



Capital Group

R. Power

Management Board Report for the 6 month period ended 30 June 2024

01. Basic information about the Parent Company and the Capital Group

R.Power Spółka Akcyjna [joint stock company] (the "Parent Company", formerly R.Power spółka z ograniczoną odpowiedzialnością [limited liability company]) was established by a Notarial Deed dated 12 October 2010. On 10 December 2021 the Parent Company was converted from a limited liability company to a joint stock company. The transformation was registered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register on 20 December 2021. The Parent Company is entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register (KRS), under KRS number 0000939593. The Parent Company was granted statistical Enterprise ID (REGON) 142641571. The Parent Company's registered office is 02-566 Warsaw, ul. Puławska 2.

As of 30 June 2024, the share capital of the R.Power S.A. amounted to PLN 8,682,235.75 and was divided into 173,644,715 shares with a nominal value of PLN 0.05 each. As of the balance sheet date, the ownership structure of the Parent Company's share capital was as follows:

	Number of shares	Number of votes	Nominal value per share	Share in the share capital
L77 Capital Ltd	46 284 048	46 284 048	0,05	26,65%
Sęk Tomasz	29 105 592	29 105 592	0,05	16,76%
Alternatywna Spółka Inwestycyjna Colares Investments sp. z o.o.	28 151 904	28 151 904	0,05	16,21%
TS Capital Fund Ltd	17 178 456	17 178 456	0,05	9,89%
3S Ra Holdings S. à r.l.	50 872 475	50 872 475	0,05	29,30%
Studniarek Marcin	2 052 240	2 052 240	0,05	1,18%
Total	173 644 715	173 644 715		100,00%

The Management Board of R.Power S.A. as at the date of preparation of the report:

- Przemysław Pięta – President of the Management Board
- Tomasz Sęk – Member of the of the Management Board
- Klaudiusz Kalisz – Member of the of the Management Board

The Supervisory Board of R.Power S.A. as at the date of preparation of the report:

- Dominykas Tuckas – Member of the Supervisory Board
- Krzysztof Czuba - Member of the Supervisory Board
- Wiktor Namysł - Member of the Supervisory Board
- Piotr Maślejka - Member of the Supervisory Board
- Bartłomiej Smolarek - Member of the Supervisory Board

List of subsidiaries owned by R.Power S.A. as at the balance sheet date is included in note 3 of the introduction to the consolidated financial statements.

The Parent Company's core business consists of providing services related to the commercial management and development of solar power plant projects held by its subsidiaries, commercialising them and generating revenues from electricity production (if a project is left in the portfolio) or selling individual power plants to investors.

R.Power S.A. and its Group is one of the biggest entities operating in the solar energy market in Poland. The Group operates in Poland, Spain, Italy, Portugal, the Netherlands, Germany and Romania.

The Group operates across the value chain of photovoltaic market segments, which include:

- (i) development of large-scale photovoltaic (PV) projects to the ready-to-build stage and their commercialisation through auctions and conclusion of Power Purchase Agreements (PPAs).
- (ii) general contracting of photovoltaic power plants (EPC) and photovoltaic installations for industry, FMCG and logistics;
- (iii) maintenance of power plants (O&M);
- (iv) energy production from renewable energy sources (IPP – Independent Power Producer).

In addition, as an investment developer, the Group is an active and experienced participant in the market for bank financing of assets related to photovoltaic power plant operations.

02. Events significantly affecting the Group's operations, its financial situation and results achieved in a given half-year period, which occurred during the financial period and after its end to the date of preparation of the consolidated financial statements

In 2024, the Group continues the process of building further photovoltaic power plants located in Poland and Portugal and started the first construction works on the Romanian market. These farms will increase the portfolio of the Group's own photovoltaic installations, which is part of the strategy of increasing activity and revenues in the area of IPP (independent energy producer) and international expansion.

As part of securing the revenues of the farms put into operation, the Group signed two long-term Power Purchase Agreements securing the price of approximately 900 GWh of green electricity between 2024 and 2035. One of the contracts is for photovoltaic farms located in Portugal, the first foreign contract of this type in the Group's history.

In addition, the Group carried out a series of transactions in 2024, as a result of which it became the majority owner in companies with secured connection conditions for photovoltaic farm projects of approximately 240 MWp located in Poland. The Group also entered into agreements under which it acquired shares in companies in Portugal holding rights to photovoltaic projects with a total installed capacity of 24.1 MWp. In January 2024 the Company and the Group entered into agreements to sell shares in Polish special purpose vehicles. The transaction includes photovoltaic projects with a total peak capacity of 69 MWp. The transaction is in line with the Group's long-term objectives of partial asset rotation and ultimately increasing the number of PV projects. On 31 May 2024, a joint venture agreement for the development of 2 GWp of photovoltaic projects in Italy was concluded with Elawan Energy S.L.U., part of the Orix Group. Under the joint venture, the Parties intend to invest approximately €150 million in the development of photovoltaic projects.

In 2024, the Group concluded three financing agreements for the construction of PV projects:

- In January with BNP Paribas Bank Polska S.A. in the amount of PLN 106.2 million concerning the construction of photovoltaic power plants with a total capacity of 32.7 MWp.
- In April with PKO Bank Polski S.A. for a total amount of approximately PLN 75.5 million and EUR 26.7 million concerning the construction of photovoltaic power plants with a total capacity of 59 MWp.
- In June with Bank Gospodarstwa Krajowego for approximately PLN 231 million concerning the construction of photovoltaic power plants with a total capacity of 72 MWp.

In addition, on 8 July 2024, the Group entered into an agreement to issue corporate bonds in the form of a private placement (closed subscription) of up to €30 million. The amount of the issue may be increased to €40 million with the consent of the bondholders. The final redemption date is 36 months from the date of the agreement with an option to postpone the redemption to 60 months from the date of the agreement.

03. Anticipated development of the Group.

Strategically, in the coming years the Group aspires to become a leading player in the photovoltaic sector in selected European markets. The Group intends to place particular emphasis on the growth of its IPP (independent power producer) business, significantly increasing its portfolio of own operating photovoltaic power plants in Poland and foreign markets.

