



POLENERGIA Capital Group
Financial results for H1 2021

August 2021

Agenda

1	Key events in H1 2021	3
2	Summary of key operational parameters	7
3	Financial results for H1 2021	11
4	Progress of the Group's strategy implementation	27

1 Key events in H1 2021

Summary of H1 2021: Key events (1/2)

Fact

- ▶ Onshore wind farms – lower windiness in H1 2021 compared to H1 2020
- ▶ Implementation of the SLA between Elektrociepłownia Nowa Sarzyna (ENS) and Polenergia Obrót (POLO)
- ▶ Consistent implementation of Polenergia Group's Strategy for the years 2020-2024 (1/2)

Effect/Comment

- ▶ Lower windiness in H1 2021 compared to the corresponding period last year had a negative impact on EBITDA of PLN 33.5m.
- ▶ The Group is conducting a process to optimise ENS operations. The optimisation resulted in the start of the process of "reversing" the forward transactions hedging ENS production and sales in Q3 and Q4 2021 and Q1 2022. Changes in the margin levels resulting from changes in the price levels of electricity, gas and CO2 emission allowances related to electricity production in ENS (the so-called Clean Spark Spread; CSS) allowed to take the decision to reduce the planned production and to gradually close the positions in the futures market for the above periods. Consequently, a valuation of the relevant financial instruments was carried out in accordance with IFRS 9 resulting in the recognition of the following in Q2 2021 result at the Group level: (i) the result on the anticipated ENS production for the above periods to which the transactions related (PLN 18.5m) - this is a time shift, and (ii) the impact of additional optimisations and favourable changes to CSS (CSS was negative at the end of June) of PLN 33.2m. The effect of these actions is presented in the trading and sales segment (PLN 13.9m) and in the gas and clean fuels segment (PLN 37.8m).
- ▶ Continued construction of three wind farms' portfolio and preparation for the construction of the fourth project:
 - Szymankowo: advanced stage of construction;
 - Dębsk: construction is proceeding according to schedule;
 - Kostomłoty: construction is proceeding according to schedule.
 - Piekło: preparatory work to make the final investment decision and start construction.
- ▶ Obtaining financing for three PV project portfolios that won December 2020 RES auctions: conclusion of investment loans for a total amount of PLN 31m (Sulechów III, 9.8 MW, and Buk, 6.4MW), signing of an annex to the investment loan agreement for a total amount of up to PLN 21.5m in Sulechów II and VAT loans for a total amount of up to PLN 8.7m (Sulechów II and Buk).
- ▶ Construction of Sulechów II and Sulechów III projects has begun. The construction of Buk I project will commence in August 2021.
- ▶ The estimated total investment outlays of MFW Bałtyk II and MFW Bałtyk III project companies for preparation of wind farm projects in the Baltic Sea will amount to PLN 307-385m, while the outlays for construction of the farms will reach PLN 16.1-18.2bn.
- ▶ By decision of the President of the Energy Regulatory Office of 4 May 2021, offshore wind farms MFW Bałtyk II and MFW Bałtyk III were granted the right to cover the negative balance for the generated electricity.
- ▶ As of 1 January 2021, Nowa Sarzyna Heat and Power Plant as a participant of the Power Market, performed the capacity obligation in accordance with the agreement concluded with Polskie Sieci Elektroenergetyczne and continued to provide the system self-start and reconstruction service for PSE.

Summary of H1 2021: Key events (2/2)

Fact

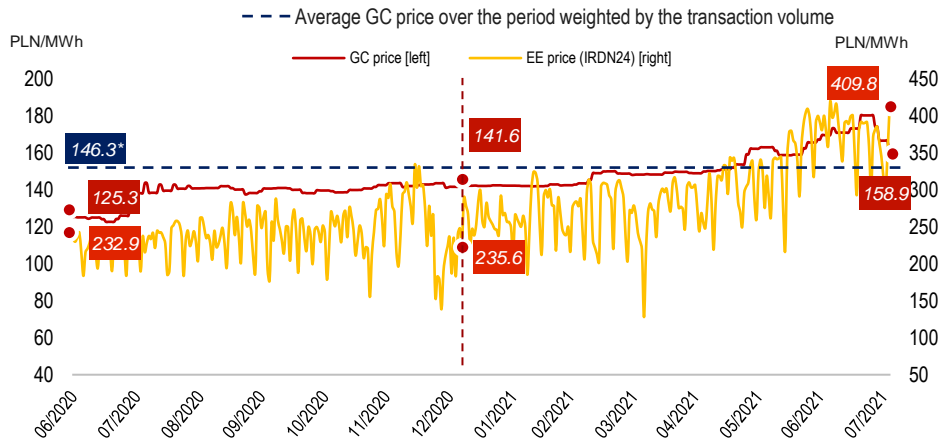
- ▶ Consistent implementation of Polenergia Group's Strategy for the years 2020-2024 (1/2)
- ▶ Optimization of owned assets
- ▶ Advantageous regulatory environment

