1,922	2,326	403	21%
<i>including from RES</i>	<i>377</i>	<i>329</i>	<i>(48)</i>	<i>-13%</i>	<i>783</i>	<i>827</i>	<i>44</i>	<i>6%</i>

In H1 2022, the generating assets in the Energa Group produced approximately 2.3 TWh of electricity vs. 1.9 TWh in the same period last year (up by 21%). The upward trend mainly concerned the Ostrołęka Power Plant and wind power plants. During that period, 62% of the Group's gross electricity production originated from hard coal, 23% from hydro, 13% from wind and 1% from biomass.

The level of production at the Ostrołęka power plant resulted from the must-run production for the Transmission System Operator in Poland, the availability of those units, and concluded market contracts. 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, the availability of the co-generation units and of production inputs (e.g. biomass).

In Q2 2022, there was a significant growth in production mainly by the Ostrołęka plant, with the concurrent drop in production from hydro plants.

Table 15: Gross heat production

Gross heat production in TJ	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
ENERGA Kogeneracja Sp. z o.o.	420	457	37	9%	1,366	1,176	(190)	-14%
ENERGA Elektrownie Ostrołęka S.A.	216	214	(1)	-1%	688	657	(31)	-4%
Ciepło Kaliskie Sp. z o.o.	46	38	(8)	-17%	194	168	(26)	-13%
Total gross heat production	682	710	27	4%	2,248	2,001	(247)	-11%

In H1 2022, the Group produced 247 TJ less heat (i.e. down by 11%) y/y, which was influenced by, e.g. the ambient temperature shaping the demand for heat from the Group's local consumers in the cities of Ostrołęka, Elbląg and Kalisz.

However, higher heat production was recorded in Q2 2022 compared to the same period of the previous year. The Group produced 27 TJ (i.e. 4%) more heat y/y, which resulted, as in H1 y/y, from prevailing weather conditions.

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

Consumption of fuels*	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change	Change (%)
Hard coal								
Quantity (thous. tons)	242	309	67	28%	544	674	130	24%
Cost (PLN m)	68	111	43	63%	156	243	87	56%
Biomass								
Quantity (thous. tons)	20	20	(1)	-3%	45	33	(12)	-27%
Cost (PLN m)	8	22	14	> 100%	19	33	15	79%
Total fuel consumption (PLN m)	77	134	57	74%	175	276	102	58%

* including cost of transport

In H1 2022, the Group's producers consumed more hard coal (up by 130 thousand tons) and less biomass (down by 12 thousand tons) compared to the same period of the previous year. The reduction in production from biomass is mainly due to lower market availability of the raw material and availability of the biomass unit in Elbląg. The higher coal consumption was an effect of higher electricity production, mainly by the Ostrołęka Power Plant. At the same time, higher unit costs of coal and biomass purchase were recorded. Similar trends were also recorded in Q2 2022 itself.

5.2.2. Financial results

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

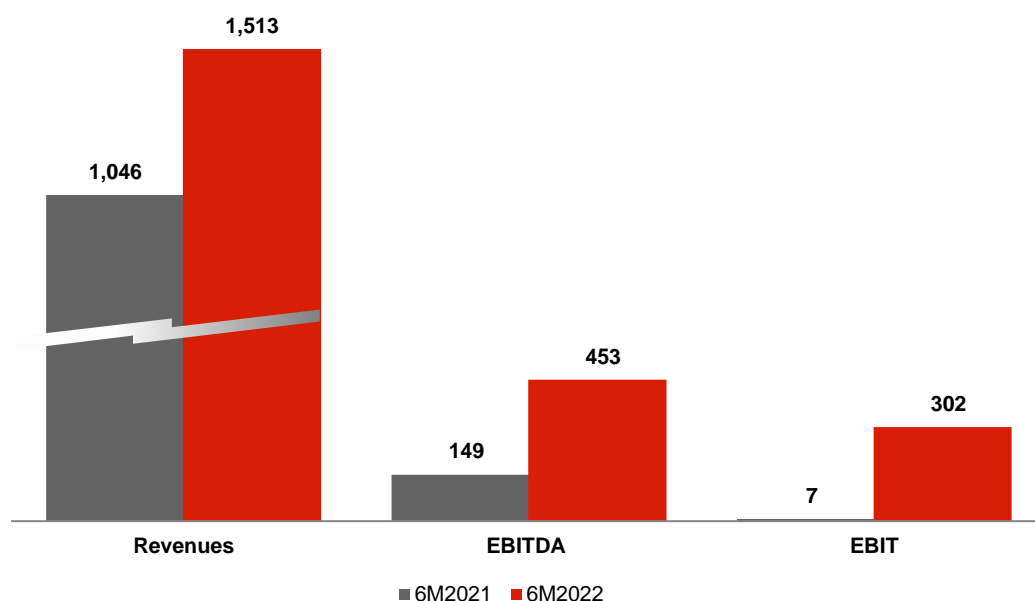


Table 17: Results of the Generation Business Line of the Energa Group

PLN m	Q2 2021	Q2 2022	Change	Change (%)
Revenues	502	713	211	42%
EBITDA	45	147	102	> 100%
amortization and depreciation	36	41	5	14%
impairment losses on non-financial non-current assets	62	79	17	27%
EBIT	(53)	27	80	> 100%
Net result	(74)	56	130	> 100%
CAPEX	41	30	(11)	-27%

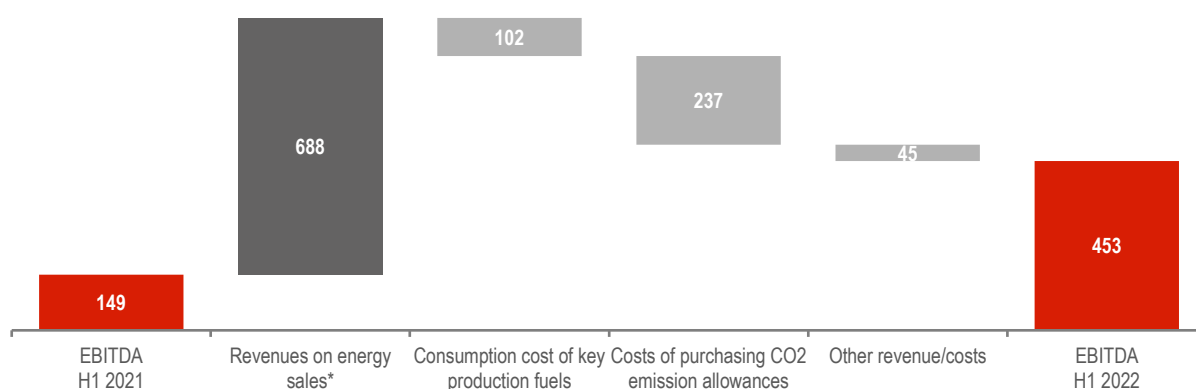
PLN m	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	1,046	1,513	467	45%
EBITDA	149	453	304	> 100%
amortization and depreciation	70	78	8	11%
impairment losses on non-financial non-current assets	72	73	1	1%
EBIT	7	302	295	> 100%
Net result	(33)	254	287	> 100%
CAPEX	70	50	(20)	-29%

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	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Water	55	83	28	51%	110	197	87	80%
Wind	26	37	11	42%	60	128	68	> 100%
Ostrołęka power plant	(37)	45	82	> 100%	(20)	181	201	> 100%
Other and adjustments	2	(18)	(20)	< -100%	(0)	(53)	(53)	< -100%
Generation total	45	147	102	> 100%	149	453	304	> 100%

Figure 18: EBITDA bridge of the Generation Business Line (PLN m) – 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 22% in H1 2022 (11% in the same period of the previous year).

In H1 2022, the Generation Business Line EBITDA stood at PLN 453 million, up by PLN 304 million y/y. The Line's EBITDA in 2022 was mainly driven by such factors as revenue from the sale of electricity, the consumption cost of key fuels for production, and the costs of purchase of emission allowances.

The higher revenues from electricity sales are mainly the result of higher levels of electricity selling prices and higher energy production (by the Ostrołęka power plant and wind sources).

The cost of consumption of key fuels for production was driven mainly by the higher volume of electricity generation at the Ostrołęka power plant, higher unit costs of fuel consumption and efficiency of the generation facilities.

