



# R.Power S.A.

Statement of the Management Board on the business operation for 2024

TRANSLATION ONLY

## 01. Key information about the Company

R.Power Spółka Akcyjna ("Company") has been established according to the notarial deed of 12 October 2010. On 10 December 2021, the Company has been transformed from a limited liability company into a stock company. The transformation was recorded in the registry of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Department of the National Court Register, on 20 December 2021. The Company is entered into the registry of entrepreneurs of the national Court Register with the number KRS 0000939593. The Company has received the statistical REGON number 142641571. The registered main office of the Company is located at the address 02-566 Warsaw, ul. Puławska 2.

On 16 March 2023, the basic capital of the Company was increased by the amount of PLN 2,646,235.75 through the issue of 52,924,715 new shares with the nominal value of PLN 0.05 each.

On 25 June 2024, the basic capital of the Company was increased by the amount of PLN 0.05 through the issue of 1 new share with the nominal value of PLN 0.05.

On 16 December 2024, the basic capital of the Company was increased by the amount of PLN 0.05 through the issue of 1 new share with the nominal value of PLN 0.05.

As at 31 December 2024, the basic capital of R.Power S.A. was 8,682,235.85 zlotys and was divided into 173,644,716 shares with the nominal value of 0.05 zlotys each. The shareholders of the Company as at 31 December 2024 were as follows:

	Number of shares	Number of votes	Nominal value of single share	Share in the basic capital
L77 Capital Ltd	46,284,048	46,284,048	0.05	27%
Sęk Tomasz	29,105,592	29,105,592	0.05	17%
Alternatywna Spółka Inwestycyjna Colares Investments sp. z o.o.	28,151,904	28,151,904	0.05	16%
TS Capital Fund Ltd	17,178,456	17,178,456	0.05	10%
3S Ra Holdings S. à r.l.	50,872,476	50,872,476	0.05	29%
Marcin Studniarek	2,052,240	2,052,240	0.05	1%
Total	173,644,716	173,644,716		100%

As at the statements preparation date, the Management Board of R.Power S.A. included:

- Przemysław Pięta – President of the Management Board
- Tomasz Sęk – Board Member
- Klaudiusz Kalisz – Board Member
- Anna Gruszczyńska – Board Member
- Katarzyna Suchcicka – Deputy President of the Management Board
- Rafał Kozłowski – Board Member

As at the statements preparation date, the Supervisory Board of R.Power S.A. included:

- Dominykas Tuckas – Chairman of the Supervisory Board
- Jaworski Witold – Member of the Supervisory Board
- Krzysztof Czuba – Member of the Supervisory Board
- Wiktor Namysł – Member of the Supervisory Board
- Maślejka Piotr – Member of the Supervisory Board

- Smolarek Bartłomiej – Member of the Supervisory Board

The main activity of the Company includes provision of services related to commercial management and development of solar power plant projects operated by its subsidiaries, their commercialisation and obtaining income from electricity generation (if the given project remains in the portfolio) or sales of individual power plants to investors.

## 02. Significant events impacting the activity of the Company, its financial situation and results achieved in the given year and afterwards, until the preparation date of the financial statements

On 10 February 2023, the Company informed about entering an investment agreement intended to take over a minority interest in the shares of R.Power S.A. between the Company itself, its shareholders and the purpose-specific company established by Three Seas Initiative Investment Fund S.A. SICAV-RAIF, the sole investment adviser of which was Amber Infrastructure Group. According to the stipulations of the Agreement, Three Seas Initiative Investment Fund S.A. SICAV-RAIF was obliged to invest 150 million Euro in the Company, in exchange for a minority interest in the Company shares, with the option of further increasing the investment up to the amount of 250 million Euro. A suspending condition for further transaction execution was obtaining a permission for the concentration from the President of the Office of Competition and Consumer Protection, wherein the permission was received on 16 March 2023. On 3 April 2023, the capital increase was recorded by the National Court Register. Funds obtained from the minority investor fully increased own capital of the Company, taking into account the costs of the entire procedure. During the fourth quarter of 2023, the Company entered into a trilateral agreement with the European Bank for Reconstruction and Development and 3S Ra Holdings S. à R.L. - a purpose-specific company with its registered main office in Luxembourg, 100% dependent on the Three Seas Initiative Investment Fund, which is a minority shareholder in the Company ("3S SPV"). As part of the agreement, the European Bank for Reconstruction and Development has taken over 30% of shares in 3S SPV in February 2024, thus indirectly becoming a shareholder of the Company. The total planned involved amount of EBRD is going to be between EUR 75 and 250 million, to be provided by 3S SPV. This capital increase shall take place without a significant change to the shareholder structure of the Company, according to the prior investment agreement.

The share capital and the reserve capital of the company were increased twice in 2024:

- On 25 June 2024, the basic capital of the Company was increased by PLN 0.05 by the issue of 1 new share with the nominal value of PLN 0.05 and the reserve capital of the Company was increased by PLN 107,712,500.
- On 16 December 2024, the basic capital of the Company was increased by PLN 0.05 by the issue of 1 new share with the nominal value of PLN 0.05 and the reserve capital of the Company was increased by PLN 106,805,000.

In October 2024, the Company carried out three issues of bonds, with the total nominal value of 530 million zlotys.

- In the issue series 1/2024, the Company issued bonds with the total nominal value of 352.2 million zlotys.
- In the issue series 2/2024, the Company issued bonds with the total nominal value of 127.8 million zlotys.
- In the issue series 3/2024, the Company issued bonds with the total nominal value of 50 million zlotys.

At the same time, the Company purchased the following items for cancellation:

- Series 1/2021 – 159,998 bonds with the total nominal value of 159,998,000 zlotys
- Series 2/2022 – 25,000 bonds with the total nominal value of 25,000,000 zlotys.
- Series 4/2021 – 120,000 bonds with the total nominal value of 120,000,000 zlotys.

