

In case of divergence between the language versions, the Polish version shall prevail.



ONSHORE WIND POWER



GAS AND CLEAN FUELS



DISTRIBUTION



TRADING

POLENERGIA CAPITAL GROUP

Financial results for H1 2020

August 2020

Program:

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01

Summary of H1 2020

Summary of H1 2020

Fact



Effect/Comment

■ **Stable operational activity and improved financial results of the Group (despite the expected decline of the result in gas and clean fuels segment)**

- The Group's EBITDA for the first 6 months 2020 amounted to 147.7m, corresponding to 16% increase compared to the same period of the last year.

■ **Increase of RES electricity generation**

■ **Increase in the result of trading segment on electricity and green certificates from wind farms**

■ **Adopting new Group's strategy for 2020-2024 and commencing strategy implementation**

- On 18th May 2020 Supervisory Board approved the Strategy of Polenergia Group for years 2020-2024

■ **Start of construction of Dębsk wind farm**

- On 10th July 2020 Polenergia Farma Wiatrowa 3 (Dębsk project) entered into loan agreements with EBRD, mBank, ING Bank Śląski and Santander Bank Polska.

■ **Continuation of works to finance construction of Szymankowo project**

■ **Entering into the letter of intent with Siemens**

- On 29th June 2020 Polenergia Group concluded a letter of intent with Siemens Gas and Power and Siemens Energy on potential cooperation in the development of gas co-generation projects and hydrogen technologies.

■ **Progress in works on regulations for offshore wind energy**

- On 1st July 2020 Ministries of Climate, Maritime Economy, State Assets and National Defense together with industry organizations signed a letter of intent on co-operation and support in the Baltic Sea.

■ **Over 50% of debt service cost hedged**

- For the third time in 2020, Monetary Policy Council lowered the reference rate by 0.5 percentage points per annum to the level of 0.1%, which enabled hedging at a low level

- COVID-19 epidemic does not have a material effect on the Group's financial results.
- The quality of the Group's assets and decisions made to hedge selling prices in the generation assets prevented the Polenergia Group from being susceptible to the negative effects of the crisis caused by the epidemic.

- Production of wind farms in the 2nd quarter was by 6GWh (4%) gross higher, and in the first half year it was by 24 GWh (6%) gross higher compared to the previous year.
- EBITDA of the onshore wind power segment was by 34m higher compared to the last year mainly due to the effect of price (26m) and volume (8m).

- In the first half of 2020, the trading segment recorded increased result on electricity due to higher price of hedging contracts and on green certificates as a consequence of higher selling prices.

- The Group started implementation of strategy by launching the construction of Dębsk wind farm, commencing development works in gas and clean fuels segment and by introducing organizational changes to increase the scope of trading segment.

- Loan agreements include investment loan up to PLN 480m to finance the construction of Dębsk wind farm and VAT loan during the construction period up to PLN 73m.
- After concluding significant contracts for the project construction, including Turbine Supply Agreement (incorporating maintenance services) and Balance of Plant agreements, the Group commenced construction of its largest ever wind farm project of 121 MW capacity.

- In connection with obtaining auction support for Szymankowo project, on 29th July 2020 an annex to existing loan agreement has been signed, which increases the limit of available investment loan to PLN 171m and VAT loan limit to PLN 27m.

- On 8th July 2020 the European Commission published the hydrogen strategy for Europe. The Polish government also sees the need to develop hydrogen technology. Ministry of Climate is planning to publish the Polish Hydrogen Strategy in autumn this year.

- The new draft act allows to increase the capacity of offshore wind farm projects to be implemented under the so-called first stage of the support system - from 4.6 GW to 5.9 GW. Ministry of Climate announced a plan for the parliament to pass the so-called special offshore act by the end of this year.

- The Group takes advantage of the favorable market conditions to hedge the cost of debt service at the current, low level. As a result of interest rate hedging (IRS) in the second quarter for the Mycielin and Skurpie wind farms and the Sulechów I photovoltaic farm, the share of interest rate hedged debt in the Group increased to 51%.

Summary of H1 2020



Fact

Effect/Comment

- **Decrease of market prices of electricity and green certificates**

- Decrease in prices of forward electricity contracts for 2021 from 254.9 PLN/MWh as at 31st December 2019 to the level of about 240.7 PLN/MWh as at 30th June 2020 and 229.7 on 10th August 2020.
- Decrease in prices of green certificates from 144.9 PLN MWh as at 31st December 2019 to the level of about 125.3 PLN/MWh as at 30th June 2020 and to 138.4 PLN/MWh as at 10th August 2020.

- The prices of green certificates have been fully hedged for the wind farm portfolio for 2020 and 2021.
- For 2020 and 2021, 92% and 78% of the electricity production volume from wind farms is also secured.
- Hedging of electricity prices and green certificates for 2022 also started.
- The Group is effectively reducing its exposure to the risk of a potential price drop.
- Due to the successive hedging of energy prices and certificates, the periodic decline in demand for electricity will have a limited impact on the Group's financial results in the coming years.

- **Lower volume of electricity sales in distribution segment**

- The volume of supplied electricity was 13% lower than in previous year as a result of the decrease in energy demand in production plants and shopping malls.
- Due to the year-to-year increase in the margin on sales and distribution, the result in the distribution segment did not deteriorate due to the decrease in volume.

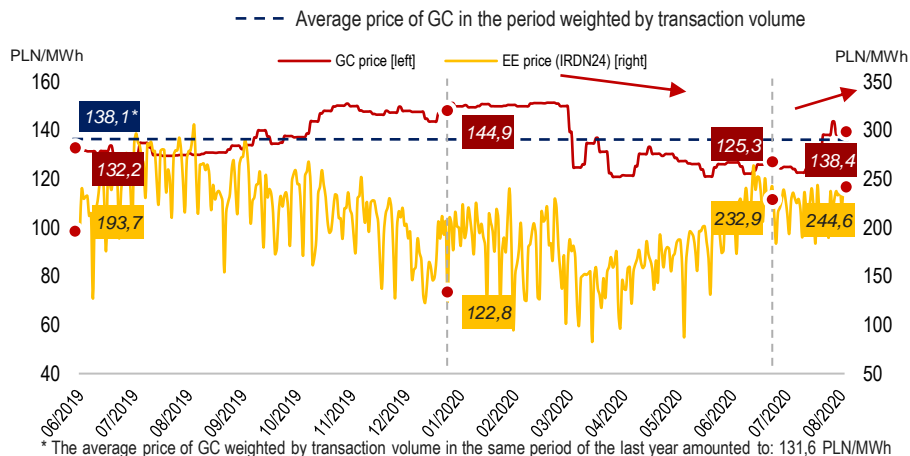
- **Risk of increasing level of bad debts in the distribution segment**

- In connection with the deteriorating financial standing of some enterprises and the ban on disconnecting due to debt collection during the epidemic, the Company identifies the risk of temporary increase in bad debts.

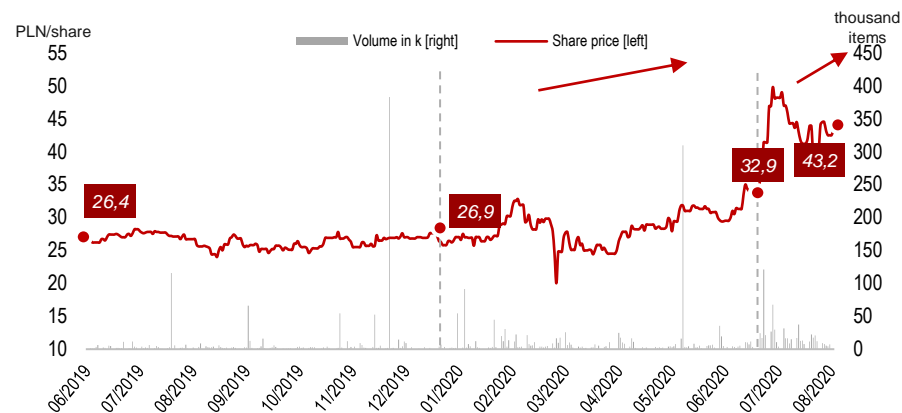
- In the first quarter of 2020, the allowance for bad debts was increased by PLN 0.2m.
- Due to limited impact of results of distribution segment on results of the entire Group, such risk will not have a significant impact on the consolidated results.