Higher costs of purchasing CO2 emission allowances were driven by an increase in the market prices of emission allowances, increased production from conventional sources (mainly the Ostrołęka power plant) and a relatively low number of awarded free emission allowances.

The Line's capital expenditures in H1 2022 were lower by PLN 20 million y/y, mainly due to the tasks connected with the development of district heating assets and the development of new PV capacities.

In addition to the factors affecting EBITDA as presented above, there is another factor in EBIT and the result before tax of the Generation Business Line, that is impairment losses on the assets of Energa Kogeneracja as a result of the impairment test performed in Q2 2022. The reason for the test was current and projected results of that company.

The Line's higher Q2 EBITDA y/y (by PLN 102 million y/y) was mainly due to higher revenues from electricity sales. The positive impact of the above factor 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	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	78	119	42	54%	162	269	107	66%
EBITDA	55	83	28	51%	110	197	87	80%
EBIT	46	74	28	60%	92	179	87	94%
CAPEX	1	2	1	59%	1	4	2	> 100%

Table 20: Results of the Wind Power Division

PLN m	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	36	82	46	> 100%	78	163	85	> 100%
EBITDA	26	37	11	42%	60	128	68	> 100%
EBIT	9	20	11	> 100%	27	96	69	> 100%
CAPEX	1	1	0	57%	2	1	(1)	-39%

Table 21: Results of the Ostrołęka Power Plant Division

PLN m	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	355	490	135	38%	724	999	275	38%
EBITDA	(37)	45	82	> 100%	(20)	181	201	> 100%
EBIT	(101)	44	145	> 100%	(79)	186	265	> 100%
CAPEX	3	1	(2)	-82%	6	3	(2)	-40%

Table 22: Results of the Other Generation Division and adjustments

PLN m	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	34	22	(12)	-37%	83	82	(1)	-1%
EBITDA	2	(18)	(20)	< -100%	(0)	(53)	(53)	< -100%
EBIT	(7)	(112)	(104)	< -100%	(33)	(159)	(126)	< -100%
CAPEX	35	26	(10)	-28%	60	41	(19)	-32%

5.3. Sales Business Line

5.3.1. Business and operating activities

Table 23: Sales of electricity by the Sales Business Line

Sales of electricity by the Sales Business Line in GWh	Q2 2021	Q2 2022	Change	Change (%)	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Retail sales of electricity	4,398	4,236	(163)	-4%	9,315	8,953	(363)	-4%
Sales of electricity in the wholesale market, including:	731	960	230	31%	1,518	2,007	490	32%
<i>Sales of energy to the balancing market</i>	397	165	(232)	-59%	964	564	(400)	-41%
<i>Other wholesale</i>	334	796	462	> 100%	554	1,443	889	> 100%
Total sales of electricity	5,129	5,196	67	1%	10,833	10,960	127	1%

In H1 2022, the total volume of electricity sold by the Sales Business Line increased by 1%, i.e. 127 GWh, compared to H1 2021. This is the outcome of higher sales in the wholesale market and lower sales in the retail market.

Retail electricity sales decreased in H1 2022 by 4% (i.e. 363 GWh) y/y. There was a drop in the volume of sales to business customers (by 3%) and households (by 2%) within retail sales. The falling sales to business customers are due to the lower 2022 contracting volume as compared to the previous year. In the case of households, lower consumption is the effect of e.g. the growth of the prosumer pool, which translates in particular into a drop in consumption in Q2 2022 as compared to Q2 of the preceding year.

At the end of the first half of 2022, the number of end-use electricity customers (measured as Points of Consumption) of the Sales Business Line amounted to 3.2 million, an increase by approximately 33.000 customers y/y. The G tariff group (households) is mainly responsible for the increase in the customer base.

Electricity sales on the wholesale market increased in H1 2022 by 490 TWh (i.e. by 32%) compared to the H1 2021. That rise was attributable to a significantly greater scale of the sellout of surpluses of electricity originating from RES sources, including from wind farms, whose production in H1 2022 was significantly higher than in the preceding year, and from prosumers, on account of a high rise in their number.

In Q2 2022, the trend was the same as in the entire H1 2022, i.e. energy sales volumes were also 1% higher (by 67 TWh) y/y. The volume of sales in the retail market was 4% lower than in Q2 of the previous year, while the volume of energy sales in the wholesale market grew by 31% y/y

5.3.2. Financial results

Figure 19: Results of the Sales Business Line of the Energa Group (PLN m)

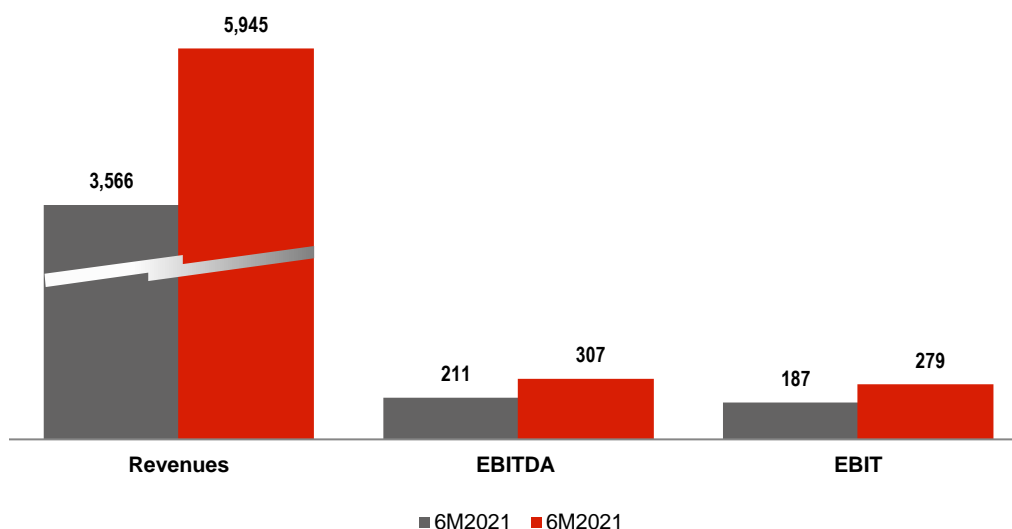
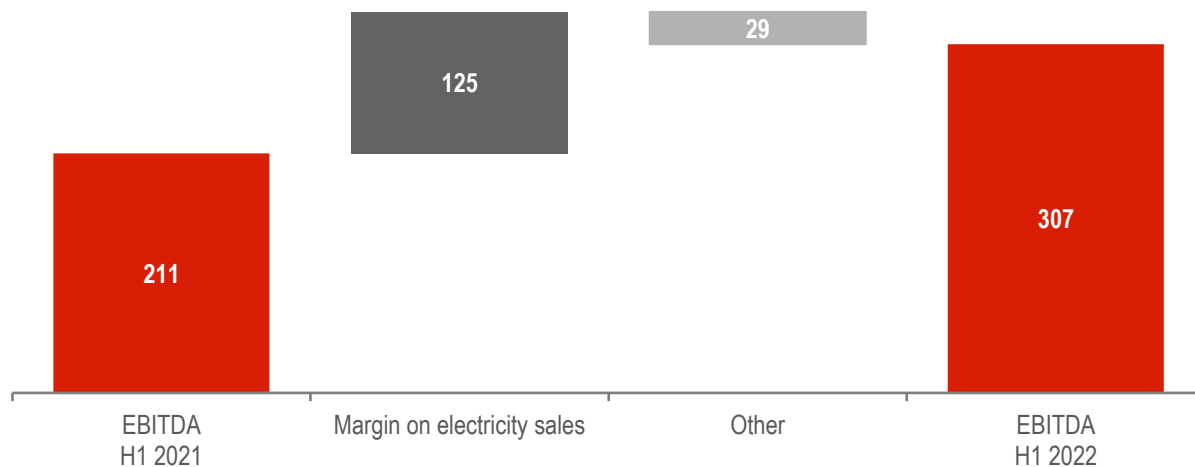


Table 24: Results of the Sales Business Line of the Energa Group

PLN m	Q2 2021	Q2 2022	Change	Change (%)
Revenues	1,709	2,867	1,158	68%
EBITDA	67	248	181	> 100%
amortization and depreciation	12	14	2	17%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	55	234	179	> 100%
Net result	45	188	143	> 100%
CAPEX	11	12	1	9%

PLN m	H1 2021	H1 2022	Change 2022/2021	Change 2022/2021 (%)
Revenues	3,566	5,945	2,379	67%
EBITDA	211	307	96	45%
amortization and depreciation	24	28	4	17%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	187	279	92	49%
Net result	152	222	70	46%
CAPEX	23	21	(2)	-9%

Figure 20: EBITDA bridge of the Sales Business Line (PLN m)



In H1 2022, the EBITDA of the Sales Business Line totalled PLN 307 m, up by PLN 96 m, or 45%, compared to the result achieved in the corresponding period of 2021 (EBITDA of PLN 211 m). The Business Line's EBITDA in H1 2022 represented 15% of the Group's EBITDA, similarly to H1 2021.