Effect/Comment

- ▶ The subsidiaries developing the Świebodzin PV farm project with a total capacity of 10.5 MW, the Strzelino PV farm project with a total capacity of 45.15 MW and the Grabowo wind farm project with a capacity of 37.4 MW did not win the auctions for the sale of energy from renewable sources. The Group does not rule out alternative forms of revenue hedging for the said projects, i.e. entering into PPAs (Power Purchase Agreements) or sales based on market risk supported by hedging in the forward market as well as re-entry of the above projects in subsequent auctions.
- ▶ High level of hedging against rising interest rate risk - 71% of the value of total debt at the end of H1 2021.
- ▶ Sales of renewable energy to end customers - under the Energy 2051 green energy sales business line - energy deliveries to the first customer began in June 2021.
- ▶ Distance Act: Government officials announce the liberalization of the 10H principle. Work on the act is at an advanced stage - public consultations have been completed. Under the draft law, local authorities can set a distance requirement of less than 10h, always with a minimum distance from buildings of up to 500m. The announced adoption of the act is Q3 2021;
- ▶ The European Union has adopted, as part of the so-called Climate Law, a goal to reduce CO2 emissions by at least 55% by 2030, compared to 1990 base year emissions. The climate law was officially approved on 28 June 2021.
- ▶ The Council of Ministers is planning to adopt a draft of the Polish Hydrogen Strategy until 2030 with a perspective until 2040, the draft should be adopted after the end of public consultations in the fall of this year.
- ▶ The European Commission has approved the Polish offshore support scheme. The next step will be for the Commission to approve the support granted to individual projects by the President of the ERO.
- ▶ Following public consultations, the Ministry of Climate and Environment has published a new draft regulation on the RES obligation, according to which it is to be 18.5% for green certificates and 0.5% for blue certificates in 2022.