On 31 October 2024, the Management Board of R.Power S.A. passed the resolution on using the right to earlier, total purchase of series 1/2021 bonds, i.e. purchase of 145,002 series 1/2021 bonds with the total nominal value of 145,002,000 zlotys. The date of the earlier bond purchase was set as 2 December 2024.

All bonds of series 1/2021, 2/2022 and 4/2022 were removed from the deposit of securities.

In December 2024, during the series 4/2024 issue, the Company issued bonds with the total nominal value of 80.7 million zlotys. As at the balance date of 31 December 2024, the total nominal value of the four series of green bonds issued by the company was 610,700,000 zlotys.

All bonds of the company are secured bearer bonds. The nominal value of a single bond is 1,000 zlotys. The interest rate on these 5-year bonds is WIBOR 6M increased by a 3.5% margin. The bonds shall be depreciated during the 2027-2029 period.

Series 1/2024, 2/2024 and 4/2024 bonds have been introduced onto the market in an alternative marketing system managed by Giełda Papierów Wartościowych S.A. w Warszawie (Warsaw Stock Exchange):

- Series 1/2024 was introduced onto the market on 8 November 2024 and is recorded under the short name RPW1029.
- Series 2/2024 was introduced onto the market on 29 January 2025 and is recorded under the short name RP21029.
- Series 4/2024 was introduced onto the market on 23 December 2024 and is recorded under the short name RP11029.

### 03. Predicted Company growth

Strategically, together with the Group in which the Company is the parent entity, the Company shall aspire to become a leading player in the photovoltaics sector in the selected European markets in the following years. The Group wants to put particular emphasis on increased activity in the IPP area (independent power production) by significantly increasing the value of own, operational photovoltaic power plant portfolio.

### 04. Key achievements in research and development

The Company does not carry out separate works in the field of research and development. The efforts of the Management Board are focussed on business optimisation and its improved efficiency as the consequence.

### 05. Current and foreseen financial situation.

The financial result over the period of 12 months ended on 31 December 2024 yielded a net profit of PLN 41.6 million. As at 31 December 2024, own capital was PLN 1,036.3 million. The balance of assets and liabilities as at 31 December 2024 indicated the balance amount of PLN 1,817.1 million.

During the next year, the Management Board of the Company plans to increase the revenue levels and to improve profitability. The Management Board does not see threats to the ability to meet the obligations of the Company. All obligations are processed continuously, as per the contractual conditions.

## 06. Own shares

As at the balance date and as at the financial statements approval date, the Company does not hold its own shares.

## 07. Branches (sites) owned by the Company

The Company does not have branches (sites).

## 08. Financial instruments

The relevant information is presented in the financial statements, in note 26 concerning additional information and explanations.

## 09. Assumed business continuity

As at the publication date of these statements, no circumstances indicating a threat to the continued business activity of the Company are present.

The escalation of conflict between Ukraine and Russia, however, which led to Russia invading Ukraine with its military on 24 February 2022, is currently one of the biggest challenges for the societies and economies around the world. As at the date on which these financial statements were prepared, the aforementioned conflict is ongoing and it is impossible to predict its end date. Conflict escalation may have negative impact on the economic situation in Poland, including foreign currency exchange rates and interest rate levels, liquidity, supply chains and the deterioration of general social mood. This may lead to a significant, negative impact on the financial and operating situation of the Company, the effect of which is currently difficult to predict. The Management Board of the Company continues to monitor the current situation and is ready to take actions intended to ensure uninterrupted, continued business activity.

Additionally, the impact of the COVID-19 pandemic on the activity and market environment of the Company has noticeably decreased and currently does not influence the continued business operation capacity of the Company.

## 10. Key threats and risks, which are significant to the assessment of the ability to meet obligations related to issued debt securities according to the Parent Company as the Issuer

### 10.1. Missing strategic objectives or their incorrect implementation

The Group systematically develops its activity as one of the key players on the renewable, photovoltaic energy market in Poland and abroad, mainly in the photovoltaic farm segment. The project development process from its inception, i.e. obtaining the required permits, through project development, financing and supervision over its construction, down to sales or project stopping within the Purpose-Specific Companies, in which R.Power Investment holds 100% of shares is a characteristic element of Group strategy. The Issuer cannot guarantee that its strategic objectives are achieved, in particular, that the development process of the given project runs uninterrupted or that it shall generate revenue on the assumed level at the end of the construction phase. The market on which the Group operates is subject to continuous changes, the direction and intensity of which depend on many factors. The market position during the following years, and thus the revenue and profits of the Issuer and of the Group in the future depend on the ability to develop, implement and maintain a long-term strategy.

The strategy of the Issuer assumes a quick increase in the scale of operation of the Group, which may prove to be difficult to achieve and maintain. The strategy implementation level depends on many factors, in particular, it depends on the availability of external financing, including the amount of funds obtained from the issue of Bonds.

Additionally, implementation of the expansion strategy under unfavourable market conditions may lead to wrong investment decisions. Incorrect situation assessment and the resulting, missed decisions, the inability to adapt to dynamically changing market conditions or the inability to maintain the quick pace of growth of the scope of Group operations may negatively impact the business activity and the financial results of the Issuer or of the Group resulting in the strategic objectives not being achieved, thus negatively influencing the rate of growth of the Issuer, the scale of its business activity and, as a consequence, the ability of the Issuer to meet its Bond-related obligations.

### 10.2. Risk related to losing RES tenders

The demand on the market of renewable energy sources is regulated mainly through RES auctions. Entrepreneurs with a ready energy sources and those who have projects with legally binding construction permits, but the projects for which have not been executed yet, can participate in the auctions. The price competitiveness of the bids is a key issue in the RES auctions. The cheapest bids win. The risk of losing a RES auction is absent in the markets the Group operates in where project commercialisation takes place by entering into energy sales agreements (PPA) instead of RES auctions (e.g. Italy, Spain and Portugal). Additionally, even if the RES auction is lost by the given Project Company operating in Poland, the project can still be commercialised by entering an energy sales agreement.

