



ONSHORE WIND POWER



GAS AND CLEAN FUELS



DISTRIBUTION



TRADING

POLENERGIA GROUP

Q3 2020 Financial Results

November 2020

Agenda:

SECTION I

SUMMARY OF Q3 2020



Tomasz Kietliński

Member of the Board
Chief Financial Officer

SECTION II

SUMMARY OF KEY OPERATING
PARAMETERS



Piotr Maciołek

Member of the Board
Renewables and Distribution

SECTION III

FINANCIAL RESULTS FOR Q3 2020



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SECTION IV

PROGRESS OF THE GROUP'S
STRATEGY IMPLEMENTATION



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Summary of Q3 2020

Fact

▪ **Stable operating activity of the Group**

- Group's EBITDA for 9 months of 2020 was 200.8m which means matching the performance in the corresponding period of the preceding year.

▪ **Consistent implementation of the Polenergia Group Strategy for the years 2020-2024**

- In the RES segment the portfolio of wind farm projects of the aggregate capacity of 186 MW is continued. Further RES projects are in preparation.
- Gradual growth of the trading activity scale is continued in the trading segment, along with the preparation for the implementation of consecutive Investment plan IV in the distribution segment.

▪ **Favorable regulatory framework**



Outcome/Comment

- Quality of the Group's assets together with decision to fix sales prices in generative assets prevented any material impact of COVID-19 outbreak on the financial performance of the Group.
- The expected drop in performance of gas and clean fuels segment was offset by better performance in onshore wind power, trading and photovoltaics segments.
- The distribution segment which is most prone to be impacted by the COVID – 19 pandemic has been delivering stable performance. The growing margin on electricity distribution compensates for the drop in sales volume by 13% YOY.
- In October new tariff for EE distribution became effective providing for the increase of WRA from 92.2m to 109.6m.
- The financing process has ended and construction of the Dębsk and Kostomłoty wind farms has begun. An annex to the facility agreement for the Szymankowo wind farm under construction has been signed to enhance the terms of financing this project.
- Preparations are in progress to an RES auctions with the wind and PV farm portfolio of the aggregate capacity of 40MW.
- First results of the new strategy are already visible in the trading segment in the area of RES aggregation and sale of EE to strategic customers.
- With a view to secure financing for the expansion of trading operations, the company Polenergia Obrót executed an annex to the multifaceted overdraft agreement. Said annex increased the cap on the overdraft from the existing PLN 200m up to 300m.
- In the distribution segment work is in progress to approve investment plan IV for implementation and financing.
- 2020 RES auctions: Minister of Climate approved the rules of this year's auctions that will be held on 26.11.2020 (wind and PV farms in excess of 1MW) and on 3.12.2020 (wind and PV farms below 1MW).
- Act on Wind Farm Projects: Representatives of the government announce liberalization of the "10H" rule.
- Offshore wind power segment: The Permanent Committee at the Council of Ministers accepted the bill on support to the offshore wind power segment and forwarded it to the Legal Commission. Ireneusz Zyska, government commissioner for RES, said the bill was to be enacted still this year.
- Hydrogen strategy: Krzysztof Kubów, government commissioner for hydrogen economy, has announced that terms underlying the development of Polish hydrogen economy will soon be formulated.

Summary of Q3 2020

Fact



Outcome/Comment

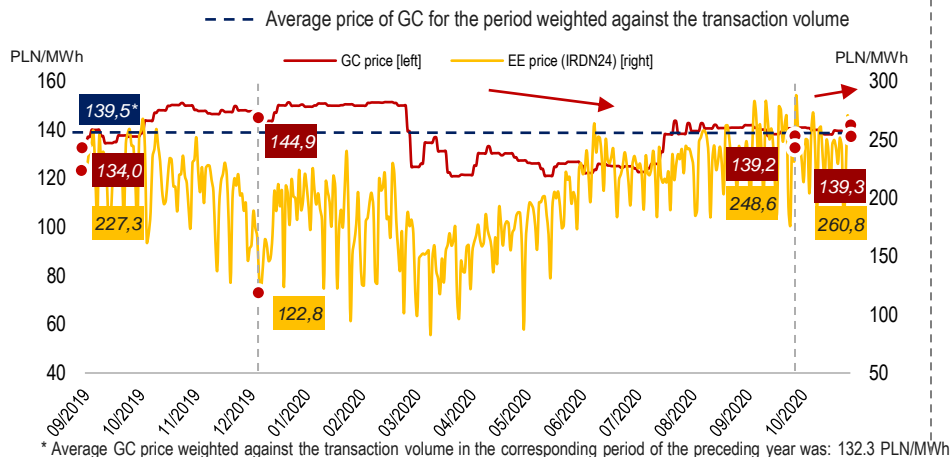
- Drop in prices of electrical energy and green certificates

- Forward contract for the supply of electricity in 2021 was priced on 30 September at 19 PLN/MWh less and on 4 November at 38 PLN/MWh less than in early 2020.
- In the same period, prices of green certificates dropped, respectively by 6 PLN/MWh until 30 September and by 6 PLN/MWh by 4 November.

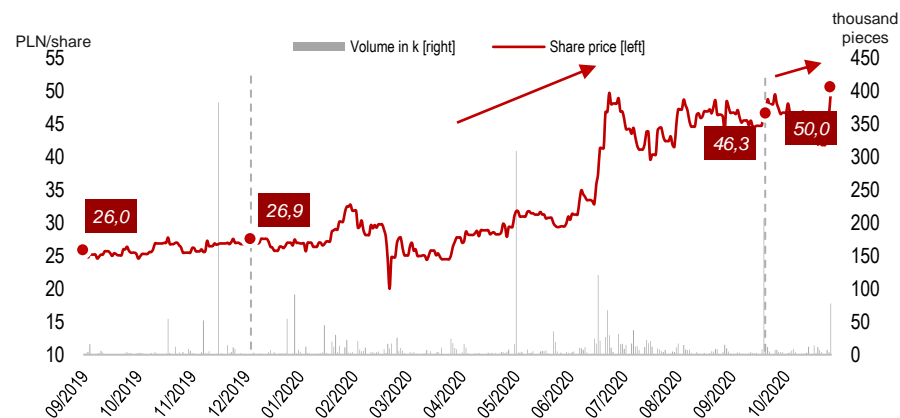
- The Group efficiently curbs its exposure to the risk of the potential price drop of green certificates by way of consistently fixing the sale prices of energy and green certificates on forward markets.
- The green certificate prices have been fully fixed for the expected EE production volume of wind farms in the years 2020 and 2021.
- For a greater portion of the renewable generation assets portfolio the energy sales prices for 2020 and 2021, as well as 2022 have been fixed on the forward market.
- Also, the price fixing process for electricity and green certificates began for wind farms in relation to 2023.
- According to the SLA Agreement between ENS and Polenergia Obrót, the optimized trading position of ENS for 2021 was fixed (prices of electricity, gas and CO2) as well as part of the volumes for the trading position defined for 2022.

Key indices and market prices

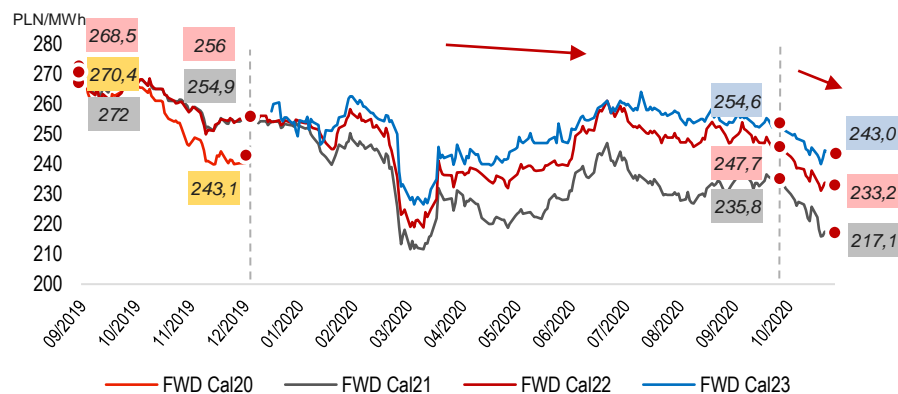
1 Prices of green certificates and electricity