04. Major achievements in research and development

The Group does not carry out separate research and development work. The Management Board's efforts are focused on optimising operations and consequently increasing efficiency.

05. Current and projected financial situation

The financial result for the 6 month period ended 30 June 2024 showed a loss of PLN 22.0 million. Equity as at 30 June 2024 amounted to PLN 754.4 million. The balance sheet as at 30 June 2024 on the assets and liabilities side showed a balance sheet amount total of PLN 2.9 billion.

In the following year, the Management Board of the Parent Company plans to increase the level of revenues and improve profitability. The Management Board sees no threats to the ability of the companies belonging to the Group to settle their liabilities. All liabilities are serviced on an ongoing basis, in accordance with the terms of the contracts.

06. Own shares

None of the Group's companies as at the balance sheet date or as at the date of approval of the financial statements held any own shares.

07. Branches (plants) owned by the Group

None of the Group's companies has branches (plants).

08. Financial instruments

Information related financial instruments was included in the consolidated financial statements in note 43 of additional information and explanations.

09. Going concern assumption

The Parent Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the Parent Company's ability to continue as a going concern for at least 12 months after the balance sheet date as a result of deliberate or forced abandonment or significant limitation of its current activities.

However, the escalation of the conflict between Ukraine and Russia, which resulted in Russia launching a military invasion in Ukraine on 24 February 2022, is currently one of the biggest challenges for societies and economies around the world. As at the date of these consolidated financial statements, the said conflict is ongoing and it is not possible to predict when it will end. Escalation of the conflict could have a significant negative impact on the economic situation in Poland, including the level of exchange rates and interest rates, liquidity, the supply chain, as well as a deterioration in the general public sentiments. As a result, it may therefore have a material adverse effect on the Capital Group's financial and operating position, the effect of which is difficult to predict at this time. The Management Board of the Parent Company monitors the situation on an ongoing basis and is prepared to take action to ensure the uninterrupted continuation of the Group's operations.

10. Basic threats and risks which, in the opinion of the Parent Company as the Issuer, are significant for the assessment of the ability to meet obligations arising from issued debt financial instruments

10.1. Failure to achieve strategic goals or their improper implementation

The Issuer's Group is systematically developing its activities as one of the key players on the market of photovoltaic farms in Poland. A characteristic element of the Group's strategy is the implementation of the project development process from its very beginning, i.e. obtaining the required permits, through project development, financing and supervision of its construction, to the sale of a given photovoltaic power plant or stopping the project within Project Companies in which 100% of shares are held owns R.Power Investment. The Issuer cannot guarantee that its strategic objectives will be achieved, in particular that the development process of a given project will run smoothly or that it will generate income at the assumed level after completion of construction. The market on which the Group operates is subject to constant changes, the direction and intensity of which depend on many factors. The market position in the following years, and as a result, the Issuer's and the Group's revenues and profits in the future, depend on the ability to develop, implement and maintain a long-term strategy.

The Issuer's strategy assumes a rapid increase in the scale of the Group's operations, which may prove difficult to implement and maintain. The degree of implementation of the strategy depends on many factors, in particular on the availability of external financing, including the amount of funds obtained from the issue of Bonds.

Moreover, pursuing an expansion strategy in unfavorable market conditions may lead to wrong investment decisions. Incorrect assessment of the situation and the resulting incorrect decisions, lack of ability to adapt to dynamically changing market conditions or inability to maintain the rapid growth rate of the Group's scale of operations may have a negative impact on the Issuer's or the Group's operations and financial results, as a result of which the strategic goals do not will be achieved, which may have a significant negative impact on the pace of development of the Issuer, the scale of its operations and, consequently, on the Issuer's ability to perform obligations under the Bonds.

10.2. Risk related to failure to win the RES auction

Demand on the market of renewable energy sources is primarily regulated by RES auctions. Entrepreneurs who already have a ready source of energy and those who have projects in their portfolios for which valid building permits have been issued, but the investments have not yet been implemented, can participate in the auction. The key issue in RES auctions is the price competitiveness of offers. The cheapest offers win. The entrepreneur's profit depends on, among other things, the location of the solar farm and the efficiency of the installed photovoltaic panels forming the power plant. The risk of not winning the RES auction does not occur on those markets where the Group operates, where the commercialization of photovoltaic projects takes place through the conclusion of power purchase agreements (PPA), and not RES auctions (e.g. Italy, Spain and Portugal). In addition, even if the RES auction is not won by a given Project Company operating in Poland, it is possible to commercialize a given photovoltaic project by concluding a PPA.

The company focuses on the commercialisation of RES projects through long-term power sales agreements. However, there is a possibility to participate in further RES auctions in the future. Despite the fact that in the past years almost all projects prepared by the Issuer won the RES auctions in which they participated, there is a risk that in the future not all projects prepared by the Issuer will win in the RES auctions, which may have a negative impact on the implementation of the projects and the financial results of the Group, and thus on the pace of development of the Issuer and the scale of its operations, which may consequently affect the Issuer's ability to perform its obligations under the Bonds.

10.3. Risk related to the structure of financing the operations of special purpose vehicles

The Group develops photovoltaic projects through special purpose vehicles. The Issuer is an entity that does not hold shares in Project Companies and does not conduct direct investments in Project Companies.

The Group's strategy assumes that the financing of their operations will be carried out on the basis of i.a. project finance. This method consists in creating the so-called special purpose companies established to implement a specific project. The structure of financing under the project finance is characterized by the lack of recourse in relation to the partners of the Project Company, while the repayment of debt capital and return of equity used to finance the project takes place from the income generated by this project. The person financing the project bases the repayment of the loan on the cash flows generated by the given project, while the assets of this project are treated as collateral for the repayment of the loan. If the special purpose vehicle fails to complete a given project on time or the project does not generate the expected cash flows, there is a risk of breach of loan agreements or there may be delays in repayment of loan installments or, in extreme cases, no repayment. Possible violations of the terms of the bank debt or failure to repay it within the deadlines agreed in the credit documentation may, among others, influence the commencement of the collateral enforcement process by banks directly from the assets of a given Project Company. Such situations may, in turn, lead to significant delays in the repayment of loans granted to Project Companies by the Issuer, as well as negatively affect the implementation of new projects and further development of the Group and the Issuer's ability to perform its obligations under the Bonds.