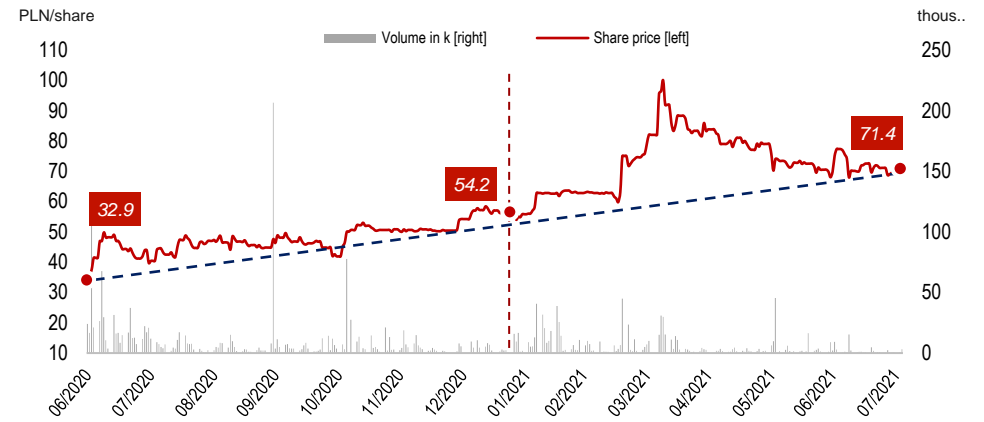
Key indexes and market prices

Prices of green certificates and electricity

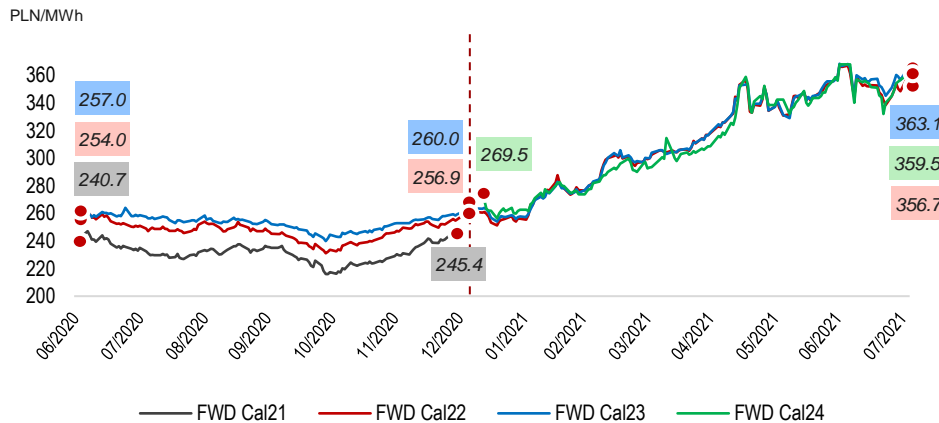


*The average GC price weighted by the transaction volume in the corresponding period of the previous year was: 136.1 PLN / MWh

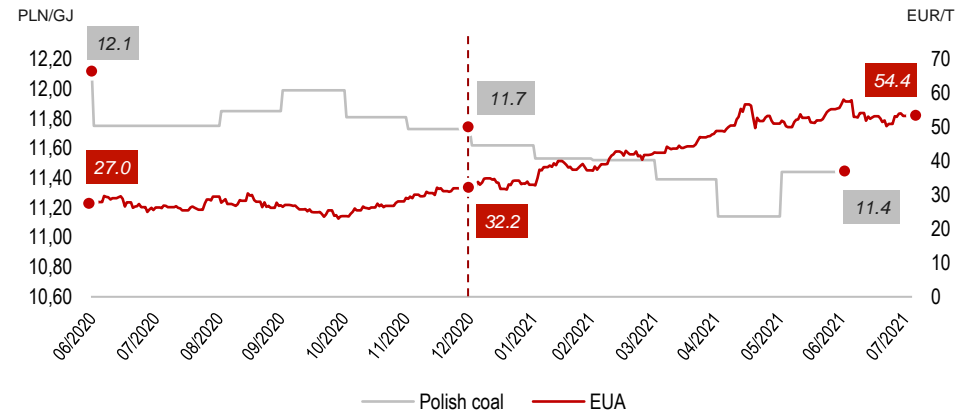
Quotations of Polenergia S.A. share prices



Forward prices of electricity



Quotations of coal on the Polish market and CO2 emission allowance



2 Summary of key operational parameters

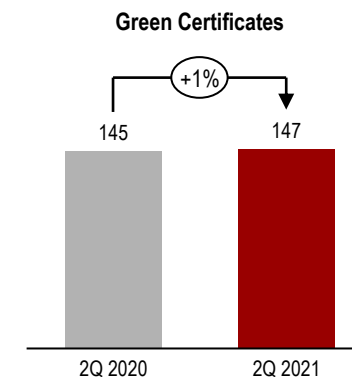
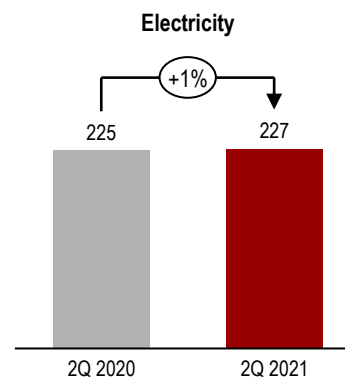
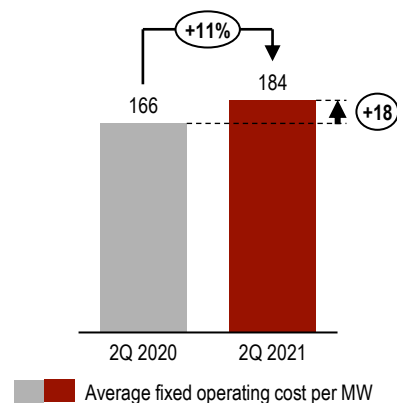
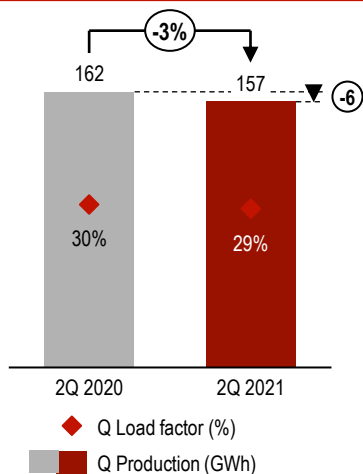
Summary of key operational parameters – Onshore wind farms