The Company focuses on commercialisation of RES projects through long-term energy sales agreements. However, participation in other RES auctions in the future is still possible. Despite the fact that almost all projects prepared by the Issuer won the RES auctions they participated in in the past years, there is the risk that not all projects prepared by the Issuer are going to win RES auctions in the future, which may negatively

impact the implementation of projects and the financial results of the Group, and thus the rate of growth of the Issuer and the scale of its business activity, consequently impacting the ability of the Issuer to meet its Bond-related obligations.

### 10.3. Risk related to the purpose-specific company business financing structure

The Group develops its projects through purpose-specific companies. R.Power S.A. does not hold shares in the Project Companies and does not directly invest in Project Companies.

The Group strategy assumes that their business activity is going to be financed i.e. through project finance. This method involves the establishing of the so-called purpose-specific companies created in order to carry out a specific project. The financing structure within project finance is characterised by the lack of regress towards the partners in the Project Company, while the repayment of debt capital and reimbursement of own capital used to finance the project are carried out from the revenue generated by the project. The entity financing the project bases the loan repayment on cash flows generated by the given project, while the assets of the project are treated as a loan repayment security. If the purpose-specific company does not execute the given project on time or if the project does not generate the expected flows, there is a risk of breaching loan agreements or delays in loan instalment repayments or even missing repayments may occur in extreme cases. Any breaches to the conditions of bank debt or missing repayments within the deadlines agreed upon in the loan documentation may i.e. influence the security enforcement process by the banks directly from the assets of the given Project Company. Such situations may, in turn, lead to significant delays in the repayment of loans granted to Project Companies by the Issuer, and can negatively impact the execution of new projects, the future growth of the Group and the ability of the Issuer to meet its Bond-related obligations.

### 10.4. Risk related to takeover of Project Companies

In relation to the financing structure of Project Companies, their assets and receivables from bank account agreements, as well as shares held by R.Power Investment in Project Companies are encumbered with deposits made for the benefit of the financing banks. In the event of a breach to the financing conditions, including stopped repayments of taken loans, the financing banks may initiate enforcement from the assets of Projects Companies and pledged shares, eventually seizing them for sale during the enforcement proceeding or to satisfy the receivables of banks offering loans to these Project Companies. Breaches of financing conditions in the case of important projects may negatively impact the ability of the issuer to meet the benefits it is obliged to provide from the Bonds. Additionally, it cannot be excluded that if the obligations are not met, the banks - creditors shall use their right to request a court to declare bankruptcy of a Project Company or to take over the control over such a company. As a result of the actions listed above, the Group may lose its assets, which can directly impact the ability of the Issuer to meet its obligations resulting from the Bonds.

### 10.5. Risk related to investments of the Issuer in purpose-specific companies - intra-Group loans

The investment projects of the Group are carried out via purpose-specific companies. The Group finances projects i.e. through granting loans to purpose-specific companies carrying out the given investment project. Loan repayments depend on the financial condition of the individual purpose-specific companies, which is

determined, in particular, by the actual execution of the accepted schedule for individual endeavours. Delays in individual projects may result in delays or, in extreme cases, the inability to repay the granted loans, thus significantly deteriorating the financial liquidity of the Group because of the inability to recover the invested funds. The described circumstances and adverse changes to them may significantly and negatively impact the business activity, the financial condition, financial results or outlooks of the Group, and thus the ability of the Issuer to meet its Bond-related obligations.

#### 10.6. Risk related to the status of the Issuer as a purpose-specific company

The Issuer, as a purpose-specific company, generally does not have any assets other than receivables due to R.Power Investment, Project Companies and other entities of the Group. A large part of assets of the Issuer include receivables towards R.Power Investment, related to the sales of individual Project Companies to third parties and receivables of the Issuer due to Project Companies, resulting from loans granted to Project Companies. As a result, the ability of the Issuer to meet its Bond-related obligations depends on the Issuer receiving payments from receivables due from R.Power Investment and from Project Companies.

Thus, the Issuer remains exposed to all risks related to solvency, to which other entities of the Group are exposed, including R.Power Investment and Project Companies. If these companies become insolvent, their assets shall be first seized by the creditors with material security on the assets of R.Power Investment and of Project Companies or on shares in these companies, and this may prevent the repayment of obligations of individual companies to the Issuer, consequently impacting the meeting of Bond-related obligations by the Issuer.

#### 10.7. Risk related to the international business expansion

The Issuer is currently developing projects mainly in Poland, but it is also present on the Spanish, German, Romanian, Portuguese and Italian markets. The Issuer plans to expand its business activity in other European countries, as well as outside Europe.

This strategy exposes the Issuer, i.e. to the following risks related to entering onto new markets and management of international operations.

- (i) the experience, knowledge and competitive advantage of the Issuer on its current primary market in Poland may be inadequate or may not be useful on the new markets,
- (ii) the renewable energy price policy of governments and local authorities may change,
- (iii) difficulties related to management, accounting and reporting, resulting from the international scale of Group business, may increase and cause difficulties in terms of implementation and maintenance of adequate internal control systems, and
- (iv) breaches or the lack of monitoring of regulations or standards effective abroad may result in the need to pay additional costs related to legal services related to foreign law,
- (v) operation in many different legal systems may result in the lack of appropriate business growth coordination of the Issuer.

The above circumstances, if they arise, may have negative impact on the financial results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations

## 10.8. Exchange rate risk

Currency exchange rate fluctuations may influence the financial results and the current activity of the Group. In the past, the Group has obtained the vast majority of its revenue from sales in PLN, while approximately 30% of the procurement costs of materials and units used in the products offered by the Group, as well as a part of machinery and equipment purchased as part of the investment projects, are settled in USD or EUR. This applies, in particular, to photovoltaic panels and inverters, the purchase cost of which contributes to approximately 30% of the total production costs. Thus, the group is exposed to the currency exchange rate risk for EUR to PLN and USD to PLN.