10.4. Risk related to the takeover of Project Companies

Due to the financing structure of the Project Companies, their assets and receivables under bank account agreements, as well as the shares held by R.Power Investment in the Project Companies are encumbered with pledges in favor of the financing banks. In the event of a breach of the financing conditions, including cessation of repayment of loans taken out, the financing banks may carry out executions against the assets of the Project Companies and the pledged shares, leading to their seizure, sale in the course of enforcement proceedings or takeover in order to satisfy the receivables of the banks crediting these Project Companies. For significant projects, a breach of the terms of financing may adversely affect the Issuer's ability to meet obligations under the Bonds. In addition, it cannot be ruled out that in the event of failure to settle liabilities, the creditor banks will exercise their right to file a petition with the court to declare the Project Company bankrupt or to take over control of such a company. As a result of the above actions, the Group may lose its assets, which may directly affect the Issuer's ability to settle liabilities under the Bonds.

10.5. Risk related to the Issuer's investments in special purpose vehicles - intra-group loans

The Group's investment projects are implemented through special purpose vehicles. The group finances projects, e.g. by granting loans to special purpose vehicles implementing a given investment. Repayment of loans depends on the financial condition of individual SPVs, which is determined in particular by the actual implementation of the assumed schedule of specific projects. Delays in individual projects may result in delays or extreme inability to repay loans granted, which may significantly affect the deterioration of the Group's financial liquidity due to the inability to recover the invested funds. The described circumstances and unfavorable changes in this respect may have a significant negative impact on the Group's operations, financial standing, financial results or prospects, and consequently on the Issuer's ability to perform its obligations under the Bonds.

10.6. Risk related to the Issuer's status as a special purpose vehicle

The Issuer, as a special purpose vehicle, basically has no assets other than receivables from R.Power Investment, Project Companies and other Group entities. The main part of the Issuer's assets consists of receivables from R.Power Investment in connection with the sale of individual Project Companies to third parties and the Issuer's receivables from Project Companies due to loans granted to Project Companies. As a consequence, the Issuer's ability to perform its obligations under the Bonds depends on the Issuer's receipt of payments from R.Power Investment and Project Companies.

Thus, the Issuer remains exposed in terms of solvency to all risks to which other entities belonging to the Group are exposed, including R.Power Investment and Project Companies. In the event of insolvency of these companies, their assets will be seized in the first place by creditors holding material collateral on the assets of R.Power Investment and Project Companies, or on shares in these companies, which may prevent the repayment of liabilities of individual companies towards the Issuer, and consequently affect for the Issuer to perform its obligations under the Bonds.

10.7. Risk related to the international expansion of business activities

The Issuer is currently preparing projects for photovoltaic power plants mainly in Poland (approx. 6.9 GW), but is also present on the Italian, German, Romanian, Spanish and Portuguese markets (approx. 2.1 GW in total). The Issuer plans to expand its operations in other European countries, as well as outside Europe.

This strategy exposes the Issuer to, among others, the following risks related to entering new markets and managing international operations:

- (i) the Issuer's experience, knowledge and competitive advantages on its current primary market in Poland may not be sufficient or useful on new markets;
- (ii) the pricing policy of governments and local governments in the field of renewable energy may change;
- (iii) the management, accounting and reporting burdens resulting from the international scale of the Group's operations may increase, which may cause difficulties in implementing and maintaining appropriate internal control systems; and
- (iv) non-compliance with or lack of monitoring of regulations or standards in force in countries other than Poland may result in the need to incur additional costs related to legal services in the field of foreign law.
- (v) functioning in many different legal systems may result in a lack of proper coordination of the development of the Issuer's activities

The above factors, if they occur, may adversely affect the financial results of the Issuer and the Group companies, and thus the Issuer's ability to perform obligations under the Bonds.

10.8. Exchange rate risk

The Group's financial results and operating activities may be significantly affected by currency fluctuations. So far, the Group has obtained the vast majority of sales revenues in PLN, while approximately 30% of the purchase costs of materials and components used in the products offered by the Group and some of the machinery and equipment purchased as part of investment projects is settled in USD or EUR. In particular, this applies to photovoltaic panels and inverters, the purchase cost of which accounts for about 30% of the total production cost. Thus, it is exposed to EUR/PLN and USD/PLN exchange risk.

Excessive depreciation of PLN, in particular against EUR, may affect the prices of components of photovoltaic installations purchased by the Group, as well as the costs of transporting imported components. The Group bears the exchange rate risk in the period between the purchase and payment for materials and components used in the products offered by the Group. The Group uses derivatives to manage currency risk.

At the same time, the Issuer cannot ensure that the entire increase in costs resulting from exchange rate fluctuations will be passed on to end customers by raising product prices in a timely manner. Thus, there is a risk that the current or future exchange rate risk management policy will not sufficiently minimize the negative impact of currency fluctuations on the Group's financial results, which may affect the Issuer's ability to perform its obligations under the Bonds.

