



# Polenergia Group

Q2 2022 Financial Results

August 2022

Polenergia © 2022






# Agenda:

01. Summary of key events in Q2 2022
02. Summary of key operational parameters
03. Q2 2022 Financial Results
04. Progress of the Group's strategy implementation

# Summary of major events Q2 2022

## Q2 2022 Summary: Major events (1/3)

Fact	Effect/Comment
 High energy generation in wind farms in HY1 2022	<ul style="list-style-type: none"> <li>High windiness in Q1 and the completion of construction of the Szymankowo wind farm in Q3 2021 resulted in higher generation on HY1 2022 by 112.9 GWh compared with the corresponding period of the preceding year, despite low windiness in Q2.</li> </ul>
 Exceptional price and volatility increase in the energy market	<ul style="list-style-type: none"> <li>The year 2022 features historically not experienced YOY increases of prices on the SPOT and forward markets. At the same time, in view of the increased share of installed capacity in RES and the growth of energy generation cost in conventional power plants, the price volatility has been extremely high, with hourly energy prices subject to intraday change by more than PLN 1000 per MWh, depending on the RES generation level.</li> <li>The record high prices and their high volatility directly translate to the increase of nominal profile cost both for the wind farms and the PV farms. On top of that, with the settlement price in the balancing market being dependent on the contracting status of the energy system and the high volatility of prices, the balancing costs have been noticeably rising in uncontrollable energy sources for which it is difficult to forecast generation volumes.</li> </ul>
 Consistent implementation of the Polenergia Group Strategy for the years 2020- 2024	<ul style="list-style-type: none"> <li><u>Onshore wind farms:</u> Continuation of the construction of the portfolio of four wind farm projects:             <ul style="list-style-type: none"> <li>Dębsk: all WGTs assembled and energized, trial runs in progress;</li> <li>Kostomłoty: construction according to schedule, all WGTs assembled, trial runs in progress</li> <li>Piekło and Grabowo: construction started at the end of March 2022.</li> </ul> </li> <li><u>Photovoltaic:</u> The construction of Sulechów II and Sulechów III PV projects of the total capacity of 21.5 MW was completed, while the 6.4 MW Buk project is in the final phase of construction.</li> <li><u>E-mobility:</u> Polenergia eMobility has started to develop the first publicly available charging stations and has been efficiently procuring further locations for the construction e-vehicle charging stations all over the country.</li> <li><u>Polenergia Fotowoltaika:</u> In Q2 2022 Polenergia Fotowoltaika deployed PV systems of the total capacity of 12.3 MW while concurrently Polenergia Pompy Ciepła installed 149 heat pumps. Polenergia Fotowoltaika kept selling the Polenergia 360 product based on a partnership with Polenergia Sprzedaż resulting in the first contracts for the supply and re-purchase of renewable and zero-emission energy.</li> </ul>

## Q2 2022 Summary: Major events (2/3)

### Fact

### Effect/Comment



Dynamic changes in the macroeconomic environment and the impact of the war in Ukraine

- ▶ Involvement in the markets of Ukraine, Belarus and Russia: The Polenergia Group is not directly exposed to the negative effects of the conflict due to the marginal involvement of the Group's companies in activities in Russia, Belarus and Ukraine and in the cooperation with partners based in these countries.
- ▶ Increased risk of conducting trading activity: The Group has identified increased risk of trading which is driven, among others, by increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers and the increased risk of insolvency of customers.
- ▶ Increased energy and gas price levels and volatility: discontinued Russian gas supplies and the situation in the European gas market may continue to drive further increase of prices and volatility. ENS has its gas prices hedged (in terms of volume and fixed price) in relation to the thermal power generation contracts until 2023. An additional safety feature for heat generation is the supply of light heating oil maintained and increased in Q1 2022, as reserve fuel in the event of limited or no supply of gas. The high energy prices persisting, along with the limited use of conventional sources such as coal, gas and oil, may become an additional incentive to increase the scale of RES investments. At the same time, the high volatility of the energy price combined with periods of variable wind conditions result in a significant increase in profile costs.
- ▶ Interest rate growth: the sensitivity of the onshore wind farm segment's operating part to fluctuation of interest and exchange rates is low due to the earlier hedging of projects. However, the growing interest rates affects the investment financing costs of new projects and the revolving financing in the Trade and Sales and Distribution segments.
- ▶ Increased investment costs and extended duration of projects' implementation: the increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. An increase in interest rates causes rising costs of financing, and an increase in the prices of raw materials and goods, combined with the volatility of the EUR / PLN exchange rate, may lead to an increase in the total investment costs.

## Q2 2022 Summary: Major events (3/3)

### Fact

### Effect/Comment



#### Changing regulatory environment

##### Onshore wind farms and PV farms

- ▶ 10h Distance Act: the government adopted the bill liberalizing the 10h Distance Act. New regulations uphold the rule that wind turbines must be located in a distance no shorter than 10 times the height of the tower (the 10H rule), however they permit less stringent interpretation while maintaining the obligation for the turbines to be located only in line with the local zoning plans. Impact: possibility of further development of the segment and implementation of the Group strategy.
- ▶ RES obligation: a regulation concerning the RES Obligation in 2023 has been published in the Polish Official Journal (Dziennik Ustaw) The quantitative share of the aggregate electrical energy resulting from the redeemed certificates of origin shall be reduced from 18.5% in 2022 down to 12% in 2023. Impact: The Group has been consistently hedging its production in subsequent years at favorable market prices. Potential negative changes will be visible after 2023.
- ▶ RES auctions: The Ministry of Climate and Environment published their plans regarding the procurement of energy at the RES auctions to be held in the years 2022-2027. It transpires from the draft regulation that auctions have been scheduled in the years 2022-2027 where the aggregate of 394.65 TWh will be available for sale, while maintaining the existing 15-year support period. Impact: This is good information from the perspective of developing new capacities in wind and PV farms, as the RES auctions planned for the years 2022-2027 may, potentially, permit ensuring energy production for new projects.

##### E-mobility

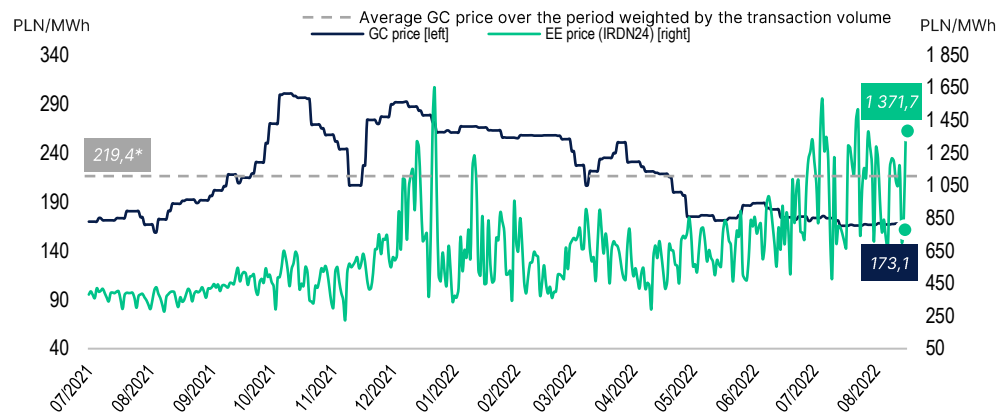
- ▶ On 8 June the European Parliament voted to change the CO<sub>2</sub> emission standards and prohibit manufacturing internal combustion engine-powered vehicles in 2035 as part of the Fit for 55 package. Impact: increased demand for electric cars will significantly boost the demand for charging stations, the development of which is part of the Group's Strategy in the Distribution and e-Mobility segment.

##### Tax on extraordinary profit for companies from the energy and gas sector (Windfall Tax)

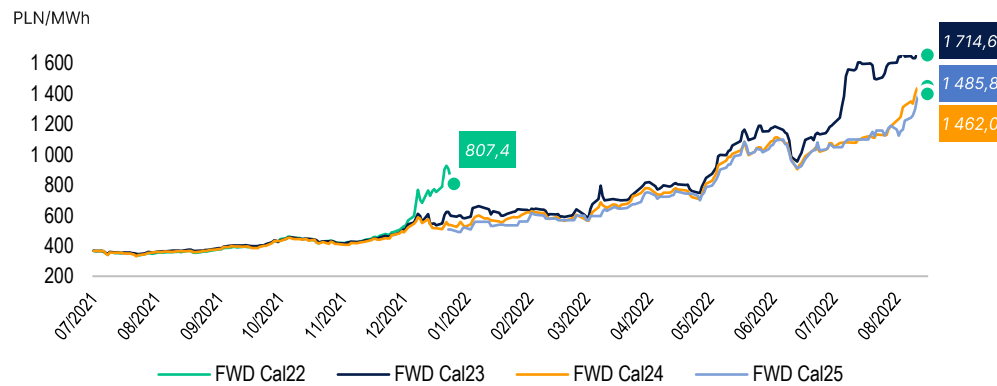
- ▶ The government informed that work was underway on a new tax on extraordinary profits that was meant to be imposed, in the first place, on the companies dealing in raw materials and energy. Currently, no information is available about which companies would be subject to such new tax, what its rate will be, how it will be calculated and when it will be launched. Impact: an additional tax may cut down on the funds available for new investments and inhibit the pace of their development.