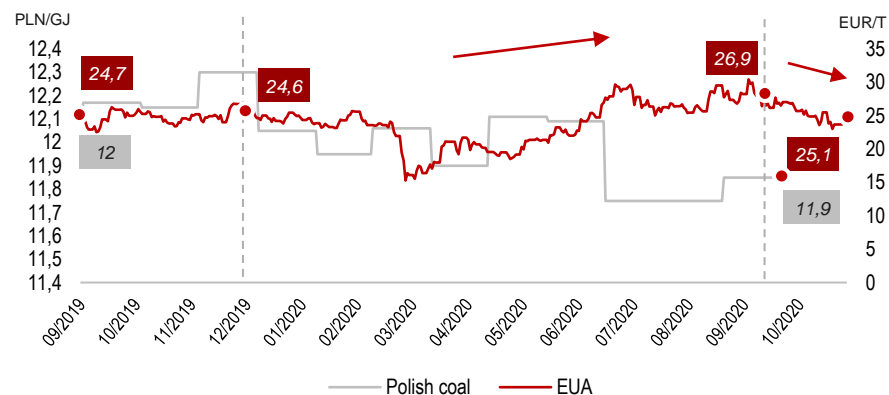
2 Stock exchange price quotations of Polenergia S.A. shares



3 Forward electricity prices



4 Coal price quotations and CO₂ emission allowance on the Polish market



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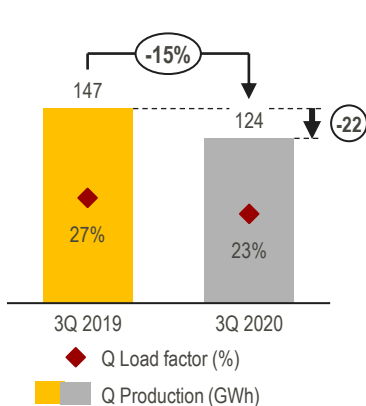
Piotr Maciołek

Member of the Board
Renewables and Distribution

Summary of key operating parameters - Onshore wind power

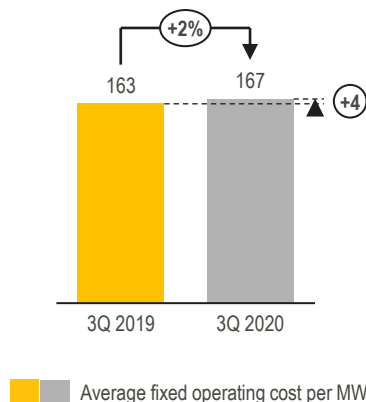
1 Onshore wind farm production (gross) and LF%

Quarterly data



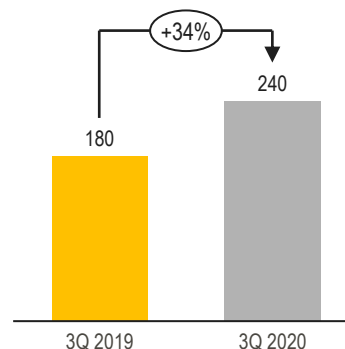
2 Average fixed operating cost per MW in onshore wind farms [PLN K/MW/year]

Higher cost of technical services partly offset by a reduction of costs of local taxes and land charges after incorporating additional IFRS 16 guidelines in 2020 and in view of lower procurement and environmental costs.

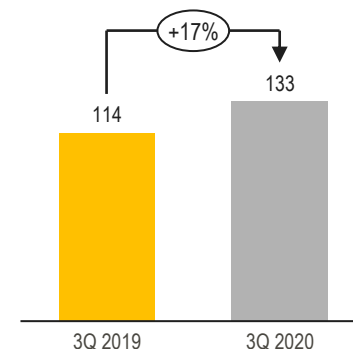


3 Average revenue per MWh (after balancing and profile cost) at the Group level [PLN/MWh]

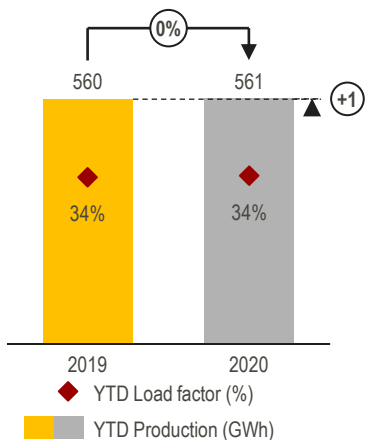
Electricity



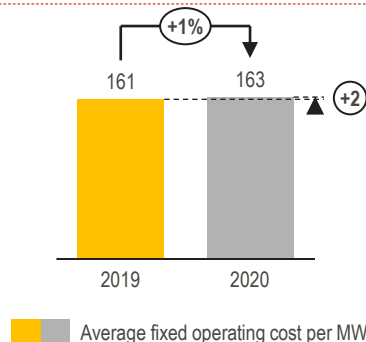
Green certificates



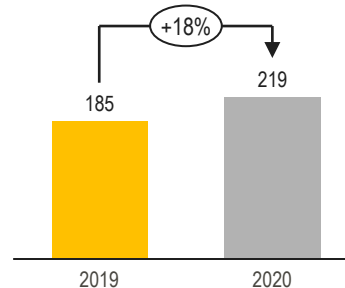
YTD figures



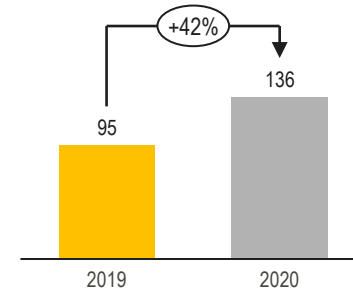
Higher cost of technical services and legal advisory on litigations and financing processes in selected farms partly offset by lower costs of local taxes and land charges after incorporating additional IFRS 16 guidelines in 2020 and in view of lower procurement and environmental costs.



Electricity

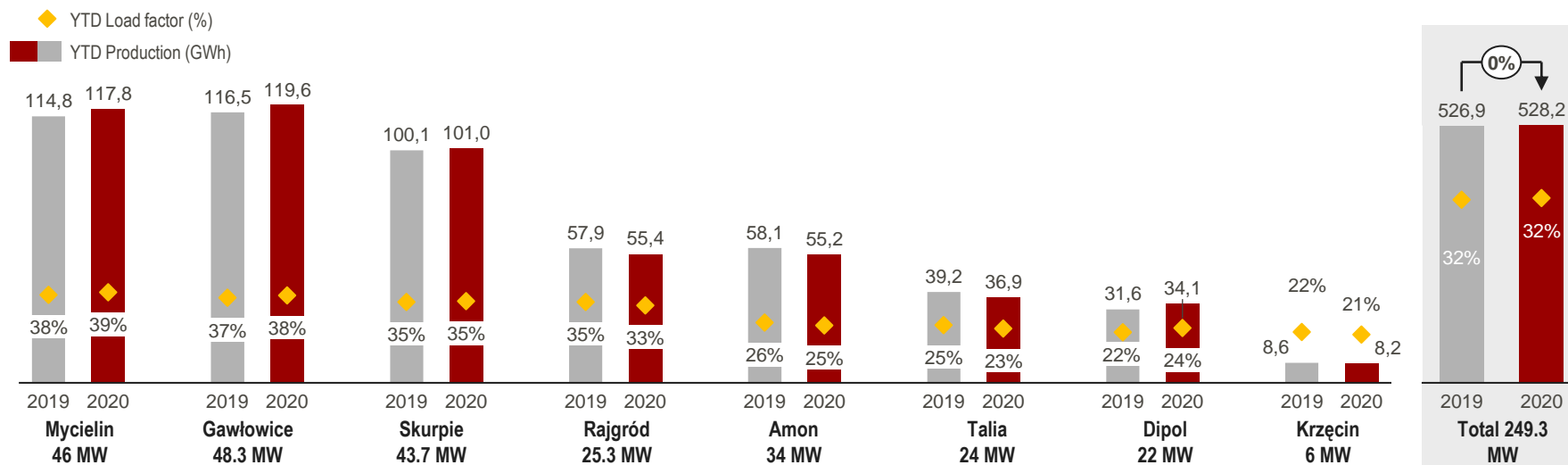


Green certificates

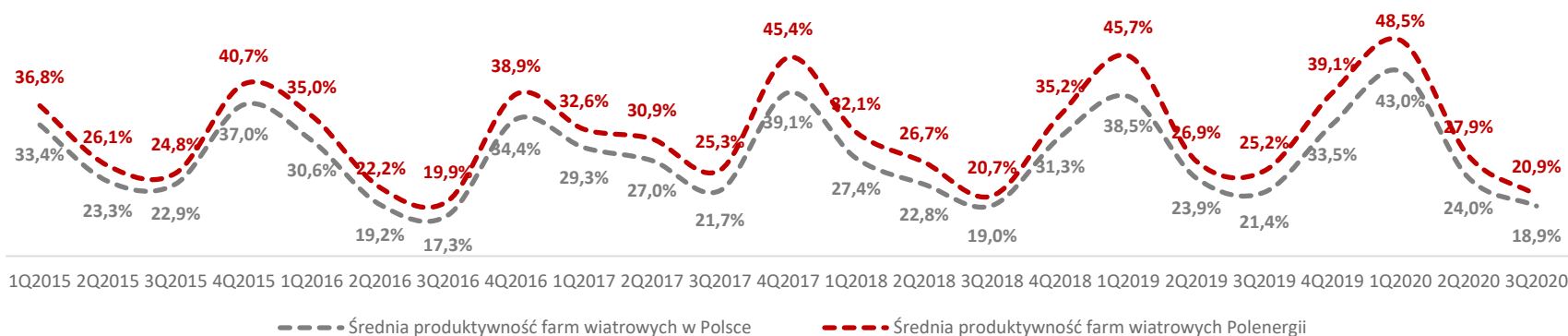


Summary of key operating parameters - Onshore wind power

(Net) Production, YTD



Net productivity of Polenergia farms above the average*



* Comparison made based on net productivity (after own consumption and losses) in view of the availability of data on that sector