10.9. Risk related to the conditions prevailing on the solar energy market and in the photovoltaic farm industry

The Group's operations are affected by market and solar industry conditions. The solar energy market and industry can experience oversupply from time to time. In such a situation, this may have a negative impact on many developers of solar energy projects, including developers of photovoltaic farms. The solar energy market is still at a relatively early stage of development, and the future demand for solar energy products and services is uncertain, but according to the Energy Policy of Poland until 2040 prepared by the Ministry of Climate, it is assumed that the capacity installed in photovoltaics in Poland will increase to approx. 5-7 GW in 2030 and up to approximately 10-16 GW in 2040. Factors that may affect the profitability of solar energy technology and the demand for solar energy products include:

- (i) cost effectiveness, efficiency and reliability of solar energy installations, including the Group's solar energy projects, compared to installations using conventional and other renewable energy sources,
- (ii) the availability of RES auctions and incentives to support the development of the solar energy sector,
- (iii) availability and cost of capital, including long-term debt, including bank debt, for solar energy projects,
- (iv) the success of other alternative energy technologies such as wind power, hydro power, geothermal energy and biomass fuel,
- (v) fluctuations in economic and market conditions that affect the profitability of conventional and other renewable energy sources, such as increases or decreases in oil, gas and other fossil fuel prices,
- (vi) reduction of production from RES as a result of its periodic surpluses in the event of oversupply (resulting from balancing the demand for electricity with energy supplies),
- (vii) capital expenditures for end-users of solar products and services, which tend to decrease with the economic downturn, and
- (viii) the availability of favorable solar energy regulations in the electricity sector and the wider energy industry.

If solar energy technology is not suitable for widespread use or if sufficient demand for solar energy products and services, despite financial and regulatory support from European Union countries, does not develop or develops longer than expected by the Group, this may have a negative impact on its revenues, and the Group may not be able to maintain its profitability. Despite the guarantee of a specific purchase price for renewable energy and securing cash flows from won RES auctions and long-term (typically 10-12 years) power purchase agreements (PPA) between the energy producer and the energy buyer, the Company cannot exclude the imposition of additional fees, taxes or other charges on entities producing electricity from renewable energy sources, which will have a significant negative impact on the profitability of photovoltaic projects.

In addition, solar electricity generation competes with other renewable electricity generation sources, and such competition may intensify in the future for wind power, biomass or geothermal electricity production. Other energy generation methods can put a lot of competitive pressure on photovoltaics, for example, if they prove

to be more economical due to technical progress or if they receive greater regulatory support for political reasons. This could affect the further development of photovoltaics or lead to a decrease in the demand for solar energy. Competition with conventional energy sources, which (even with possible state-managed photovoltaic support) could generate electricity at a cost-competitive level, could also affect the demand and prices of solar electricity.

Lowering the market price of conventional energy sources could also make the production of energy in photovoltaic power plants seem less economically attractive and, consequently, could lead to a decrease in demand for electricity generated with the use of photovoltaics. This could result in significant price pressure and a reduction in sales volume in the market. All of the above factors may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.10. Risk related to the valuation of Project Companies

The Issuer performs the valuation of photovoltaic projects for the purposes of preparing investment plans, as well as for the purposes of selling already completed projects. Valuation of projects consists in estimating the fair value of the market value, defined in the IVS. Under the IVS, fair market value is defined as: "the estimated amount for which an asset should be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction in which each party to the transaction was well informed and acted within carefully and without coercion". Valuation of the Group's photovoltaic projects is carried out using two methods: the comparative method (for projects prior to the commencement of construction) based on market transactions and the income method (for projects under construction covered by a sales agreement). The valuation includes revaluation to market value of fixed assets related to photovoltaic projects including project rights reflected in balance sheets as capitalized capital expenditures (for projects whose construction has started) and net fixed assets (for projects whose construction has been completed). The approach to valuation depends on the stage of project advancement. There is a risk that the assumptions and basis of this valuation will turn out to be incorrect or false, which may have a material adverse effect on the Group's revenues. As a consequence, the Group may not achieve the expected return on investment. In addition, the valuations performed by entities purchasing photovoltaic farms may differ significantly from the values forecasted by the Issuer, which may also have a significant negative impact on the return on investment. All of the above-mentioned circumstances may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.11. Risk related to the construction of photovoltaic power plants

In connection with the construction of any photovoltaic power plants, the Project Companies will act as a lessee of the property. Construction works will be carried out by an independent external entity or Nomad Electric, i.e. one of the Issuer's subsidiaries as the general contractor. Appropriate work is usually subject to a contractually agreed warranty period of 2 to 5 years, according to country specificities and typical industry warranties provided by major technology providers (modules, inverters, mounting structures). The Issuer acquires components necessary for construction works, in particular photovoltaic modules and inverters, from appropriate manufacturers. The warranty periods for the physical properties of these components usually range from 5 to 25 years (warranties for photovoltaic modules, which are the most important component of the installation, are granted for 25 years). may hinder the implementation of warranty rights. Manufacturer's warranties relating to components, in particular product and service warranties, are usually transferred to the owner of the PV power

plant, i.e. to the relevant Project Company. There is a risk that defects in the photovoltaic power plants and/or components used during the installation will occur after the warranty period or the warranty itself has expired and that it will not be possible to validly submit warranty claims to the given contractor. Moreover, it cannot be ruled out that the addressee of the claim will not be willing or able to fulfill the warranty claim, which may in some circumstances lead to costly and time-consuming legal disputes. In the event of the insolvency of the claimant, any warranty claim, if any, will fail due to insolvency. Even in the case of a manufacturer's warranty, there is a risk that the warranty cannot be enforced due to the manufacturer's insolvency or for any other legal and/or practical reasons (for example against a foreign group).

The installation of photovoltaic power plants is also associated with the risk that, despite careful planning and advance payments, the connection to the electricity distribution grid will fail or be delayed. The error may occur during project development or at a later stage, during technical implementation. In this case, there is a risk that any claims for damages against the relevant counterparty who committed the error will not be enforceable or will not be enforceable in full.

The occurrence of one or more of the above-mentioned risks could have a significant negative impact on the activities, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.12. Technical risk

With regards to the long-term efficiency of solar modules, only limited market data is available in Poland. The operation of photovoltaic installations involves some technical and administrative complexity and requires appropriate attention, technical resources and specialized knowledge. Despite proper operation, maintenance and management of individual photovoltaic farms, damage or destruction of elements of the technical infrastructure necessary for the operation of individual photovoltaic farms, which may prove difficult to remove, cannot be ruled out. While manufacturers typically provide performance warranties for a limited period of time, these warranties typically cover only a specific percentage of the total lifetime (for example, 80% after 20 years). There is a risk that the degradation will not occur in a linear fashion, but that the efficiency will drop to the lowest guaranteed value during the first few years, resulting in a significant deterioration of the average efficiency of the module without breaching the warranty and without the possibility of any claims against the manufacturer. A correspondingly reduced production of electricity would lead to negative consequences for the assets and the financial and earning position of the Company.