## Key indexes and market prices

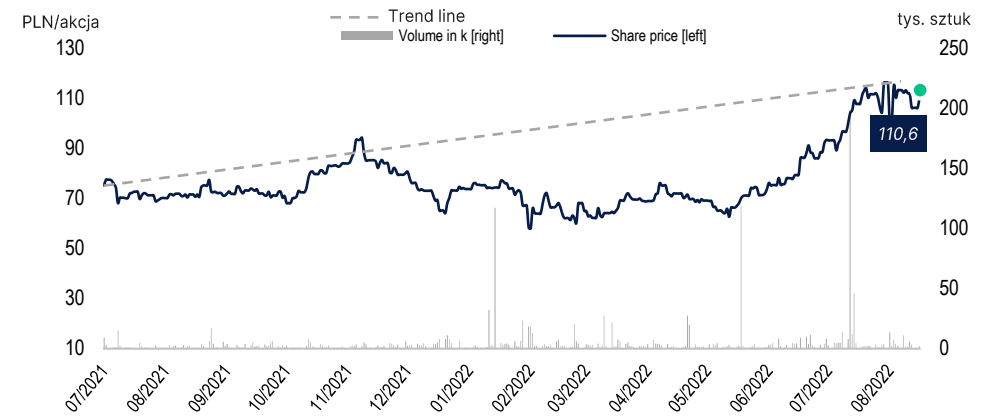
### Prices of green certificates and electricity



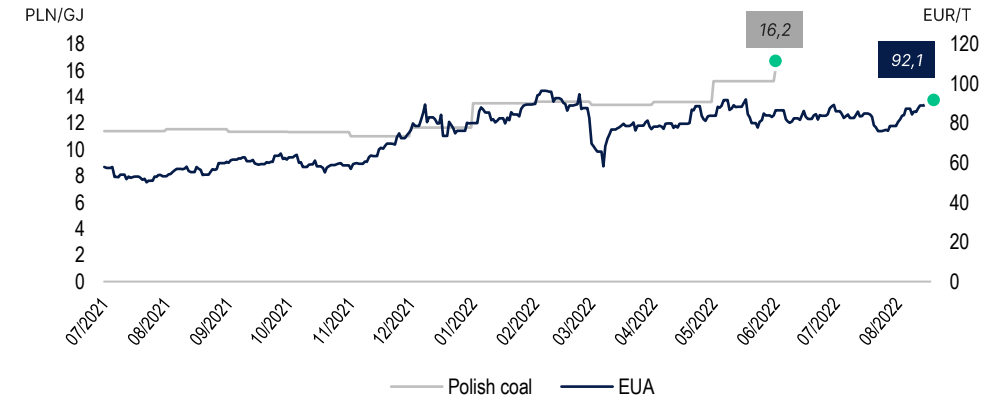
### Forward prices of electricity



### Quotations of Polenergia S.A. share prices



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



\* The average price of GC weighted by transaction volume in the same period of the last year amounted to: PLN 143,9/MWh

# Summary of key operational parameters



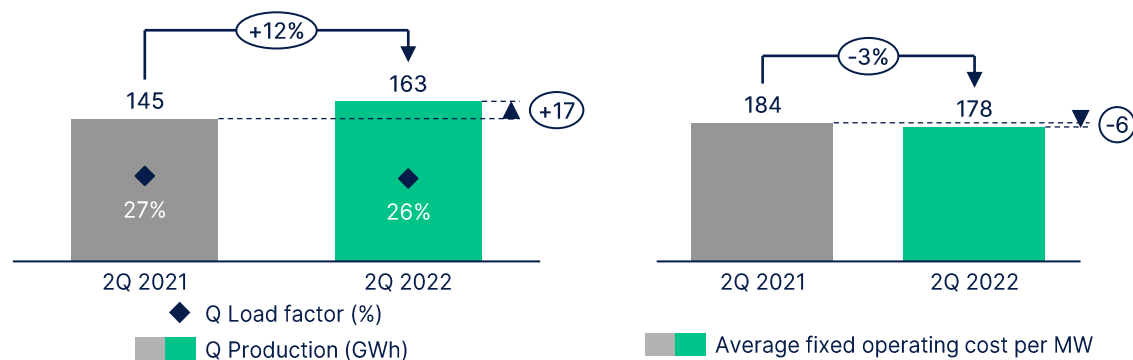
## Summary of key operating parameters - Onshore wind farms

Onshore wind farm production and LF%

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

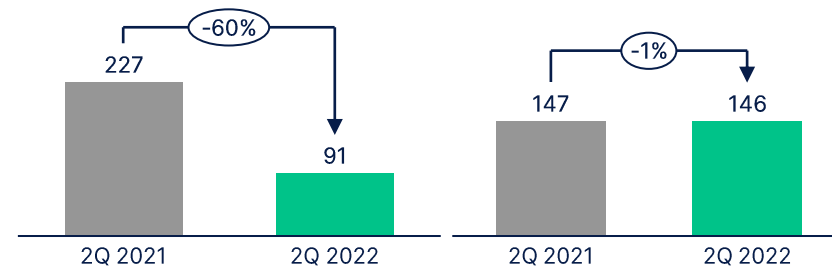
Average revenues per MWh (after balancing and profiling costs) at the  
Group level [PLN/MWh]

### Quarterly data

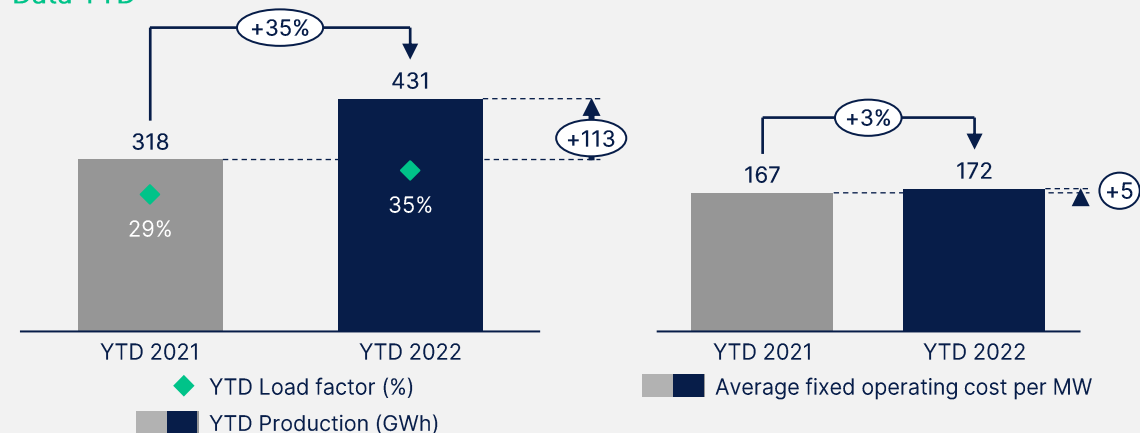


Electricity

Green Certificates

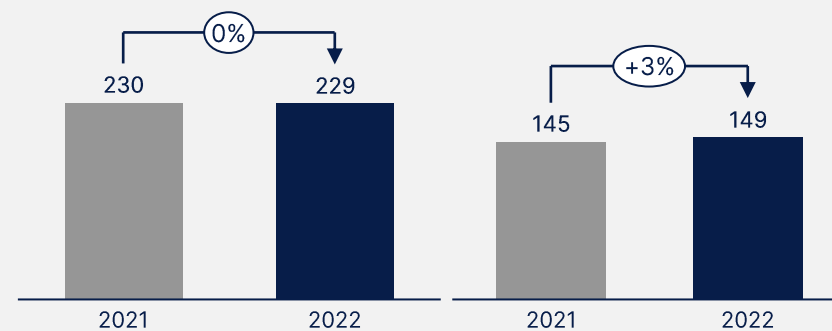


### Data YTD



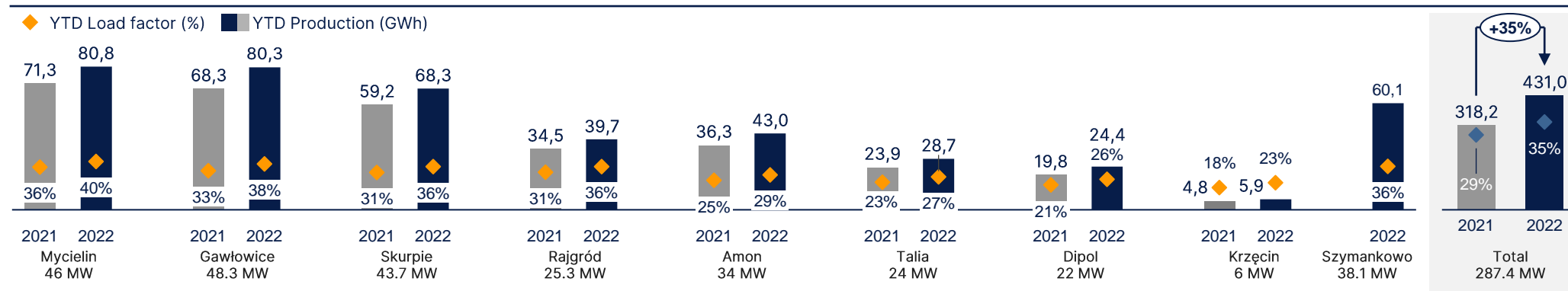
Electricity

Green Certificates

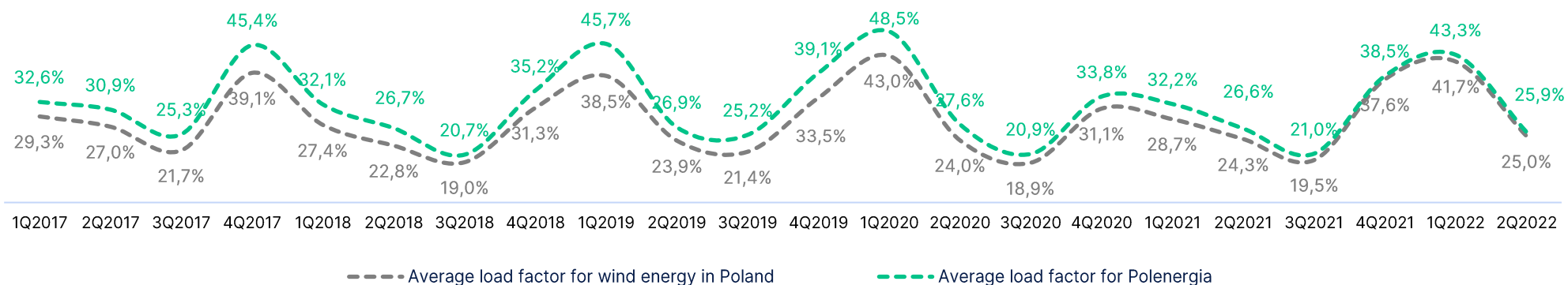


## Summary of key operating parameters - Onshore wind farms

### Production (net) YTD



### Net productivity of Polenergia farms above the average\*



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

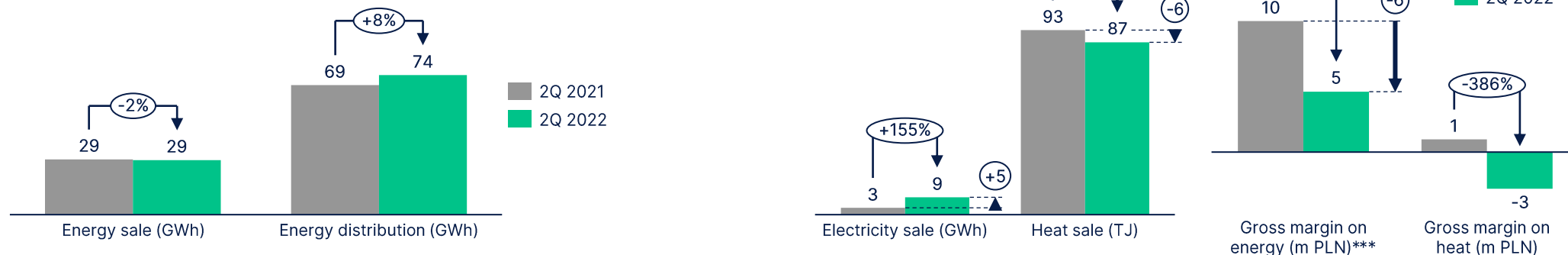
\* Comparison based on net productivity (after own consumption and losses) due to the availability of sector data