Production of wind farms (gross) and LF%

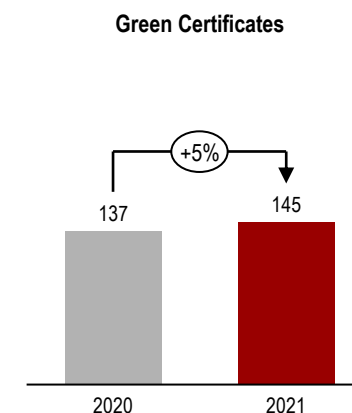
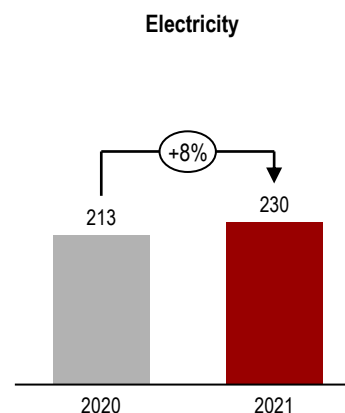
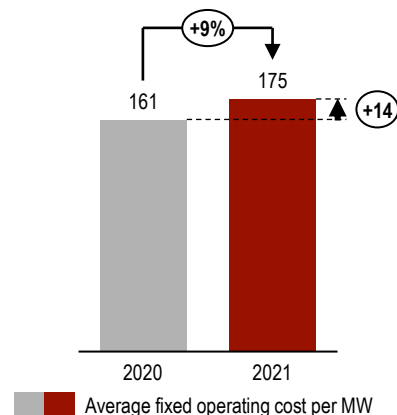
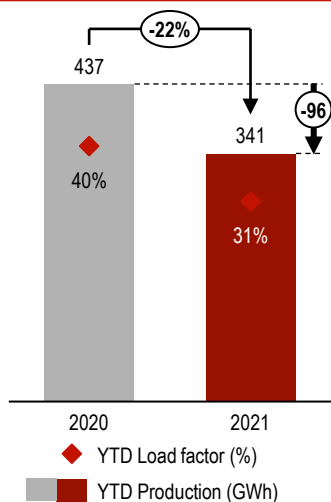
Average fixed operating cost per MW in wind farms [kPLN/MW/year]