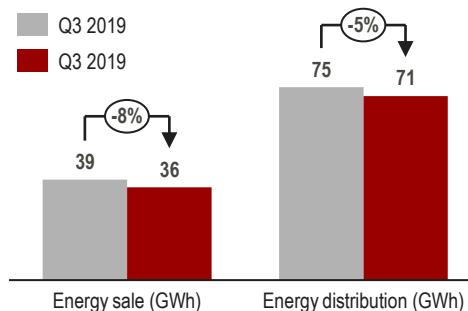
THE USE OF STATE-OF-THE-ART TECHNOLOGIES, VERY GOOD LOCATION OF PROJECTS AND AN EXPERIENCED TECHNICAL TEAM PERMIT TO CONSTANTLY ACHIEVE HIGHER OUTPUT THAN THE MARKET AVERAGE.

Summary of key operational parameters - Gas and Clean Fuels and Distribution

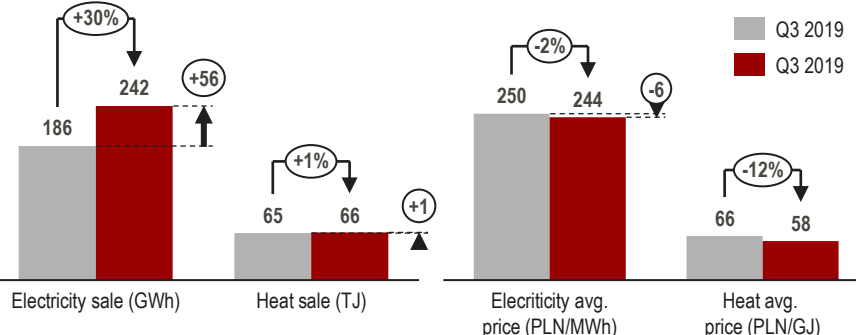
4 Distribution – sale [GWh]

Quarterly data

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

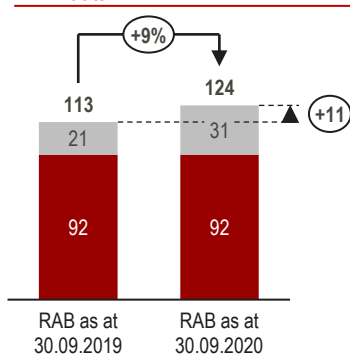


5 Gas and Clean Fuels – sale [GWh] and average prices [PLN/MWh]



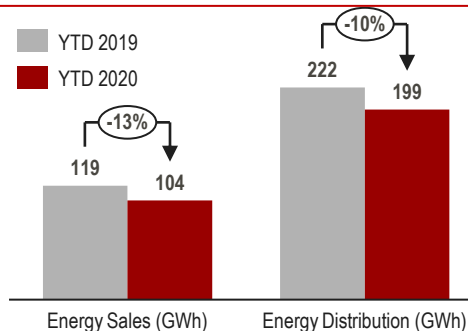
- Increase of the volume of electricity sales due to additional sale of offpeak band in the 3rd quarter of 2020.

YTD data

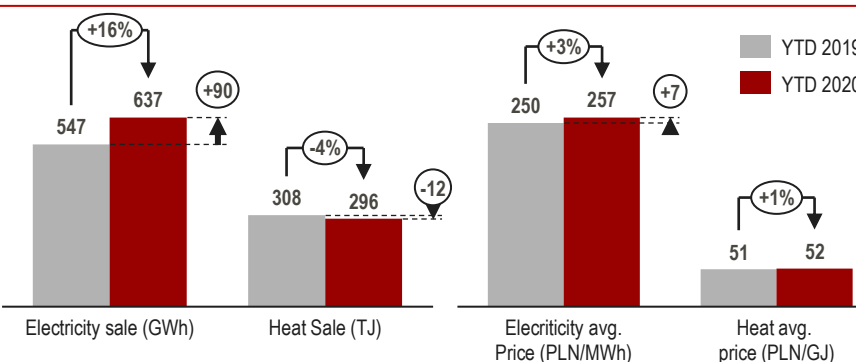


■ RAB* in progress**
■ RAB in the current tariff

- The increase in RAB in transit is due to the performance of investment plan III
- Distribution tariff was updated on 21.10.2020.



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



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

- Higher average prices of electricity due to the change of production profile and implementation of settlements based on SLA with Polenergia Obrót from April 2020.

* regulatory value of assets - term explained in the glossary

** term explained in the glossary

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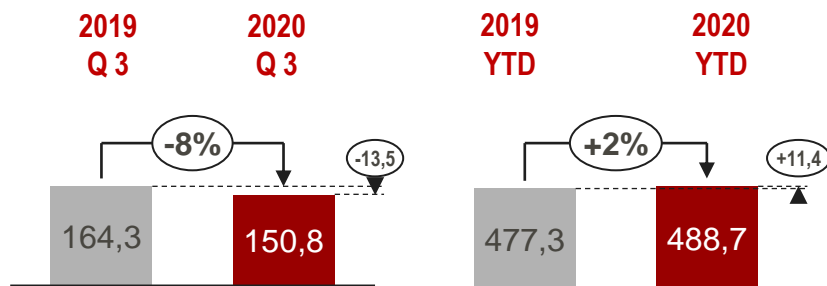


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Renewables and Distribution

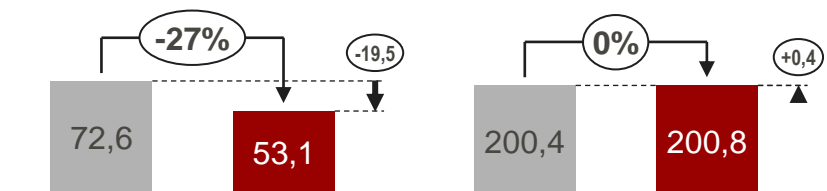
Financial results for Q3 2020

Revenues (without Trading)



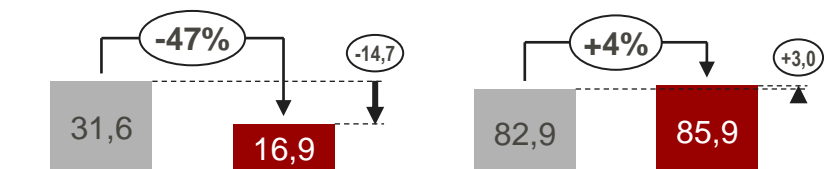
- **Q 3:** Lower revenues in gas and clean fuels segment (-19.4m) partly offset by higher revenues in onshore wind power (3.8m) and photovoltaics segment (1.2m)
- **YTD:** Higher revenues in the onshore wind power segment (40.1m) and photovoltaics segment (3m) partly offset by the decrease in revenues in gas and clean fuels segment (-37.7m).