## Summary of key operating parameters - Distribution and Gas and Clean Fuels

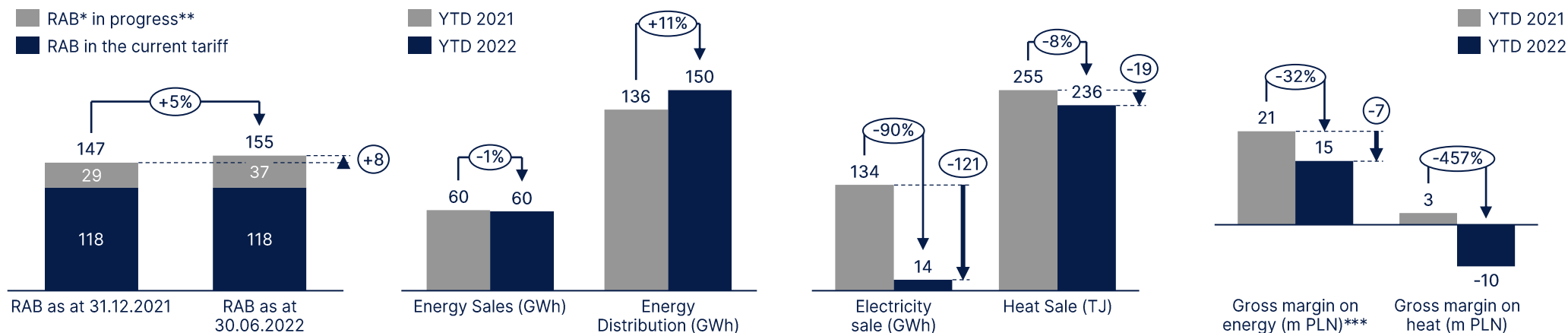
Distribution – RAB [mPLN] and sale [GWh]

Gas and Clean Fuels – sale [GWh] and average prices [PLN/MWh]

### Quarterly data



### Data YTD



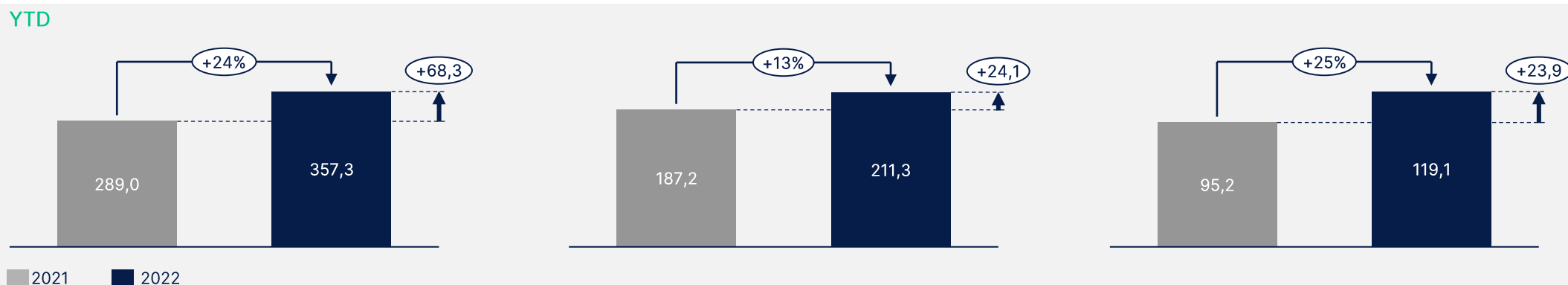
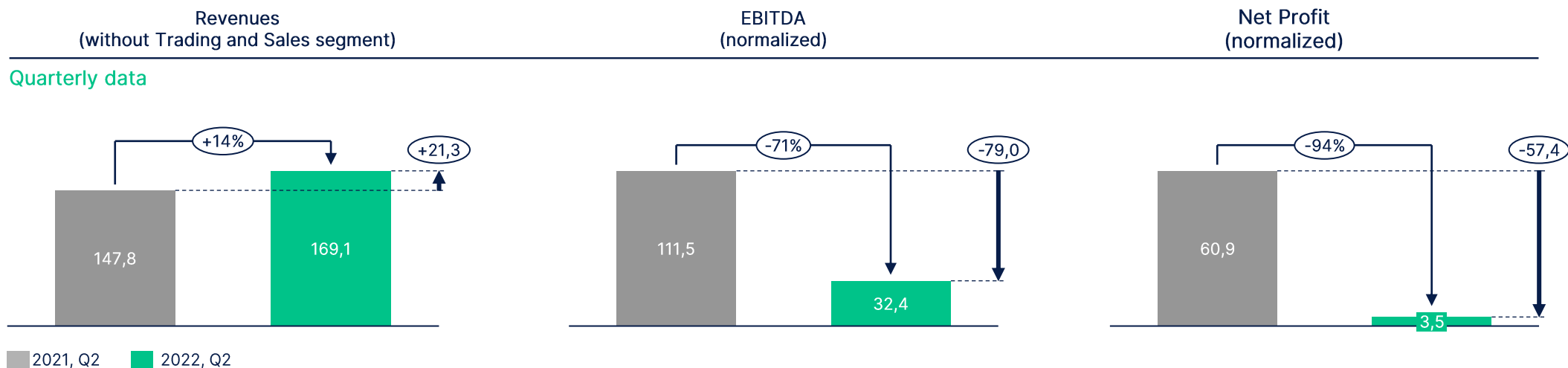
\* regulatory value of assets - term explained in the glossary

\*\* term explained in the glossary

\*\*\* gross margin at the ENS level, without taking into account the impact of optimization including a part of 2023, recognized in the consolidated financial results of the Group

# Q2 2022 Financial Results

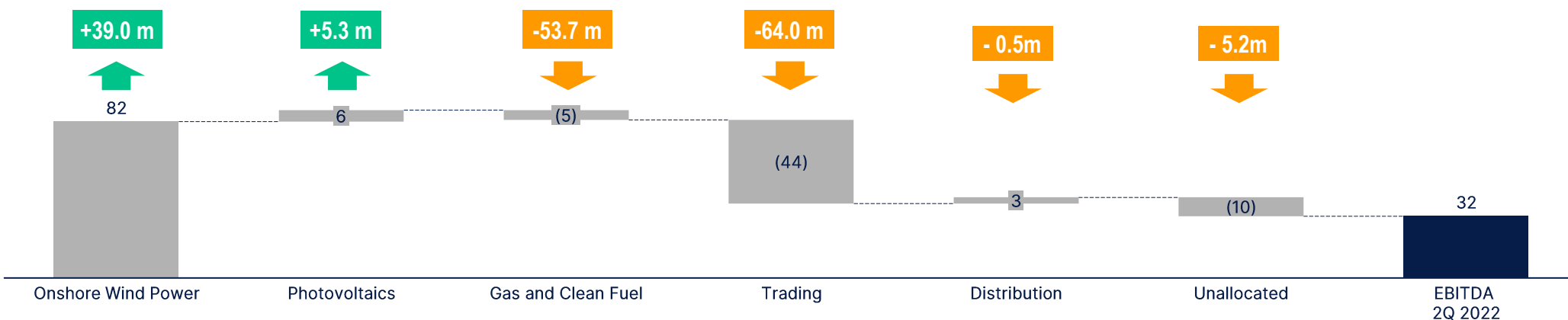
## Q2 2022 Financial Results



LOWER RESULT IN Q2 2022 MAINLY DUE TO LOWER RESULT IN GAS AND CLEANS FUELS AND IN TRADING AND SALES, RELATED TO THE 2021 ENS OPTIMIZATION, HIGHER PROFILE AND BALANCING COST AND DECREASE IN THE PROFIT ON SALES TO STRATEGIC CUSTOMERS, PARTLY OFFSET, AMONG OTHERS, BY HIGHER RESULT IN THE ONSHORE WIND FARM SEGMENT

## Structure of the EBITDA result – Q2 2022 vs. Q2 2021

### Structure of the EBITDA result in Q2 2022



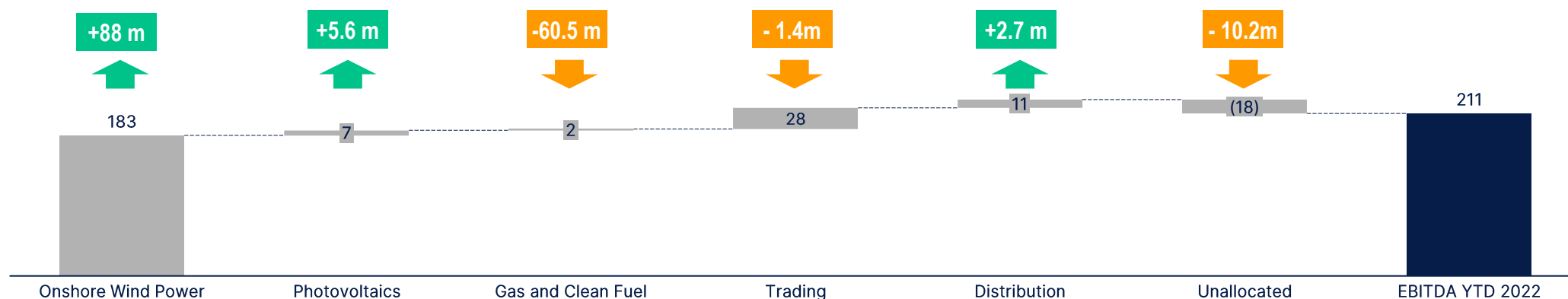
### Structure of the EBITDA result in Q2 2021



BETTER RESULT IN THE ONSHORE WIND FARM AND PHOTOVOLTAICS SEGMENTS AND LOWER RESULT IN THE TRADING AND SALES, GAS AND CLEAN FUELS, DISTRIBUTION SEGMENTS , AS WELL AS IN UNALLOCATED.