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

Quarterly data

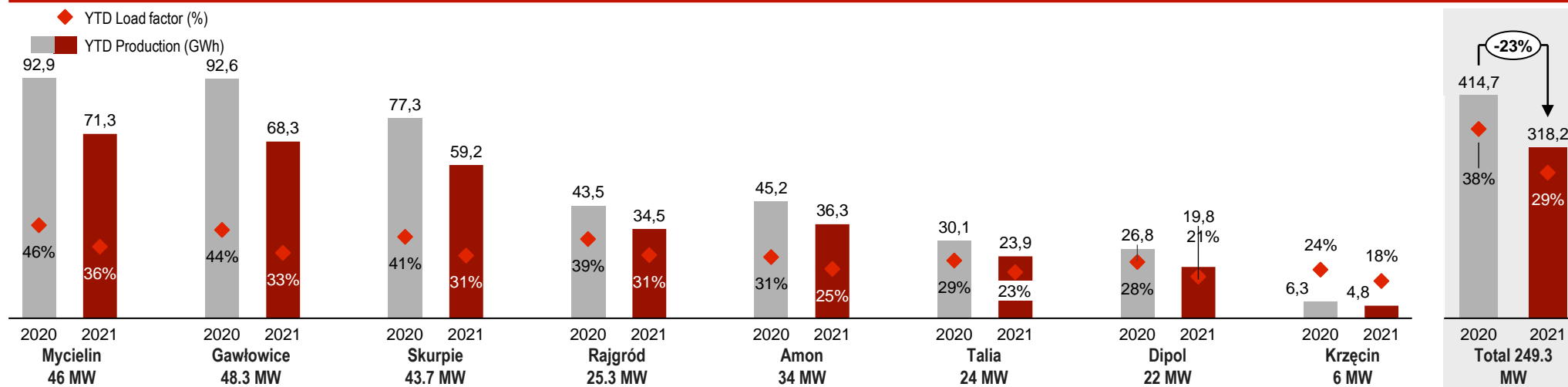


Data YTD

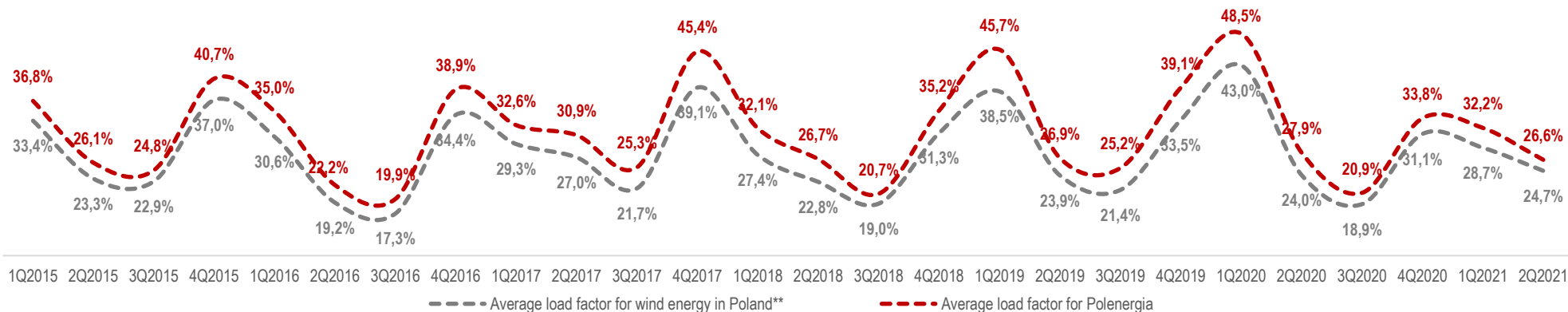


Summary of key operational parameters – Onshore wind farms

Production (net) YTD



Net rentability of Polenergia farms above the average*



* Comparison on a net rentability basis (after own consumption and losses) due to availability of sector data.

** Calculation of the sector's net production in June estimated on the basis of market data from April and May based on the ratio of Polenergia's net production in March to Polenergia's net production from April and May with reference to market data for the half-year.

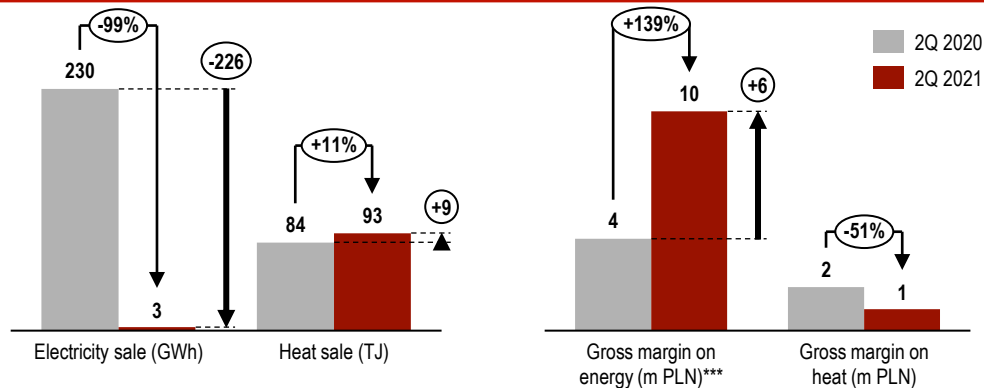
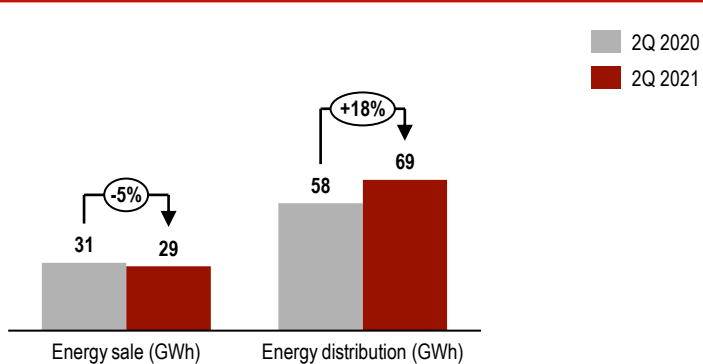
APPLICATION OF MODERN TECHNOLOGIES, A VERY GOOD PROJECT LOCATION AND AN EXPERIENCED TECHNICAL TEAM MAKE IT POSSIBLE TO CONSISTENTLY ACHIEVE PRODUCTION LEVELS HIGHER THAN THE MARKET AVERAGE.