The service life of technical components, in particular solar modules and inverters, is limited. Therefore, failure or replacement of necessary components is to be expected during the lifetime of the photovoltaic power plant. In this case, there is a risk that the relevant expenses and/or loss of earnings resulting therefrom will not be covered by the guarantees or that the relevant counterparty will not be able to meet its obligations. Although almost all Project Companies in the Group's portfolio created provisions kept in banks as limited cash, they could prove insufficient due to unfavorable component prices or an extremely high failure rate.

The risks arising from the operation of the equipment are based on the technology of photovoltaic power plants and their maintenance. During their operation, photovoltaic devices are exposed to a variety of loads as well as climatic and environmental influences. This may result in unplanned expenses for their maintenance. Moreover, there is a risk that the photovoltaic devices or their parts will not reach their expected lifetime. During operation, losses caused by technical factors, such as network failure, must be taken into account. There is also a risk of damage to photovoltaic equipment in other ways, for example as a result of weather conditions, earthquakes, theft, vandalism or other acts of violence, with the Issuer entering into standard asset insurance contracts to

protect against the negative effects of weather conditions, earthquakes, theft, vandalism or other acts of violence. Downtime due to technical maintenance or other reasons may lead to loss of earnings which will not be covered by any guarantees or insurance.

In addition to a decrease in income as a result of a decrease in the amount of generated energy, the repair or replacement of this equipment may involve expenses that may have a significant negative impact on the business, financial condition and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform obligations under the Bonds. With regard to existing grid connections, there is always a risk that it will not be possible to feed energy into the grid against payment due to irregularities in the general supply of electricity, overcapacity or congestion on the line and that the affected Project Company will only receive limited or no compensation.

10.13. Risk related to unfavorable weather conditions and the risk of natural disasters

The production of energy in solar power plants is directly related to the available solar energy resources. More solar energy resources means greater production of electricity, and thus higher income of the Issuer and the Group companies from market sales. The average annual estimated energy production for individual photovoltaic farms belonging to the Group is calculated on the basis of historical data on solar radiation. At the same time, the Company is observing an increase in the number of places with sufficient sunlight to implement photovoltaic projects. Changes in the amount of solar radiation in a given year, as well as possible errors or inaccuracies in the calculation of the forecast intensity of solar radiation, may have a negative impact on the final amount of electricity generated by individual photovoltaic farms, and thus on the activity and financial results of the Issuer or the Group, which may adversely affect the Issuer's ability to perform its obligations under the Bonds.

In addition, unfavorable weather conditions as well as natural disasters, accidents and other unpredictable events may cause delays in the process of construction, repair or maintenance of the Group's photovoltaic farms, affecting their operations, which may have a significant negative impact on the business, financial condition and operating results of the Issuer and Group companies, and thus on the Issuer's ability to perform obligations under the Bonds.

10.14. Risk related to projects in preparation

While the Group plans to partially sell its current portfolio of photovoltaic (PV) projects as part of its operating activities, it also intends to increase its energy segment by developing and selling or operating more solar projects. In addition, the future success of the Group depends to a large extent on its ability to expand its portfolio of PV projects. The risks and uncertainties related to the Group's ability to expand its portfolio of PV projects include: (i) the need to raise significant additional funds for the construction or purchase of photovoltaic power plants, (ii) delays and cost overruns resulting from a number of factors, many of which remain beyond the control of the Group, including delays in obtaining regulatory approvals, construction, connection to the grid; and (iii) delays or denials of required regulatory approvals by relevant government authorities.

The development of a new project and the acquisition of a finished photovoltaic project is always based on an economic calculation that includes certain assumptions, such as the development of market interest, the amount of capital expenditure incurred in connection with the construction and connection of the power plant, the projected productivity of the power plant and the level of operating costs. If these assumptions turn out to be

wrong, or if some factors develop differently than planned, this will have a negative impact on the profitability of photovoltaic (PV) power plants. In particular, the Issuer cannot rule out that the actual value of capital expenditures necessary to implement a given photovoltaic project will be higher than originally planned, in particular due to the increase in the cost of materials and salaries, which may significantly reduce the Issuer's profits.

All of the above-mentioned factors may have a significant negative impact on the business, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.15. Risk of incorrect valuation of investment projects

During the construction and/or purchase of a photovoltaic power plant, it is expected to exercise due diligence in legal, economic and technical terms, and - at least to some extent - the Issuer uses the services of external advisors. Based on the data provided by the sellers of a given project or its own assumptions, the Issuer also prepares projections of planned cash flows generated by the photovoltaic power plant. The Group cannot rule out that during such a due diligence process and financial modeling for a future solar project, some irregularities will not be correctly identified or will be misjudged and that it will receive incorrect or incomplete data, based on which it will come to incorrect conclusions. For example, technical risks related to grid connection may not be identified or may be omitted from permit requirements. The risk of incorrect project valuation may also result from deliberate concealment of real data by sellers. Under certain circumstances, errors in the due diligence process and analysis of the project's financial model may have a significant negative impact on project implementation, may lead to significant additional time and/or additional costs, or may lead to the cancellation of a PV project that has already started. In such circumstances, there is also a risk of lack of adequate recourse in the event of an error by the external advisor or project vendor.

All of the above-mentioned factors may have a significant negative impact on the business, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.16. Risk related to electricity prices

In the countries where the Group operates, the photovoltaic market is affected by national, regional and local government regulations and policies regarding the power industry, as well as policies disseminated by energy companies. These regulations and rules often relate to electricity pricing. Such regulations include Council Regulation (EU) 2022/1854 dated 6 October 2022 on intervention in an emergency situation to solve the problem of high energy prices, as a result of which a limit of the price at which it is allowed to deliver electricity in 2023 was set by individual EU countries. The Group's goal is to increasingly include in its offer those projects of photovoltaic power plants that are not supported by the state. In such cases, however, there is a risk of a decrease in revenues from this project due to a decrease in electricity prices. In the worst case, low cash flows or no positive cash flows from operating activities could be generated, which in turn would lead to a situation where payments to the Group would not be possible.