## Structure of the EBITDA result - YTD 2022 vs YTD 2021

### Structure of the EBITDA result YTD 2022



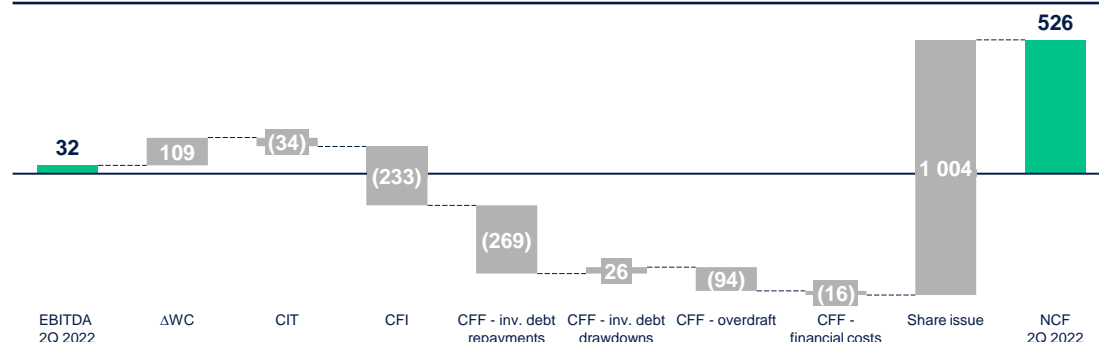
### Structure of the EBITDA result YTD 2021



BETTER RESULTS OF THE ONSHORE WIND FARM, PHOTOVOLTAICS AND DISTRIBUTION SEGMENTS, PARTLY OFFSET BY THE DROP IN RESULT OF THE GAS AND CLEAN FUELS, TRADING AND SALES AND UNALLOCATED SEGMENTS

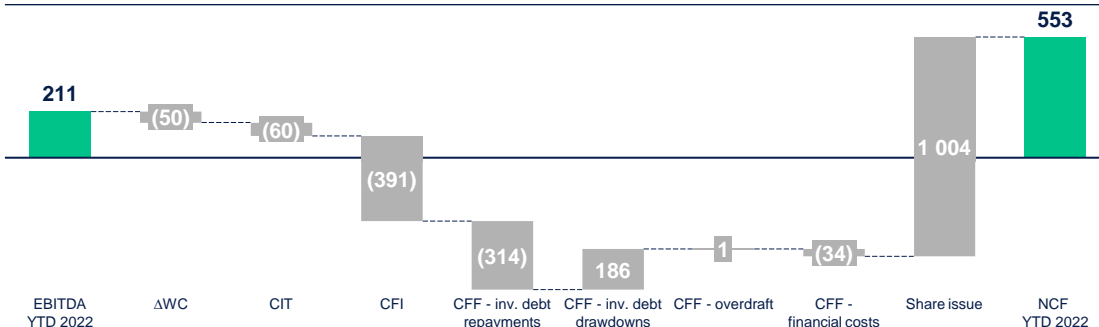
## Polenergia Group cash flow

### The Group's cash flow in Q2 2022



- Cash flow from investment activities: Mainly capital expenditures in the wind farm and PV farm projects (-110.9m), contributions to offshore wind farms (-110.5m), payment for Polenergia Fotowoltaika (-10.1m) and capital expenditure in other companies (-1.4m).
- Cash flow from financial activities: Investment loan and interest repayment in the onshore wind farm and PV segments according to the schedule (-28.5m), Repayment of the HQ bridge financing (-250m). Incurring an investment loan in the wind farm and PV project companies (26.3m). Change in the working capital loan/ VAT loan (-94.0m). Share issue PLN 1,003.9m. Other cash flows of -6.5m.

### Cash flows of the Group YTD



- Cash flow from investment activities: Mainly capital expenditures in the wind farm and PV farm projects (-260.7m), contributions to offshore wind farms (-110.5m), payment for Polenergia Fotowoltaika (-7.6m) and capital expenditure in other companies (-12.3m).
- Cash flow from financial activities: Investment loan and interest repayment in the onshore wind farm and PV segments according to the schedule (-77.7m), Repayment of the HQ bridge financing (-250m). Incurring an investment loan in the onshore wind farm and PV projects (182.6m). Change in the working capital loan/ VAT loan (+0.9m). Share issue PLN 1,003.9m. Other cash flows of PLN -16.5m.

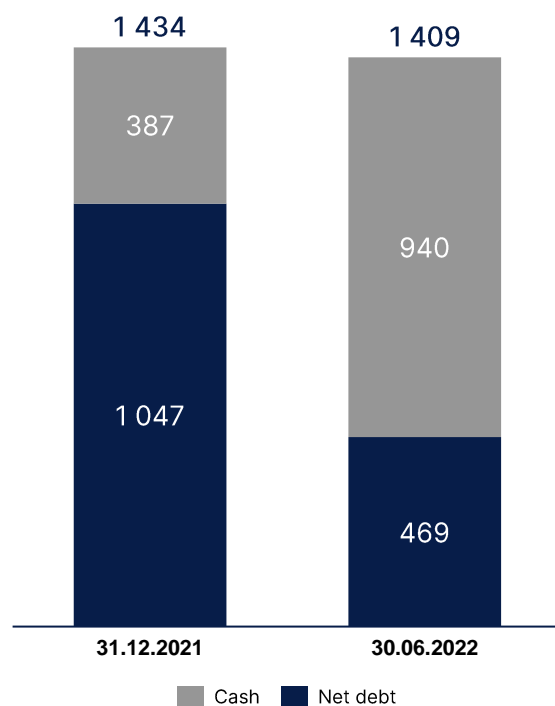


HIGH CAPITAL EXPENDITURE IN WIND AND PHOTOVOLTAIC FARMS AND OFFSHORE INVESTMENTS MAINLY FINANCED WITH EQUITY.

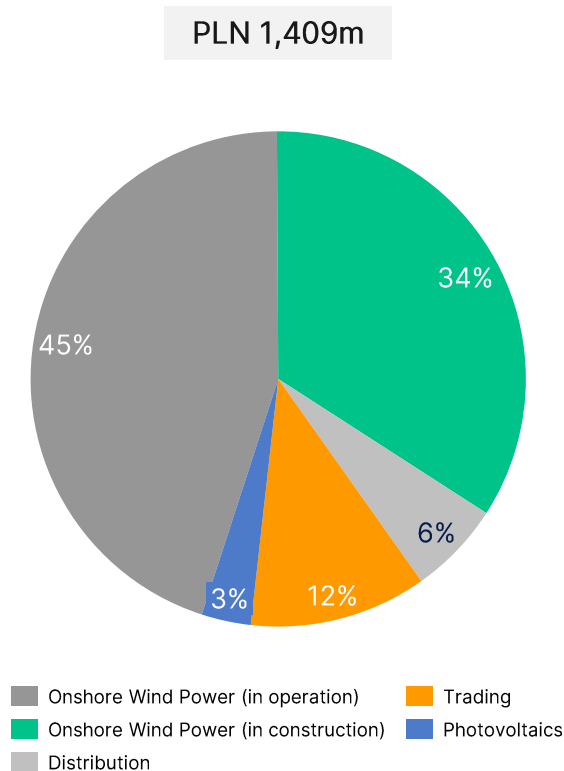


## Debt structure of the Polenergia Group as at 30 June 2022

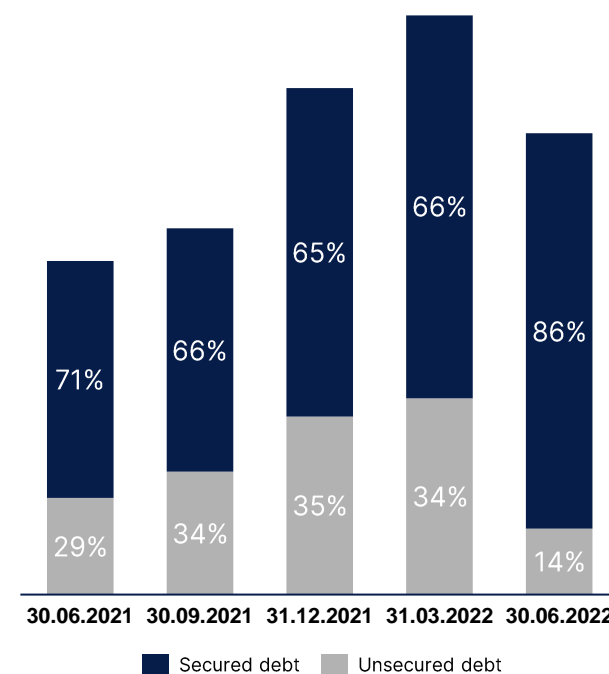
Gross debt (mPLN)



Debt structure as per segments



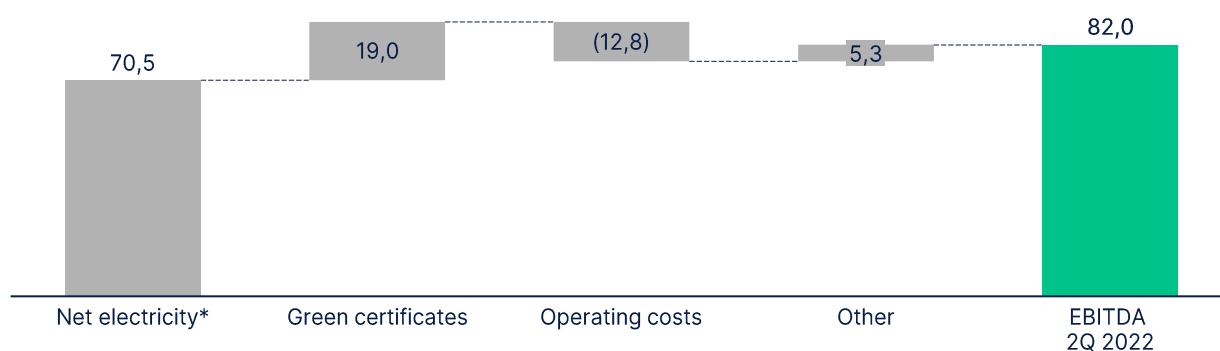
Debt structure - interest rate hedging



REDUCTION OF NET DEBT GIVEN HIGHER CASH BALANCE DUE TO SHARE ISSUE, NO F/X RISK IN THE DEBT STRUCTURE. DEBT COST HEDGED IN 86% OF BANK LOANS AND IN 93% OF INVESTMENT LOANS

## Onshore wind farms - Q2

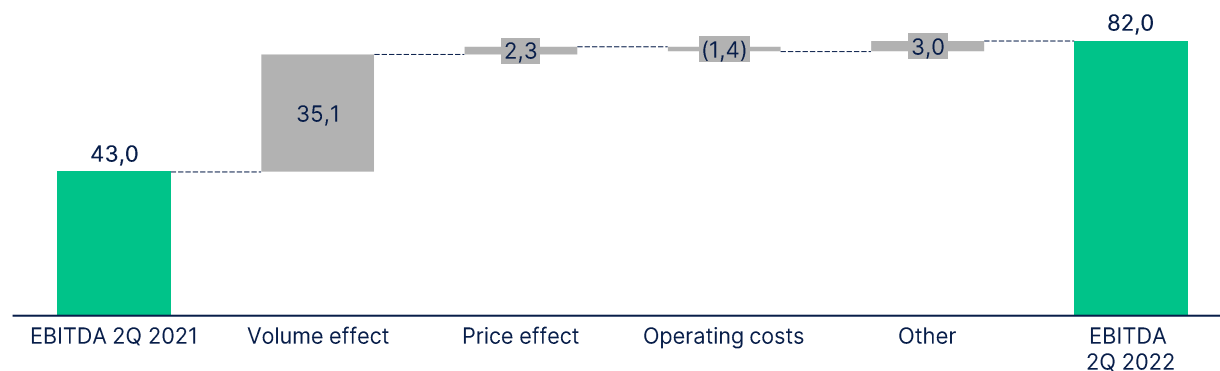
### EBITDA build-up



### Comment

- ▶ Higher generation volume by 17.5 GWh mainly due to the commencement of operation of the Szymankowo wind farm in Q3 2021.
- ▶ Decrease in electricity sales prices at the segment level (by PLN 1.3/MWh).
- ▶ Increase in green certificates' sales prices at the segment level (by PLN 4.9 / MWh).
- ▶ Operating costs in Q2 2022 exceeded those in Q2 2021 mainly due to inclusion of the operating expenses of the Szymankowo wind farm and the higher cost of energy for own needs.
- ▶ Income from green certificates granted but yet unsold\* and the associated selling expenses are presented without the IFRS 15 adjustment (unlike in the presentation in the consolidated annual report).