Revenues of the Sales Business Line in H1 2022 amounted to PLN 5,945 million, up by PLN 2,379 million (67%) in comparison to H1 2021. The increased revenues were attributable mainly to higher selling prices of electricity and gas, reflecting their dynamic growth in the market.

The y/y increase in EBITDA of the Sales Business Line was mainly driven by an increase in the margin on electricity sales (by PLN 125 million). It is the effect of an increase in the average unit margin. This improvement in margins was also influenced by the positive financial outcome of the sellout of surplus RES energy originating from the local market, which reduces the average cost of energy purchase from end consumers.

In Q2 2022, EBITDA of the Sales Business Line totalled PLN 248 m, up by as much as PLN 181 m vs. the corresponding period of 2021. 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 166 million). In Q2 2022, the situation was different in respect of the financial result on the sellout of surplus RES energy from the local market in comparison to H1, owing to very favourable pricing, resulting in a positive financial result on the sellout of that surplus, in June in particular.



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 21: 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: plays a key role and supervises risk management, defines the direction of risk management, approves risk reporting outcomes, determines the risk appetite and risk management strategy.



Risk Unit: coordinates the risk management process, conducts risk reviews and periodic monitoring of the most important risks, develops reports summarising the outcomes of risk reviews, maintains, administers and develops the Risk Management System in the Energa Group.



Risk Owner: manages risk, develops and implements the risk management strategy, monitors the risk by conducting current and periodic risk analyzes and reports 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 in a comprehensive approach, performed on a semi-annual basis.



monitoring of the most important risks – consisting in monthly verification of the validity of risk factors and effects as well as the status of implementation of action plans, affecting the assessment of the most important risks.



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.

6.2. Description of major factors and risks

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

Strategic area

Table 25: Key strategic risks

Risk	Description of the risk and its potential effects	Control mechanisms used
Risks of strategic plans	<p>Key risks in that area relate to disruptions of and material deviations from the pre-defined KPI goals designated, among others, in the generation area, namely construction of new RES capacities, optimization of utilization of Energa Elektrownie Ostrołęka SA after 2025, reduction of CO₂ emission levels, investment in gas assets, in the area of distribution, namely development of the distribution grid, connection of new consumers to the grid, adjustment to RES capacity growth, maintenance of quality of electricity supplies, and in the sales area, namely improved performance in the core retail business, expansion of customer base and development of offered services and products.</p> <p>Materialization of risks may lead to a deterioration of the Group's competitive position, failure to achieve the assumed EBITDA growth or a decrease in operating costs. This risk may also result in regulatory fines, contractual penalties, environmental fines, increased variable costs, asset impairment or ineffectiveness of incurred capital expenditure.</p>	<ul style="list-style-type: none"> • Implementation of investment projects identified in the Multi-Annual Plan of Strategic Investments of the Energa Group for 2021-2030 - in line with the investment plans' criteria; • Ongoing oversight and corporate control of the investment plan implementation according to the "Energa Group Property Management Policy" and the "Energa Group IT Policy"; • Monitoring of the Group's objectives and capital expenditure defined in the Strategic Development Plan of the Energa Group by 2030. • Contracts with contractors, suppliers, securing schedule changes and budget revisions.
Risk relating to the political and economic	Risk associated with the military conflict in the territory of Ukraine contributing to increased cyber threats, price	<ul style="list-style-type: none"> • Testing, supervising and monitoring of the ICT area for potential occurrence of events

situation in the territory of Ukraine	<p>growth, in particular with respect to electricity, gas and fuel prices, deteriorating PLN exchange rates against key currencies (EUR and USD) as well as to disruptions in supplies of energy inputs and market availability of workforce.</p> <p>Risk materialization may result in the higher costs of: investment activities, purchase of fuels for energy generation operations and, in connection with cyber-attacks, loss of control of data integrity, confidentiality and availability.</p>	<p>threatening uninterrupted operation of IT and telecommunications systems.</p> <ul style="list-style-type: none"> • Permanent cooperation with services and institutions competent for safety and crisis management; • Preparation of the personnel required to perform critical processes in the scope of assurance of continued provision of key services
Project / investment risks	<p>Risks associated with investments carried out within the Energa Group aimed at increasing the Energa Group's generation, distribution and sales potential.</p> <p>Materialization 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, failure to generate the planned revenue, delays in ongoing projects, escalation of claims pursued through the courts, the need to incur penalties or image effects.</p>	<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); • A series of workshops on major CAPEX deviations; • Contracts and agreements concluded; • Market environment monitoring of projects, pre-implementation monitoring.
Market risks	<p>Risks relating to electricity trading e.g. unexpected price volatility and liquidity in the futures and SPOT market The risks also cover securing CO2 allowances, and fuel price fluctuations as well as volatility of clients' demand for electricity or gas in relation to the contracted volume, and dynamic prosumer growth and losses caused by erosion of distribution charges.</p> <p>Materialization of these risks may give rise to problems in achieving strategic objectives, an unexpected change in risk exposure, financial losses due to conclusion of transactions on unfavourable terms, a decrease in the mass of margins, loss of competitive position, increased selling costs, reduced flexibility of operations in specific markets or sanctions imposed by regulators.</p>	<ul style="list-style-type: none"> • Risk management of the main sales activity; • Processes and internal regulations 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; • Involvement in the process of consulting draft legislative acts or cooperation within the Energy Trading Association; • Implementation of projects in individual Companies aimed at cost and efficiency optimization; • Monitoring of production costs.
Image risk	<p>Risk resulting from marketing activities and visual identity of the Group, affecting the perception of the Group by its stakeholders.</p> <p>Materialization 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.</p>	<ul style="list-style-type: none"> • 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

Risk	Description of the risk and its potential effects	Control mechanisms used
Regulatory risk	<p>The risk covers legislation changes affecting the operation of the respective Business Lines of the Energa Group.</p> <p>Materialization 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.</p>	<ul style="list-style-type: none"> • Monitoring of changes in law; • Participation in the legislative process; including monitoring and opining of legislative initiatives; • Cooperation within the ORLEN Group in the area of formulation of positions • Participation of the Group's representatives in the activities of industry associations.