Key indexes and market prices

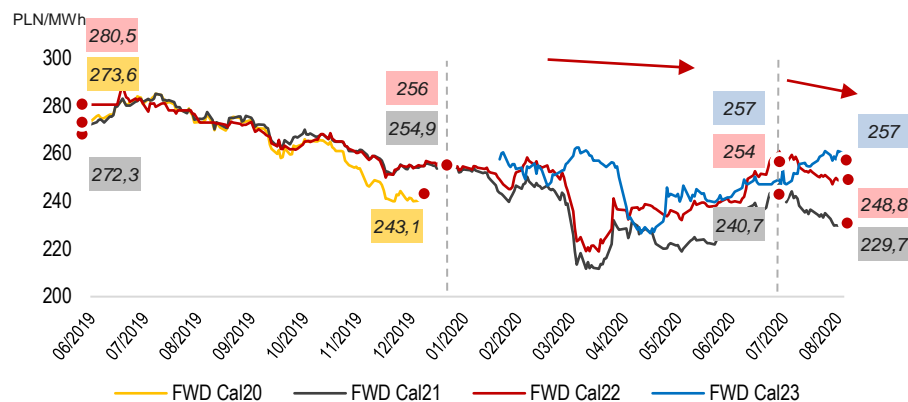
1 Prices of green certificates and electricity



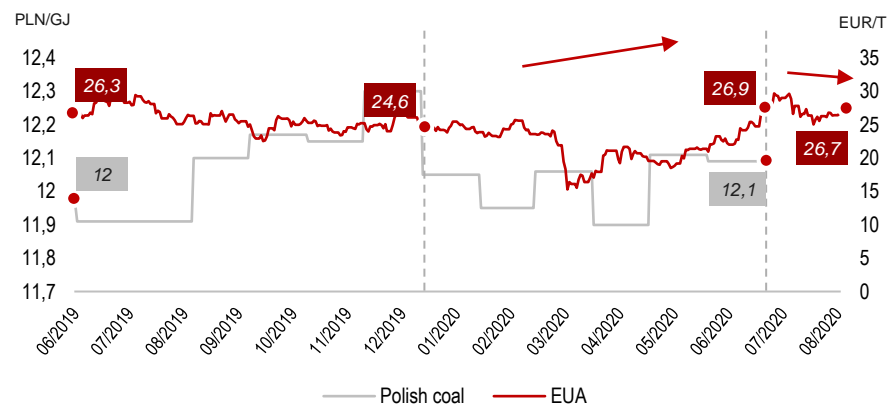
2 Quotations of Polenergia S.A. share prices



3 Forward prices of electricity



4 Quotations of prices of coal in the Polish market and CO₂ emission allowance



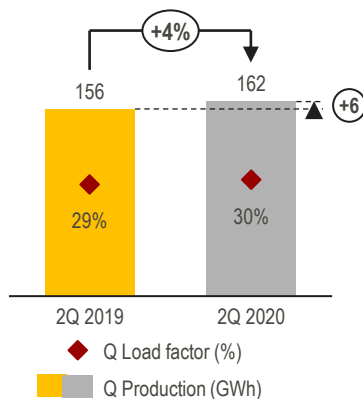
02

Summary of key operational parameters

Summary of key operational parameters - Onshore wind power

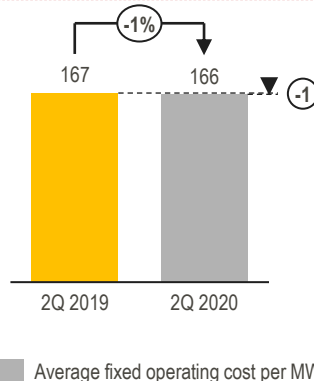
1 Production of wind farms (gross) and LF% (gross)

Quarterly data



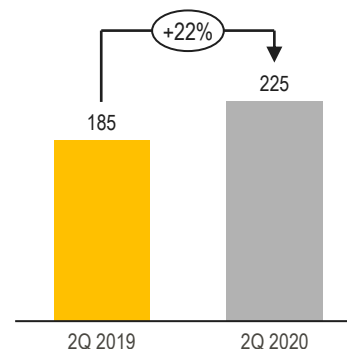
2 Average fixed operating cost per MW in wind farms [kPLN/MW/year]

A decrease in costs related to local taxes and land due to taking into account of additional IFRS 16 guidelines in 2020 and lower procurement and environmental costs partially offset by higher costs of technical service and legal advice on litigation and financing processes in selected farms.

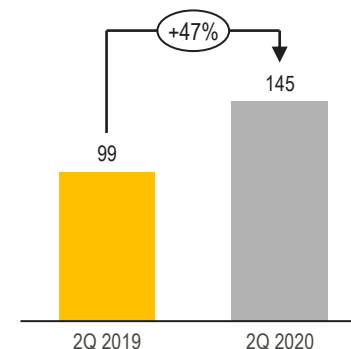


3 Average revenues per MWh (after balancing and profiling costs) at the Group level [PLN/MWh]

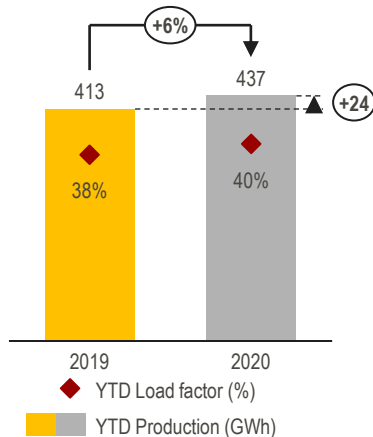
Electricity



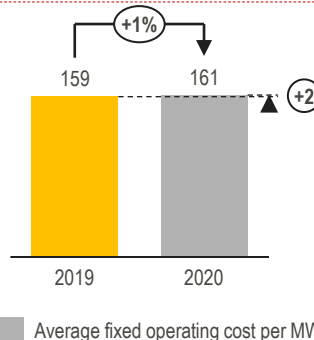
Green Certificates



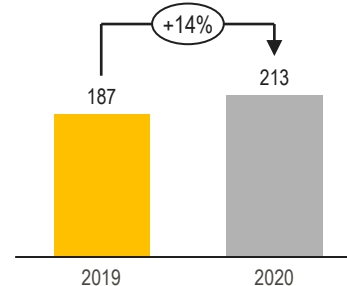
Cumulative data



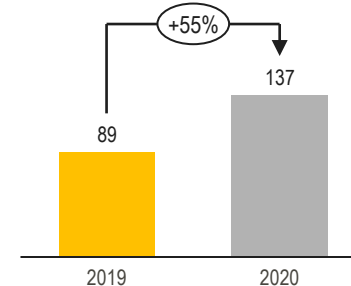
Increased legal advisory costs related to litigation and financing processes in selected farms and technical service costs, partly offset by lower costs related to local taxes and land due to taking into account of additional IFRS 16 guidelines in 2020 and lower procurement and environmental costs.



Electricity

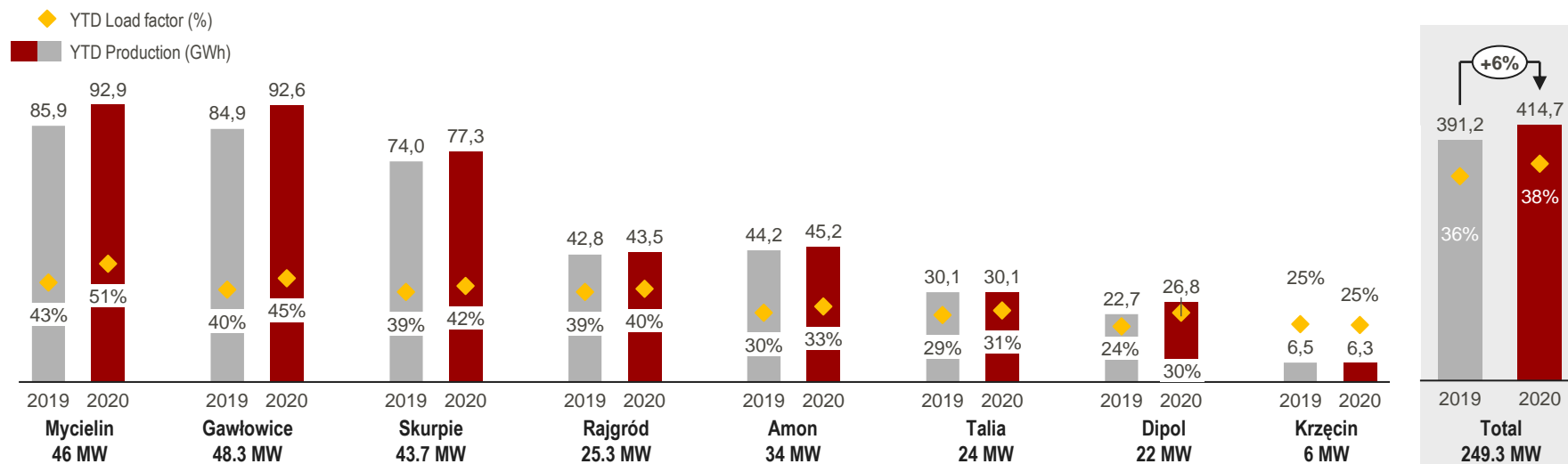


Green Certificates

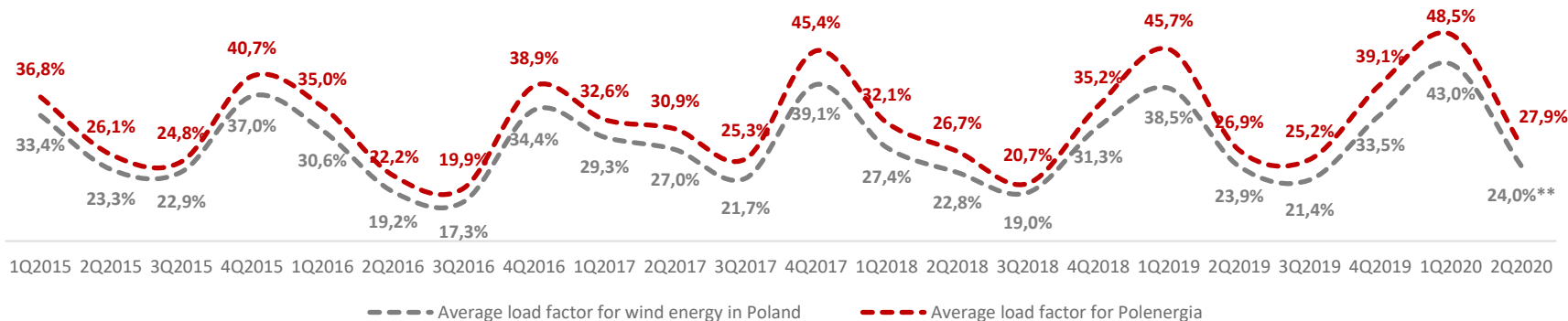


Summary of key operational parameters - Onshore wind power

Production (net), cumulative



Net productivity of Polenergia wind farms above the average*



* Comparison based on net productivity (after own consumption and losses) due to the availability of sector data

