

Dear Sirs and / or Madams,

The last year was exceptional for the Company in many respects. Dynamic changes in the market environment coupled with completion of work on the strategy and the launch of investment processes at an unprecedented scale in the Company's history have set new challenges in front of us.

The COVID-19 pandemic augmented market uncertainty and volatility, as well as affected the condition of numerous industries. The introduced restrictions directly reduced the demand for electricity and affected electricity prices. Nevertheless, the quality of assets held by Polenergia and the decisions to secure sales prices from generation assets made at the right moment, resulted in the fact that the market volatility caused by the COVID-19 pandemic did not materially influence the Group's financial results. The Polenergia Group manifests strong resistance to the adverse macro-economic conditions caused by COVID-19. Partial freezing of the Polish economy and numerous restrictions encompassing daily life did not greatly affect the functioning of the Group's companies. The organisation of work was changed in the areas of operation that rely, to a significant degree, on the human factor, and principles and procedures aimed at minimising the risk of disruptions for basic operational processes were introduced.

At the same time, in this demanding period, the Group completed its work on the Strategy for 2020-2024, which was announced in May 2020. The Strategy not only focuses on development in the economic dimension, but also is guided by social responsibility for the present and the future generations. Therefore, standing at the threshold of the huge transformation of the national power system, it is our ambition and mission to support efforts related to the process of energy transformation and development of low-emission economy. Building value for shareholders through development of offshore and onshore wind farm projects and photovoltaic farms, ongoing extension of the product offer in the area of electricity trading and sales together with related services, along with development of new hydrogen technologies are the superior goals which we intend to pursue over the next five years.

The actions aimed at increasing the value for the shareholders are reflected in the growth of the Company's capitalisation by over 100% in 2020. Furthermore, on 19 March 2021 the Company left the sWIG80 index and became a part of the mWIG40 index.

In 2020, the Polenergia Group recorded adjusted EBITDA in the amount of PLN 256.8 million, i.e. lower by PLN 22.4 million as compared to the previous year. The change in the EBITDA result as compared to the previous year was primarily caused by the expiry of the support system in the segment of gas and clean fuels (a drop by PLN 62 million), partially compensated by a higher result in the segment of onshore wind farms (by PLN 34 million) accomplished thanks to higher prices of electricity and green certificates and by a higher result in the segment of trading and sale (by PLN 7 million) resulting from optimisation of generation asset servicing and successive development of new business lines.

In 2020, the onshore wind farm segment continued its growing trend, generating EBITDA

result on the level of PLN 212.5 million, higher by PLN 34.3 million than the result in 2019. The growth of sale prices of green certificates and electricity allowed for efficient compensation of higher total costs of balancing and profile, costs of operations related to development and construction of wind farms, as well as the production volume lower by 3% as compared to 2019, which amounted to 714 GWh. It is worth noting that the accomplished productivity on the level of 33% was still above the market average in the sector.

The share of the trading and sales segment in the Group's result rose thanks to the growth in the segment's EBITDA result by PLN 7.3 million up to the level of PLN 22.1 million. This was related to the higher result on the trading of energy from wind farms (both owned by the Group, as well as by external entities), increase in the result on optimisation of the level of production in the remaining generation assets of the Group, primarily in the Nowa Sarzyna CHP plant, as well as the first effects of the new business lines, consistently pursued as part of implementation of the 2020-2024 Strategy.

The gas and clean fuels sector recorded a drop in the EBITDA result by PLN 62.0 million as compared to the previous year. This was mainly caused by the impact of the expected lower revenues from compensation of gas costs, caused by the expiry of a long-term contract for purchase of gas and adjustment of gas costs in 2019, as well as lower revenues from compensation of stranded costs as a result of discontinuation of the system of compensations in May 2020. In pursuit of the transformation of the business model, the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. successfully participated in an auction for supplies as part of the power market and extended the already concluded power contracts for years 2021-2024 also to 2025.

In the distribution segment, which is the most susceptible to the direct impact of the COVID-19 pandemic, stable results are observed. Higher margin on the distribution of electricity compensates the drop in the volume of sales by 10% as compared to the analogous period of the previous year.