Together with the growth of the Group's business, the share of revenue from sales in EUR also increases and it includes electricity sales agreements made in EUR with energy recipients in Poland. Nevertheless, an excessive weakening of PLN, particularly against EUR, may influence the prices of components purchased by the Group, as well as the costs of transport of the imported products. The Group also bears the currency exchange rate risk during the period between the purchase and payment for materials and units used in the products offered by the Group.

The Issuer may not guarantee here that the entire increase of costs resulting from currency exchange risk fluctuations is passed on to the end customers by raising product prices at the appropriate times. Thus, a risk exists that the current or future currency exchange rate risk management policy does not adequately minimise the negative impact of exchange rate fluctuations on the financial results of the Group, and this may impact the ability of the Issuer to meet its Bond-related obligations.

## 10.9. Risk related to the conditions on the renewable energy market

The business activity of the Group is influenced by the conditions on the market and in the renewable energy sector, and indirectly also in the conventional energy sector. The renewable energy market and industry may also experience excessive supply from time to time. In this situation, this fact may have negative impact on project developer and electricity producers.

The renewable energy market is still in a relatively early development stage, and future demand for products and services related to solar energy is uncertain, wherein according to the update of the Energy Policy for Poland until 2040 prepared by the Ministry of Climate, the increase of RES in the production of electricity in Poland up to 50% in 2030 and up to 60% in 2040 is assumed. The factors which may impact the profitability of projects in the renewable energy sector include i.e.:

- (i) cost efficiency, yield and reliability of installations, including projects executed by the Group in the field of renewable energy, compared to installations using conventional and other, renewable energy sources,
- (ii) availability of RES auctions and incentives intended to support the growth of the renewable energy sector,

- (iii) capital availability and cost, including long-term debt, i.e. bank debt, in projects in the field of renewable energy,
- (iv) success of other, alternative energy technologies, such as hydro-energy, geothermal energy and energy derived from biomass,
- (v) fluctuations of economic and market conditions which impact the profitability of conventional and other renewable energy sources, such as increases and decreases of prices of crude oil, natural gas and other fossil fuels,
- (vi) RES production reduction caused by its temporary surpluses when oversupply occurs (caused by the balancing of demand for electricity with energy supplies),
- (vii) investment expenses made by the end users of products and services related to renewable energy, which have the tendency to decrease with economic downturn, and
- (viii) availability of favourable regulations concerning renewable energy and the wider power sector.

If the given renewable energy technology is unsuitable for widespread use or if the adequate demand for products and services related to renewable energy does not increase despite the financial and regulatory support of the European Union member states or such growth takes longer than foreseen by the Group, this may negatively impact its revenues and the Group may no longer be able to maintain its profitability. Despite the guaranteed, specific purchase price of renewable energy and the security of cash flows from the won RES auctions and long-term (usually 10-12 years) energy sales agreements (PPA) between the energy producer and the energy customer, the Company may not exclude that additional fees, taxes or other burdens may be imposed onto the entities producing electricity from renewable energy sources, with a significant, negative impact on the profitability of investment projects.

Additionally, the individual RES generation sources compete with each other, and such competition may increase in the future, for example in the case of biomass or geothermal production of electricity. Individual renewable energy generation technologies may generate competitive pressure, for example if they are proven to be more economically efficient because of technological progress or if they obtain higher regulatory support because of political factors. This could negatively impact the future growth of projects developed by the Group. Competition with conventional energy sources, which (even with the renewable energy being supported by the state) could generate electricity at a level competitive in terms of costs, could also impact the demand and electricity prices for electricity generated from renewable resources.

## 10.10. Risk related to valuation of Project Companies

The Issuer values projects for the purpose of investment plan preparation, as well as for the purpose of sales of already implemented projects. Project valuation includes the assessment of the fair market value as defined in the IVS. According to the IVS, the fair market value is defined as: “the estimated amount for which the asset item should be exchanged on the valuation date between an interested buyer and an interested seller in a transaction entered into on market conditions, in which each of the parties to the transaction was well informed and acted with prudence and without coercion”. The valuation of Group projects is prepared using: the comparative method based on market transactions (for projects before the start of construction), the income method (for projects under construction or already constructed), or using the comparative method taking into account the expenses made, or accepting the project value on the basis of its net accounting value.

The approach to valuation according to the market value depends on the progress of the project. There is a risk that the assumptions and the basis for this valuation proves to be inadequate or false, which may result in a significant, adverse impact on the revenue of the Group. As a consequence, the Group may not achieve the assumed return from investment. Additionally, valuations carried out by entities purchasing farms from the Issuer may be significantly different from values forecast by the Issuer, which can also negatively impact the return from investments. All the indicated circumstances may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.11. Risk related to construction of photovoltaic power plants

Project Companies shall act as a property lessor in terms of construction of the investment projects. The construction works shall be carried out by an independent third party or by Nomad Electric, i.e. by one of the subsidiaries of the Issuer as the general contractor. The relevant works are usually the subject of the contractually agreed warranty period lasting between 2 and 5 years, according to the specifics of the given country and the typical warranties used in the sector, granted by the key technology suppliers. The Issuer purchases the components required for the construction works, in particular photovoltaic modules and inverters, from the relevant manufacturers. The warranty periods covering physical characteristics of such components usually cover between 5 and 30 years, wherein consolidation on the manufacturer market or cessation of their business cannot be excluded in the long-term perspective, and this may render execution of the rights resulting from the warranty difficult. Manufacturer warranties for components, in particular warranties for products and services, are usually transferred onto the installation owner, that is on the respective Project Company. There is the risk that defects of a power plant or components used in the installation can occur after the end of the warranty period or the warranty itself and it will become impossible to raise valid warranty claims with the given partner. Moreover, it cannot be excluded that the recipient of the claim may not be eager or shall not be able to meet the warranty claim, and this may sometimes result in costly and time-consuming legal disputes. If the claim recipient becomes insolvent, all possible warranty claims shall fail as a result of such insolvency. Even in the case of manufacturer warranty there is a risk that the warranty may not be provided as a result of insolvency of the manufacturer or for any other legal and/or practical reasons (for example, against a foreign group).