** Calculation of the net production of the sector in June, estimated on the basis of April and May market data, based on the change in Polenergia's net production in June to Polenergia's net production in April and May.

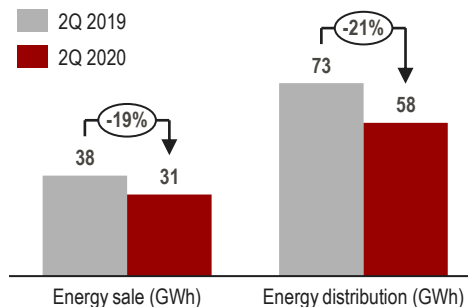
APPLICATION OF MODERN TECHNOLOGIES, VERY GOOD LOCATION OF PROJECTS AND EXPERIENCED TECHNICAL TEAM ENABLE CONTINUOUS ACHIEVEMENT OF PRODUCTION LEVELS EXCEEDING THE MARKET AVERAGE

Summary of key operational parameters - Gas and clean fuels and Distribution

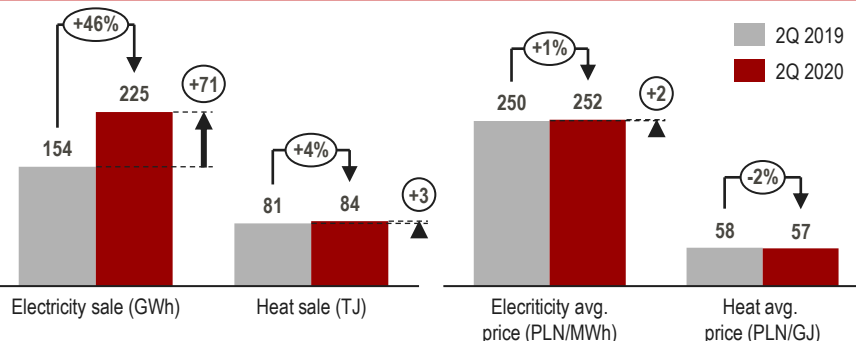
4 Distribution – sale [GWh]

Quarterly data

- Decrease in volume of electricity sales and distribution is due to the impact of the coronavirus epidemic in Poland, which led to drop of demand for energy mainly in shopping malls and production plants.
- In addition, increase in the number of non-trading Sundays contributed to decrease in sales.

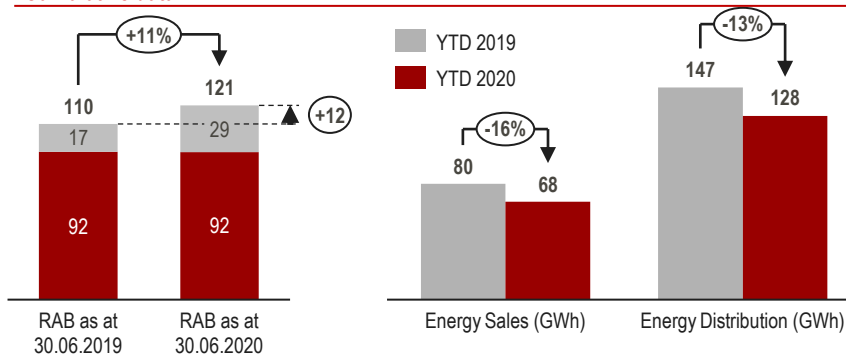


5 Gas and clean fuels – sale [GWh] and average prices [PLN/MWh]



- Increase in volume of electricity sales due to additional sales of offpeak band in Q2 2020 and in connection with the general repair of a gas and steam turbine in June 2019.

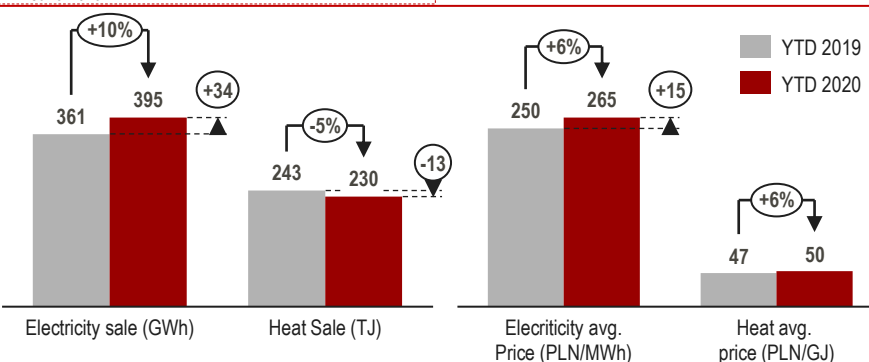
Cumulative data



■ RAB* in progress**
■ RAB in the current tariff

- The increase in RAB in progress is due to the performance of the III investment plan.
- The distribution tariff should be updated in the third quarter of 2020.

- Decrease in volume of electricity sales and distribution is due to the impact of the coronavirus epidemic in Poland, which led to drop of demand for energy mainly in shopping malls and production plants.
- In addition, increase in the number of non-trading Sundays contributed to decrease in sales.



- Increase in volume of electricity sales due to change in electricity production profile and due to the general repair of the gas and steam turbine in June 2019.
- Decrease in volume of heat sales as a result of a lower amount of heat received by Ciech Żywiec in Q1 2020.

- Higher average electricity prices due to change in the production profile.

* regulatory assets base - term explained in the glossary

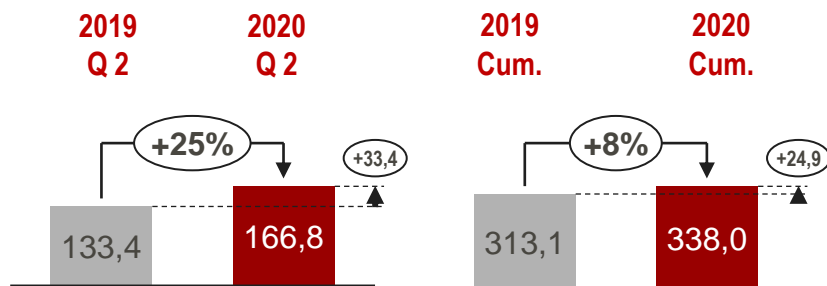
** term explained in the glossary

03

Financial results for H1 2020

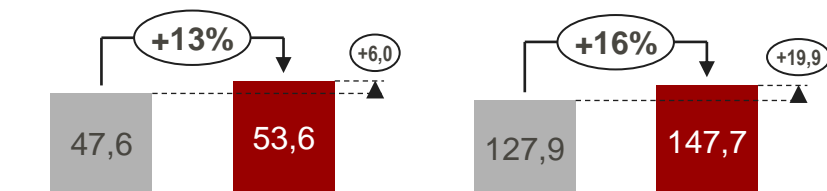
Financial results for H1 2020

Revenues (without trading segment)



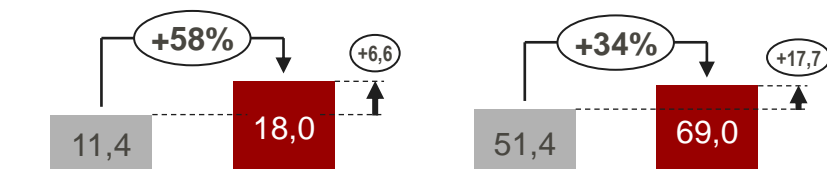
- **Q 2:** Higher revenues in onshore wind power segment (26.9m) and higher revenues in gas and clean fuels segment (3.6m).
- **Cumulative:** Higher revenues in onshore wind power segment (36.3m) and higher revenues in unallocated position (4.8m) offset by decrease in revenues in gas and clean fuels segment (-18.2m).