All of the above-mentioned risks may have a significant negative impact on the activity, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.17. The risk of having to incur significant capital expenditures

The subject of the Issuer's business is i.a. construction of photovoltaic projects, which are ultimately to be a comprehensive turnkey service. There is a risk that the Issuer, while preparing new projects, will have to incur large capital expenditures in order to launch and assemble the installations. If the Company does not have sufficient financial resources, it may affect the deterioration of its financial situation, in particular if the financing banks refused to grant loans. The necessity to incur such significant expenditures may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.18. Risk related to competition in the segments in which the Group operates

The Group expects competition to intensify, including from capital-strong foreign entities operating on the renewable energy market. Due to its potential, potential returns on investment, the solar farm market attracts investors who compete with the Group. The intensification of this competition, increasing investment outlays in this sector by entities already operating on the market and entities starting their operations may result in an advantage of supply over demand for photovoltaic farms, and also have a negative impact on the sale prices. In addition, due to the systematic increase in demand for energy produced from renewable sources, resulting from the applicable legal regulations, the relatively low supply of this type of energy (in the long term) and, consequently, the expected increase in its prices, the attractiveness of investments in the production of energy from RES is high. Therefore, an increase in competition in this market segment should be expected. The Group operates in the field of operating photovoltaic farms and is in the process of developing further photovoltaic farms. The Issuer does not rule out that foreign entities with experience in this field gained on other European and global markets will be interested in investing in the construction of photovoltaic farms. Increased activity of other entities on the market of solar farms may make it difficult for the Group to access attractive locations and increase the costs of their acquisition.

Also in the case of other activities of the Group, including trading in certificates or electricity, the possible opening of the electricity and RES markets at the European level may have an adverse effect on the Group's operations.

The above factors may have a significant negative impact on the business, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.19. Risk related to delays in the implementation of the Group's projects

The implementation of construction projects, including projects involving the construction of photovoltaic farms, requires the provision of appropriate infrastructure and continuity of supplies of photovoltaic farm elements. The possibility of their construction depends on the decision of the competent administrative authorities or the establishment of easements on plots owned by third parties. There is a risk that due to delays in preparing access to the infrastructure, there will be a delay in the commencement of construction and the date of putting a given project into use, which may delay the return on invested capital.

In the absence of consent of third parties to establish an easement, it may be necessary to take legal action. This may cause a delay in connecting the photovoltaic project to the power grid. The described cases may have a

significant negative impact on the implementation time, project costs and, consequently, on the activity and financial situation of the Issuer or the Group.

As a result of delays in the implementation of projects, the Group may not obtain the expected revenues from these projects on time, and may also be exposed to the payment of contractual penalties or other claims by project buyers, and may lose the opportunity to participate in photovoltaic auctions.

Each of the above-described risk factors, if materialized, may have a significant negative impact on the activities, financial standing and operating results of the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.20. Risk of losing key employees

The Issuer is dependent on persons holding managerial functions, in particular members of the management board and key employees. The solar industry currently suffers from a shortage of experienced managers, which makes the process of recruiting qualified management staff difficult. Persons occupying managerial positions in the Issuer's bodies have extensive experience gained on the Polish renewable energy market in the field of searching, acquiring, financing, construction, marketing and managing photovoltaic projects. Termination of cooperation by any of the management board members, directors or key employees may adversely affect the Group's ability to generate new and implement already started photovoltaic projects. This may have a significant negative impact on the activity, financial situation and operating results of the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.21. Risk related to the conflict between Russia and Ukraine

The risk of the conflict between Russia and Ukraine affecting the operations and financial situation is described in Note 9 to this Management Board Report.

10.22. Increase in the value of the total debt of the Issuer and entities from the Group due to bonds and loans

The issuer may take loans in the future, establish new bond issue programs or issue bonds outside the established programs. Decisions on the issue of subsequent series of bonds will depend on the Group's financial needs.

An increase in the value of the total debt of the Issuer and entities from the Group due to bonds and loans may have a significant negative impact on the activity, financial situation and operating results of the Issuer and Group companies, and thus on the Issuer's ability to perform obligations under the Bonds.

10.23. Inability to refinance maturing liabilities or difficulties in obtaining additional financing

Due to the dates of project implementation, the dates of repayment of liabilities by the Group companies are not correlated with the maturity dates of the Bonds. Proceeds from the issue of the Bonds may be partially used

to refinance the existing debt for financing investment projects. The Issuer also does not rule out that the funds for the redemption of the Bonds will come from debt financing in the form of bank loans, intercompany loans or new bond issues. In the event of difficulties in obtaining additional financing, the growth of the Group's scale of operations and the pace of achieving certain strategic goals may slow down compared to the initial assumptions. The inability to refinance the debt on favorable terms at the maturity date of the liabilities may have a significant negative impact on the business, financial standing and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to meet its obligations under the Bonds.

10.24. Deterioration of the macroeconomic situation

The Group's activity depends on the economic situation on the market of renewable energy obtained with the use of photovoltaic farms, which in turn is strongly related to the situation on the financial market, including trends on the interest rate market. Activities in the photovoltaic industry, the level of revenues from such activities and the realization of profits are largely related to the general economic situation, both domestic and international. In the event of a slowdown or deterioration of the macroeconomic situation, potential buyers of projects related to photovoltaics limit their investment activity.

The company conducts business activity in Poland and European Union countries, while the production of photovoltaic installation components used by the company also takes place in China. Therefore, the Company's operations are affected by macroeconomic factors relating to the EU market, as well as, to some extent, its import markets, which in turn are affected by the economic situation of the region and the global economy.