### EBITDA bridge

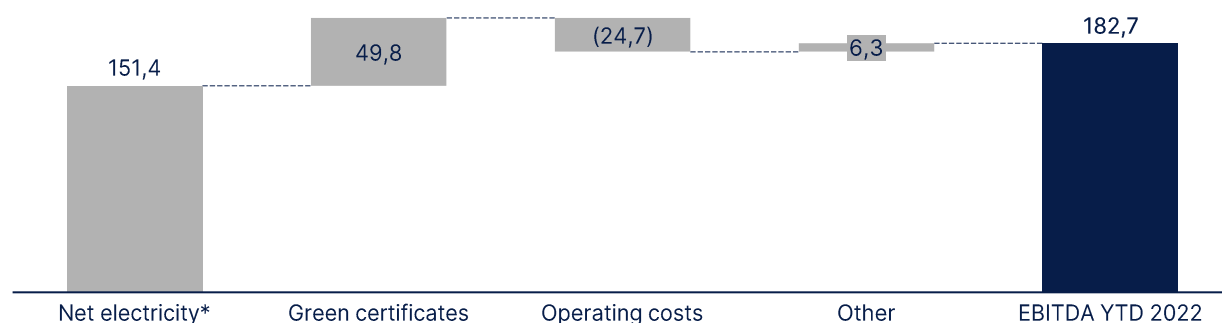


HIGHER GENERATION VOLUME AND HIGHER SALES PRICES OF GREEN CERTIFICATES PARTLY OFFSET BY HIGHER OPERATING EXPENSES

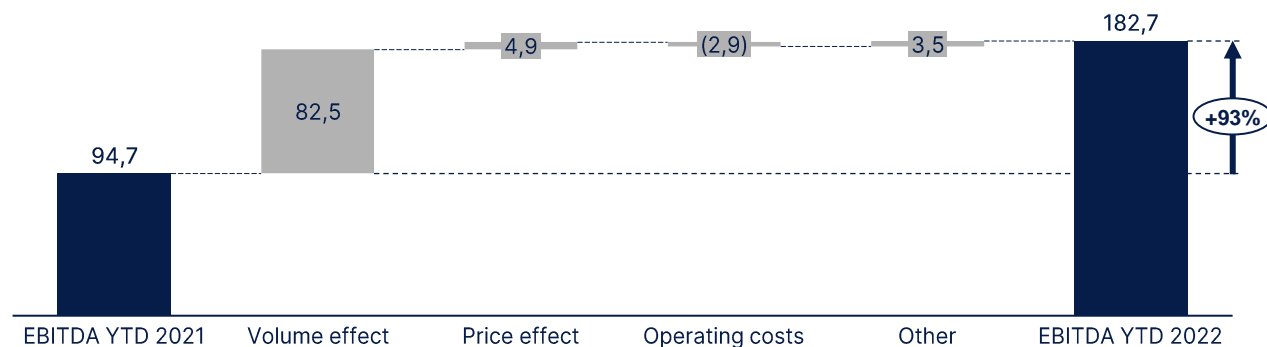
\* term explained in the glossary of abbreviations

## Onshore wind farms - YTD

### EBITDA build-up



### EBITDA bridge



### Comment

- ▶ Net production volume higher by 112.9 GWh given higher windiness in Q1 2022 and the commencement of operation of the Szymankowo wind farm in Q3 2021.
- ▶ Increase in electricity sales prices at the segment level (by PLN 1.7/MWh).
- ▶ Increase in green certificates' sales prices at the segment level (by PLN 4.8 / MWh).
- ▶ Operating costs in HY1 2022 exceeded those in HY1 2021 mainly due to inclusion of the operating expenses of the Szymankowo wind farm brought into operation in Q3 2021 and the higher cost of energy for own needs.
- ▶ Income from green certificates granted but yet unsold\* and the associated selling expenses are presented without the IFRS 15 adjustment (unlike in the presentation in the consolidated annual report).

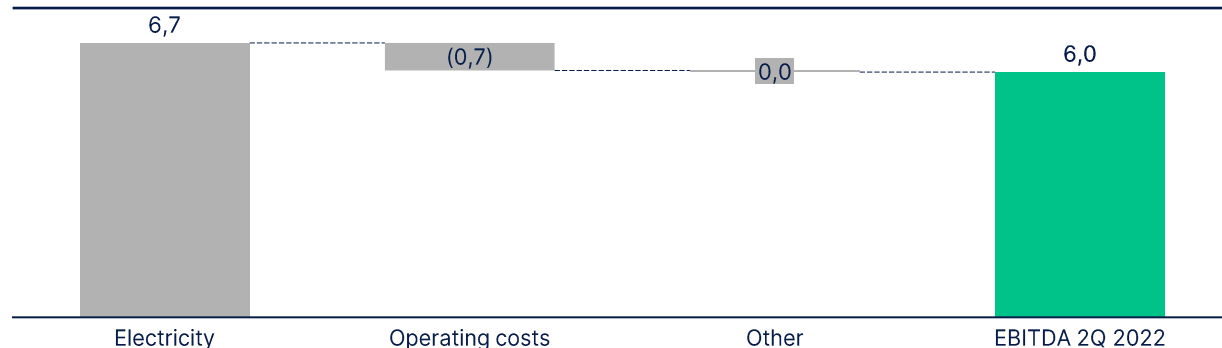


HIGHER PRODUCTION VOLUME AND HIGHER SALE PRICES OF ELECTRICITY AND GREEN CERTIFICATES, PARTLY OFFSET BY HIGHER OPERATING COSTS

\* term explained in the glossary of abbreviations

## Photovoltaics - Q2

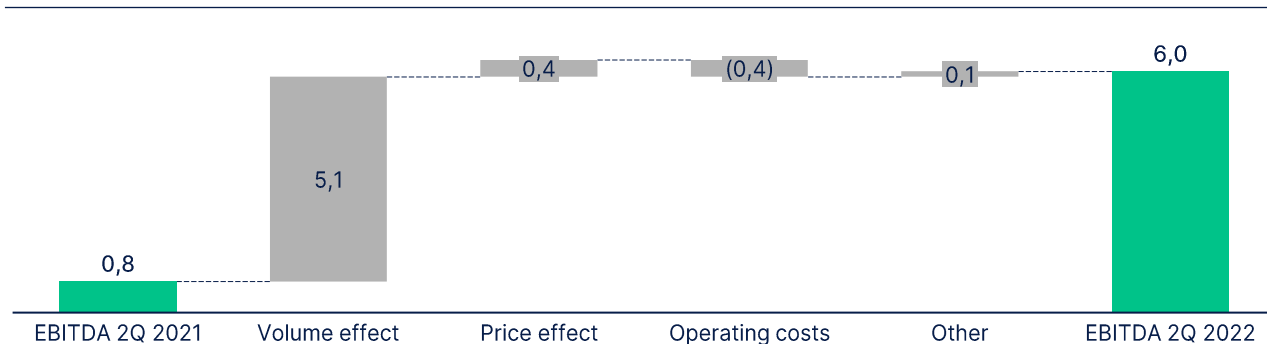
### EBITDA build-up



### Comment

- ▶ The segment's result comprises mainly sales revenues from electrical energy generated in Sulechów I (8 MW), Sulechów II (11.7 MW) and Sulechów III (9.8 MW) PV farms.
- ▶ The segment's EBITDA in Q2 2022 was higher compared to Q2 2021 (+PLN 5.3m) in view of the energisation of two new facilities: Sulechów II and Sulechów III in late Q1 2022 and test runs in 2Q.
- ▶ In Sulechów I part of the generated volumes was settled under the auction system, while the remaining portion was sold outside the support scheme at relatively high market prices.
- ▶ in Sulechów II and III, energy was sold at a fixed price hedged until the end of 2022.

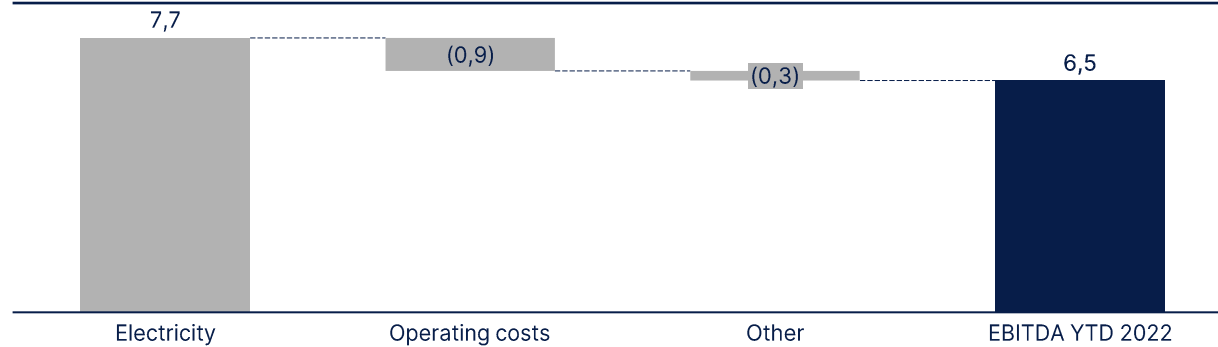
### EBITDA bridge



HIGHER RESULT DUE TO ENERGISATION AND TEST RUNS OF SULECHÓW II AND SULECHÓW III PROJECTS

## Photovoltaic - YTD

### EBITDA build-up



### Comment

- The PV segment's result in 2022 exceeded by PLN 5.6m that in 2021 due to the energisation of two new facilities: Sulechów II and Sulechów III in late Q1 2022 and test runs in 2Q.