EBITDA normalized



- **Q 2:** Increase in EBITDA mainly due to higher result in the onshore wind power segment (11.3m), in the trading segment (2m), in the unallocated position (1.5m) and in the photovoltaic segment (1.1m) partly offset by lower result in the gas and clean fuel segment (-9.5m)
- **Cumulative:** Increase in EBITDA mainly due to higher result in onshore wind power segment (34m), in trading segment (4.7m), in unallocated position (2m) and in photovoltaic segment (1.4m) partly offset by lower result in gas and clean fuel segment (-22.8m)

Net Profit normalized

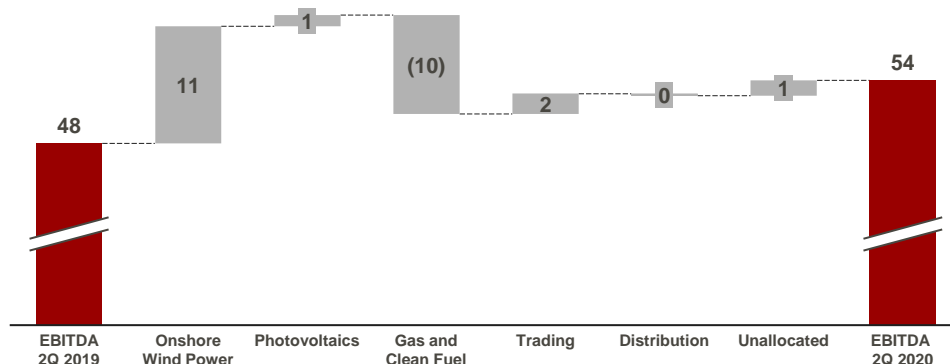


- Increase in net profit is due to higher EBITDA and profit on financial activity.

SIGNIFICANT IMPROVEMENT OF RESULTS MAINLY DUE TO BETTER WINDINESS, HIGHER SALES PRICES OF ELECTRICITY AND GREEN CERTIFICATES AND IMPROVED RESULT ON TRADING ACTIVITY

EBITDA by operating segments*

Q 2



Comments

Onshore wind power: Better result due to higher production volumes and higher sales prices of electricity and green certificates.

Photovoltaics: New operational segment. EBITDA result higher than in Q1 due to greater insolation.

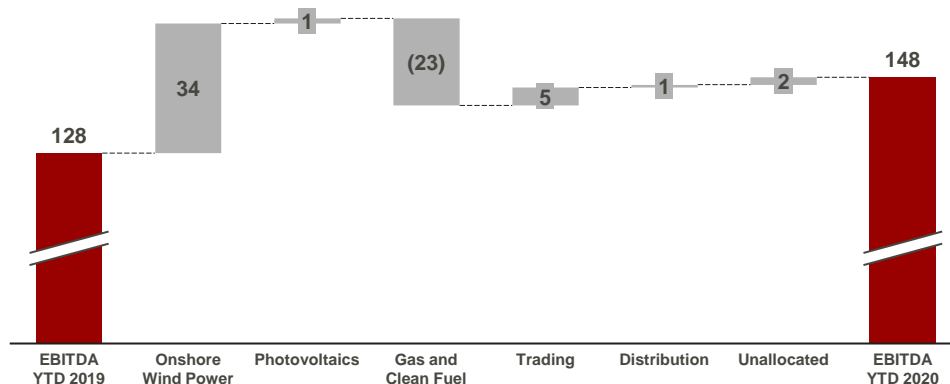
Gas and clean fuels: Worse result due to lack of revenues from compensation of gas costs (termination of the long-term contract for gas purchase) and lower revenues from stranded costs compensation (the end of the stranded costs compensation system in May 2020).

Trading Higher result in the first half of the year is mainly a consequence of increase in result on trade in electricity from wind farms (higher sales prices and production level close to the forecasted values) and the partial implementation of the company's new strategy. The impact of these factors was partially offset by lower result on trading book and higher operating costs (including those related to implementation of new business lines) and commission costs. Increase in result in the second quarter alone is justified mainly by an increase in result on trade in electricity from wind farms, a higher margin on other contracts and a partial implementation of the company's new strategy. The impact of these factors was partially offset by lower result on trading activities and impact of the valuation of certificates produced, yet not issued.

Distribution: Increase in result in the first half of the year was mainly due to achievement of a higher margin on sales (effect of price freeze in 2019) and distribution (effect of implementation of the 3rd investment plan) of electricity. Decrease in result in Q 2 is mainly a consequence of the real estate tax refund received in the previous year. At the same time, in distribution segment, the volume of supplied energy was lower by 13% compared to the previous year due to decrease in demand for energy in production plants and shopping malls.

Unallocated: Higher EBITDA result on biomass operations (by 1.2m) and lower costs in the Group related, among others, to the conversion of the intra-group loan into equity (0.7m) recognized in 2019.

Cumulative

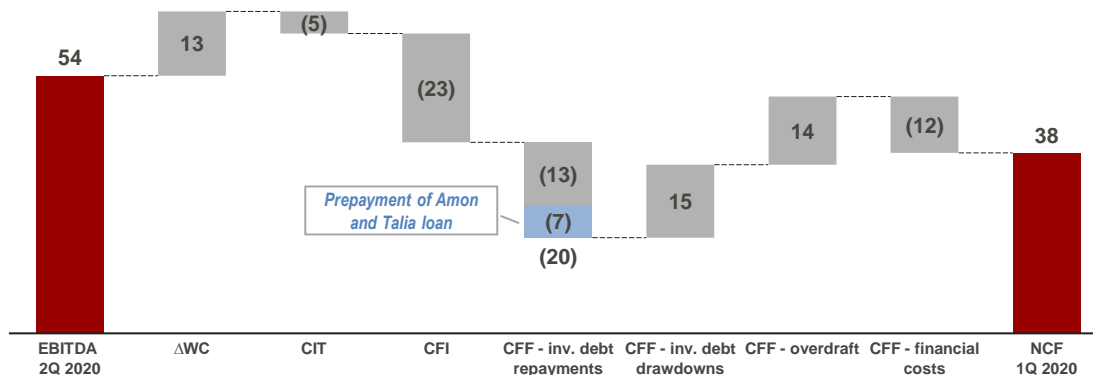


* In connection with approval by Supervisory Board of the Polenergia Group Strategy for 2020-2024, the Group defined new operating segments.

**SIGNIFICANT IMPROVEMENT OF ONSHORE WIND POWER SEGMENT'S RESULT
PARTLY OFFSET BY LOWER RESULT IN GAS AND CLEAN FUELS SEGMENT**

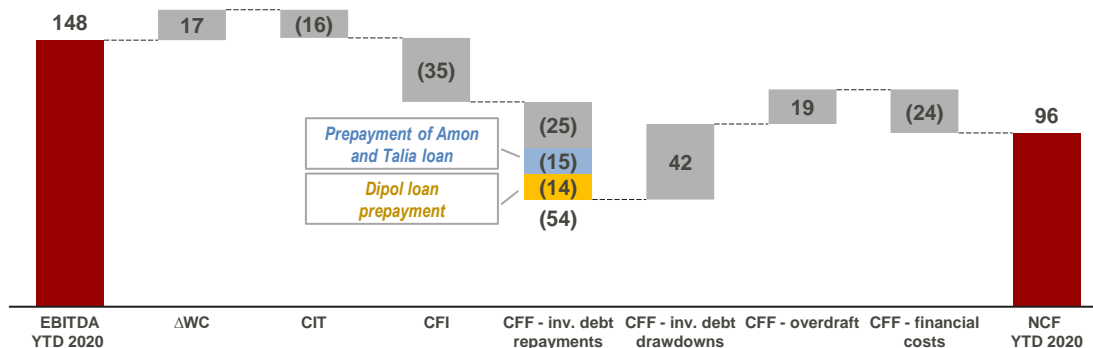
Polenergia Group cash flow

Q 2



- **Cash flow from investment activities:** Investment expenditures borne by Polenergia Dystrybucja (5.3m), Szymankowo (5.1m) and Dębsk (1.7m) projects, general repairs and modernization in ENS (0.6m) and Mercury (0.2m), Kostomłoty (0.3m) and Sulechów (0.1m) projects and other wind and photovoltaic projects (1.1m). Supplementary payments towards offshore wind farms (9.0m).
- **Cash flow from financial activities:** Scheduled repayment of the investment loan in onshore wind power segment (-11.9m), distribution (-0.7m) and biomass activity (-0.3m). Prepayment of investment loan in Amon (-4.6m) and Talia (-2.3m) wind farms. Taking an investment loan in the Sulechów photovoltaic farm (15.1 m). Change of the working capital loan in Trading (14.3m). The financial costs consist mainly of interest payment in the onshore wind power segment (-9.8m), distribution (-0.5m) and lease payments (-1.1m).