Furthermore, in 2020 the Group separated the photovoltaic segment in the financial results on account of transition of eight photovoltaic installations with a total capacity of 8 MW to the operational stage, which received support as part of the auction system for RES. Polenergia's first project in this segment generated the EBITDA result of PLN 2.2 million.

The last year for the Polenergia Group was not only characterised by stable financial results, but also pursuance of the Strategy for 2020-2024 in compliance with the plan.

In 2020, construction contracts were concluded along with credit agreements to finance the Dębsk wind farm with a capacity of 121 MW, the largest project in the Group's history, and the Kostomłoty wind farm (27 MW). An agreement amending and consolidating the credit agreement was also signed, pursuant to which the limit of available credit facilities for the Szymankowo wind farm project was increased (38 MW). Construction of all three projects is proceeding according to schedule. Their commissioning will contribute to an increase in the total installed capacity in the wind energy segment by 75% as compared to the present-day status.

Last year, the Group also secured the prospect of implementation of subsequent projects. The Piekło wind farm project with a capacity of 13 MW and three photovoltaic farms Sulechów II, Sulechów III and Buk I consisting of 29 photovoltaic installations with a total capacity of 28 MW, received a 15-year support as part of the auction system for RES in

December 2020. Further development work is under way with respect to the preparation for construction of subsequent wind and photovoltaic projects as part of the announced strategic goals. Some of them will be ready for the RES auction announced by the Ministry of Energy for 2021.

Development work in the offshore wind farm segment continues. The Group holds 50% shares in MFW Bałtyk I Sp. z o.o., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. that are preparing three offshore wind farms located on the Baltic Sea with a total capacity up to 3,000 MW for construction. With respect to the projects in an advanced stage of development with a capacity of 1,440 MW (MFW Bałtyk II and MFW Bałtyk III), an application was submitted for granting the right to cover the negative balance as part of the first stage of projects foreseen in the act promoting generation of electricity in offshore wind farms. Furthermore, the company implementing the MFW Bałtyk I offshore wind farm project signed a connection agreement with PSE. Pursuant to the agreement, the total generation capacity of the project was determined on the level of 1,560 MW.

A gradual increase in the scale of operation is introduced in the trading and sales segment. As part of geographical expansion, operation on the Ukrainian and the Hungarian market was launched; commencement of activities is also under preparation on the markets of the Baltic countries and in Romania. Development of the business line for sales of electricity and gas to large industrial entrepreneurs is under way. What is more, activities consisting in sale of renewable energy to end clients are also pursued. To this aim, a dedicated special purpose vehicle was set up, a license for sale of energy was procured and implementation of dedicated IT systems, allowing for automation of the processes of client sourcing, clearance, and post-sale servicing, was started. In line with the strategic assumptions, aggregation of external renewable sources and development of the flexibility services business line is continued.

In the distribution segment, Polenergia started to implement the 4th investment plan for years 2021-2026. We also concluded an annex to the credit agreement, providing the Company with financing for performance of the plan in the amount of PLN 75.3 million. The plan stipulates performance of investments with respect to design and construction of electric power infrastructure used to supply new facilities and recipients, located primarily in newly erected housing estates.

Development work is also under way in the segment of gas and clean fuels, which resulted in signing a letter of intent with Siemens Gas and Power GmbH & Co. KG and Siemens Energy Sp. z o.o. concerning potential cooperation on development of gas co-generation projects and hydrogen technologies. The Polenergia Group and the Partner are pursuing a large-scale project of generation and storage of hydrogen generated in the process of water electrolysis with own renewable energy. Actions are also taken to prepare the new gas co-generation plant in Nowa Sarzyna for burning natural gas and hydrogen.

At the same time, we were happy to receive information about new regulatory decisions which are consistent with our plans of development. The energy strategy adopted by the government until 2040 assumes an over 50% share of zero-emission sources in the installed capacity, whereas the announcements on prolongation of the auction system and liberalisation of the 10H principle are conducive to the perspective of implementing these goals.



High resistance to the aggravating macro-economic conditions, confirmed by the accomplished financial results, strengthens our belief about the Group's stable position. Consistent implementation of the strategy right since the moment of its announcement and conducive regulatory decisions allow us to look at the future with optimism.

Best regards,

Michał Michalski, Ph.D., President of the Management Board