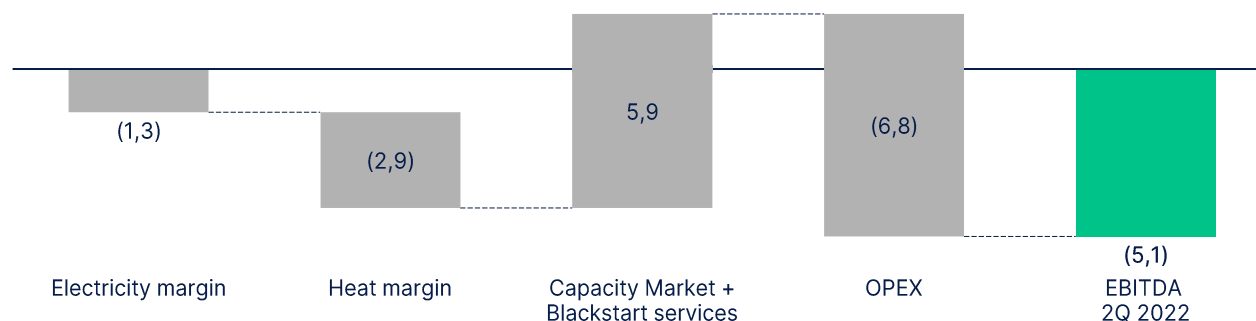
### EBITDA bridge



HIGHER RESULT DUE TO ENERGISATION AND TEST RUNS OF SULECHÓW II AND SULECHÓW III PROJECTS

## Gas and clean fuels – Q2

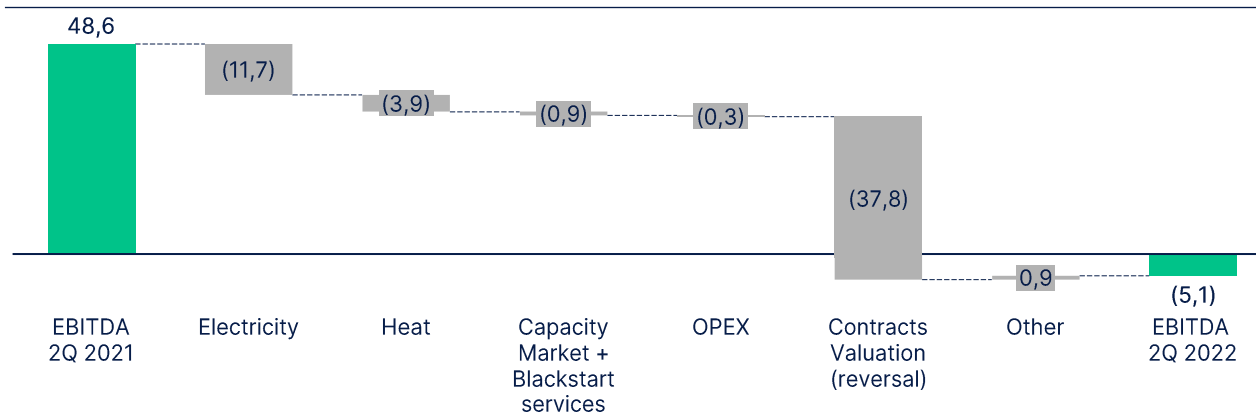
### EBITDA build-up



### Comment

- ▶ Lower result on electrical energy (including the contract measurement) due to the ENS operation optimization (mainly measurement of forward transactions hedging production and sales in ENS performed in Q2 2021 and the reversal of such transactions in Q3 and Q4 2021 and in Q1 2022 = PLN 37.8m).
- ▶ Lower result on thermal power results from higher costs of gas and CO<sub>2</sub> in 2022, partly offset by additional revenues recognized in December 2021 (13.4m, incl. 4.5m for Q2 2022).
- ▶ Lower revenues from the capacity market due to the lower price in 2022.

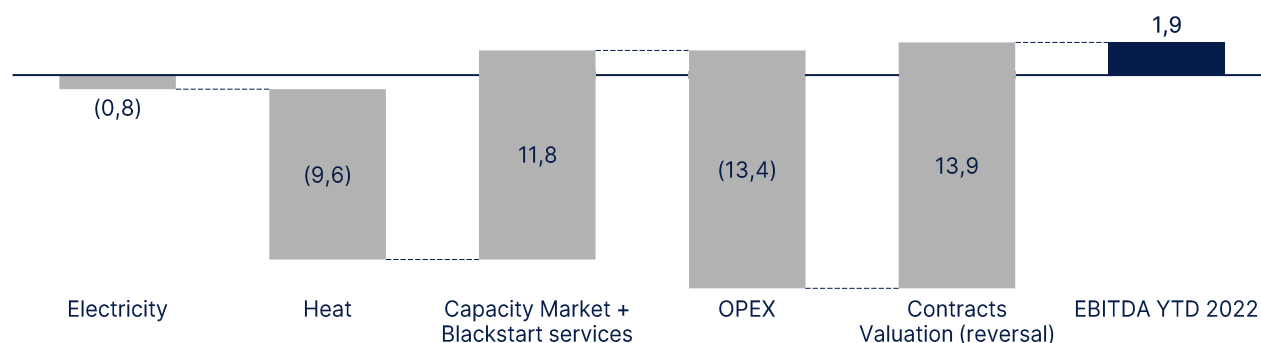
### EBITDA bridge



LOWER EBITDA DUE TO LOWER OPTIMIZATION OF THE ELECTRICITY GENERATION PROCESS AND LOWER RESULT ON THERMAL POWER

## Gas and Clean Fuels - YTD

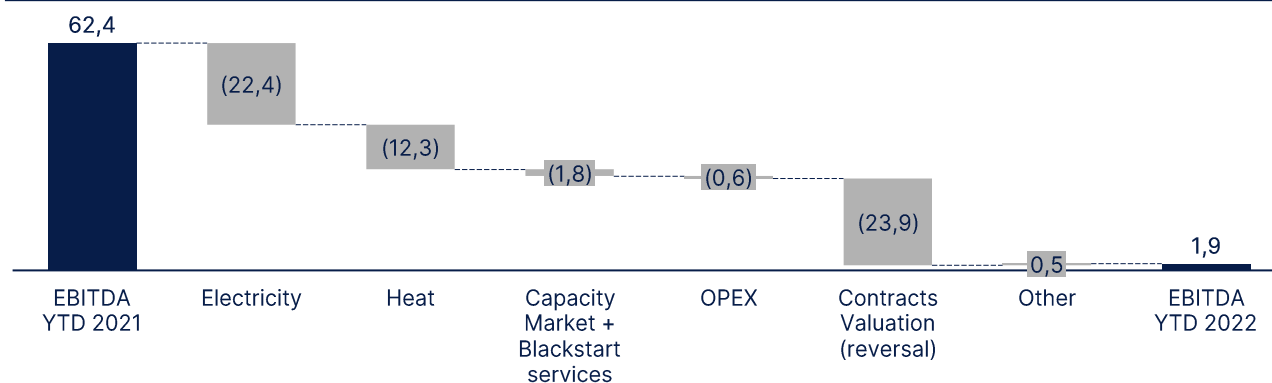
### EBITDA build-up



### Comment

- ▶ Lower result on electricity (including the contract measurement) due to the ENS operation optimization (mainly measurement of forward transactions hedging production and sales in ENS performed in Q2 2021 and the reversal of such transactions in Q3 and Q4 2021 and Q1 2022 = PLN 37.8m).
- ▶ Lower result on thermal power results from higher costs of gas and CO<sub>2</sub> in 2022, partly offset by additional revenues recognized in December 2021 (13.4m, incl. 11.4m for Q1 and Q2 2022).
- ▶ Lower revenues from the capacity market due to the lower price in 2022.

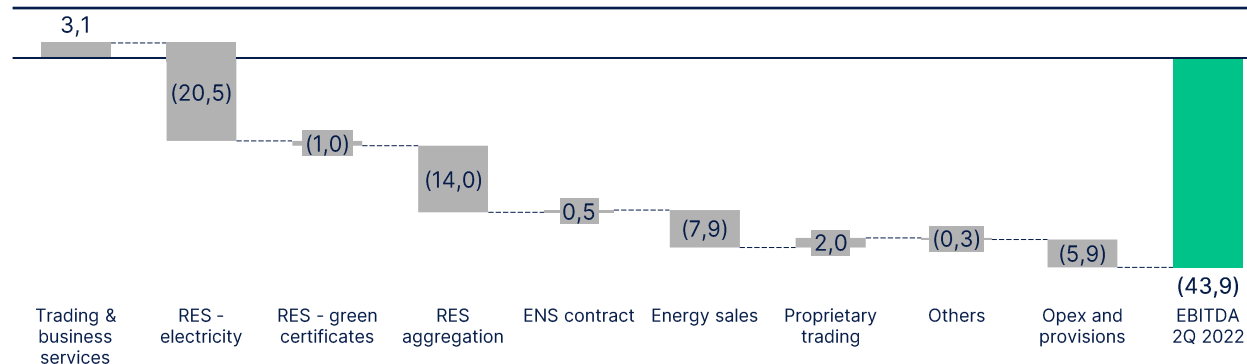
### EBITDA bridge



LOWER EBITDA DUE TO LOWER OPTIMIZATION OF THE ELECTRICITY GENERATION PROCESS AND LOWER RESULT ON THERMAL POWER

## Trading and sales - Q2

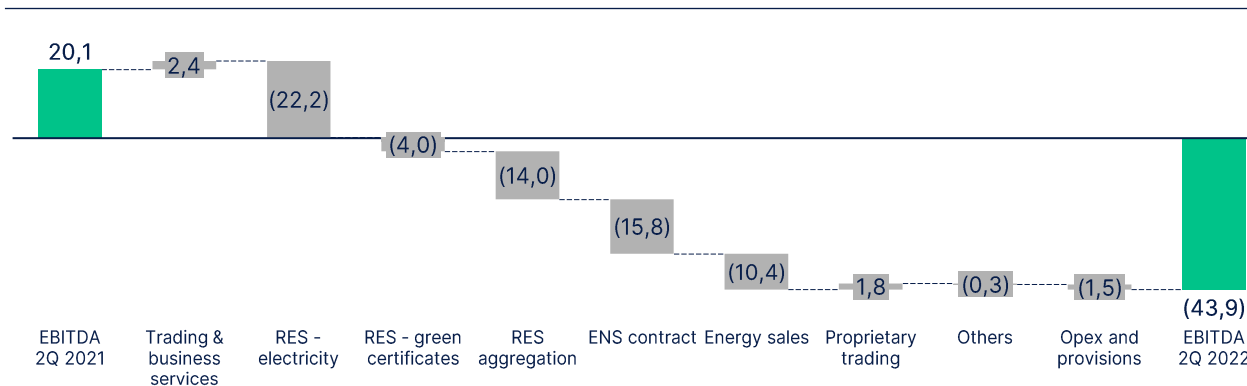
### EBITDA build-up



### Comment

- ▶ Decrease of the EBITDA result in the areas of:
  - RES assets energy trading, mainly driven by substantial increase of the profile cost and green certificates trading,
  - RES aggregation, mainly resulting from higher profile and balancing cost,
  - ENS contract service in connection with the ENS optimization in Q2 2021 triggering measurement of forward transactions hedging production and sales of future periods,
  - sales to strategic customers related mainly to the closing of the position that was opened at the end of Q1 and the re-measurement of forward transactions,
  - higher operating expenses resulting from the expansion of operations.