Cumulative

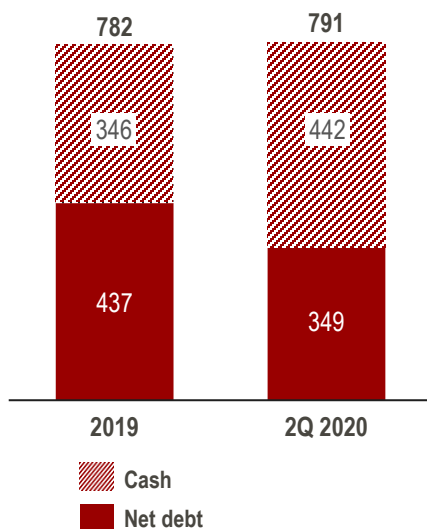


- **Cash flow from investment activities:** Investment expenditure incurred in the Szymankowo (8.6m), Dębsk (2.8m), Kostomłoty (0.9m) and Sulechów (0.7m) projects. Investment expenses in Dystrybucja company (8.5m), general repairs and modernizations in ENS (1.6m) and Mercury (0.2m), other wind and photovoltaic projects (2.8m) and the Headquarters (0.3m). Supplementary payments towards offshore wind farms (9.0m).
- **Cash flow from financial activities:** Scheduled repayment of the investment loan in the onshore wind power segment (-23.1m), distribution (-1.5m) and biomass activity (-0.6m). Prepayment of investment loan in Dipol (-14.2m), Amon (-9.6m) and Talia (-5.0m) wind farms. Contraction of investment loan in Dipol (21.6m) and Krzęcin (5.1m) wind farms and in the Sulechów photovoltaic farm (15.4m). Change of the working capital loan in Trading (19.1m). The financial flows on account of financial costs consist mainly of interest payment in the onshore wind power segment (-19.5m), distribution (-1m) and payment of obligations on account of lease (-3.0m).

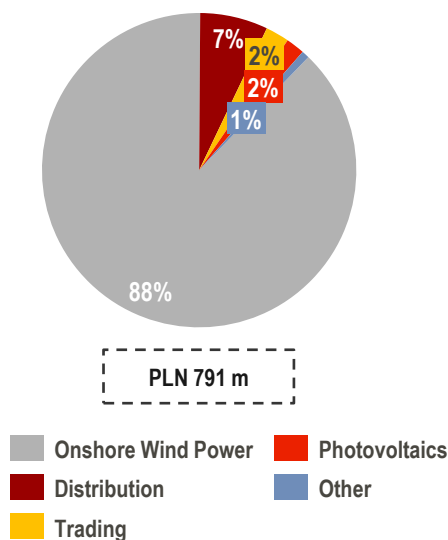
**HIGH EBITDA RESULT AND DEBT DRAWDOWN IN WIND AND PHOTOVOLTAIC FARMS
PARTLY OFFSET BY INVESTMENT EXPENDITURE AND DEBT SERVICE**

Debt structure as at 30 June 2020

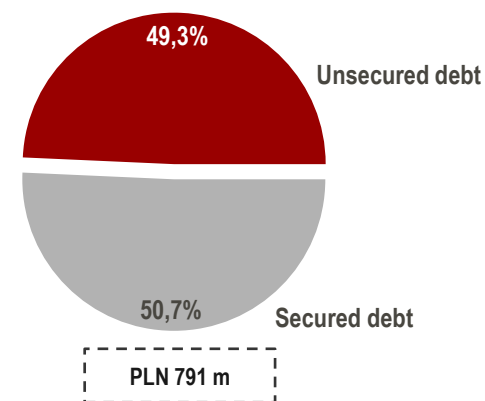
Gross debt (2019 vs. 2Q 2020)



Debt structure as per segments



Debt structure - interest rate hedging

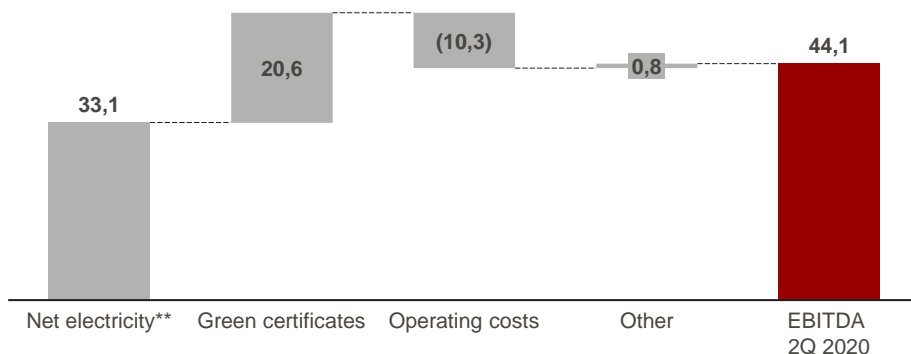


In Q2 2020, an additional interest rate hedging agreement was concluded at the Mycielín wind farm and new interest rate hedging agreements were entered into in Skurpie wind farm and Sulechów I photovoltaic farm. Together with Dipol and Krzęcin wind farms, the effective hedging level is now around 51%. The Company intends to continue to reduce its exposure to interest rate risk taking advantage of favorable market conditions.

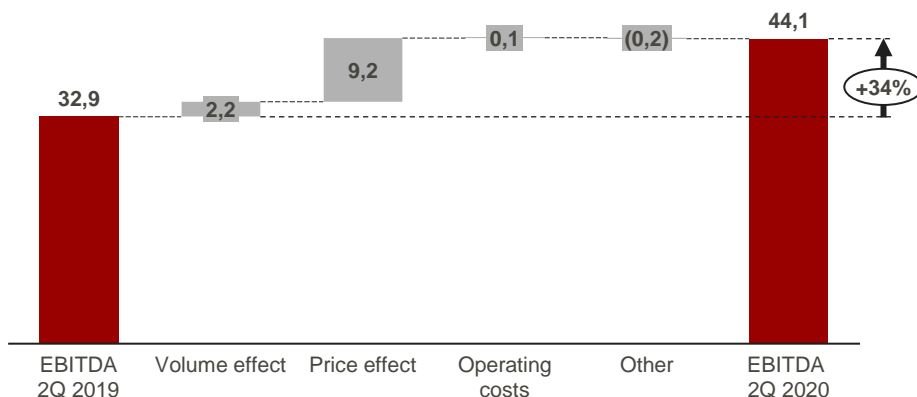
CONTINUED NET DEBT REDUCTION.
NO CURRENCY RISK IN THE DEBT STRUCTURE. OVER 50% OF THE DEBT COST HEDGED

Onshore wind power - Q 2

1 EBITDA* build-up



2 EBITDA* bridge



* In Q2 2020, there was a change in the presentation of activities related to the development and construction of wind farms by allocating them to the onshore wind power segment (item "other"). In order to maintain data comparability, the cost of wind farm development and construction was also included in the 2019 EBITDA.

** term explained in the glossary of abbreviations

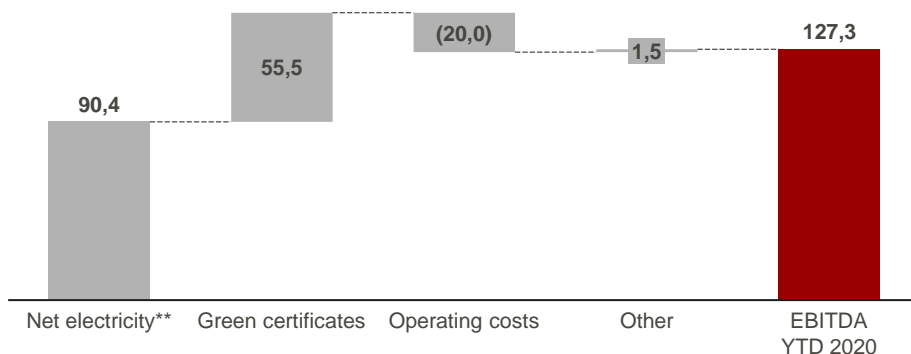
Comments

- The volume of electricity production and green certificates higher by 6 GWh.
- Increase in electricity sales prices at the segment level (by 8 PLN/MWh) despite higher total balancing and profiling costs.
- Increase in green certificates' sales prices at the segment level (by 42 PLN/MWh).
- Revenues from awarded but not yet sold green certificates** and related selling costs are presented without IFRS 15 adjustment (as opposed to presentation in the consolidated quarterly report).

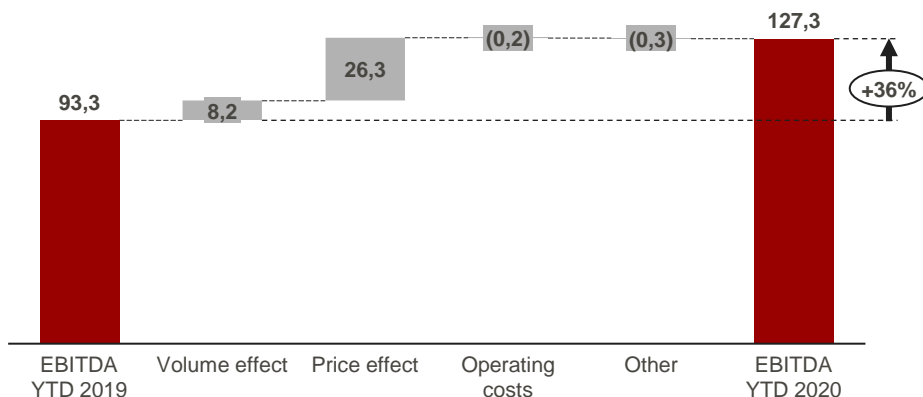
HIGHER PRODUCTION VOLUMES AND SALE PRICES OF GREEN CERTIFICATES AND ELECTRICITY

Onshore wind power - Cumulative

1 EBITDA* build-up



2 EBITDA* bridge



* In Q2 2020, there was a change in the presentation of activities related to the development and construction of wind farms by allocating them to the onshore wind power segment (item "other"). In order to maintain data comparability, the cost of wind farm development and construction was also included in the 2019 EBITDA.