EBITDA (normalized)



- **Q 3:** Decrease in EBITDA mainly due to lower result in gas and clean fuels segment (-24.2m) and distribution (-1.6m) partly offset by higher result in trading segment (6.5m).
- **YTD:** Increase in EBITDA mainly due to higher result in the onshore wind power segment (35m), in trading segment (11.2m), and in photovoltaics segment (2.3m), partly offset by lower result in the gas and clean fuels segment (-47m)

Net Profit (normalized)

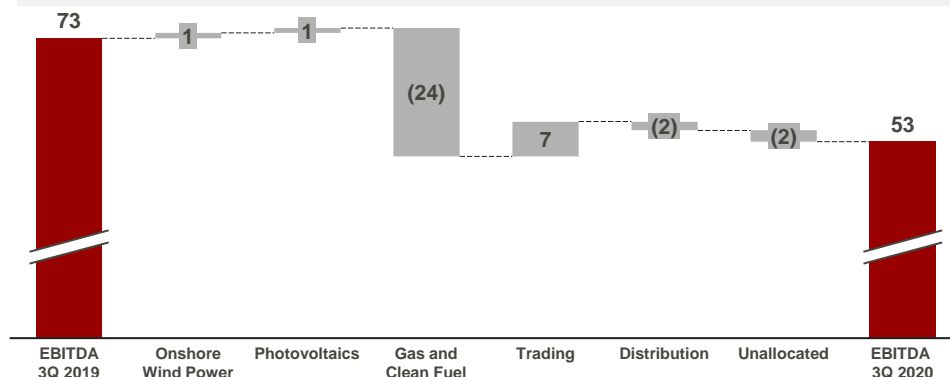


- **YTD:** The increase in net profit is due to higher EBITDA and profit on financial activity.

LOWER RESULT IN Q3 2020 DUE TO THE LACK OF REVENUES FROM COMPENSATION OF STRANDED COSTS OF GAS AND LOWER REVENUES FROM STRANDED COSTS COMPENSATION IN GAS AND CLEAN FUELS SEGMENT.

EBITDA by operating segments*

Q 3



Comments

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

Photovoltaics: New operational segment. EBITDA result in Q3 lower than in Q2 due to lower insolation.

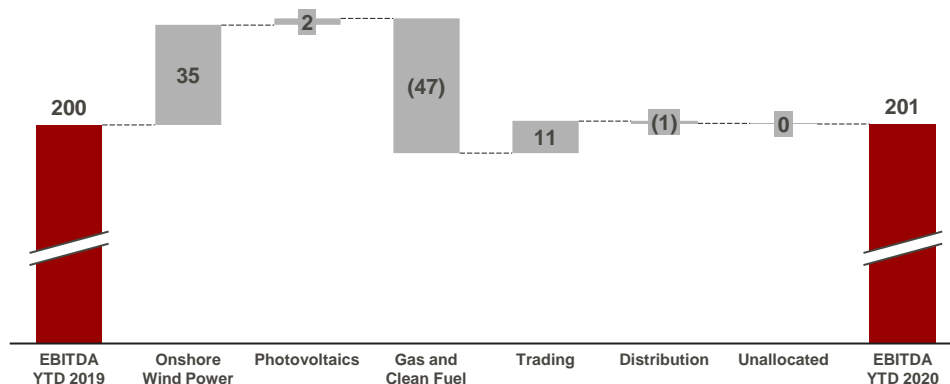
Gas and Clean Fuels: Lower result is due to the lack of revenues from compensation of gas costs (termination of the long-term contract for the purchase of gas) and lower revenues from stranded costs compensation (the end of the stranded costs compensation system in May 2020).

Trading: Higher result is mainly due to higher result in the sales of electricity generated by wind power segment (as a result of activities optimizing the level of long and medium term hedging and optimization of business activity in the spot market), higher result on activities optimizing the operation of the Group's manufacturing assets and effects of implementing the new strategy in trading segment. The impact of these factors was partially offset by the lower result on trading portfolio, higher operating costs (related to the implementation of the new strategy) and commission costs.

Distribution: The decrease of the result is mainly due to a single event in Q3 2019 (release of the 1.6m provision in view of the favorable judgment obtained in the finalized court proceedings) partly offset by higher margin on electricity distribution (effect of implementation of investment plan III). At the same time, in the distribution segment, the YTD sales volume was by 13% lower compared to the preceding year due to the decrease in demand for energy in production plants and shopping malls, mainly in connection with COVID-19 epidemic.

Unallocated: Lower EBITDA in Q3 is mainly due to higher Headquarters' operating costs and lower result on biomass activity.

YTD

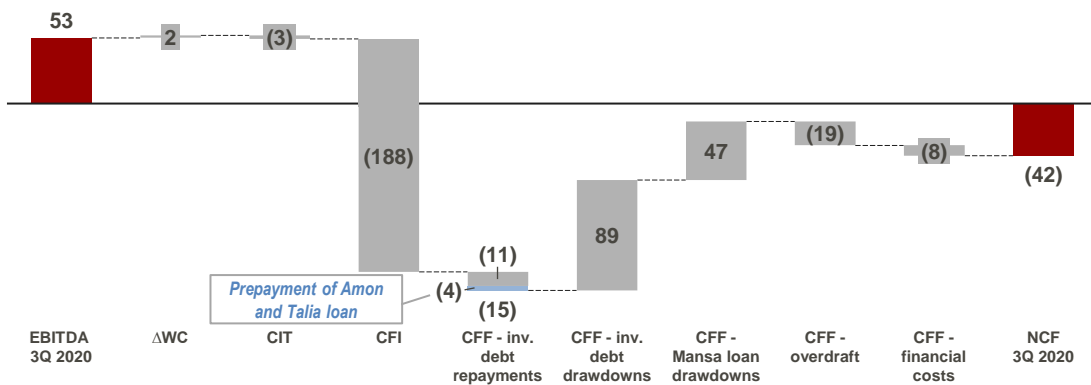


* In connection with the approval by the Supervisory Board of the Polenergia Group Strategy for 2020-2024, the Group designated new operating segments.

**SIGNIFICANT IMPROVEMENT OF THE RESULT OF ONSHORE WIND POWER SEGMENT AND TRADING SEGMENT
OFFSET BY LOWER RESULT IN THE GAS AND CLEAN FUELS SEGMENT**

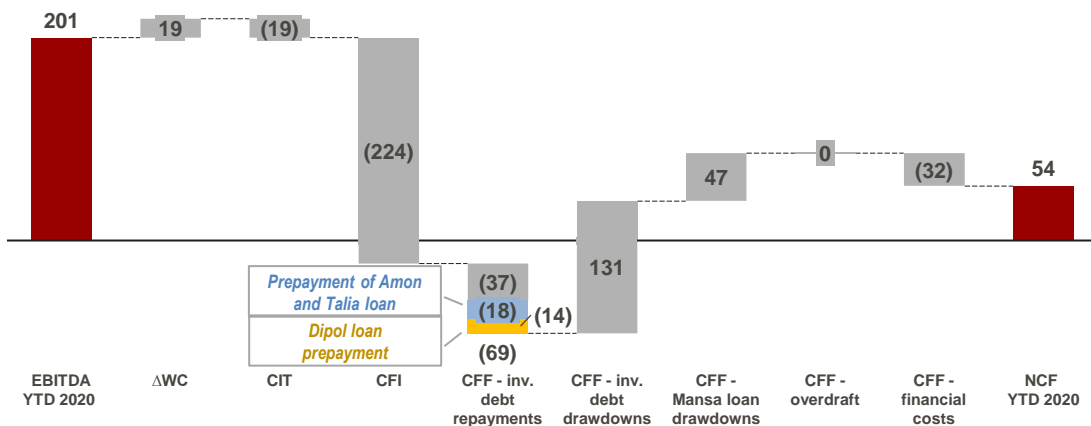
Polenergia Group cash flow

Q 3



- **Cash flow from investment activities:** Investment outlays made in the projects in advanced development phase which obtained support in RES auction in 2019 (175.5m), operating companies (4.7m) and other wind and PV projects (0.6m). Subsidies to offshore wind farms (7.0m) and PV projects (0.2m).
- **Cash flow from financial activities:** Scheduled repayment of the investment loan in the onshore wind power segment (-9.6m), distribution (-0.7m), PV (-0.3) and biomass activity (-0.3m). Prepayment of investment loan in the wind farm (-3.6m). Drawdown of investment loan in Szymankowo project (83.6m) and in Dystrybucja company (5.6m). Drawdown of a loan in Dębsk wind farm (47.4m). Change of the working capital loan in Obrót (-19.2m). The financial flows on account of financial costs consist mainly of interest payments (-7.6m) and lease payments (-0.5m).