Installation of renewable energy infrastructure also bears the risk that despite careful planning and downpayments, the connection to the electricity distribution grid shall be unsuccessful or delayed. Errors may happen during project preparation or at a later stage, during technical implementation. Here, a risk exists that any claims for damages against the given partner responsible for such an error may be unenforceable or cannot be fully enforced.

The occurrence of one or multiple of the indicated risks could have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.12. Technical risk

All technical components used in the business of the Group have limited expected lifetime. Additionally, equipment is exposed to various loads during its operation, including exposure to weather and environmental conditions. Thus, it should be assumed that the required components or units have to be replaced during their

operation, both in relation to their standard use and wear and tear, as well as a result of malfunctions. Moreover, despite the appropriate operation, maintenance and technical infrastructure management, damage to or destruction of elements necessary for operation cannot be excluded, and such damage can be difficult to repair. Thus, there is a risk that equipment or parts thereof do not achieve their assumed lifetimes.

There is a risk that expenses related to maintenance, repairs and replacement of components may significantly exceed the level assumed at the investment analysis stage, and that the relevant expenses or loss of profits resulting from this are not covered by the warranties or that the relevant partner may not be able to meet their obligations. Although almost all the Project Companies in the Group portfolio create provisions stored at banks as cash with limited disposability, these could prove to be inadequate because of the unfavourable shaping of component prices or extremely high failure rates.

Installations used to produce or store energy are characterised by an expected rate of efficiency degradation specified by the manufacturer, such as, for example, photovoltaic module productivity or electricity storage capacity. The empirical data related to these topics are limited, taking into account the relatively short time of renewable energy market and technology growth. Manufacturers offer warranties for a specific period of time, specifying a minimum and linearly changing, guaranteed efficiency rate during the given year. There is a risk, however, that degradation is not linear or that efficiency can experience a sharper drop during the first years of use than estimated by the manufacturer, resulting in a significant deterioration of the average, expected efficiency. The related, decreased electricity production or operational efficiency of energy storage could lead to negative consequences to the assets and financial and profit position of the Issuer.

Losses caused by external factors, such as grid malfunctions, should be taken into account during operation. There is also the risk of other equipment damage, for example caused by weather conditions, earthquakes, theft, vandalism or other violent acts, wherein the Issuer enters into standard insurance agreements for assets in order to obtain protection against the negative consequences of weather conditions, earthquakes, theft, vandalism or other violent acts. Downtime caused by technical maintenance or other reasons may lead to lost profits, which are not covered by any warranties or insurances.

In addition to the decreased income caused by the lower amount of generated energy, repairs or replacement of such equipment may be related to expenses with severe negative impact on the business activity, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations. In regards to the existing grid connections, there is always the risk that paid energy introduction to the grid may be impossible because of problems with general energy supply, generating capacity surplus or blockages in the line, and the Project Company affected by this risk shall receive only limited remuneration or does not receive it at all.

### 10.13. Risk related to adverse weather conditions and risk of natural disasters

Energy production from weather-dependent sources is directly related, in particular, to the appropriate sunlight intensity and cloud cover, as well as to the wind speed. Optimal weather conditions mean increased electricity production, and thus higher revenues of the Issuer and of the Group companies from market sales. The average, yearly estimate of energy production for individual farms developed by the Group is estimated on the basis of historical data for weather conditions. Any mistakes or inaccuracies in their forecasts may have negative impact on the final amount of electricity generated by the individual power plants, and thus on the activity and the financial results of the Issuer or of the Group, which may negatively translate onto the ability of the Issuer to meet its Bond-related obligations.

Additionally, unfavourable weather conditions and natural disasters, accidents and other unforeseen events may cause delays to the construction process, repairs or maintenance of assets of the Group, influencing their current operation with potential, negative impact on the capacity financial situation and current results of the Issuer and Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

#### 10.14. Risk related to projects under preparation

The Group operates as an independent energy producer, and thus the future success of the Group largely depends on its capacity to expand the portfolio project.

The risks and uncertainties related to the capacity of the Group to expand the project portfolio include i.e.: (i) the need to obtain significant, additional funds for the construction or purchase of projects; (ii) delays and exceeded costs caused by a range of factors, many of which are outside the control of the Group, including delays in obtaining regulatory approvals, construction, connection to the grid; and (iii) delays or refusals of the required approvals by the competent authorities.

Development of the new project and purchase of a ready project are always based on an economic calculation, which includes certain assumption, such as the growth of market interest, the volume of investment expenses related to the construction and connection of the power plant, the forecast power plant productivity and the level of operating costs. If these assumptions prove to be false or if some factors develop contrary to the plan, this shall have significant negative impact on project profitability. The Issuer may not exclude, in particular, that the actual value of investment expenses required to carry out the given project is higher than the initially planned value, particularly because of the increased costs of materials and remunerations, which may significantly lower the profits of the Issuer.

All the factors indicated above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

#### 10.15. Risk of incorrect valuation of investment projects

Due diligence is assumed during construction or purchase of projects, regarding the legal, economic and technical aspects, wherein the Issuer relies on the services of external advisers at least to a certain extent. The Issuer also prepares forecasts of the planned cash flows generated by the given project on the basis of data provided by the sellers of the given project or own assumptions. The Group cannot exclude that during such due diligence and financial modelling related to a future project, some inaccuracies are not correctly identified or are assessed incorrectly and that it receives incorrect or incomplete data used as the basis to draw incorrect conclusions. For example, the technical risk of grid connection may not be identified or may be omitted in the requirements concerning permits. The risk of incorrect project valuation may also be the result of purposeful hiding and obfuscating the actual data by the sellers. In some circumstances, errors in the due diligence procedure and in the financial model analysis for the project may have significant, negative impact on project execution, may lead to significant additional time required and/or to additional costs or may lead to cancellation of a project implementation already underway. Under such circumstances, there is also the risk of the lack of adequate recourse in the case of an external error of an adviser or the project seller.