The negative situation on the financial markets may result in banks introducing more stringent credit procedures, increasing the required level of collateral or tightening contractual provisions, which may cause difficulties in obtaining financing by the Issuer or other entities from the Group and difficulties in obtaining financing by buyers of the Group's investment projects.

The occurrence or persistence of less favorable economic conditions, as well as the direct impact of economic cycles on the Company's operations, may have a significant negative impact on the Company's operations, its financial standing, results of operations or development prospects, and consequently on the Issuer's ability to perform its obligations under the Bonds.

10.25. Interest rate risk

A significant part of the Issuer's and Group companies' debt bears interest at a variable interest rate based on the WIBOR ratio. A further increase in interest rates or inflation will result in a partial increase in the nominal amount of interest paid on the debt of the Issuer and Group companies. An increase in interest rates may have a significant negative impact on the Issuer's financial situation and, consequently, on the Issuer's ability to perform its obligations under the Bonds. The Group uses derivatives to manage interest rate risk.

In addition, interest rates on the Issuer's and Group companies' debt based so far on WIBOR may change in the event of potential liquidation of WIBOR or cessation of its development.

10.26. Risk of the political environment

The main areas of the Group's activity are subject to regulations shaped by national and Community legislators. Political issues, in particular issues related to climate policy, the interests of consumers and energy companies, the selection of promoted technologies, have a significant impact on the decisions made, the enacted and amended regulations in the energy sector. Political decisions can have a direct impact on e.g. shaping electricity prices, the level of support for renewable energy sources. In addition, environmental protection regulations may also have a significant impact on the Group's operations. Political decisions taken by national authorities and public administration bodies as well as EU bodies may significantly affect the Group's operations. Among other things, they may affect the interpretation and directions of changes in legal regulations (in particular with regard to energy and environmental regulations). The above circumstances may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform obligations under the Bonds.

10.27. The risk of COVID-19 impact on the Issuer's operations and financial situation

The risk of COVID-19 impact on the operations and financial situation is described in note 9 of this Management Report.

10.28. Risk related to the regulatory environment regarding obtaining energy from renewable energy sources

In the countries where the Group operates, the market of solar energy and solar energy generation systems is strongly influenced by the applicable laws regarding the energy industry, including the photovoltaic industry. Regulations often relate to customers' electricity prices and technical interconnections for electricity generation and can hinder further investment in research and development of alternative energy sources and influence customers' willingness to buy such energy, which can result in a significant reduction in potential demand for electricity. Group's photovoltaic products.

The basic legal acts applicable to entities generating and trading in electricity in Poland, including most entities from the Group, are the Energy Law and the RES Act. Pursuant to the Energy Law, the generation and trading of electricity, subject to the exceptions indicated in this Act, requires obtaining a relevant license issued by the President of the Energy Regulatory Office. Concessions are issued for a definite period of time, not shorter than 10 years and not longer than 50 years. In certain situations, the President of the Energy Regulatory Office revokes a license, in particular when an energy company grossly violates the conditions set out in the license or other conditions for conducting licensed activities. Moreover, the President of the Energy Regulatory Office may revoke a license or change its scope, e.g. due to a threat to the defense or security of the state or the security of citizens, in the event of the division of an energy company or its merger with other entities, as well as in the event of failure to perform certain obligations under the Energy Law. Withdrawal or change of the scope of the license under which the entities of the Group operate may have a significant negative impact on the activity and financial results of the Issuer or the Group.

The activities of the Group entities, in particular the investment process involving the creation of new photovoltaic installations, are governed by the general provisions on the investment and construction process. Therefore, in the course of this process, Group entities are required to obtain, among others: decisions on

environmental conditions, decisions on development conditions, building permits and occupancy permits. In certain situations, the construction of a new photovoltaic installation may require changes to the local spatial development plan. In certain situations, a given entity from the Group may not obtain the required administrative decisions, or the administrative proceedings in this case may be prolonged, which may have a negative impact on the development of the Group's operations and its financial results.

Group entities regularly participate in auctions conducted by the President of the Energy Regulatory Office, the subject of which is the sale of electricity generated in renewable energy source installations and fed into the grid by energy producers. Producers of electricity from renewable energy sources who intend to participate in the auction are subject to the procedure of formal assessment of preparation for electricity generation in a given installation. The amount of electricity to be purchased under the auction in a given year is determined anew in each subsequent year, so the values determined in individual years may differ significantly. It is also possible that for a given type of installation the specified minimum value of electricity to be purchased in a given year will be "0", so the auction for this type of installation will not take place at all. The sale price of electricity generated from renewable energy sources, specified in the bids of auction participants whose bids ultimately won a given auction, is subject to annual indexation with the average annual price index of total consumer goods and services from the previous calendar year. In addition, certain obligations are imposed on auction winners, described in detail in the RES Act, which include i.a. the maximum period within which, after winning the auction, the generation of energy in a given installation is to take place (24 months in the case of photovoltaic installations) and the obligation of the auction winner to sell electricity.

The materialization of each of the above-mentioned risk factors may adversely affect the Issuer's and the Group's operating activities, which may have a significant negative impact on the Issuer's or the Group's financial results, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.29. Risk related to environmental protection regulations

The Group companies are obliged to comply with the relevant legal regulations regarding environmental protection, in Poland and abroad. These regulations regulate, among others: emissions of pollutants, sewage, soil and groundwater protection, and human health and safety. In the event of non-compliance with current or future environmental protection laws and regulations, Group companies may be forced to pay significant fines or even cease operations. Some equipment used in photovoltaic farms, such as transformers, contain substances that, in the event of a breakdown or accident, may cause environmental pollution. Compliance with the laws and regulations applicable to the Issuer and entities from the Group is associated with incurring certain costs, and their possible violation, involving the imposition of penalties by the competent public administration authorities, may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

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

The Group's operations are subject to numerous national, EU and international regulations. Laws, regulations, decisions, positions, opinions, interpretations, guidelines, etc. applicable to the Group's operations are subject to frequent changes. In addition, a number of regulations applicable to the Group's operations have been adopted relatively recently and practice in their application has not developed (which may result in the risk of their incorrect interpretation and application). Important for the Group's operations are also decisions made by relevant administrative authorities, in particular energy regulatory authorities in the countries where the Group

operates, which are highly discretionary and are often the subject of court disputes. The Group is burdened with the risk of not adapting its operations to changing laws and regulations, with all its consequences, and of decisions or judgments being issued by individual authorities and courts that are unfavorable to the Group.