** term explained in the glossary of abbreviations

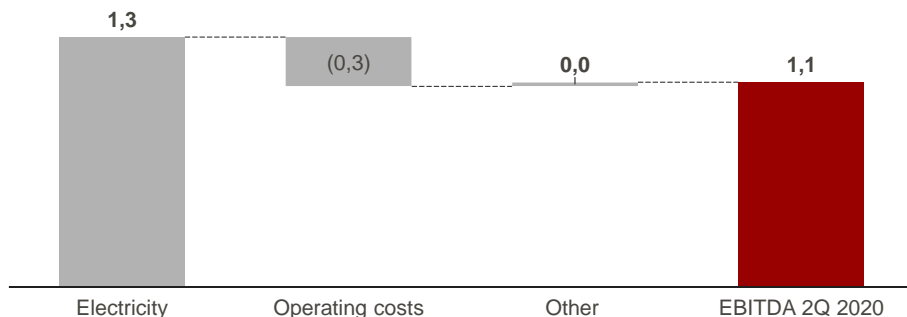
Comments

- The volume of electricity production and green certificates higher by 24 GWh.
- Increase in electricity sales prices at the segment level (by 11 PLN/MWh) despite higher total balancing and profiling costs.
- Increase in green certificates' sales prices at the segment level (by 45 PLN/MWh).
- Revenues from awarded but not yet sold green certificates** and related selling costs are presented without IFRS 15 adjustment (as opposed to presentation in the consolidated quarterly report).

HIGHER PRODUCTION VOLUMES AND SALE PRICES OF GREEN CERTIFICATES AND ELECTRICITY

Photovoltaics - Q 2, cumulative

1 EBITDA* build-up (Q 2)



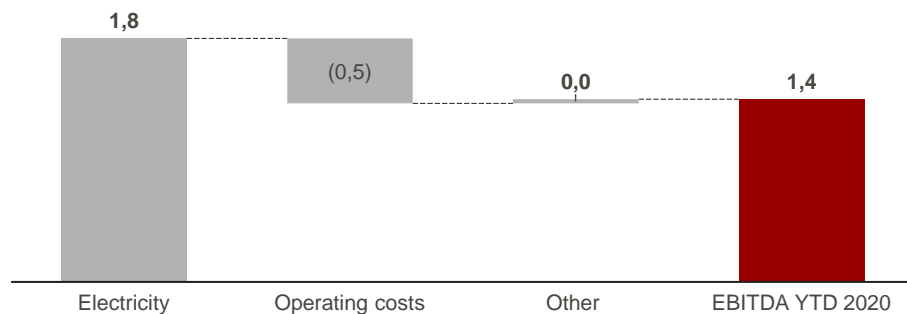
Comments

Due to the entry into the operating phase by Sulechów I photovoltaic farm (with the capacity of 8 MW), which received auction support in 2018, the Group reports photovoltaic segment separately in the financial statements.

The result in this segment mainly includes revenues from sales of electricity, secured by the support obtained under the auction system.

Better EBITDA in the second quarter as a consequence of higher electricity production (higher insolation) compared to the first quarter.

2 EBITDA* build-up (cumulative)

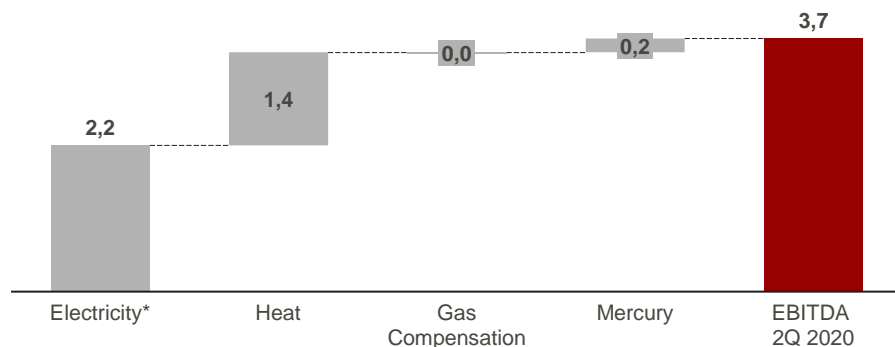


* In Q2 2020, there was a change in the presentation of activities related to the development and construction photovoltaic farm wind farms by allocating them to the Photovoltaic segment ("other" item). In order to maintain data comparability, the cost of photovoltaic farm development and construction was also included in the 2019 EBITDA.

SEPARATION OF PHOTOVOLTAIC SEGMENT IN CONNECTION WITH COMMENCING OPERATIONAL ACTIVITY OF THE FIRST EIGHT PROJECTS. HIGHER RESULT IN THE SECOND QUARTER DUE TO HIGHER ELECTRICITY PRODUCTION.

Gas and clean fuels - Q 2

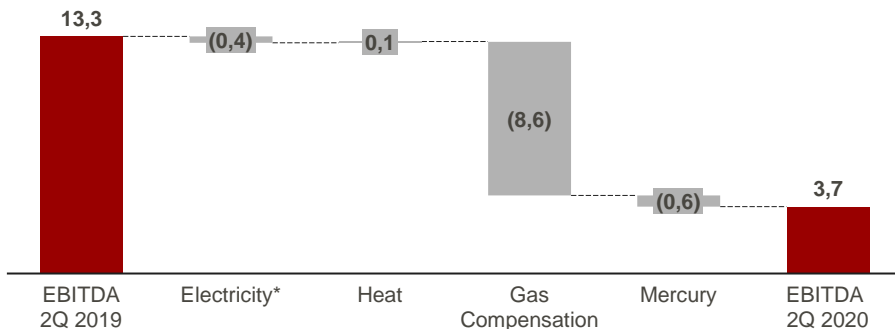
1 EBITDA build-up



Comments

- The lower result on gas compensation in 2020 is due to the termination of the long-term contract for the sale of gas.
- The lower result on electricity is due to lower revenues from stranded costs compensation (the end of the compensation scheme in May 2020) partly offset by higher margin on energy sales (optimization of energy sales and gas cost), and the revenues on account of feed-in premium (co-generation support system) for 2019.

2 EBITDA bridge

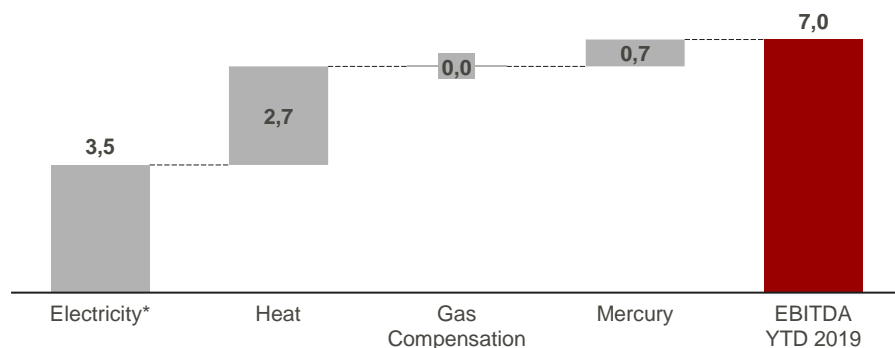


* Takes into account the compensation of stranded costs and revenues from black-start service

**LOWER EBITDA RESULT DUE TO LACK OF REVENUES FROM GAS COMPENSATION
AND LOWER REVENUES FROM STRANDED COST COMPENSATION**

Gas and clean fuels - Cumulative

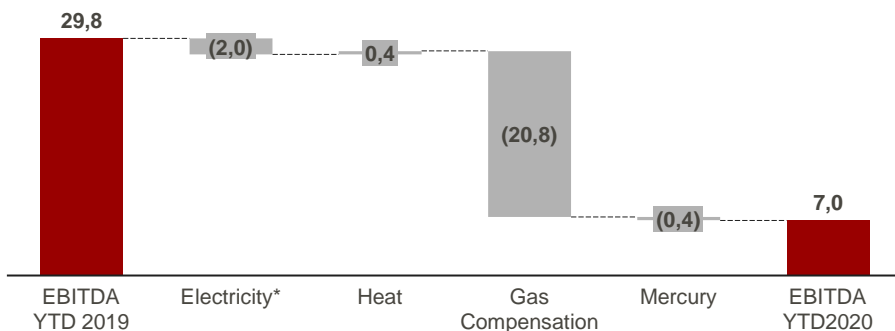
1 EBITDA build-up



Comments

- The lower result on gas compensation in 2020 is due to the termination of the long-term contract for the sale of gas.
- The lower result on electricity is due to lower revenues from stranded costs compensation (the end of the compensation scheme in May 2020) partly offset by higher margin on energy sales (optimization of energy sales and gas cost), and the revenues on account of feed-in premium (co-generation support system) for 2019.