	<p>The risk additionally offers an opportunity to adopt new legal solutions which could enable raising additional funds or ensure a support system for the Group's assets.</p>	
Risk of fraud	<p>The risk concerns situations and conduct involving fraud, including conflicts of interest, corruption or misappropriation on the part of the employees and/or collaborators 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 subsidized from the EU funds.</p> <p>Materialization of this risk may lead to financial losses or loss of assets and may entail proceedings conducted by law enforcement authorities against the employees or governing bodies of the Group's companies. The risk may adversely affect the reputation and image, result in the ban on applying for public funds (EU or domestic).</p>	<ul style="list-style-type: none"> • Implementation of the fraud and conflict of interest prevention policy. • 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; • Verification of key suppliers of goods and services; • Training for employees (including, without limitation, on anti-corruption) • A dedicated contact channel for reporting fraud; • The organization's three lines of defence (internal control system, risk management system and internal audit); • External controls; • Cooperation with the Legal Department in respect of compliance management as regards fraud and reporting suspected crime.
Legal risk	<p>The risk covers court and administrative proceedings in which members of the Group are parties. The risk is also connected with the possibility of claims for damages filed by land owners.</p> <p>Materialization 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 loss of ability to carry out line investments, as stipulated in the Development Plan of Energa Operator SA.</p>	<ul style="list-style-type: none"> • Compliance management system at the Energa Group; • Opinions on contracts in terms of compliance; • A system for monitoring key cases; • Cooperation with law firms and verification of legal support services provided; • 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; • Obligation or legal and material agreements which govern establishing of transmission/land easement.
Personal data protection risk	<p>The risk covers the breach of privacy and security of data subjects' details.</p> <p>Materialization 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 under unfavourable conditions, failure to perform or improper performance of contracts and possible claims/complaints or penalties arising therefrom.</p> <p>Materialization of the risk may result in financial losses as costs of the contract cannot be balanced by the contractual proceeds.</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.
Climate risk	<p>The risk covering climate change, resulting from the drive towards climate neutrality, compliance with regulations, permits and standards on environmental protection, as well as investment limitations in legally protected areas. The risk covers the impact of climate on the operation of companies, the impact of companies on climate and energy</p>	<ul style="list-style-type: none"> • Development and implementation of the EG Environmental and Energy Policy; • Implementation of the Integrated Environmental and Energy Management System using ISO 14001 and ISO 5001 standards;

transformation of the Energa Group companies towards low-emission economy. An important criterion determining the Energa Group's position in the actions for climate is the commitment to achieve emission neutrality in 2050.

Materialization of the risk may disrupt production and distribution processes and demand for electricity and heat due to natural occurrences. In addition, the risk may result in the imposition of financial sanctions, difficulties in raising funds for new projects, as well as deterioration of the image of the Energa Group companies in the event of adverse impact on the environment.

The changes involved with the climate risk include development and implementation of modern technologies for electricity and heat production from renewable and low-emission sources.

- Inclusion, in the Multiannual Strategic Investment Plan of the Energa Group for 2021-2030, of projects that seek to reduce CO2 emissions;
- Launch of the work on the Climate Policy;
- Implementation of the project on the reporting of financial disclosures related to the impact on climate as per TCFD recommendations.

Operations area

Table 27: Key operational risks

Risk	Description of the risk and its potential effects	Control mechanisms used
Risk of disruption of business continuity	<p>Risk of disruptions to key 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.</p> <p>Materialization 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. The risk may result in contractual penalties, or even loss of the license in extreme cases.</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; • Assets insurance; • Contractual clauses with contractors governing response to defects; • Preventive actions, such as periodic inspections of infrastructure, performance of planned repairs and investments.
Risk of ensuring information and data security	<p>The risk covers the loss of confidentiality, integrity, and availability in the context of data processing methods. It is related to the protection of business secrets, protection against unfair competition, and other legally protected secrets. The risk also covers hacker attacks on IT and OT infrastructure.</p> <p>Materialization of the risk may generate high costs of recovery after the security incident. It may also result in interruption or disruption of business processes at Energa Group companies, financial and image losses, and affect market valuation.</p>	<ul style="list-style-type: none"> • Building of competence and tools, and implementation of best practice and standards in the Information Security area of the Energa Group; • Maintenance and continuous improvement of the information security management system conforming to ISO 27001 at Energa SA and Energa Informatyka i Technologie; • Cooperation with CERT Orlen in respect of Cybersecurity at the Energa Group.
Risk to the security of persons and property	<p>The risk associated with unauthorized access to facilities, including power equipment. The risk also affects the security of personnel and third parties on the premises of the Group companies, as well as terrorist and sabotage incidents.</p> <p>Materialization of the risk may involve threats to the security of the grid's operation, disorganization 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 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;

Coronavirus risk and its impact on the Energa Group	<p>The risk involve the spread of COVID-19 and its potential effects on the Energa Group companies.</p> <p>Materialization of the risk may lead to increased operating costs (higher prices for goods and services), longer process execution (e.g. as a result of waiting for administrative decisions, absence from work) 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"> • Physical security and technical security checks • COVID-19 monitoring task force and work teams at each company - the work of the task force is temporarily suspended following the announcement, as from May 2022, of the State of Epidemiological Threat; • Purchase of disinfectants, contactless thermometers, etc.; • Limitations in business travel until May 2022; • Replacing traditional meetings with remote communication tools (skype, phone, etc.); • Limited access for unauthorized personnel to facilities of the Energa Group companies; • Accession of the Orlen Group to the National Vaccination Programme carried out by the Employer.
Risk associated with social relations and trade unions	<p>The risk covers threats to the effective dialog with social partners, in particular trade unions. It covers the process of maintaining relations between the employer and employees, as well as the process of communicating with employees.</p> <p>Materialization of 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 dialog; • Enforcing provisions of collective bargaining agreements and collective agreements; • Communicating with trade union organizations and informing employees about planned changes; • Labour negotiations
Customer settlements risk	<p>The risk covers disruptions to the invoicing process caused by the lack of availability of billing systems, migrations, incorrect readout data records.</p> <p>Materialization of the risk may reduce customer satisfaction (increase in complaints, resignation from the Group's services and products), deteriorated image of the Group, disruptions in cash flows, additional costs of removing errors/inaccuracies, or proceedings before URE and UOKiK.</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; • Systemic control mechanisms in the financial and accounting system

Finance area

Table 28: Key financial risks

Risk	Description of the risk and its potential effects	Control mechanisms used
Liquidity risk	<p>Risk associated with the ability to meet payment obligations in the short and long term, also involves the capacity to settle uncertain tax liabilities.</p> <p>Materialization of the risk may hinder the achievement of strategic objectives and organizational development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.</p>	<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 multi-option manner; • Cashpooling among the companies; • Cash flow projections; • Analysis of cash flow deviations; • Work of dedicated Teams; • Co-operation with a third party adviser,

		<ul style="list-style-type: none"> • Monitoring of ongoing changes in the law and tax rulings.
Foreign exchange risk	<p>The risk covers a change in the exchange rates of foreign currencies relative 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.</p> <p>Materialization of the risk may lead to increased cash management costs, increased capital expenditure as well as fluctuations in financial performance.</p>	<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 hedging mechanism.
Pricing policy risk	<p>The risk associated with incorrect calculation of selling prices (including the risk of incorrect algorithms and source data), preparation of customer offers for future years based on cost data resulting from current market prices and current legal status, which are not or cannot be fully secured and the President's of ERO approval of the tariff rates at the level not guaranteeing profitability of sales.</p> <p>The materialization of risk may result in loss of market share (margin, volume, revenue) and lead to financial losses, e.g. due to market price volatility and regulatory changes.</p>	<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	<p>The risk covers business partners' failure to fulfil the liabilities resulting from the concluded contracts (no payment, late payment) or customers' attempts at renegotiation of the predetermined conditions.</p> <p>Risk materialization may lead, among others, to an increase in disputed and past due receivables, cash flow disruptions, or the loss of a part of revenues.</p>	<ul style="list-style-type: none"> • Increased frequency of cash flow monitoring; • Creating schedules/ paths of debt collection activities; • Cooperation with law firms; • Debt collection blockades in IT systems; • 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. As at 30 June 2022 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 General Meeting.

Table 29: Company's shares by series and type as at 30 June 2022 and as at the preparation date of this Report

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. PKN ORLEN is the owner of these shares.