### EBITDA bridge



- ▶ The decrease of the EBITDA result was partly offset by:
  - higher margin on the trading portfolio and business service due to the implementation of a short-term strategy on, without limitation, electricity markets,
  - higher margin on prop trading,

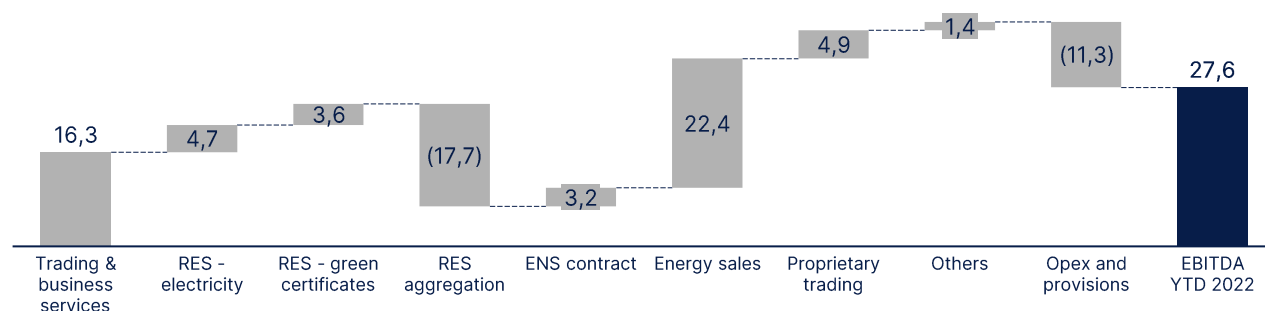


DROP IN RESULT ON GROUP ASSETS ENERGY TRADING, RES AGGREGATION, SALES TO STRATEGIC CUSTOMERS AND ENS CONTRACT SERVICE



## Trading and Sales - YTD

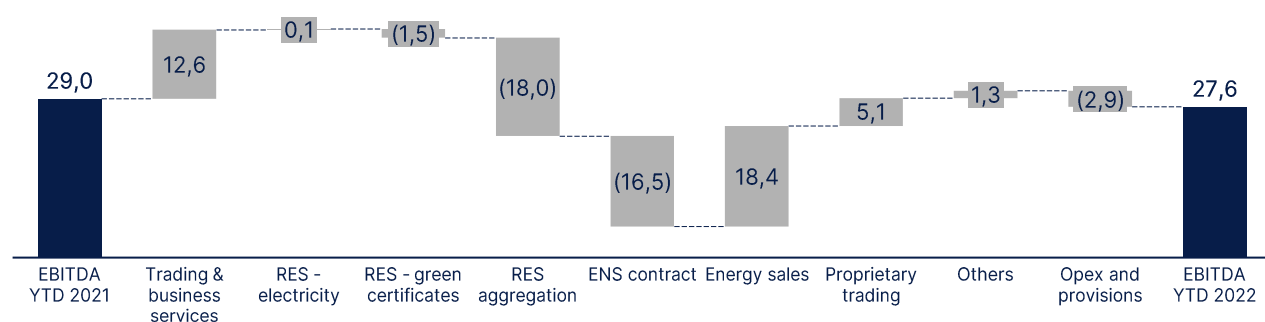
### EBITDA build-up



### Comment

- ▶ The decrease of the EBITDA result due to:
  - lower result on the ENS contract service in connection with the ENS optimization in 2021 resulting in measurement of forward transactions hedging production and sales of future periods,
  - lower margin on RES aggregation due to the increased profile and balancing cost,
  - higher operating expenses resulting from the expansion of operations,
- ▶ The decrease of the EBITDA result was partly offset by:
  - better result on sales to strategic customers related mainly to the measurement of forward transactions,
  - increased margin on the trading portfolio and business service due to additional optimizing of transaction security for the remaining business lines,
  - better result on the proprietary trading in the energy and gas markets.

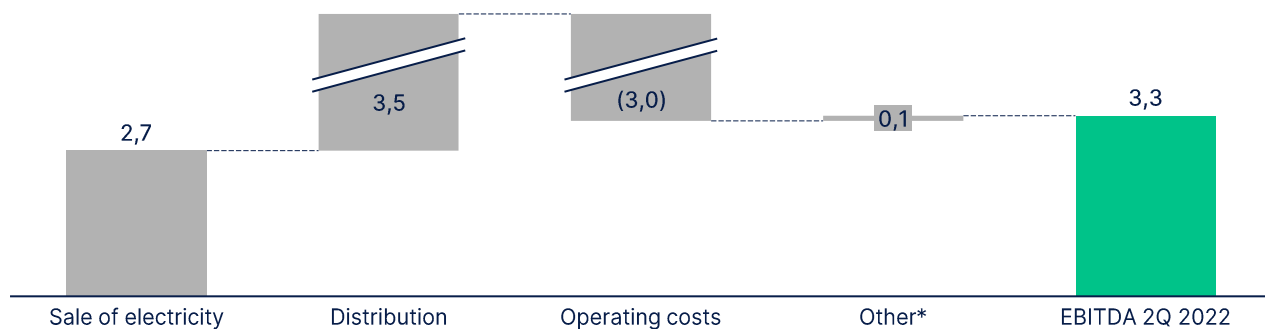
### EBITDA bridge



LOWER MARGIN ON RES AGGREGATION, ENS CONTRACT SERVICE AND HIGHER OPERATING EXPENSES, PARTLY OFFSET BY BETTER RESULT ON SALES TO STRATEGIC CUSTOMERS, TRADING PORTFOLIO AND BUSINESS SERVICE, AS WELL AS ON PROPRIETARY TRADING

## Distribution - Q2

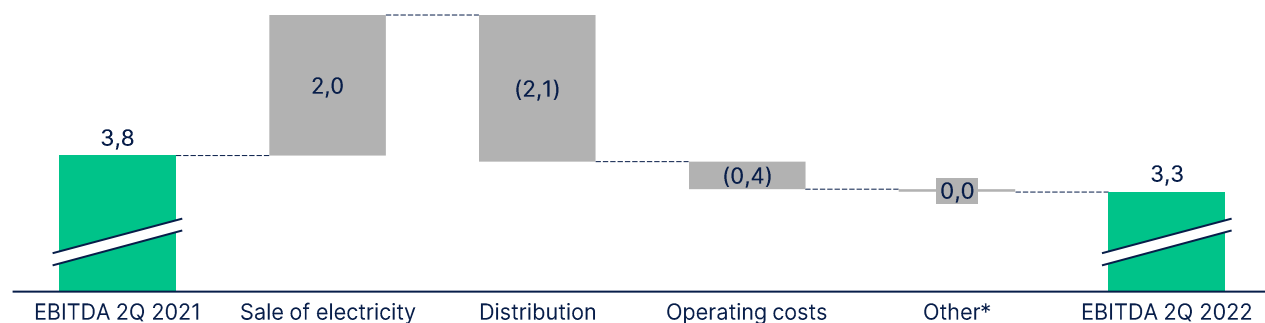
### EBITDA build-up



### Comment

- ▶ The distribution segment recorded a decrease of the EBITDA result by PLN 0.5m compared to the corresponding period of the preceding year, mainly because of:
  - lower margin on electricity distribution - revenue adjustment took place in Q2 2022 from connection fees resulting from the changes in the implementation schedules of projects with the customers,
  - higher operating expenses mainly because of the upscaling of operations,
- ▶ partly offset by:
  - higher unit margin on energy sales.

### EBITDA bridge

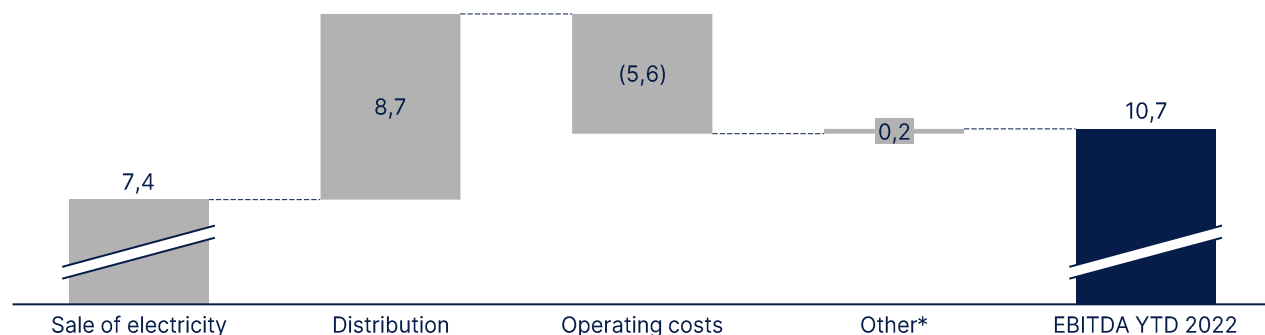


DECREASE OF EBITDA DUE TO LOWER REVENUES FROM CONNECTION FEES AND HIGHER OPERATING EXPENSES RESULTING FROM THE EXPANSION OF BUSINESS.

\* takes into account the result of Polenergia Kogeneracja and Polenergia eMobility

## Distribution - YTD

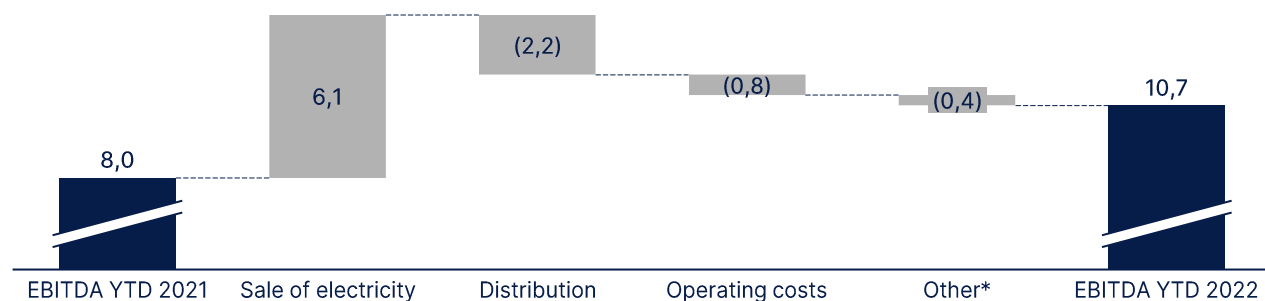
### EBITDA build-up



### Comment

- ▶ The distribution segment recorded a growth of the EBITDA result by PLN 2.7m compared to the corresponding period of the preceding year, because of:
  - higher unit margin on energy sales,
- ▶ partly offset by:
  - lower margin on electricity distribution - revenue adjustment took place in Q2 2022 from connection fees resulting from the changes in the implementation schedules of projects with the customers,
  - higher operating expenses driven by the upscaling of business,
  - costs incurred for the implementation of a pilot project in the field of electromobility.