2 EBITDA bridge

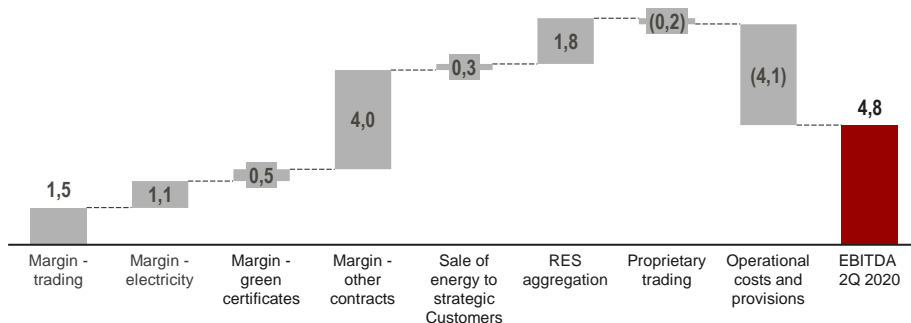


* Takes into account the compensation of stranded costs and revenues from black-start service

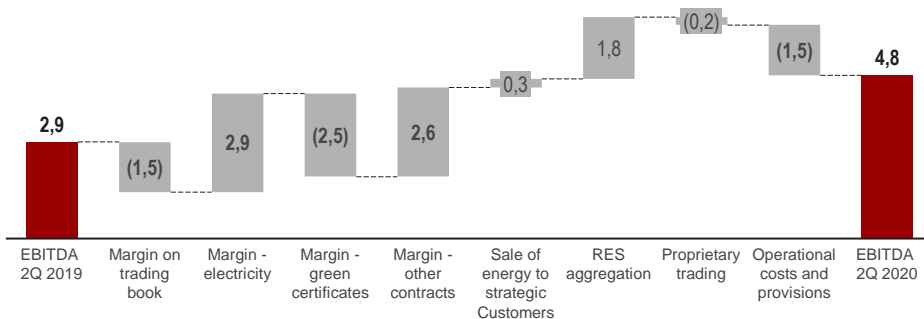
LOWER EBITDA RESULT DUE TO LACK OF REVENUES FROM GAS COMPENSATION AND LOWER REVENUES FROM STRANDED COST COMPENSATION

Trading - Q 2

1 EBITDA build-up



2 EBITDA bridge



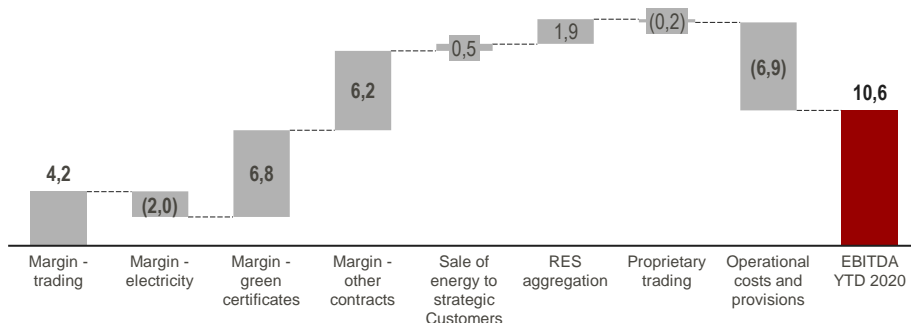
Comments

- Decrease of result on the trading book due to inferior performance in short-term trade.
- Higher result on trade in electricity from wind farms due to higher selling prices and production level close to forecasted values.
- Decline in result on the trade of green certificates from wind farms is due to the presentation of the result on certificates in onshore wind power segment including the valuation of certificates produced but not yet issued in the amount of PLN -4.0m.
- Higher result on other contracts due to transactions optimizing the production security of own assets.
- Additional result coming from the implementation of new business lines as part of the company's new strategy for 2020-2024 - sales of energy to strategic customers, RES aggregation and proprietary trading.
- Higher operating costs (mainly salaries due to the increase in employment in connection with the implementation of new business lines and the increase in costs of external services) and higher commission costs.

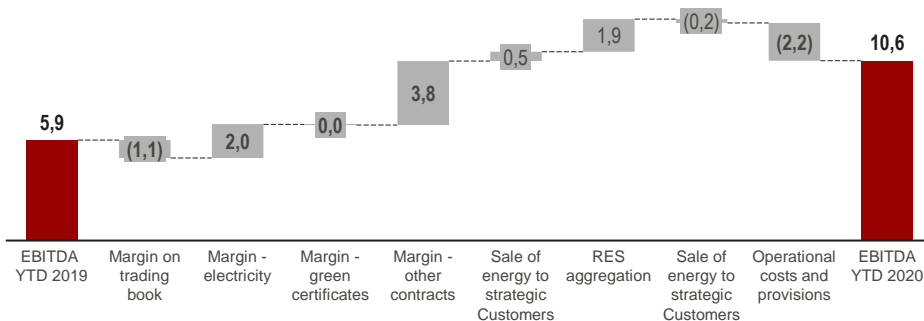
GOOD RESULT ON TRADING IN ELECTRICITY FROM WIND FARMS, OTHER CONTRACTS AND IMPLEMENTATION OF THE NEW STRATEGY PARTLY OFFSET BY WORSE RESULT ON TRADING AND HIGHER OPERATING AND COMMISSION COSTS

Trading - Cumulative

1 EBITDA build-up



2 EBITDA bridge



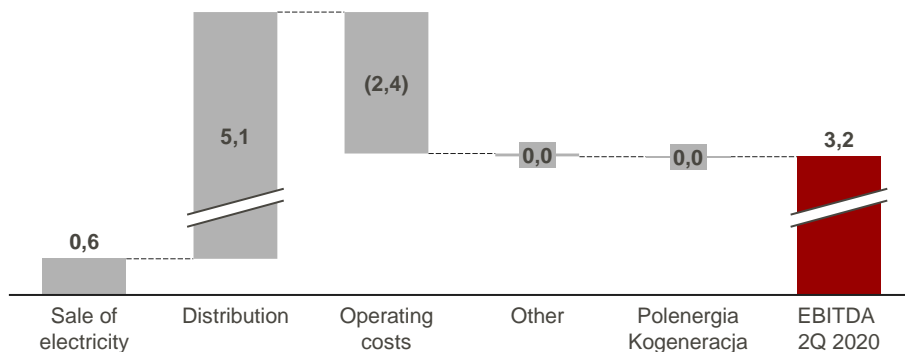
Comments

- Decrease of result on the trading book due to inferior performance in short-term trade.
- Higher result on trade in energy from wind farms due to the impact of Q2 2020, when the level of production was close to the amount of hedging which was realized at high prices.
- Increased result on trading green certificates from wind farms due to higher sales prices. Additionally, the result presented on certificates in onshore wind power segment takes into account the valuation of certificates produced but not yet issued in the amount of PLN -0.3m.
- Higher result on other contracts due to transactions optimizing the production security of own assets.
- Additional result coming from the implementation of new business lines as part of the company's new strategy for 2020-2024 - sales of energy to strategic customers, RES aggregation and proprietary trading.
- Higher operating costs (mainly salaries due to the increase in employment resulting from the implementation of new business lines and the increase in costs of external services) and higher commission costs.

GOOD RESULT ON TRADE IN ELECTRICITY FROM FARMS, OTHER CONTRACTS AND IMPLEMENTATION OF THE NEW STRATEGY PARTLY OFFSET BY LOWER RESULT ON THE TRADING BOOK AND HIGHER OPERATING COSTS

Distribution - Q 2

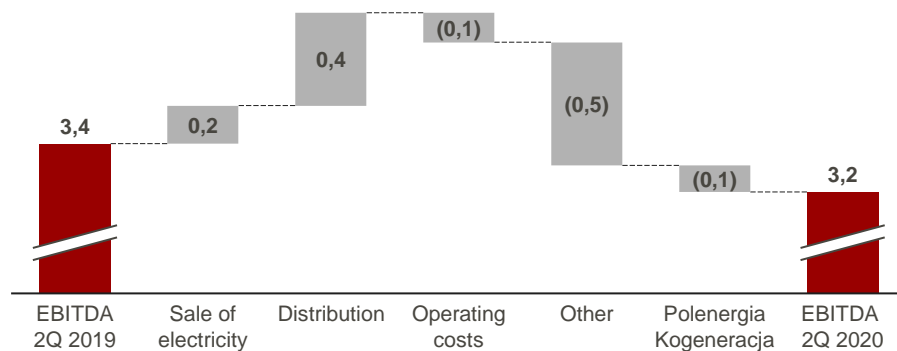
1 EBITDA build-up



Comments

The distribution segment recorded a decrease in EBITDA by PLN 0.2m compared to the corresponding period of the previous year, which is mainly a consequence of the one-off real estate tax refund received in Q2 2019, partially offset by the increase in the margin on energy trading and distribution.