Table 30: Shareholding structure of Energa as at 30 June 2022 and as at the preparation 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

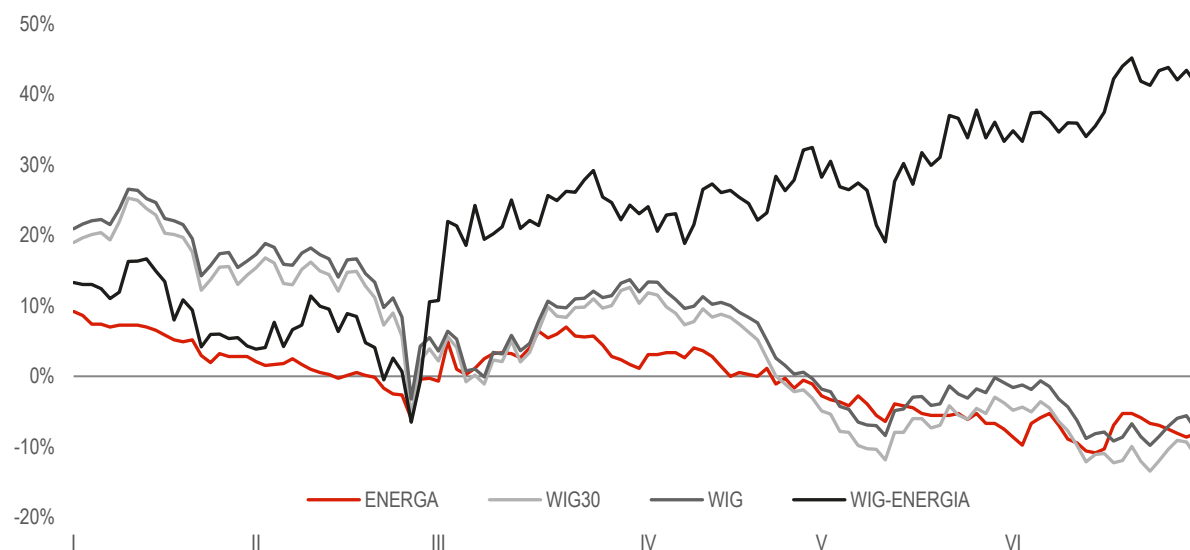
7.2. The Company's stock prices on the Warsaw Stock Exchange

Table 31: Data on Energa's stock as at 30 June 2022

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 6.60
Capitalization at the end of the period	PLN 2.80 bn
6M 2022 minimum	PLN 6.38
6M 2022 maximum	PLN 7.94
Average trading value in 6M 2022	PLN 0.21 m
Average trading volume in 6M 2022	29.5 ths
Average number of transactions in 6M 2022	0.07 ths

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

Figure 22: 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 2022 amounted to PLN 6.60, which means that it decreased by 16.45% in comparison with the price on 30 December 2021. During the discussed period, WIG decreased by approximately 22.7% and WIG-Energia increased by approximately 26%. 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

On 20 January 2022, the Fitch Ratings agency ("Fitch") affirmed the Company's long-term foreign and local currency issuer ratings at "BBB-" on Rating Watch Positive, a "BBB-" rating for the bonds issued by the Company's subsidiary Energa Finance AB, and a "BB" rating for hybrid bonds issued by Energa SA. Fitch justifies the maintenance of its rating mainly with the sound business profile of the Distribution Business Line, with a dominant share in the operations of the Energa Group, and a lower business risk in relation to the conventional generation business and strong strategic and operational support from PKN ORLEN, the Company's majority investor. Fitch points out that the Energa Group is a key component of the ORLEN Group's energy transition strategy, playing an important role in investing in renewable energy sources, including onshore and offshore wind farms and gas-fired power stations. Fitch adds that Energa Group's electricity sales business could come under pressure if the Group is unable to fully pass on its higher costs of electricity purchase to retail customers. Fitch also changed the standalone credit profile of Energa SA from 'bbb' to 'bbb-' due to a higher than expected increase in projected leverage until 2024–2025 in view of high capital expenditures planned by the Group.

7.4. Changes to shares held by executive and supervisory personnel

As at 30 June 2022 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 2022.

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 2022.

Lending agreements with multilateral financial institutions

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

In 2009-2010, Energa and its subsidiary Energa Operator SA 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 248.6 m with a final maturity date on 15 December 2025,
- to EBRD – PLN 231.5 m with a final maturity date on 18 December 2024,

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

In 2013, Energa together and Energa Operator SA entered into the following lending agreements to finance the investment programme of Energa Operator SA 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 2022 PLN 238.2 m were utilised (of which PLN 94.4 m by Energa and PLN 143.8 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 2022, PLN 620.8 m were utilised (of which PLN 466.6 m by Energa and PLN 154.2 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 2022, PLN 26.7 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 2022 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 2022, the loan was utilised in amount of PLN 150 million.

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 2022, the loan was not utilised.

Loans to finance the investment programme at Energa Operator SA for the years 2021-2023

On 16 December 2021, Energa and its subsidiary Energa Operator SA signed a long-term investment loan agreement with the European Investment Bank up to the amount representing the PLN equivalent of EUR 150 million. The Facility proceeds will be used to fund the Energa Operator's investment programme in 2021-2023, including projects such as connections of new consumers, distribution network upgrades, construction and upgrades of distribution assets to connect new renewable energy sources, smart grid components etc. As at 30 June 2022, the loan was utilised in amount of PLN 197 million.

Loans granted by Energa Finance AB (publ)

In 2022, 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 2023 were continued. As at 30 June 2022, 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 loan

On 31 May 2021, Energa SA signed a loan agreement with PKN ORLEN SA in the amount of PLN 1,000 million, with maturity falling on 30 May 2023. The rolling loan was granted for the financing of general corporate objectives by Energa. As at 30 June 2022 PLN 750 million of the loan was utilized.

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 2022 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 2022.

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 2022 PLN 2,668 m of the loan was utilized.

On 8 June 2021 Energa and its subsidiary Energa Wytwarzanie SA concluded a long-term loan agreement in amount of PLN 579.2 m, intended for the refinancing of Energa Wytwarzanie's debt towards Energa under long-term bonds. As at 30 June 2022, the loan was utilised in amount of PLN 513.7 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 2022.

Table 32: Par value of bonds taken up by Energa and not redeemed, by issuer, as at 30 June 2022

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	1,570
TOTAL		1,135,570

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 2022

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 31 December 2021 covered by surety or guarantee (PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5 850,8	1 316,9
2.	2018-10-31	2026-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.1	1.5
3.	2019-11-15	2027-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10.7	10.7

4.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	17.2	17.2
5.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	4.0	4.0
6.			Other Energa Group companies		surety** - guarantee agreement	56.6	18.6
TOTAL						5,949.2	1,368.9

*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 at the request of the Group companies include i.a. bank guarantees in the amount of PLN 2.1 million granted to Energa Obrót SA by Pekao SA and other guarantees granted to Energa Obrót SA by PKN ORLEN in the amount of PLN 90.2 million.

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 2022, 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 2022, the Energa Group was a party to 14,287 court proceedings. The Group was a plaintiff in 12,172 cases where the aggregate amount in dispute was approx. PLN 456 m. The Group was a defendant in 1,264 cases where the aggregate amount in dispute was approx. PLN 616 m. Information on the total litigation value does not include proceedings where the claim is non-pecuniary.

As at 30 June 2022, 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 26.6 m in 1,622 cases. 877 court cases with amounts in dispute totalling PLN 85.7 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 72.5 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 also 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 2022, 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 amounts to approx. PLN 213.5 m, of which:

Type of receivables	Balance at the end of H1 2022 (PLN m)
court and enforcement-based	133.0
bankruptcies	70.2
non-billed - WIENA	0.1
non-billed - SAP	9.2
non-billed – bankruptcies	1.0
TOTAL	213.5

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2022. 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. The defendant contests the litigation claim. The likely resolution of the case, due to its complex facts and multitude of legal aspects cannot be anticipated.
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 is that opinions were delivered by the court to the parties, which now have time to submit their replies to the opinions.
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. The proceedings have been stayed.</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. The URE President has filed a cassation appeal and the Company requested its dismissal.</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 filed an appeal which was dismissed by the Court of Appeal in Warsaw by a judgment of 7 September 2021. The company filed a motion for justification.</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. 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.</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. The Court allowed</p>

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 opinion of an expert was delivered to the parties together with an obligation to express their opinion. The expert's opinion confirms the circumstances favorable to Mostostal Warszawa S.A. The parties responded to the expert's opinion.