YTD

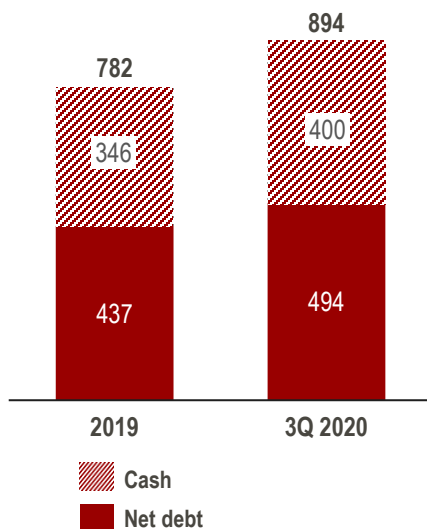


- **Cash flow from investment activities:** Investment outlays made in the projects in advanced development phase which obtained support in RES auction in 2019 (187.9m), operating companies (15.8m) and other wind and PV projects (3.2m). Subsidies to offshore wind farms (16.5m) and PV projects (0.3m).
- **Cash flow from financial activities:** Scheduled repayment of the investment loan in the onshore wind power segment (-33.3m), distribution (-2.2m) and biomass activity (-0.9m). Prepayment of investment loan in the wind farm (-32.4m). Drawdown of investment loan in wind farms (110.3m), photovoltaic farms (15.2m) and in Dystrybucja company (5.6m). Drawdown of a loan in Dębsk wind farm (47.4m). Change of the working capital loan in Obrót (-0.1m). The financial flows on account of financial costs consist mainly of interest payments in (28.1m) and liabilities on account of lease (-3.5m).

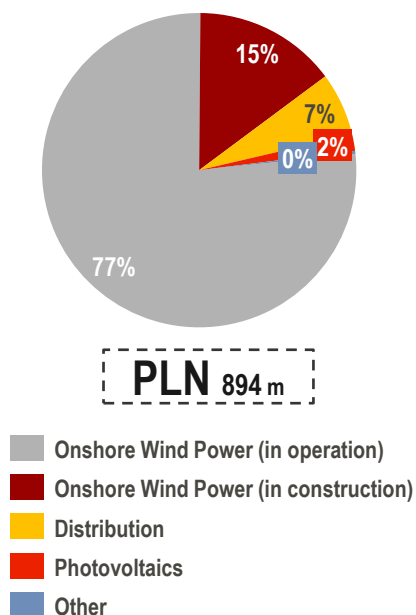
HIGH INVESTMENT OUTLAYS IN ONSHORE WIND POWER FINANCED WITH COMPANY FUNDS AND INVESTMENT DEBT

Debt structure as at 30 September 2020

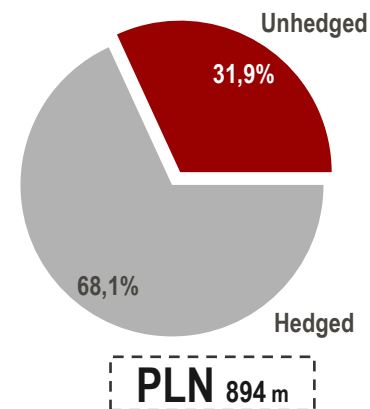
Gross debt (2019 vs. Q 3 (2020))



Debt structure as per segments



Debt structure - interest rate hedging

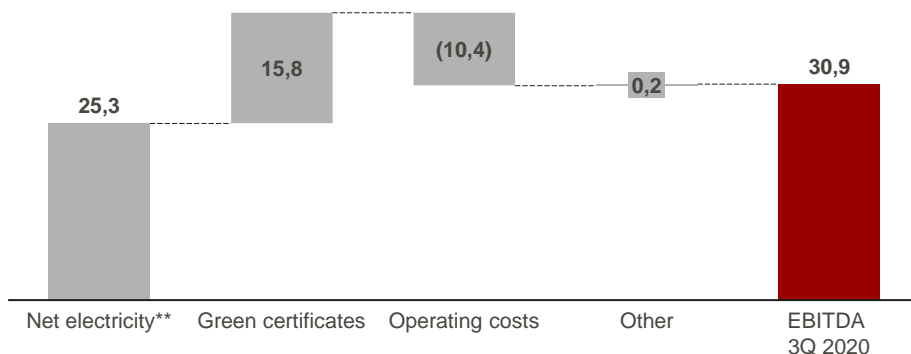


In Q3 2020 new interest rate hedging agreements were entered into in Gawłowice, Rajgród i Szymankowo wind farms. Taking into account Dipol, Krzęcin, Mycielin and Skurpie wind farms, Sulechów photovoltaic farm and Dystrybucja company, the effective hedging level currently amounts to about 68%. The Company intends to continue to reduce its exposure to interest rate risk taking advantage of favorable market conditions.

NO CURRENCY RISK IN THE DEBT STRUCTURE. 68% OF THE DEBT COST HEDGED

Onshore wind power - Q 3

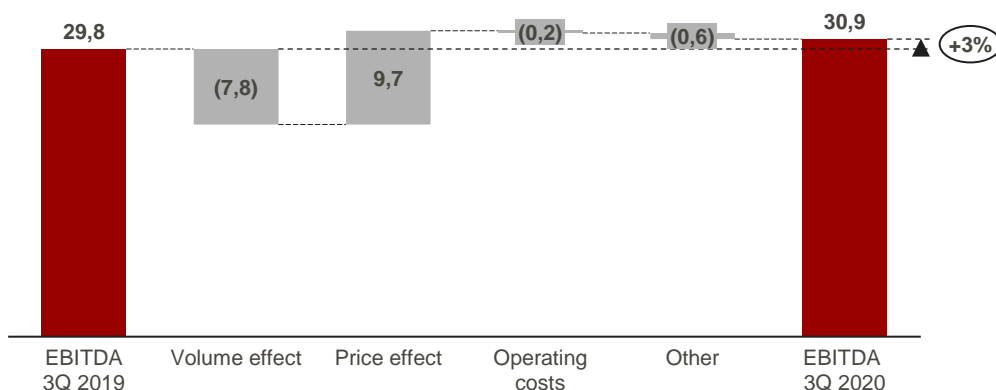
1 EBITDA* build-up



Comments

- The volume of electricity production and green certificates lower by 22 GWh.
- Increase in electricity sales prices at the segment level (by PLN 20 / MWh) despite higher total balancing and profiling costs.
- Increase in green certificates' sales prices at the segment level (by PLN 41 / MWh).
- Revenues from awarded but not yet sold green certificates** and related selling expenses are presented without IFRS 15 adjustment (as opposed to presentation in the consolidated quarterly report).

2 EBITDA* bridge



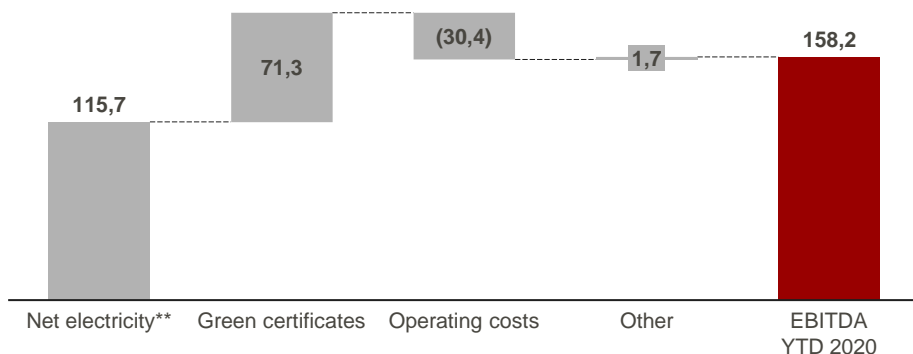
* In Q2 2020, there was a change in the presentation of activities related to the development and construction of wind farms by allocating them to the Onshore wind power segment (item "other"). In order to maintain data comparability, the cost of wind farm development and construction was also included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

* term explained in the glossary of abbreviations

HIGHER SALES PRICES OF GREEN CERTIFICATES AND ELECTRICITY PARTIALLY OFFSET BY LOWER PRODUCTION VOLUME

Onshore wind power - YTD

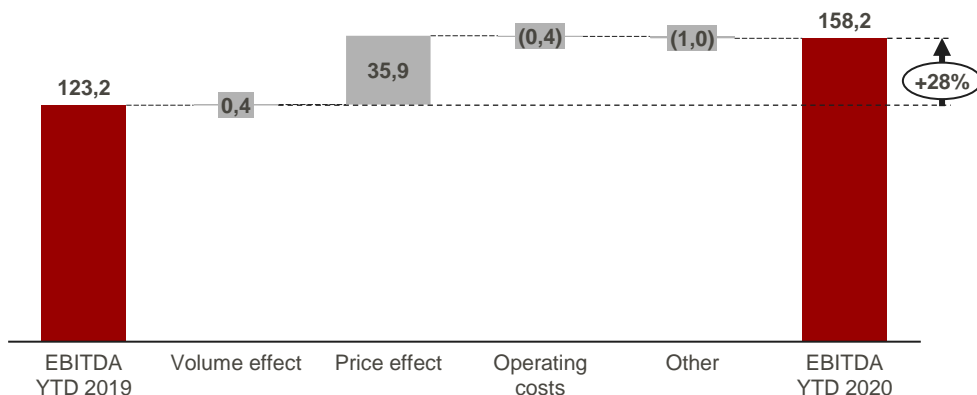
1 EBITDA* build-up



Comments

- The volume of electricity production and green certificates higher by 1 GWh.
- Increase in electricity sales prices at the segment level (by PLN 12 / MWh) despite higher total balancing and profiling costs.
- Increase in green certificates' sales prices at the segment level (by PLN 44 / 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).