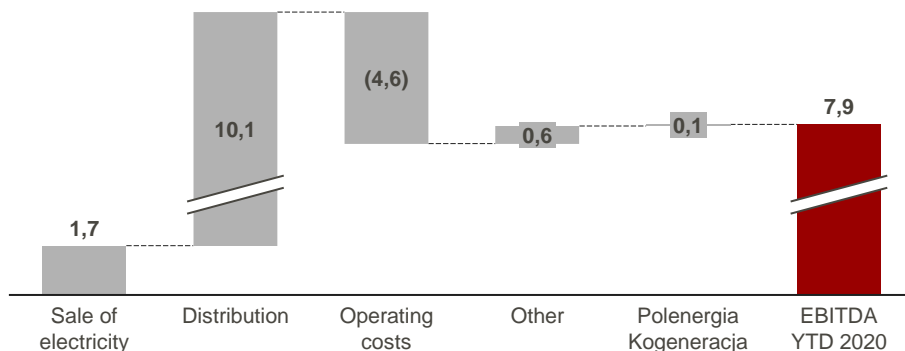
2 EBITDA bridge



STABLE OPERATING ACTIVITY DESPITE THE TURBULENCE RELATED TO COVID-19 PANDEMIC, THE COMPANY RECORDED THE INCREASE OF THE MARGIN ON ENERGY DISTRIBUTION AND SALES.

Distribution - cumulative

1 EBITDA build-up

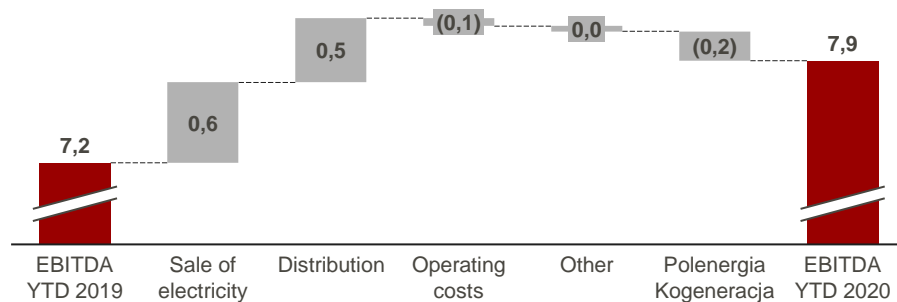


Comments

The distribution segment recorded PLN 0.7m increase in EBITDA compared to the same period last year, mainly due to:

- higher margin on energy sales - there was an official freezing of energy prices in 2019
- higher margin on energy distribution mainly due to higher revenues from connection fees following the implementation of the 3rd investment plan

2 EBITDA bridge



STABLE OPERATING ACTIVITY DESPITE THE TURBULENCE RELATED TO COVID-19 PANDEMIC, THE COMPANY RECORDED THE INCREASE OF THE MARGIN ON ENERGY DISTRIBUTION AND SALES.

04

Status of the Group's strategy implementation

Status of the Group's strategy implementation (1/2)



Onshore wind power

- Projects in the advanced stage of development that received support in the RES auction in 2019.
 - The construction of Szymankowo (38 MW) and Dębsk (121 MW) wind farms is in progress.
 - The construction of WF Kostomłoty (27 MW) is planned to commence in Q 1 2021 providing that the final investment decision is made.
 - Szymankowo project – on 29th July 2020 the agreement amending the current loan agreement of 2019 was entered into with the consortium composed of EBRD, ING and mBank. The amended agreement increased the investment loan limit to 171m and VAT loan up to the amount of 27m.
 - Dębsk project – on 10th July 2020 the agreement was entered into with the consortium composed of EBRD, ING, mBank and Santander, based whereupon the investment loan was granted up to the amount of 480m and the VAT loan up to the amount of 73m.
 - On 14th April 2020 the companies implementing the Dębsk, Kostomłoty and Szymankowo projects entered into loan agreements with Mansa Investments to finance the construction of wind farms up to the total amount of 233m.
- Other projects
 - The Piekło project (13 MW) holds the construction permit. The Group is considering the project's participation in the forthcoming RES auction.
 - 2 successive projects of the total capacity of approx. 82 MW



Photovoltaics

- The projects on advance development phase of the total capacity of approx. 27 MW planned to be ready to participate in auction in 2020.
- The project portfolio of the total capacity of approx. 238 MW in the early development phase.



Offshore wind farms:

- The projects in advanced development phase - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of approx. 1.4 GW)
 - Valid location and environmental decisions for the farm with connection for MFW Bałtyk III and partly for the connection for MFW Bałtyk II
 - Commenced procedure to obtain the connection agreement for the MFW Bałtyk II
 - Technical concept
 - Dialog started with suppliers
- Projects in early development phase - MFW Bałtyk I Sp. z o.o. (planned capacity approx. 1.6 GW)
 - Valid location decision
 - The procedure of obtaining the connection agreement commenced.
 - Preparations are underway to the process of environmental impact assessment.
- The time of launching the farm construction will depend on coming into effect of the relevant regulatory regime.

Status of the Group's strategy implementation (2/2)



Gas and clean fuels:

- Nowa Sarzyna power plant: optimization of the existing heat and power plant in Nowa Sarzyna, preparation of the facility for operation on a dynamic energy market, conclusion of a Service Level Agreement (SLA) with Polenergia Obrót, optimization of electricity production and gas purchase in 2020 based on SLA, securing optimal energy production and energy sale for 2021 based on the SLA.
- Development of new generation capacities
 - Polenergia Group signed the letter of intent with Siemens Gas and Power together with Siemens Energy on potential cooperation in the development of gas co-generation projects and hydrogen technologies.
 - The search and analysis of potential projects are underway together with the Partner.
- Production of green hydrogen - analyses are underway to install the PEM electrolyzer in one of our projects.



Distribution:

- The implementation of the approved investment plan for 2019-2022 totaling PLN 51m is underway.
- By the end of Q 2 2020 the Company issued 42 conditions for connection to grid and 22 connection agreements were entered into based thereon.
- Connection agreements were performed and 8 projects were notified as ready to connect.
- The extension of the concession was obtained for 3 projects and works are underway on 3 successive projects.
- The Company held negotiations with a few investors implementing commercial, office and service or residential and service projects. The solutions proposed by the Company enable the investors, among other, to reduce capital expenditure related to infrastructure construction and to reduce costs related to technical maintenance of the grid and settlement of electricity supply to tenants.
- The preparations commenced to implement IV investment plan.



Trading and sales

- Optimization of Nowa Sarzyna Power Plant - in May 2020 SLA (Service Level Agreement) was entered into with the heat and power plant. Based on SLA 100% of optimum structure of electricity generation was secured for 2021.
- Prop trading – trading in limited scope started as of the beginning of June 2020.
- RES aggregation – the company started to provide services for first external RES customers. The process of procuring successive customers is in progress.
- Selling renewable energy to end customers - the process of building the sales channel and acquiring concessions is underway.
- Geographic expansion - preparatory work is underway to start trading on new foreign markets.



Corporate Social Responsibility:

- Acceding to the international Partnership of United Nations Global Compact (UNGC). As part of the UNGC, active involvement in activities implementing goal No. 7 "Clean and accessible energy" and goal No. 5 "Gender equality".
- Cooperation with Kulczyk Foundation, UNEP GRID and the Lesław Paga Foundation, with the purpose of preparing for educational activities aimed at children, students and graduates in the field of climate and RES.
- Support for the protection of biodiversity (protection of the Montagu's harrier, apiary in the area of photovoltaic farms).
- Systematization (adoption of the Charity Policy) and support for charitable activities for the benefit of local communities.

Glossary of abbreviations

✓ **Revenues on account of granted and yet unsold green certificates**

Revenues are presented without the adjustment resulting from IFRS 15 in order to maintain data transparency, in particular the price effect.

Pursuant to IFRS 15, granted certificates of origin should be presented as a reduction of the cost of sale under the income from granted certificates of origin item and the cost of certificates of origin sold - at the time of sale.

Revenues from granted but not yet sold green certificates presented on slides 16 and 17 include the provisions for revenues set up at the time of production of certificates of origin, while the cost of sales is not adjusted for these revenues.

✓ **Net electricity**

Revenue from sales of electricity less cost of balancing and profile

✓ **EBITDA**

Gross profit minus financial income plus financial costs plus depreciation plus write-downs on non-financial fixed assets (including goodwill).

✓ **RAB**

Regulatory asset base - the value of assets on the basis of which the Energy Regulatory Office determines the distribution tariff

✓ **RAB in transit**

Expenditure already incurred but not reflected in the distribution tariff. They will be included in subsequent tariff updates.

✓ **MW**

Megawatt

✓ **MWh,GWh**

Megawatt hour, Gigawatt hour

✓ **TJ, GJ**

Terajoule, Gigajoule

✓ **RES**

Renewable Energy Sources

✓ **Proprietary trading**

Trade on own account using own funds