On the hearing of 28 January 2022 the expert upheld the opinion in full and the court dismissed the motion of Energa Kogeneracja Sp. z o.o. for exclusion the expert, did not admit the request of Energa Kogeneracja Sp. z o.o. for granting a deadline to comment on the supplementary expert's opinion and closed the hearing. The court set the date for sentencing on 28 February 2022. On this date the court opened the hearing because it did not rule on all requests for evidence and set the next date of hearing on 27 April 2022. At the hearing on 27 April 2022 the Court ended the hearing and set the date for the announcement of the judgment on 9 May 2022. The judgment was passed on 9 May 2022. The Regional Court in Gdańsk awarded from the defendant, Energa Kogeneracja Sp. z o.o., PLN 26,274,037.16 including statutory interest for delay from 26 January 2018 to the date of payment, refund of the litigation cost of PLN 186,517.00, and refund to the State Treasury of PLN 5,487.75 as expenditures temporarily paid by the Treasury as the fee to the expert. The time-limit for the Company to file an appeal lapses on 18 July 2022.

**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 24 February 2021, Plaintiffs filed a reply to the statement of defence. By way of an order of 21 September 2021, the Court obliged the Company's attorney to submit a pleading addressing the claims made in the reply. In a letter dated 25 October 2021, a reply was submitted on behalf of the Company to the reply to the statement of defence (a rejoinder).

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. The security deposit has not been paid as at 25 April 2022.

On 11 March 2022, the Chairperson of the Polish Financial Supervision Authority (KNF) presented their position on the subject ruling that the view whereby the price in the call had to be determined at fair value in the situation where it can be determined in accordance with its pricing history breaches the regulations of the Act on Public Offerings and Conditions governing the Introduction of Financial Instruments to Organized Trading, and on Listed Companies. On 22 March 2022, the Company's legal representative filed a motion to examine evidence.

A hearing was held on 11 April 2022 in the course of which, among other things, the Court decided to dismiss evidence in the form of an expert opinion, ended the hearing and postponed the delivery of the judgment until 11 May 2022.

On 11 May 2022, the Regional Court delivered its judgment, dismissing the petition in full and awarding the costs of the proceedings from the Plaintiffs in favour of the Company. On 1 July 2022, the statement of reasons for the judgment was 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. By order of 16 November 2021, the Court obligated the Company to address the claims made in the reply and obligated the parties' attorneys to submit a list of questions to witnesses requested in the statement of claim. On 13 December 2021, the Company filed a reply to the statement of defence (a rejoinder). On the same day, a list of questions to specific witnesses was submitted on behalf of the Company in response to the Court's requirement.

On 14 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. With its decision of 12 April 2021 the Court changed to decision to grant a security of 10 December 2020 by conditioning performance of the decision on the Plaintiffs submitting a deposit of PLN 1,360,326.23. The deposit of PLN 1,360,326.23 to secure claims of the Company resulting from complying with the injunction order was paid by one of the Plaintiffs to the account of the Circuit Court in Gdańsk.

On 29 December 2021, the Company's attorneys received a request for a reduction of the security deposit dated 20 December 2021. In an order of 24 January 2022, the Court set a time limit for the Company to respond to the request. On 1 February 2022, a response to the Plaintiffs' request for the reduction of the security deposit was submitted on behalf of the Company. By way of a decision of 24 January 2022, the Company was obligated to submit documents within 14 days. On 8 February 2022, a response to the Court's requirement was submitted on behalf of the Company. By decision of 25 April 2022, the Court reduced the deposit to secure the Company's claims from PLN 1,360,326.23 to PLN 500,000.00.

The hearing was held on 13 May 2022. According to the Court's order, it was an in-camera session. The hearing was postponed until 1 July 2022.

On 1 July 2022, another hearing was held, in which the Court decided, among others, not to examine the motion for admission of an expert's opinion as evidence. The court decided to postpone the examination of the case to a date set under the applicable regulations.

On 6 July 2022, the Company's attorneys received the Plaintiffs' motion for evidence.

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. The proceedings before the Polish Financial Supervision Authority were stayed due to proceedings pending before the Regional Court in Gdańsk concerning a demand to repeal Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020, case numbers: IX GC 1158/20 and IX GC 1164/20. In the explanatory memorandum to its decision dated 19 January 2021, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the stay 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.

<p>Energa Obrót SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Appeal against the decision refusing to approve the 2020 tariff change for electricity for customers in the G tariff group</p> <p><i>Court of Competition and Consumer Protection; file No. AmE 229/20</i></p> <p><i>Litigated value: approx. PLN 152.5 million</i></p> <p>Energa Obrót SA appealed against the decision of the President of the Energy Regulatory Office ("ERO") of 8 July 2020 refusing to approve the amendment pursuant to Art. 155 of the Code of Civil Procedure decision of the President of the ERO of 30 December 2019 published in the Industry Bulletin of the Energy Regulatory Office - Electricity No. 319 (2954). In September 2020, the President of the ERO submitted an appeal to the Court of Competition and Consumer Protection ("SOKiK"). In November 2020, the President of ERO submitted to SOKiK his position on the appeal. The ruling was published on 31 January 2022. Energa Obrót SA's appeal was dismissed. On 11 March 2022, an appeal against the verdict was filed.</p> <p>On 24 June 2022, the Court of Appeal dismissed Energa-Obrót SA's appeal.</p>
<p>Eco dla firm (reason) Energa Obrót SA (defendant)</p>	<p>Action for payment of remuneration in connection with Agency Agreement No. 1/2012, concerning the sale of electricity and gas products to Energa Obrót SA.</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 319/21</i></p> <p><i>The value of the claim is approx: PLN 5.4 million</i></p> <p>On 30 June 2021 Energa Obrót SA was served with a suit for the payment of PLN 5,440,904.06 with interest on account of remuneration in connection with the concluded Agency Agreement No. 1/2012 for the sale of energy and gas products to Energa Obrót SA. Energa Obrót SA prepared responses to the claim within the required deadline. Subsequently, pleadings were exchanged. In August 2021, the claimant received a letter requesting the suspension of the proceedings. The case has been suspended until the case brought by Energa Obrót SA against Eco dla Firm has been examined(case file IX GC 10/21).</p>
<p>Energa Obrót SA (plaintiff) Eco dla Firm (defendant)</p>	<p>Claim for payment under the agency agreement for the sale of electricity</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division; file reference number IX GC 10/21</i></p> <p><i>Claim value: approx. PLN 17.4 million</i></p> <p>A claim for payment was filed concerning an adjustment of the commission under the agency agreement for the sale of electricity. Eco dla firm filed a statement of defence, wherein it requested dismissal of the claim and award of the costs of the proceedings. It invoked time-barring of some of the claims (2015, 2016, 2017) and set off, and argued that the claim was not proven in principle and in terms of its value. Hearings were held on 19 and 23 May 2022. All witnesses reported for the case testified at the hearing. The court was postponed to a date set under the applicable regulations. The court is to decide, in an in-camera session, whether to admit the expert's opinion as evidence.</p>
<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)</p>	<p>Claim for payment of damages on account of Energa Obrót SA failure to perform the contracts for the sale of property rights derived from certificates of origin ("CPA")</p> <p><i>Regional Court in Gdańsk, 9th Commercial Department</i></p> <p><i>Case reference no. IX GC 1263/20</i></p> <p><i>Value of the object of litigation: approx. PLN 56.6m</i></p> <p>Statement of claim was filed on 30 December 2020.</p> <p>Statement of defence was issued in time, i.e. on 13 April 2021.</p> <p>On 16 June 2021, Plaintiffs filed a reply to the statement of defence.</p> <p>On 31 May 2021 and then again on 25 June 2021 Energa Obrót SA filed a motion regarding an obligation to submit a preparatory writ.</p> <p>On 6 August 2021 a decision on referring the case for mediation was received, along with a court writ stating that the decision regarding the motion by Energa Obrót SA to grant a consent to submit a preparatory writ would be taken after the mediation proceedings end.</p> <p>On 12 August 2021 a pleading from plaintiffs was received refusing the consent to mediation. A hearing was held on 7 February 2022, and the next one is scheduled for 6 June 2022.</p> <p>On 30 November 2021, a decision was received via an information portal which permitted Energa Obrót SA (after it had submitted a relevant request) to file a preparatory document in which Energa Obrót SA would address the reply to the statement of defence.</p> <p>On 1 December 2021, a letter from the Plaintiffs was delivered in which they objected against Energa Obrót SA's request for a permission to file a preparatory document.</p>