All the factors indicated above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

#### 10.16. Risk related to electricity prices

In countries where the Group operates, the electricity market is influenced by national, regional and local regulations and policies applicable to the power sector, as well as policies propagated by power suppliers. These regulations and rules often apply to the determination of electricity prices. Such regulations include the Regulation of the Council (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices, as a result of which the individual countries of the EU have set the limit price, at which electricity may be supplied in 2023. The objective of the Group is to proceed with inclusion of projects not supported by the state in its portfolio. Such cases are related to the risk of lower revenue from the project, however, because of the decreasing electricity prices. In the worst case scenario, low cash flows or missing positive cash flows from current activity may result, in turn leading to a situation in which there would be no payments to the Group.

All the risks listed above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

#### 10.17. Risk related to the required high investment expenses

There is a risk that by preparing new projects, the Issuer will have to make high investment expenses in order to start and assemble the installation. If the Company lacks the adequate funds, it may experience deteriorated financial situation, in particular if the financing banks refuse a loan. The required, high expenditures may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

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

The Group expects stronger competition, including that of foreign entities with strong capital, operating on the renewable energy market. Because of its potential and the expected returns on investment, the renewable energy market attracts investors who are competition of the Group. The intensification of this competition, increasing investment expenditures in this sector made by entities already present on the market and entities commencing their business may result in a surplus of supply over demand, and thus negatively impact the sales prices.

The Company does not exclude, in particular, the fact that the renewable energy market in Poland shall attract foreign entities with experience in this field, gained on other European and global markets. The increased activity of these and other entities on the market may render access of the Group to attractive sites difficult and increase the costs of acquiring such sites.

In the case of Group business involving i.e. electricity sales and certificate trading, the potential opening of the electricity market and the RES market on the European level may negatively influence the Group's business.

The factors indicated above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.19. Risk related to delayed implementation of Group projects

Implementation of construction projects requires the adequate infrastructure and ensuring the continuity of construction component deliveries. The ability to build such projects depends on the decisions of the component administrative authorities or establishing servitude on land owned by third parties. There is a risk that because of delays in preparing the access to infrastructure, the commencement of construction and the release date of the ready site for use may become delayed, thus delaying the return on the invested capital.

If approval of third parties for establishing servitude is not obtained, it may become necessary to refer the matter to a court. This may result in delays in project connection to the grid. The described cases may have significant, negative impact on the execution time, project costs and consequently, on the business and financial situation of the Issuer or of the Group.

Delays in project execution may mean that the Group may not achieve the expected revenue from such projects on time and may be subject to the payment of contractual penalties or other claims from project buyers, and lose the ability to participate in RES auctions.

Each of the risks factors listed above, if materialised, may have significant, negative impact on the business, financial situation and current results of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.20. Risk of losing key staff

The Issuer depends on persons in managerial positions, and in particular on the members of the Management Board and on the key staff. The renewable energy sector currently suffers from the shortage of experienced managers, which means that the recruitment process for managerial positions is difficult. Persons holding the managerial positions in the organisation of the Issuer have vast experience gained on the Polish renewable energy market in terms of project searching, acquisition, financing, construction, marketing and management. Termination of employment by any of the Management Board members, directors or key staff may negatively impact the ability of the Group to generate new and execute already commenced projects. This may have significant, negative impact on the business, financial situation and current results of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.21. Risk related to the armed conflict between Russia and Ukraine

The risk of the impact of the armed conflict between Russia and Ukraine on the business activity and financial situation was described in note 9 to this Management Board Statements.

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

In the future, the Issuer may obtain loans, establish new bond issue programmes or issue bonds outside of established programmes. The decision to issue future bond series will depend on the financial needs of the Group.

An increase in the value of the total debt of the Issuer and the Group entities related to debt and loans may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

## 10.23. Inability to re-finance due obligations or difficulties in obtaining additional financing

The payment deadlines for obligations of the Group companies are not correlated with due dates of the Bonds because of the project execution deadlines. Revenue from Bond issue may be partially used for re-financing of the existing debt resulting from investment project financing. Additionally, the Issuer does not exclude the possibility that funds intended for Bond purchase will be obtained from debt financing in the form of bank loans, intra-Group loans or new bond issues. If it is difficult to obtain additional financing, the increase in the scale of Group operations and the rate at which some strategic objectives are achieved may be slower compared to the original assumptions. The inability to re-finance debt on preferable conditions by the due date of obligations may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

## 10.24. Deteriorated macroeconomic situation

The business activity of the Group, including revenue levels and achieved profits, depend on the trends on the renewable energy market, which is strongly correlated in turn with the general situation on the financial market, including trends on the interest rate market. The business activity of the Group is also largely tied to the general economic trends, both domestically and internationally. In the case of a slower or deteriorated macroeconomic situation, the Group may observe decreased demand of the potential electricity consumers or buyers of the RES projects.

The Company operates as a business in Poland and in the European Union member states, while the photovoltaic installation components used by the Company are also produced in China. The business of the Company is thus influenced by macroeconomic factors related to the European common market, and to a degree by its import markets, which are in turn influenced by the economic situation in the region and by the global economy.

Negative situation on financial markets may result in the banks introducing more restrictive loan procedures, increased level of required securities or more stringent contractual stipulations, which may lead to difficulties in the acquisition of financing by the Issuer or other Group entities, as well as difficulties in obtaining financing experienced by buyers of the investment projects of the Group.