2 EBITDA* bridge



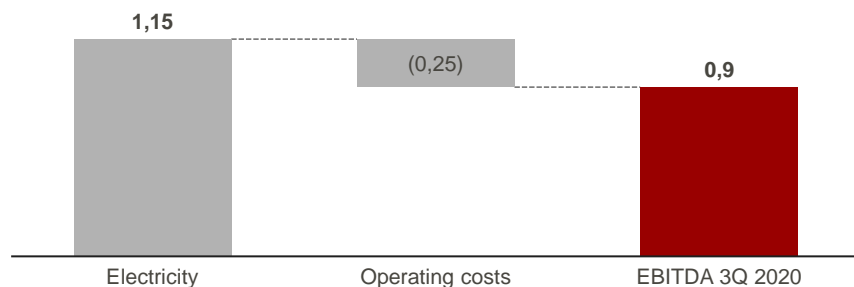
* In Q2 2020, there was a change in the presentation of activities related to the development and construction of wind farms by allocating them to the Onshore wind power segment (item "other"). In order to maintain data comparability, the cost of wind farm development and construction was also included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

* term explained in the glossary of abbreviations

HIGHER PRODUCTION VOLUMES AND SALES PRICES OF GREEN CERTIFICATES AND ELECTRICITY

Photovoltaics – Q 3, YTD

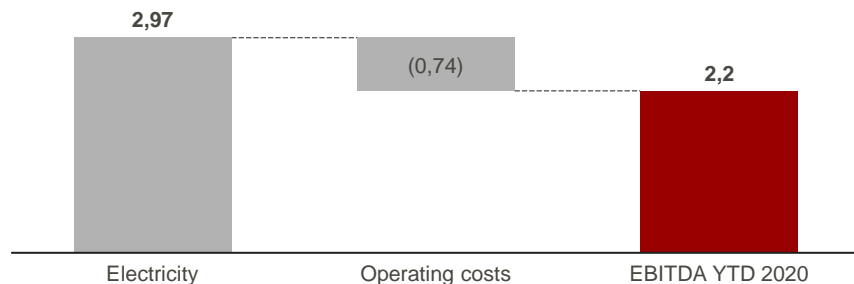
1 EBITDA build-up *(Q3)



Comments

- Due to commencing the operating phase in the Sulechów I photovoltaic farm (with the capacity of 8 MW) which received auction support in 2018, the Group reports the Photovoltaics segment separately in the financial statements.
- The result in this segment mainly includes revenues from the sale of electricity, secured by the support obtained under the auction system.
- EBITDA in Q3 is lower by 0.2m than the result in Q2 due to lower electricity production (lower insolation).

2 EBITDA build-up *(YTD)

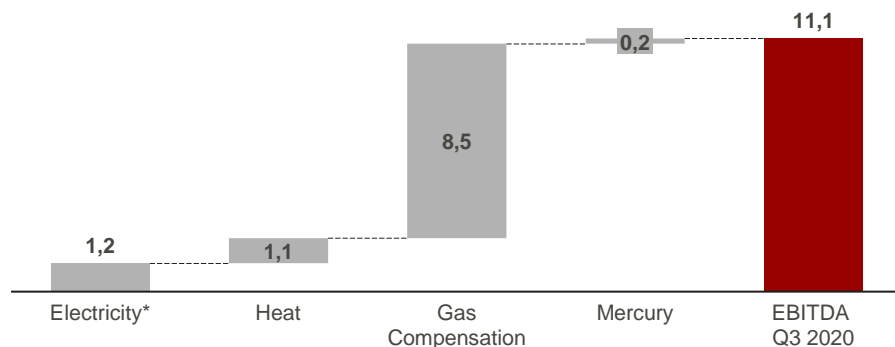


* Data are presented in build-up form in connection with commencing the operating segment activity in 2020.

**SEPARATION OF PHOTOVOLTAICS SEGMENT IN CONNECTION WITH COMMENCING THE OPERATIONAL ACTIVITY.
THE RESULT IN Q3 SLIGHTLY LOWER THAN IN Q2 DUE TO LOWER INSOLATION.**

Gas and Clean Fuels - Q 3

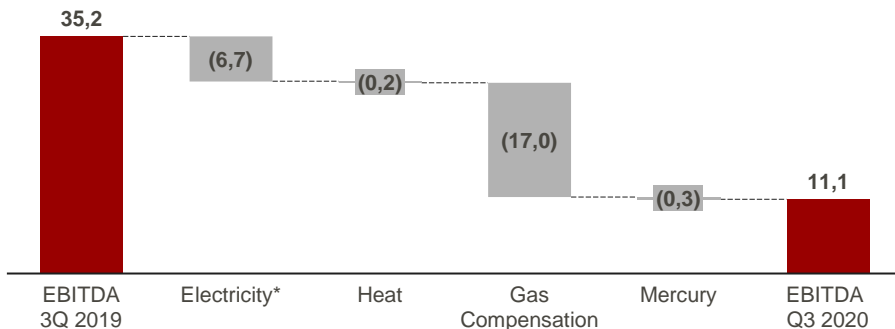
1 EBITDA build-up



Comments

- Lower result on gas compensation in 2020 is due to termination of long term agreement on gas sale and lower adjustment of gas costs for 2019 (8.5m) recognized in July 2020 with respect to the adjustment for 2018 (15,2m) recognized in July 2019.
- 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).

2 EBITDA bridge

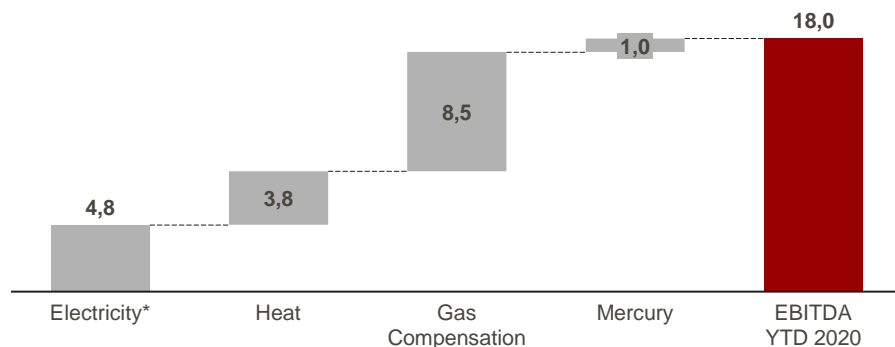


* Takes into account the compensation of stranded costs, revenues from black-start service and co-generation bonus

LOWER EBITDA DUE TO THE LACK OF REVENUES ON ACCOUNT OF GAS COMPENSATION AND LOWER REVENUES ON ACCOUNT OF STRANDED COST COMPENSATION

Gas and Clean Fuels - YTD

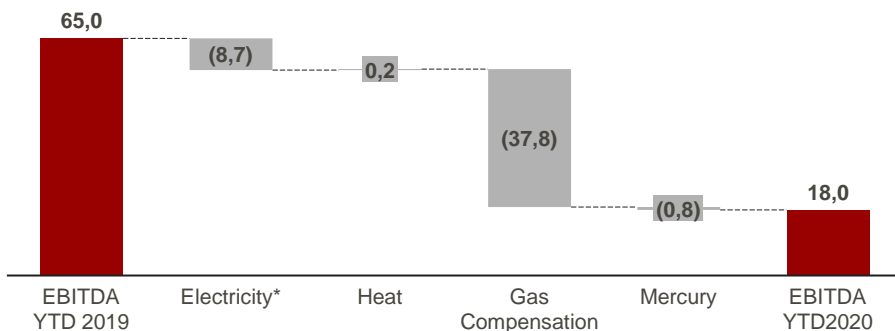
1 EBITDA build-up



Comments

- Lower result on gas compensation in 2020 is due to termination of long term agreement on gas sale and lower adjustment of gas costs for 2019 (8.5m) recognized in July 2020 with respect to the adjustment for 2018 (15,2m) recognized in July 2019.
- 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