	<p>On 30 December 2021, Energa Obrót SA filed a preparatory document constituting a reply to the response to the statement of defence. On 7 February 2022 and 6 June 2022 hearings were held in this case and the next hearing date was set on 6 June 2022.</p> <p>The witness' testimony was taken as evidence. The judgment will be delivered in an in-camera session. On 27 June 2022, Energa Obrót SA filed its final position, and the Plaintiffs' final position was served on 30 June 2022.</p>
<p>Elektrownia Wiatrowa Zonda sp. z o.o. (plaintiff), Energa Obrót SA (defendant).</p>	<p>Claim for payment of damages on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin ("CPA")</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division</i></p> <p><i>File number IX GC 1057/21.</i></p> <p>Litigated value: PLN 1,5 million</p> <p>The case is now pending in the first instance. On 17 December 2021, Zonda filed a statement of claim, which was delivered to Energa Obrót SA on 26 January 2022. On 25 February 2022 Energa Obrót SA filed the reply to the statement of claim. On 15 March 2022, Zonda filed a writ containing the motion to obligate the other party to submit a procedural writ and motions to examine evidence. The case was referred to mediation in April 2022. On 13 April 2022, Energa Obrót SA filed a pleading with a statement of no consent to mediation, and on 14 April 2022 the attorney for Zonda notified the mediator by e-mail of consent to mediation.</p> <p>On 10 May 2022, Zonda filed a reply to the statement of defence.</p> <p>On 30 May 2022, Energa Obrót SA filed a preparatory writ.</p> <p>On 20 June 2022, the court set 23 November 2022 as the hearing date.</p>
<p>AKKA Aneta Kwaśniewska (plaintiff)</p> <p>Energa Obrót SA</p> <p>P. Dorawa, A. Czarnecki, E. Bugaj, M. Piątek (defendants)</p>	<p>The claim for compensation for lost profit as a result of termination of franchises by Energa Obrót SA.</p> <p><i>Regional Court in Gdańsk, 9th Commercial Division</i></p> <p><i>File number IX GNc 747/21</i></p> <p><i>Litigated value: PLN 8,5 million</i></p> <p>The case is now pending in the first instance.</p> <p>On 30 November 2021, Energa Obrót SA filed a statement of defence on behalf of Energa Obrót SA and the other defendants.</p> <p>On 16 December 2021, the plaintiff was obligated to file a reply to the statement of defence.</p> <p>On 24 January 2022 the plaintiff's reply to the statement of defence was received.</p> <p>On 21 February 2022 (in response to the court's order of 1 February 2022), on behalf of Energa Obrót S.A. and Members of the Management Board, a pleading with the position on the plaintiff's reply to the statement of defence was filed. The date of the first hearing was set for 21 July 2022. On 29 March 2022, the Plaintiff filed a procedural writ in which it addressed the motion to withdraw exemption from costs contained in the procedural writ. On 6 April 2022, the court issued its decision in which it withdrew exemption from the payment of costs of court proceedings awarded to the Plaintiff by way of decision of 18 August 2021.</p> <p>On 26 April 2022, the Court received the Plaintiffs' complaint against the decision to revoke the release from court charges.</p> <p>On 14 June 2022, the court issued a decision in which it changed the contested decision in that it dismissed the Defendants' motion for revocation of the release from court charges granted to the Plaintiff.</p>
<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)</p> <p>Energa Obrót SA (defendant)</p>	<p>Actions for payment of damages for the loss incurred by the companies due to Energa Obrót SA's failure to conclude contracts for the sale of electricity generated by plaintiff companies and consequently sale of energy to other companies at prices lower than the prices which Energa Obrót SA was obliged to pay.</p> <p><i>Regional Court in Gdańsk, 9th Civil Law Department</i></p> <p><i>Case reference no. IX GC 1/21</i></p> <p><i>Value of the object of litigation: approx. PLN 6.9 million in total</i></p> <p>On 13 April 2021, a statement of defence to the action of 30 December 2020 (delivered to the Company on 11 February 2021) was filed together with a request for a stay of proceedings. On 24 May 2021, the Plaintiffs filed a preparatory writ upholding their position.</p>

On 11 March 2022 the hearing was held. The parties took a stand – the plaintiff maintains the claim. The company maintained the caveat, in particular pointing on allowing the cassation appeal (the plaintiff appealed for dismissal of this motion). The parties also took a stand on an expert who is to calculate the damage. The hearing was held on 11 March 2022, and on 6 April 2022 attorneys for the plaintiff filed a procedural writ, being a motion for admission of documentary evidence.

**Elektrownia Wiatrowa Zonda sp. z o.o (plaintiff),
Energa Obrót SA (defendant)**

Action for payment of compensation due to Energa Obrót SA's failure to perform the contract for the sale of property rights resulting from the certificates of origin (CPA)

Regional Court in Gdańsk, file No. IX GC 735/19

Litigated value: approx. PLN 2.1 million

On 19 August 2019, Elektrownia Wiatrowa Zonda Sp. z o.o. filed a statement of claim. Energa Obrót SA filed a statement of defence. On 17 August 2020, the court delivered a judgment granting the claim of Elektrownia Wiatrowa Zonda Sp. z o.o. Energa Obrót SA appealed against this judgment. On 17 May 2021, the court of second instance issued a judgment dismissing Energa Obrót SA's appeal.

Energa Obrót SA filed a cassation appeal on 30 August 2021. On 11 October 2021, Elektrownia Wiatrowa Zonda Sp. z o.o. filed a response to the cassation appeal.

According to the information received from the Supreme Court, the Supreme Court accepted the cassation appeal by Energa-Obrót SA for examination on 30 May 2022. Service of that decision is currently pending.

Elektrownia Wiatrowa EOL sp. z o.o. (plaintiff), Energa Obrót SA (defendant)

Action for payment of contractual penalties for Energa Obrót SA's failure to perform the framework agreement for the sale of property rights under the certificates of origin (CPA)

Regional Court in Gdańsk, file No. IX GC 740/19

Litigated value: approx. PLN 6.8 million

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 were stayed. Subsequently, on 20 September 2021, a court decision was received via an information portal which:

- 1) resumed the stayed proceedings,
- 2) granted EW EOL the permission to file a preparatory document
- 3) obligated Energa Obrót SA to file a preparatory document
- 4) obligated EW EOL and Energa Obrót SA to file preparatory documents presenting their position concerning the appropriateness of referring the parties to mediation and nominating the mediator.

On 27 September 2021, Energa Obrót SA filed a letter stating that the referral to mediation was not appropriate.

A hearing date was set for 27 January 2022. On 15 December 2021, EW EOL extended its claims to new contractual penalties totalling PLN 7,211,809.42, including statutory late payment interest accrued from 15 December 2021 to payment date, due to Energa Obrót SA's failure to acquire rights in property in later periods. On 12 January 2022, Energa Obrót SA filed a response to the extended lawsuit. On 17 March the hearing was held, during which the parties filed a number of formal motions, and the evidence from witnesses testimony was taken. The hearing set for 29 June 2022 was cancelled. A new date is now being expected.

Actions 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 5 December 2017, MEGAWATT BALTICA filed a statement of defence accompanied by a counterclaim, among others for payment of contractual penalties. 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. On 16 January 2018 the Court determined it was not competent with regard to the action against Powszechna Kasa Oszczędności Bank Polski SA.

On 4 June 4, a partial judgment was issued dismissing the claim of Energa Obrót SA. 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. On 10 October 2019 the Court issued judgments dismissing complaints filed by Energa Obrót SA to repeal the partial and final judgment. 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. By a decision of 17 July 2020, the Supreme Court accepted the cassation appeal for examination.

Energa Obrót SA (plaintiff)
BORYSZEWO WIND INVEST
Sp. z o.o. (defendant 1),
mBank SA (defendant 2)

Regional Court in Warsaw, file No. XVI GC 799/17

Second instance file No VII AGa 8/19

Litigated value: approx. PLN 10.8 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. The defendants filed statements of defence.

In September 2018, the Court dismissed the action with its judgment. On 2 November 2018, Energa Obrót SA filed an appeal.

On 10 March 2021, the Court of Appeal in Warsaw dismissed the appeal of Energi Obrót SA. Energa Obrót SA submitted an application for delivery of the judgment with justification. On 12 November 2021, the judgment with statement of grounds was received via an information portal. On 12 January 2022, Energa Obrót SA filed a cassation appeal.