### EBITDA bridge






HIGHER EBITDA DUE TO HIGHER MARGIN ON ENERGY SALES.

\* takes into account the result of Polenergia Kogeneracja and Polenergia eMobility

# Progress of the Group's strategy implementation




## Progress of the Group's strategy implementation (1/3)

Polenergia has been continuing construction of four wind farms and has completed construction of the Sulechów II and Sulechów III photovoltaic farms, with preparations underway to build PV projects: Świebodzin and Strzelino.

Area	Status
 <b>Onshore wind farms</b>	<p>Projects in the advanced phase of development:</p> <ul style="list-style-type: none"> <li>▶ The Group is working to implement four wind farm projects with a total capacity of 205 MW, which received support under the RES support auction scheme.</li> <li>▶ Construction works at wind farms under development are slightly behind the schedule, at Dębsk WGTs have been assembled and energized, at Kostomłoty all components have been delivered and WGTs have been assembled, with trial runs at both wind farms.</li> <li>▶ The Piekło and Grabowo wind farm projects are under construction. Construction works began in late March 2022. Deliveries of WGT components are scheduled for October 2022, with completion of those projects planned for the second half of 2023.</li> </ul> <p>Works have been underway to prepare further projects to participate in future auctions. For individual projects, decisions on participating in auctions or other forms of hedging revenues from future production will be considered with the successively increasing work progress. The Group has been working on the further development of onshore wind projects to achieve the goals set out in the Group's Strategy for 2020-2024.</p>
 <b>Photovoltaics</b>	<p>Projects in the advanced phase of development:</p> <ul style="list-style-type: none"> <li>▶ PV projects Sulechów II and Sulechów III totaling 21.5MW in aggregate were commissioned, while the Buk project (6.4MW) is in the final phase of completion.</li> </ul> <p>Other projects:</p> <ul style="list-style-type: none"> <li>▶ The Group is preparing two photovoltaic projects (Świebodzin and Strzelino) with a total capacity of ca. 56 MW, which in December 2021 secured auction offtake under the RES auction scheme.</li> </ul> <p>Works have been underway to prepare further projects to participate in auctions. For individual projects, decisions on participating in auctions or other forms of hedging revenues from future production will be considered with the successively increasing work progress. The Group has been working on the further development of photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024.</p>
 <b>Offshore wind farms</b>	<ul style="list-style-type: none"> <li>▶ The projects in advanced development phase - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of approx. 1.4 GW). <ul style="list-style-type: none"> <li>▶ MFW Bałtyk II Sp. z o.o. filed a notification request with the President of the Energy Regulatory Office.</li> <li>▶ MFW Bałtyk III obtained time extension of the former environmental decision and filed a request to RDOŚ for an amendment to such decision updating the technical parameters. GDOŚ filed a cassation complaint to the Supreme Administrative Court concerning the new environmental decision.</li> <li>▶ Agreements were entered into for the preferred turbine supplier for MFW Bałtyk II and MFW Bałtyk III (Siemens Gamesa) projects.</li> </ul> </li> <li>▶ Projects in early development phase - MFW Bałtyk I Sp. z o.o. (planned capacity approx. 1.6 GW) <ul style="list-style-type: none"> <li>▶ MFW Bałtyk I filed a request with RDOŚ for an environmental conditions decision.</li> </ul> </li> <li>▶ Polenergia intends to participate, with Modus Energy, in a RES auction for offshore wind farms in Lithuania in 2023 as a Green Genius joint venture (50%/ 50%)</li> </ul>





## Progress of the Group's strategy implementation (2/3)

The Group's operations have been intensely developed, with Polenergia eMobility commencing the initial phase of the public charging station construction project, products being implemented that permit sales synergy between Polenergia Sprzedaż and Polenergia Fotowoltaika

Area	Status
 <b>Distribution</b>	<ul style="list-style-type: none"> <li>▶ Polenergia Dystrybucja has been implementing IV investment plan for the years 2021-2026 for the total amount of PLN 105m in compliance with the prior adopted schedule.</li> <li>▶ Polenergia eMobility has started to develop the first publicly available charging stations and has been efficiently procuring further locations for the construction e-vehicle charging stations all over the country.</li> </ul>
 <b>Gas and clean fuels</b>	<ul style="list-style-type: none"> <li>▶ In 2022 the EC Nowa Sarzyna (Heat and Power Plant), as the participant in the Capacity Market, has continued to perform the capacity obligation as per the contract entered into with Polskie Sieci Elektroenergetyczne and to provide the black start and system restoration service for PSE. ENS also participates in the capacity aftermarket, where trading in capacity obligations takes place, as well as re-allocation of capacity obligations among capacity suppliers. In addition, in Q1 2022 the heat and power plant provided PSE with the System Constrained Generation (GWS) services. Thanks to the contracts for the sale of energy and the purchase of gas and CO<sub>2</sub>, secured for 2022 and then "reversed", in accordance with the SLA (Service Level Agreement), the gas and steam unit is currently not operating on the energy market (except for system services) and heat is produced in auxiliary boiler room. Should a positive CSS occur, the ENS will dynamically revert to energy production thanks to an optimized operating model.</li> <li>▶ Polenergia has been developing a large scale 100 MW project for generation and storage of hydrogen produced by water electrolysis using its own renewable energy. The project is under the IPCEI procedure. On 29 April 2022, the Ministry of Climate and Environment, upon approval by the Office of Competition and Consumer Protection, submitted a project under the so-called RHATL wave for notification to the European Commission.</li> <li>▶ ENS prepares for the production of renewable hydrogen and for the Two gas turbines in ENS with a capacity of 40 MW each were partially modernized and prepared for co-firing up to 10% hydrogen with natural gas at the end of 2021.co-combustion of natural gas with hydrogen, and actively participates in the creation and development of the Subcarpathian Hydrogen Valley.</li> </ul>
 <b>Trading and sales</b>	<ul style="list-style-type: none"> <li>▶ Optimization of Elektrociepłownia Nowa Sarzyna - changes in the level of margin resulting from the changes in the level of prices of electricity, gas and CO<sub>2</sub> allowances in connection with the generation of electricity in ENS (the so-called Clean Spark Spread) allowed for making a decision to curb the planned generation and reverse the position in the forward market for 2023 (about 1/3 of the ENS planned annual production was hedged for 2023). In 2022, ENS provides forced generation services (GWS) commissioned by PSE. The current market spreads do not allow for hedging energy sales for the coming years with a positive margin.</li> <li>▶ Developing new and existing business areas - for the year 2022, the Company significantly increased sales volumes to strategic end-users. In the initial months of 2022 acquisition of new contracts was suspended due to the existing market situation. Recalculation of risks and costs associated with hedging the customers position for the following years is being performed. Towards the end of June 2022, the Company optimized its volume-related position for the year 2022.</li> <li>▶ Works are underway on the development and sale of long-term cPPA products from the Group's RES sources, and advanced negotiations are in course with end customers.</li> <li>▶ Sales of renewable energy to end customers - Polenergia Sprzedaż sells green energy only through its website and teleshopping channels. The company has been gradually expanding its sales portfolio. The sale is carried out in the Energy 2051 standard as Polenergia Sprzedaż, as the first energy company in Poland, holds the TÜV SÜD certificate, confirming the highest quality of the offer for green energy sale in the Energy 2051 standard. Products have been marketed which permit a sales synergies between Polenergia Sprzedaż and Polenergia Fotowoltaika.</li> </ul>

## Progress of the Group's strategy implementation (3/3)

### Polenergia has continued its efforts to help refugees from Ukraine

Area	Status
 <b>Trading and sales</b>	 <ul style="list-style-type: none"> <li>Prop trading - commercial business on the wholesale markets has been continued on the Group's own account (prop trading), with the implemented trading strategies making the most of the market volatility, while maintaining stringent measures to reduce risk exposure. An ultra-short-term (intraday) trading line is being developed to take advantage of price volatility due to the fluctuating market conditions shortly before delivery (e.g. due to a breakdown or changes in windiness, insolation, demand).</li> </ul>
 <b>Corporate Social Responsibility</b>	 <ul style="list-style-type: none"> <li>Humanitarian aid for refugees from Ukraine:           <ul style="list-style-type: none"> <li>Ad hoc aid (articles for children, support collection, assistance in creating new jobs in crisis centers, e.g. the Children's Psychiatry Center in Warsaw, etc.).</li> <li>A roof over their heads - one-off measures (assistance to local authorities/foundations in adapting accommodation and long-term commitments (including paying the utility costs, food, medicines and other livelihood). Financing of adaptation works in accommodation facilities, commitment to long-term financing of the media, food and medicines. Actions for refugees with disabilities.</li> <li>So far, more than 40 tasks in total have been achieved in the area of one-off and long-term aid.</li> </ul> </li> <li>Actions to support the development of future human resources in the energy sector:           <ul style="list-style-type: none"> <li>Inauguration of the Female Business Leaders Academy and the 11th edition of the Energy Academy, with Polenergia as a strategic partner.</li> <li>Polenergia Group is a partner of post-graduate program "Education for Sustainable Development: Offshore wind power (OWP)". Polenergia's employees have been incorporated into the teaching team. In Q3 2022 the Group will be a Professional Partner of the Second Edition of the studies, it will also provide support to 2 women (scholarships for women) in the second edition.</li> </ul> </li> <li>Biodiversity support           <ul style="list-style-type: none"> <li>As part of the Sulechów II/III and Buk projects flower meadows were sown and habitats prepared (pollinators houses and boulder areas) that increase biodiversity of the PV farm areas.</li> <li>Nature-related developments are under way on the construction of four wind farms to plan additional activities in the area of biodiversity.</li> </ul> </li> <li>Other activities           <ul style="list-style-type: none"> <li>In Q2 2022 educational materials for teachers and children were published and a website was launched as part of the 'Play green with us!' project, together with the Kulczyk Foundation and the UNEP/GRID -Warsaw professional partner. Educational materials were distributed to 92 primary schools. Voluntary work has been started, where employees are engaged in educational activities for children.</li> <li>The organization of the stand on the 25. Scientific Picnic of the Polish Radio and the Copernicus Science Center, together with the Kulczyk Foundation, as part of educational activities on Renewable Energy Sources.</li> <li>Polenergia actively supports the project run by the Kulczyk Foundation and Rossman company: "Sanitary Pads at School for Every Girl". In Q2, 18 primary schools were recruited to participate in the program.</li> </ul> </li> </ul>

# Appendices





## Glossary of abbreviations



### Term



### Definitions:

Revenues on account of granted and yet unsold green certificates	<p>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.</p> <p>Revenues from granted but not yet sold green certificates presented on slides 18 and 19 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.</p>
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 impairment loss 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 made, 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
SLA	Service Level Agreement
SEG	Social, Environment and Governance
EHS	Environment, Health and Safety
YTD	Year to Date



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