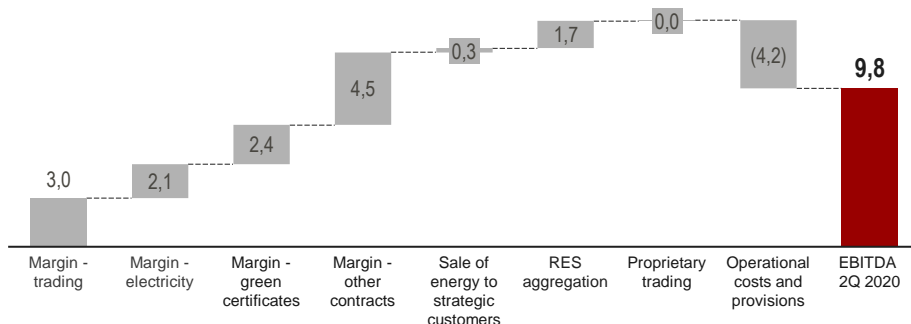


* Takes into account the compensation of stranded costs, revenues from black-start service and co-generation bonus

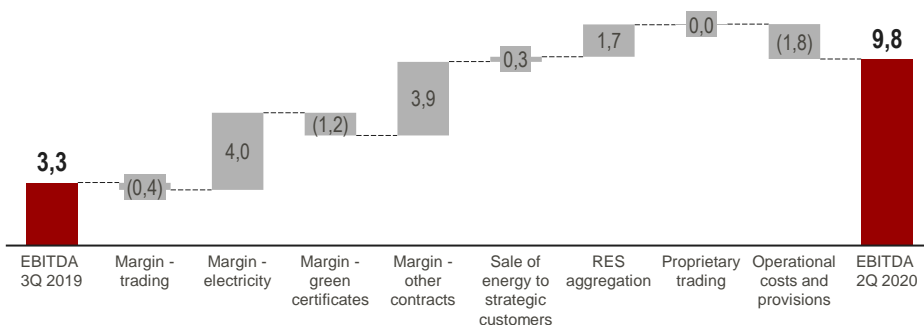
LOWER EBITDA DUE TO THE LACK OF REVENUES ON ACCOUNT OF GAS COMPENSATION AND LOWER REVENUES ON ACCOUNT OF STRANDED COST COMPENSATION

Trading - Q 3

1 EBITDA build-up



2 EBITDA bridge



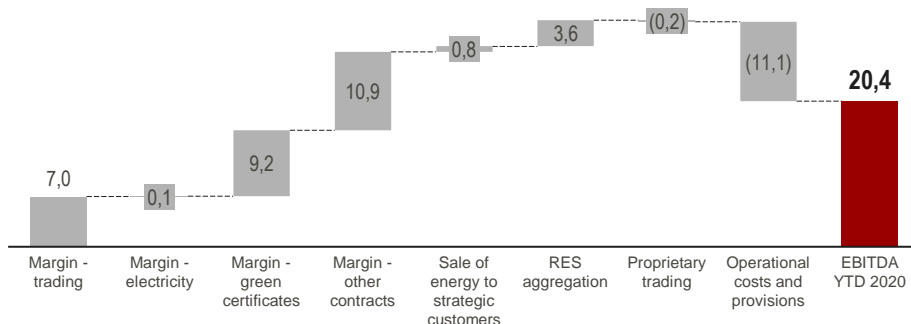
Comments

- EBITDA increase by 6.5m in connection with:
 - higher result on energy sales from wind farms due to activities optimizing long and medium term hedging levels and business optimization in the spot market,
 - an increase in the result resulting from optimization of the production levels in the Group's production assets,
 - effect of implementing the new strategy in the scope of sales of electricity to strategic customers, RES aggregation and proprietary trading.
- The increase was partly offset by:
 - lower result on the trading portfolio due to worse performance in short-term trade,
 - lower result in green certificates from wind farms in connection with stabilization of margin level on sale as a result of the changes in intragroup CPAs and lower effect of the valuation of the certificates generated, but not yet issued,
 - higher operating costs due to development of activity (mainly salaries due to the increase in employment resulting from the implementation of new business lines and the increase in the costs of external services) and higher commission costs.

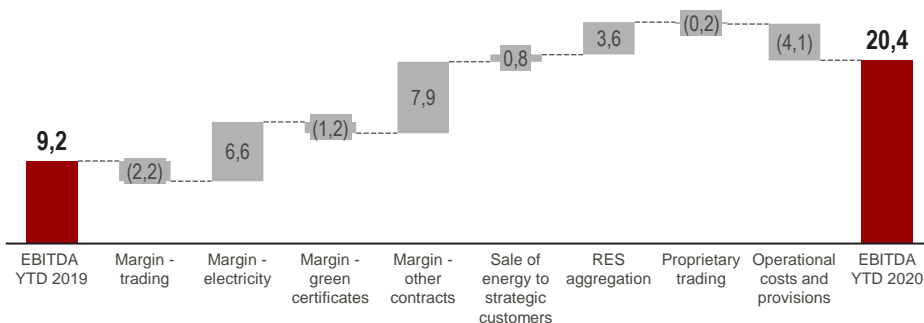
GOOD RESULT ON TRADING IN ELECTRICITY FROM WIND FARMS, OTHER CONTRACTS AND IMPLEMENTATION OF THE NEW STRATEGY PARTLY OFFSET BY WORSE RESULT ON TRADING PORTFOLIO AND HIGHER OPERATING AND COMMISSION COSTS

Trading - YTD

1 EBITDA build-up



2 EBITDA bridge



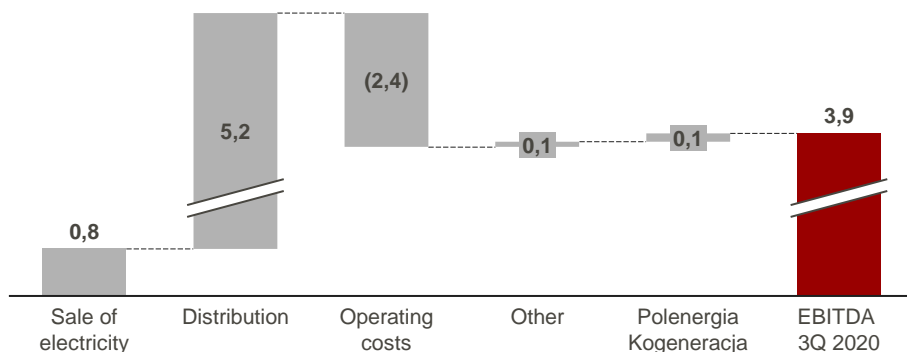
Comments

- EBITDA increase by 11.2m in connection with:
 - higher result on energy sales from wind farms due to activities optimizing long and medium term hedging levels and business optimization in the spot market,
 - an increase in the result resulting from optimization of the production levels in the Group's production assets,
 - effect of implementing the new strategy in the scope of sales of electricity to strategic customers, RES aggregation and proprietary trading.
- The increase was partly offset by:
 - lower result on the trading portfolio due to worse performance in short-term trade,
 - lower result in green certificates from wind farms in connection with stabilization of margin level on sale as a result of the changes in intragroup CPAs and lower effect of the valuation of the certificates generated, but not yet issued,
 - higher operating costs due to development of activity (mainly salaries due to the increase in employment resulting from the implementation of new business lines and the increase in the costs of external services) and higher commission costs.