On 21 February 2022, mBank filed its response to the cassation appeal and Boryszewo Wind Invest filed its response to the cassation appeal on 4 March 2022.

On 4 March 2022, Boryszewo Wind Invest filed its reply to the cassation appeal.

Energa Obrót SA (plaintiff)
WIND INVEST sp. z o.o.
(defendant 1),
mBank SA (defendant 2)

Regional Court in Warsaw, file No. XVI GC 798/17

Second instance file No VII AGa 1004/19

Litigated value: approx. PLN 15.2 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 19 September 2019 the court dismissed the statement of claim filed by Energa Obrót SA. On 27 November 2019 Energa Obrót SA submitted an appeal, which was subsequently dismissed with judgment of the court of the second instance. On 22 March 2021, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 25 August 2021 the cassation appeal brought by Energa Obrót SA was accepted for review. On 27 December 2021, a copy of a letter from Wind Invest was delivered, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżycski Wind Invest and mBank.

On 22 March 2022, Energa Obrót SA filed a procedural writ with its position on the letter by Wind Invest. The court issued a decision allowing the Parties to file procedural writs.

Energa Obrót SA (plaintiff)
STARY JAROSŁAW WIND
INVEST sp. z o.o. (defendant
1),
mBank SA (defendant 2)

Regional Court in Warsaw, file No. XVI GC 802/17

Second instance file No.: VII AGa 61/20

Litigated value: approx. PLN 13.8 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 17 November 2017, the defendants filed statements of defence. 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 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. The verdict with justification was delivered on 12 October 2021. On 13 December 2021, Energa Obrót SA filed a cassation appeal. On 8 February 2022, mBank filed its response to the cassation appeal and Stary Jaroslaw Wind Invest filed its response to the cassation appeal on 22 February 2022.

On 26 May 2022, Energa Obrót SA learned about acceptance for examination of its cassation appeal. Service of the relevant decision is pending.

**Energa Obrót SA (plaintiff)
KRUPY WIND INVEST sp. z
o.o. (defendant 1), mBank SA
(defendant 2)**

Regional Court in Warsaw, file No. XVI GC 803/17

Second instance file No.: VII AGa 572/19

Litigated value: approx. PLN 5.6 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. 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. On 15 September 2020, the Court dismissed the appeal of Energa-Obrót SA. On 30 December 2020, Energa Obrót SA filed a cassation appeal. The Defendants filed a response to the cassation appeal. On 27 December 2021, a copy of a letter from Krupy Wind Invest was delivered to Energa Obrót SA, which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżyczki Wind Invest and mBank. Krupy Wind Invest presented that decision along with its letter.

On 14 January 2022, Energa Obrót SA filed a pleading in response to the letter from Krupy Wind Invest which contained information on the decision of the Supreme Court of 17 November 2021 that had refused to allow Energa Obrót SA's cassation appeal to proceed in the case against Jeżyczki Wind Invest and mBank. On 28 February 2022 the order of the Supreme Court of 28 January 2022 on the consent to the permission to file above mentioned pleadings by Krupy Wind Invest and Energa Obrót SA was delivered.

On 16 May 2022, a decision of the Supreme Court allowing the cassation appeal of Energa Obrót SA to proceed was delivered.

**Energa Obrót SA
(plaintiff/counter-defendant)
EW CZYŻEWO sp. z o.o.
(defendant 1/counter-plaintiff),
BANK BGŻ BNP PARIBAS SA
(defendant 2)**

Regional Court in Gdańsk, file No. IX GC 736/17

Second instance file No I AGa 56/19

Litigated value: approx. PLN 3.9 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW CZYŻEWO sp. z o.o. also submitted a counterclaim for payment of contractual penalties. The Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. The court of second instance dismissed 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. Energa Obrót SA filed a cassation appeal. On 16 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót S.A. was accepted for review – awaiting the decision to be delivered. On 8 November 2021, a decision of the Supreme Court allowing the cassation appeal of Energa Obrót SA to proceed was delivered.

**Energa Obrót SA (plaintiff),
ELEKTROWNIA WIATROWA
EOL sp. z o.o. (defendant 1),
BANK ZACHODNI WBK SA
(defendant 2)**

Regional Court in Warsaw, file No. XXVI GC 712/17

Litigated value: approx. PLN 3 million

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. On 7 July 2020 Energa Obrót SA submitted an appeal, which on 25 June 2021 was dismissed with judgment of the Appeal Court of the second instance. On 6 July 2021 Energa Obrót SA submitted a pleading in response to a motion from defendants received on 1 July 2021 regarding a decision to be issued by the court clerk stating procedural costs in accordance with judgment of the Court of the first instance and adjudicating the triple rate of the costs of court representation. On 30 September 2021 Energa Obrót SA received the judgment with the reasons for judgment. On 30 November 2021, Energa Obrót SA filed a cassation appeal. On 9 February 2022, Elektrownia Wiatrowa EOL and Santander Bank Polska filed a response to the cassation appeal.

**Energa Obrót SA (plaintiff),
WIELKOPOLSKIE
ELEKTROWNIE WIATROWE
sp. z o.o. (defendant 1),
BANK BGŻ BNP PARIBAS SA
(defendant 2)**

Regional Court in Gdańsk, file No. IX GC 735/17

Second instance file No I AGa 74/19

Litigated value: approx. PLN 3 million

On 11 September 2017, Energa Obrót SA filed a statement of claim. On 15 and 19 December 2017 statements of defence were filed. On 6 December 2018 judgment dismissing the action was submitted. On 12 February 2019, Energa Obrót SA filed an appeal. On 13 August 2019 judgment dismissing the appeal was issued. 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.

	According to the information received by Energa Obrót SA, on 27 May 2022, the Supreme Court accepted the cassation appeal by the Plaintiff for examination. Service of that decision is currently pending.
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> On 11 September 2017, Energa Obrót SA filed a statement of claim. On 22 December 2018 statements of defence were submitted. EW KOŹMIN sp. z o.o. also submitted a counterclaim 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 22 September 2021 information was received from the customer service centre of the Supreme Court that the cassation appeal of Energa Obrót SA was accepted for review. On 8 October 2021, a decision allowing the cassation appeal to proceed was delivered

8.3. HR and payroll situation

Employment

As at 30 June 2022, the Energa Group employed the total of 8,854 persons compared 8,888 as at the end of last year. The main reason for changes in the level of employment in H1 2022 (down by 34 people) was natural rotation and postponement of scheduled recruitments.

Collective disputes and dismissals

Collective dismissals

In H1 2022, 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 2022 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 2022 amounted to 61.1%. Trade unions had approx. 5,4 employees.

In H1 2022 there were 21 collective disputes pending at the Energa Group which are currently at the mediation stage:

1. 3 collective disputes pursued with Energa Operator SA Oddział w Płocku Sp. z o.o. employer initiated by the notices filed by trade union organisations on 30 September 2020, 9 November 2020 and 23 July 2021, concerning the amendments to the Collective Labour Agreement and employee benefits.
2. 2 collective disputes pursued with Energa Logistyka Sp. z o.o. employer initiated by the notices filed by trade union organisations on 24 and 30 September 2020, concerning the amendments to the Collective Labour Agreement.
3. 16 collective disputes concerning employee pay increases in 2022 pursued with the majority of the Energa Group's employers, parties to the Agreement securing employee, social and trade union rights for the Employees of the Energa Group. Employers and the trade unions are at the stage of concluding agreements ending collective disputes regarding wage increases in 2022.

MANAGEMENT BOARD REPRESENTATION AND INFORMATION

Gdańsk, 4 August 2022

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) Deloitte Audyt spółka 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 2022 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

Daniel Obajtek

Member of the Supervisory Board delegated to temporarily perform the duties of the President of the Management Board

Michał Perlik

Vice-President of the Energa SA Management Board for Finance

Adrianna Sikorska

Vice-President of the Energa SA Management Board for Communication

Janusz Szurski

Vice-President of the Energa SA Management Board for Corporate Matters

Dominik Wadecki

Vice-President of the Energa SA Management Board for Operations

Magdalena Kamińska

Deputy 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 9I 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