The occurrence or persistence of less favourable economic conditions, as well as the direct impact of economic cycles on the operation of the Company may have significant, negative impact on the business of the Company, its financial situation, results from business or growth perspectives, and as a consequence, on the ability of the Issuer to meet its Bond-related obligations.

#### 10.25. Interest rate risk

A large part of debt of the Issuer and of the Group companies is subject to a variable interest rate, based on the WIBOR index level. The further growth of interest rates or inflation rates means that the nominal interest rate paid on the debt of the Issuer and of the Group companies shall partially increase. The increase of interest rates may have significant, negative impact on the financial situation of the Issuer, and thus on the ability of the Issuer to meet the Bond-related obligations. The Group uses derivative instruments to manage the interest rate risk.

Additionally, the debt interest rate of the Issuer and of the Group companies, previously based on the WIBOR index may change in the case of a possible removal of the WIBOR index or if it is no longer published.

#### 10.26. Risk of political environment

The main areas of business activity of the Group are subject to regulations shaped by domestic and European legislators. Political issues, and in particular the issues related to climate policy, interests of the recipients and energy companies, the choice of promoted technologies, have significant impact on the made decisions, passed and amended regulations in the energy sector. Political decisions may have direct impact i.e. on the shaping of electricity prices and on the support levels for renewable energy sources. Additionally, environmental protection regulations may also significantly impact the business activity of the Group. Political decisions made by state and public authorities, as well as by the European bodies, may significantly impact the business activity of the Group. They may influence i.e. the interpretation and the direction of changes to legal regulations (in particular, related to energy and environmental regulations). The circumstances indicated above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

#### 10.27. Risk of COVID-19 impact on the business and financial situation of the Issuer

The risk of the impact of COVID-19 on the business activity and financial situation was described in note 9 to this Management Board Statements.

#### 10.28. Risk related to legal environment related to energy production from renewable energy sources

In countries, where the Group is operating, the effective and prepared legal regulations have significant impact on the renewable energy market. Legal regulations often refer to electricity prices and prices of technical inter-systemic solutions used to produce electricity owned by the customers and may stop further investments in

research and development of alternative energy sources, as well as impact the willingness of the customers to purchase such energy, which may result in significantly limited demand for services of the Group.

The key legal acts applicable to energy producers and entities marketing electricity in Poland, including most Group entities, include the Energy Law and the RES Act. According to the Energy Law, electricity production and marketing requires appropriate licence issued by the President of the Energy Regulatory Authority, with the exceptions listed in said Law. The licences are issued for a specific period of time, at least 10 years and no more than 50 years. In specific situations, the President of the Energy Regulatory Authority may revoke the licence, in particular if a power company commits a gross breach of licence conditions or of other conditions pertaining to the licensed activity. Additionally, the President of the Energy Regulatory Authority may change its scope i.e. because of the threat to national defence or security or safety of the citizens, if the power company is divided or merged with other entities, as well as when it does not meet the specified obligations dictated by the Energy Law. Licence revocation or changes to the scope of the licence comprising the basis for activity of the Group may negatively impact the business activity and the financial results of the Issuer or of the Group.

General regulations related to the investment and construction process apply to the business activity of the Group entities. Thus, the Group entities are obliged to obtain i.e. decisions on environmental conditions, decisions on construction conditions, construction permits and permits for use during this process. In specific situations, construction of a new photovoltaic installation may require the introduction of changes to the local spatial development plan. In specific situations, the given Group entity may not obtain the required administrative decisions or the administrative proceeding in the case may become prolonged, with negative impact on the business growth of the Group and on its financial results.

The Group entities participate in auctions prepared by the President of the Energy Regulatory Authority, the subject of which is the sales of electricity produced in renewable energy source installations and introduced to the grid by energy producers. Producers of electricity from renewable energy sources, who intend to participate in an auction, are subject to a formal assessment procedure verifying preparation for electricity production in the given installation. The amount of electricity which is to be purchased via auctions during the given year is determined anew each and every years, and thus the values determined during the individual years may differ significantly. A situation, in which the specified minimum value of electricity to be purchased during the given year is "0", cannot be excluded and it means that no auction shall take place for such installations. The price of electricity produced from renewable energy sources, specified in the bids of auction participants, the bids of which have eventually won the given auction, are subject to yearly revaluation using the average yearly consumer goods and services index covering the entire previous calendar year. In addition, specific obligations described in detail in the RES Act are imposed onto auction winners, and they include i.e. the maximum deadline after which energy should be produced in the given installation after the auction (24 months in the case of photovoltaic installations and 33 months in the case of wind farms), combined with the obligation of the auction winner to sale electricity.

The occurrence of the aforementioned risk factors may have negative impact on the current operations of the Issuer and of the Group, with potential negative impact on the financial results of the Issuer and of the Group, and thus on the ability of the Issuer to meet the Bond-related obligations.

## 10.29. Risk related to environmental protection regulations

Group companies are obliged to observe the relevant legal regulations applicable to environmental protections, in Poland and abroad. These regulations regulate i.e. pollution emissions, release of wastewater, soil and ground water protection, as well as human health and safety. If the current or future environmental

protection regulations are not observed, Group companies may be obliged to pay significant penalties or even to cease their business operation altogether. Some of the devices used in Group projects, such as transformers, contain substances able to cause environmental pollution in the case of a malfunction or an accident. The observance of regulations applicable to the Issuer and the Group entities is related to specific costs, and any breaches thereof related to penalties imposed by the competent public authorities may have negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-relation obligations.

### 10.30. Risk of changes to the legal environment in the energy sector

The business activity of the Group is subject to many national, European and international regulations. Regulations, rules, decisions, opinions, statements, interpretations, directives etc. applicable to the activity of the Group are subject to frequent changes. Additionally, a range of regulations applicable to the activity of the Group has been passed relatively recently and their application practice is not yet fully formed (which may result in the risk of incorrect interpretation and application). Decisions made by the relevant administration authorities are also important for the business of the Group, in particular those of energy regulatory bodies in countries, in which the Group operates as a business, characterised by discretionary nature and subject to frequent legal disputes. The Group carries the risk of maladaptation of its business activity to the changing regulations and rules with all the consequences thereof, as well as decisions or verdicts unfavourable to the Group and issued by individual bodies and courts.