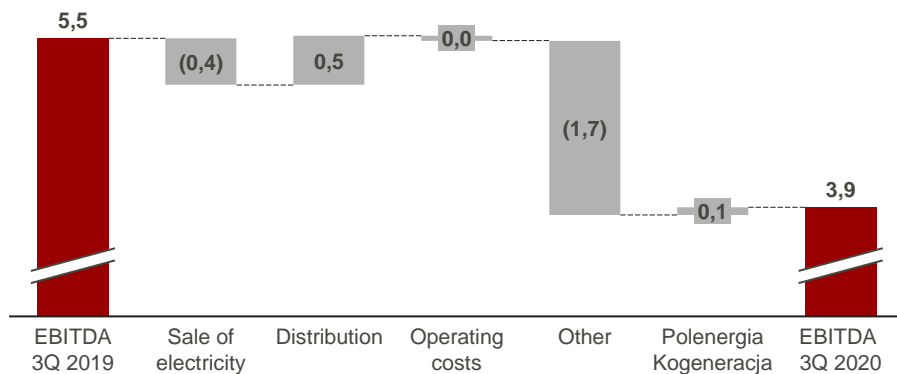
GOOD RESULT ON TRADING IN ELECTRICITY FROM WIND FARMS, OTHER CONTRACTS AND IMPLEMENTATION OF THE NEW STRATEGY PARTLY OFFSET BY WORSE RESULT ON TRADING PORTFOLIO AND HIGHER OPERATING AND COMMISSION COSTS

Distribution - Q 3

1 EBITDA build-up



2 EBITDA bridge



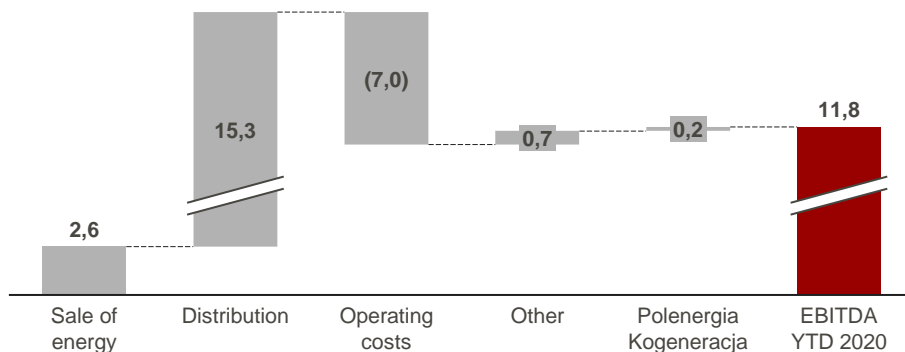
Comments

- The distribution segment recorded 1.6m reduction in EBITDA compared to the same period last year, mainly due to:
 - lower result on other activity - in Q3 2019 1.6m of provisions were released due to the favorable judgment in the finalized court proceedings,
 - 8% lower energy sales volume and lower unit margin,
 - higher margin on energy distribution mainly due to higher revenues from connection fees following the implementation of the investment plan III

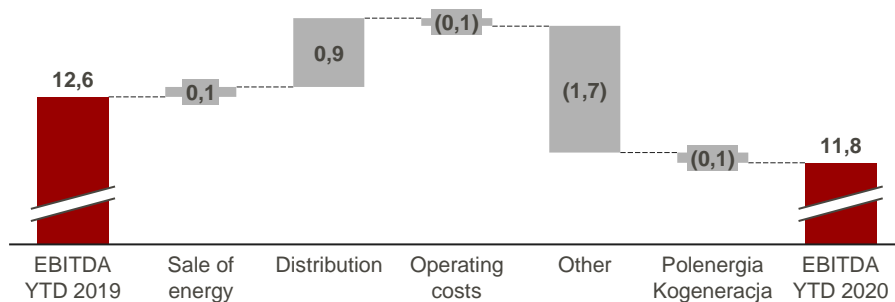
LOWER EBITDA DUE TO ONE-OFF EVENTS. STABLE OPERATING ACTIVITY. DESPITE THE TURBULENCE RELATED TO COVID-19 PANDEMIC, THE COMPANY RECORDED THE INCREASE OF THE MARGIN ON ENERGY DISTRIBUTION.

Distribution - YTD

1 EBITDA build-up



2 EBITDA bridge



Comments

- The distribution segment recorded 0.9m reduction in EBITDA compared to the same period last year, mainly due to:
 - lower result on other activity - in Q3 2019 1.6m of provisions were released due to the favorable judgment in the finalized court proceedings,
 - higher margin on energy distribution mainly due to higher revenues from connection fees following the implementation of the investment plan III
 - higher margin on energy sales - the margin increased despite reduced volume compared to the last year, due to higher unit margin in 2020 (the effect of freezing the prices in 2019).

LOWER EBITDA DUE TO ONE-OFF EVENTS. STABLE OPERATING ACTIVITY. DESPITE THE TURBULENCE RELATED TO COVID-19 PANDEMIC, THE COMPANY RECORDED THE INCREASE OF THE MARGIN ON ENERGY DISTRIBUTION.

SECTION I

SUMMARY OF Q3 2020



Tomasz Kietliński

Member of the Board
Chief Financial Officer

SECTION II

SUMMARY OF KEY OPERATING
PARAMETERS



Piotr Maciołek

Member of the Board
Renewables and Distribution

SECTION III

FINANCIAL RESULTS FOR Q3 2020



Tomasz Kietliński

Member of the Board
Chief Financial Officer

SECTION IV

PROGRESS OF THE GROUP'S
STRATEGY IMPLEMENTATION



Piotr Maciołek

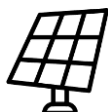
Member of the Board
Renewables and Distribution

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

Onshore wind farms



- Projects in the advanced stage of development that received support in the RES auction in 2019.
 - The construction of the Szymankowo (38 MW), Dębask (121 MW) and Kostomłoty (27 MW) wind farms is in progress. The works' performance has followed the schedule.
 - This July a loan agreement was entered into to finance the construction of the Dębask wind farm, the largest project in the Group's history, while in September another loan agreement was entered into to finance the construction of the Kostomłoty project of 27 MW.
 - Moreover, in July 2020 an agreement amending and standardizing the loan agreement of 2019 was entered into, increasing the limit of available loans for the Szymankowo project (38 MW).
 - In October 2020 the agreement for delivery, installation and commissioning of 9 wind turbines was entered into with Vestas – Poland Sp. z o.o. for the Kostomłoty project of 27 MW total capacity. The agreement is planned to be performed in the period from Q1 to Q3 2022.
- Other projects
 - The Group is preparing to participate in the next RES auction with the Piekło wind farm of 13.2 MW total capacity developed by Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. subsidiaries.
 - The Group is working on further development of wind farms projects in order to fulfill goals set out in the Group's Strategy for 2020 – 2024.



Photovoltaics:

- The Group is preparing three photovoltaic projects with a total capacity of approx. 28 MW to participate in the next RES auction.
- The Group is working on the further development of the photovoltaics projects to achieve the goals set out in the Group's Strategy for 2020-2024.



Offshore wind farms:

- The projects in advanced development phase - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of approx. 1.4 GW)
 - In Q3 2020 a munitions search campaign was carried out in the area of both location decisions.
- Projects in early development phase - MFW Bałtyk I Sp. z o.o. (planned capacity approx. 1.6 GW)
 - Discussions with PSE has started regarding obtaining the connection agreement.
 - Preparations have been underway for the process of environmental impact assessment.
- New draft Act on promoting electricity generation in offshore wind farms has been published. The Act is expected to enter into force by the end of 2020.. The time of launching the farm construction will depend on coming into effect of the relevant regulatory regime.

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



Gas and Clean Fuels:

- Nowa Sarzyna Heat and Power Plant – in compliance with SLA entered into with Polenergia Obrót, ENS commercial standing for 2021 was hedged (optimized energy volume, price of energy, gas and CO2), commercial standing for 2022 is currently being hedged.
- Development of new generation of the capacities
 - Polenergia Group signed a letter of intent with Siemens Gas and Power, Siemens Energy on potential cooperation in the development of gas co-generation projects and hydrogen technologies.
 - The search and analysis of potential partners is underway together with the Partner.
- Production of green hydrogen - Polenergia and its partner are analyzing several potential projects for the production and storage of hydrogen produced in the electrolysis process from its own renewable energy.



Distribution:

- The implementation of the approved investment plan for 2019-2022 of the total value of PLN 51m has been underway.
- Works have been in course to approve investment plan IV for implementation and financing.



Trading:

- Optimization of Nowa Sarzyna Heat and Power Plant - 100% of optimum electricity production structure was secured for 2021 and 38% for 2022.
- Sale of energy to strategic customers - from 2020 the sales to large industrial customers has been performed. The company is gaining new customers.
- RES aggregation - the company is providing services to external RES customers and gaining new ones.
- Selling renewable energy to end customers - the process of building the sales channel and acquiring concessions has been underway.
- Prop trading – trading in limited scope started as of the beginning of June 2020.
- Geographical expansion - activity in the Ukrainian and Hungarian markets has commenced.



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. Completion of the 9th Edition of Energy Academy, of which Polenergia was a Strategic Partner.
- Support for the protection of biodiversity (protection of the Montagu's harrier, apiary in the area of photovoltaic farms).
- Adoption of the Charity Policy, strengthening support for charity activities for the benefit of local communities, inclusion of reporting activities in the annual EHS reporting. Preparation of the draft EHS report for 2020 and commencement of due diligence in accordance with the requirements of IFC, Equator Principles and CSR Strategy.
- Start of external communication in the field of SEG and work on the SEG service.

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.

✓ **SLA**

Service Level Agreement.

✓ **SEG**

Social, Environment and Governance.

✓ **EHS**

Environment, Health and Safety.