The above circumstances may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform obligations under the Bonds.

10.31. Failure to meet legal requirements and negative decisions of public administration authorities regarding the permits required to conduct business by entities from the Group

The implementation of projects involving the construction and maintenance of photovoltaic farms is associated with the need to meet many requirements set out in the law. Therefore, Project Companies must obtain numerous permits and consents (including zoning decisions and building permits) issued by administrative authorities. Possession of these documents is a formal and legal condition for the commencement, operation and commissioning of the investment.

Any errors or internal contradictions in these documents or the opinion that the implementation of the investment is carried out in a manner inconsistent with the conditions set out in them may potentially lead to the suspension of the investment process until the identified defects and irregularities are removed. The relevant administrative authorities may also refuse to issue such permits or consents required in connection with the projects or their issuance may be delayed. In addition, administrative decisions may be issued in violation of the law or have other defects.

This may lead to these decisions being challenged at a later stage of project implementation. Failure to obtain or delay in obtaining the required permits and consents, as well as challenging the issued administrative decisions, may result in the investment process being suspended. This translates directly into the deterioration of the return on investment and the financial results of the Issuer and the Group, which may have a significant negative impact on the Issuer's ability to perform obligations under the Bonds.

10.32. Unfavorable changes in the legal environment of the Issuer and the Group

Legal regulations in the field of spatial planning and development, construction law, tax law, real estate law and seller's liability as well as restrictions on the use of land, as well as regarding reporting specific elements of business activity are subject to numerous changes, and the changes may worsen the conditions of the Issuer's business, for example by imposing additional obligations, the implementation of which may involve the need to incur additional costs.

Changes in tax regulations may consist in increasing tax rates, as well as introducing new specific legal instruments or interpretations concerning the Issuer, including the possibility of recognizing interest costs as tax costs or affecting the extension of the scope of taxation introducing new forms of tax burden.

The entry into force of a new regulation, significant for economic transactions (e.g. change in the level of the minimum wage, removal of the limit for calculating social security contributions or imposition of additional obligations during the investment process) may cause direct significant changes to the business activity and a

significant increase in the costs of investment implementation or also a change in the shape of agreements with buyers of projects implemented by entities from the Group.

In the case of new regulations that raise doubts regarding their interpretation, their introduction may create a situation of uncertainty as to the applicable legal status and cause a temporary suspension of many investments for fear of the adverse effects of the introduced regulations (financial losses or even criminal consequences of actions taken on the basis of the regulations, which are then followed by courts or authorities public administration interpreted in a way unfavorable to the entrepreneur).

The materialization of the above risk factors may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus on the Issuer's ability to perform its obligations under the Bonds.

10.33. Unclear tax regulations

On January 1, 2019, the provisions of the Tax Ordinance on reporting the so-called tax schemes (Mandatory Disclosure Rules). The new regulations implement the EU directive in Poland in a much broader way than their proposed scope. Due to the broad nature of the regulations on tax schemes, the reporting obligation may apply to any transaction or even a business arrangement that contains any tax elements. The issuer may incorrectly identify the areas of activity that are most exposed to the possibility of tax schemes or incorrectly implement internal procedures in this regard. Failure to report or other non-compliance with the regulations on reporting tax schemes may result in individual penalty and fiscal liability, including a fine of up to 720 daily rates (i.e. over PLN 20 million), a ban on conducting business activity and in the absence of a procedure internal – a fine of up to PLN 10 million.

In addition, it should be noted that as of July 15, 2016, the Tax Code was amended to include the provisions of the GAAR clause, which applies to tax benefits obtained after the date of entry into force of the clause.

Pursuant to the GAAR, an activity does not result in obtaining a tax advantage if the achievement of this advantage, contradictory in the given circumstances to the subject or purpose of the tax act or its provision, was the main or one of the main purposes of its performance, and the method of operation was artificial (tax avoidance). In such a situation, the tax consequences of the action are determined on the basis of the state of affairs that could have occurred if the relevant action had been taken.

An action that an entity could take in given circumstances is considered appropriate if it would act reasonably and pursue lawful purposes other than achieving a tax advantage contrary to the object or purpose of the tax act or its provision, and the method of action would not be artificial. The appropriate action may also consist in omission.

A course of action is not artificial if, on the basis of the existing circumstances, it should be assumed that an entity acting reasonably and guided by lawful objectives would use this course of action predominantly for justified economic reasons. The reasons referred to in the first sentence do not include the purpose of achieving a tax advantage contrary to the object or purpose of the tax act or its provision.

When assessing whether the achievement of a tax advantage was the main or one of the main purposes of the activity, the economic objectives of the activity indicated by the party are taken into account.

The tax benefit is:

- (i) no tax liability arises, tax liability is postponed or its amount reduced;
- (ii) creation or overstatement of a tax loss;
- (iii) the occurrence of an overpayment or the right to a tax refund, or an overstatement of the amount of the overpayment or tax refund;
- (iv) no obligation to collect the tax by the payer, if it results from the circumstances indicated in point (i).

Inconsistent practice of Polish tax authorities and jurisprudence in the field of tax law is a common problem. As a consequence, there is a risk that the Polish tax authorities may issue unexpected decisions in tax proceedings, including the application of GAAR in relation to the Issuer and the Group, which may have a significant negative impact on the activity, financial situation and operating results of the Issuer and the Group companies, and thus the Issuer's ability to perform its obligations under the Bonds.

Przemysław Pięta – President of the Management Board

Tomasz Sęk – Member of the Management Board

Klaudiusz Kalisz – Member of the Management Board