The circumstances indicated above may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.31. Missing the legal requirements and negative decisions of public administration authorities regarding the permits required by Group entities to operate

The execution of projects including construction and maintenance of electricity production installations requires many requirements specified in legal regulations to be met. Thus, Project Companies must obtain numerous permits and approvals (including decisions on construction conditions and construction permits) issued by administrative bodies. Such documents are a formal and legal requirements for the commencement, execution and release of investment projects for use.

Any errors or internal discrepancies in such documents or opinions stating that investment project execution is taking place contrary to conditions specified in these documents may potentially suspend the investment process until the identified errors and non-conformities are removed. The competent public authorities may also refuse to issue such permits and approvals required in relation to the projects or their issue may be delayed. Additionally, administrative decisions may be issued illegally or have other legal defects.

The above circumstances may lead to such decisions being rescinded during the later stages of the project. If the required permits and approvals are not obtained or are obtained late, and if the issued administrative decisions are challenged, this may result in a suspension of the investment process. This translates directly to the worse profitability of the investment and financial results of the Issuer and of the Group, which may significant negative impact on the ability of the Issuer to meet its Bond-related obligations.

### 10.32. Adverse changes to the legal environment of the Issuer and of the Group

Legal regulations concerning the planning and spatial management, construction law, tax law, property law and seller's liability, as well as limitations to the use of land, as well as applicable to reporting of specific elements of the business are subject to many changes, wherein the changes may deteriorate the business conditions of the Issuer, for example by imposing additional obligations, the meeting of which may result in additional costs to be covered.

Changes to tax regulations may include an increase of tax rates, as well as the introduction of new, specific legal instruments or interpretations related to the Issuer, inter alia related to the possible acknowledgement of interest rate costs as tax costs or influencing the expansion to the scope of taxation introducing new form of taxation.

The coming of a new regulation important for economic revenue into force (e.g. changes to the minimum wage, removal of the limit used to calculate social insurance contributions or the imposing of additional obligations during the investment process) may result in direct, significant changes to the business activity and a significant increase of costs of investment execution, as well as changes to the form of agreements with project buyers for project executed by Group entities.

In the case of new regulations raising interpretation doubts, their introduction may result in uncertainty regarding the current legal status and result in temporary suspension of many investments caused by the doubts regarding adverse consequences of the introduced regulations (financial losses or even penal consequences of activities taken on the basis of regulations, which were later interpreted unfavourably for the entrepreneurs by the courts or public authorities).

The occurrence of the above risk factors may have significant, negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations.

### 10.33. Unclear tax regulations

On 1 January 2019, regulations of the Tax Ordinance concerning the reporting of the so-called taxation schemes (Mandatory Disclosure Rules) came into force. The new regulations implement a EU directive in Poland in a manner much expanded compared to their proposed scope. Due to the expanded nature of regulations related to tax schemes, the reporting obligation may include every transaction or even business agreements, which include any tax elements. The Issuer may incorrectly identify the areas of business activity which are the most exposed to the occurrence of tax schemes or incorrectly implement internal procedures in that regard. Lack of a disclosure or other non-conformities with reporting tax schemes may result in individual penal and fiscal liability, including a fine of up to 720 daily rates (i.e. exceeding 20 million zlotys), prohibition of business activity and if no internal procedure is in effect - a penalty of up to 10 million zlotys.

It should also be noticed that on 15 July 2016, changes intended to include the stipulations of the GAAR clause, which applies to tax benefits achieved after the effective date of the clause, were introduced to the Tax Ordinance.

According to GAAR, an activity does not result in a tax benefit achieved, if the achievement of such a benefit contrary to the subject or the objective of a tax act or its regulations in the given circumstance was the main or

one of the main purposes for which it was made, and the action was artificial in nature (tax avoidance). In such situation, the tax consequences of the activity are determined on the basis of the state which could have occurred had the correct activity been undertaken.

A correct activity is an activity, the subject of which could make under the given circumstances, if it acted prudently and followed objectives conforming to the law other than achieving a tax benefit contrary to the subject or objective of the tax act or its regulations and the activity would not have been artificial. A correct activity may also include the negligence of action.

An activity is not artificial, if according to the actual circumstances it should be assumed that an entity acting prudently and pursuing objectives conforming to the law, it would have applied this method mainly because of justified economic reasons. The reasons indicated in the first sentence exclude the objective of achieving a tax benefit contrary to the subject or objective of a tax act or its regulations.

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

Tax benefits include:

- (i) a tax obligation which did not arise, deterrence of a tax obligation or a decreased amount of a tax obligation,
- (ii) resulting or increased tax loss,
- (iii) resulting overpayment or the right to tax reimbursement or increased tax overpayment or tax reimbursement amounts,
- (iv) the lack of tax collection obligation of the taxpayer, if it results from circumstances indicated in paragraph (i).

The incoherent practice of Polish tax authorities and the verdicts issued in cases pertaining to tax law is a common issue. As a consequence, there is a risk that Polish tax authorities may issue unexpected decisions in tax proceedings including the application of GAAR to the Issuer and the Group, which may have significant negative impact on the business, financial situation and current results of the Issuer and of the Group companies, and thus on the ability of the Issuer to meet its Bond-related obligations

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*Przemysław Pięta – President of the Management Board*

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*Katarzyna Suchcicka – Deputy President of the Management Board*

*Tomasz Sęk – Board Member*

*Klaudiusz Kalisz – Board Member*

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*Anna Gruszczyńska – Board Member*

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*Rafał Kozłowski – Board Member*