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

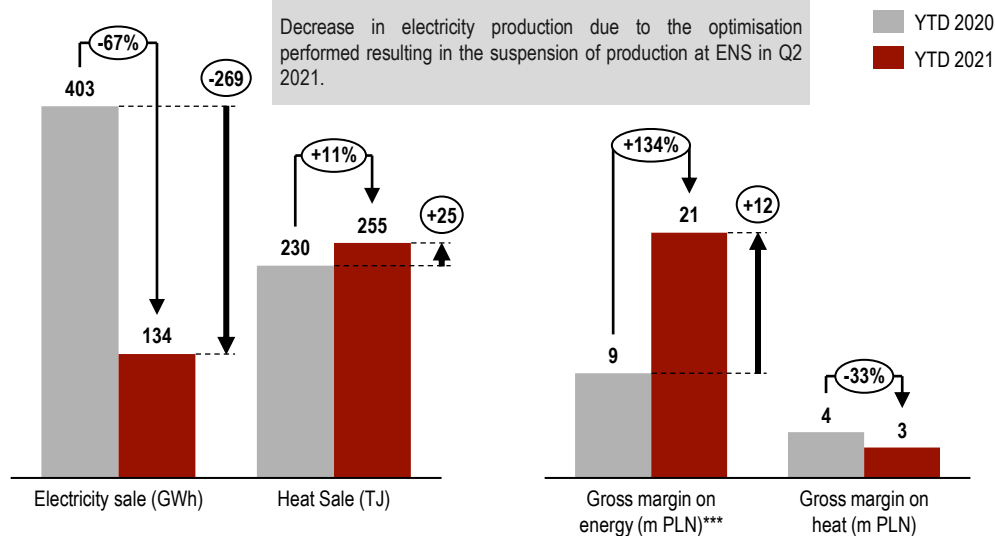
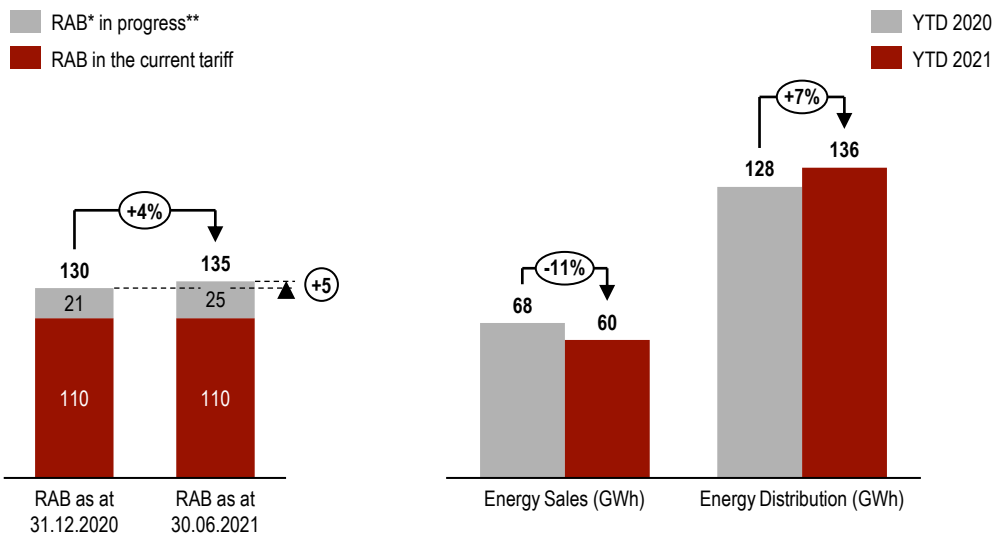
Distribution – sales [GWh]

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

Quarterly data



Data YTD



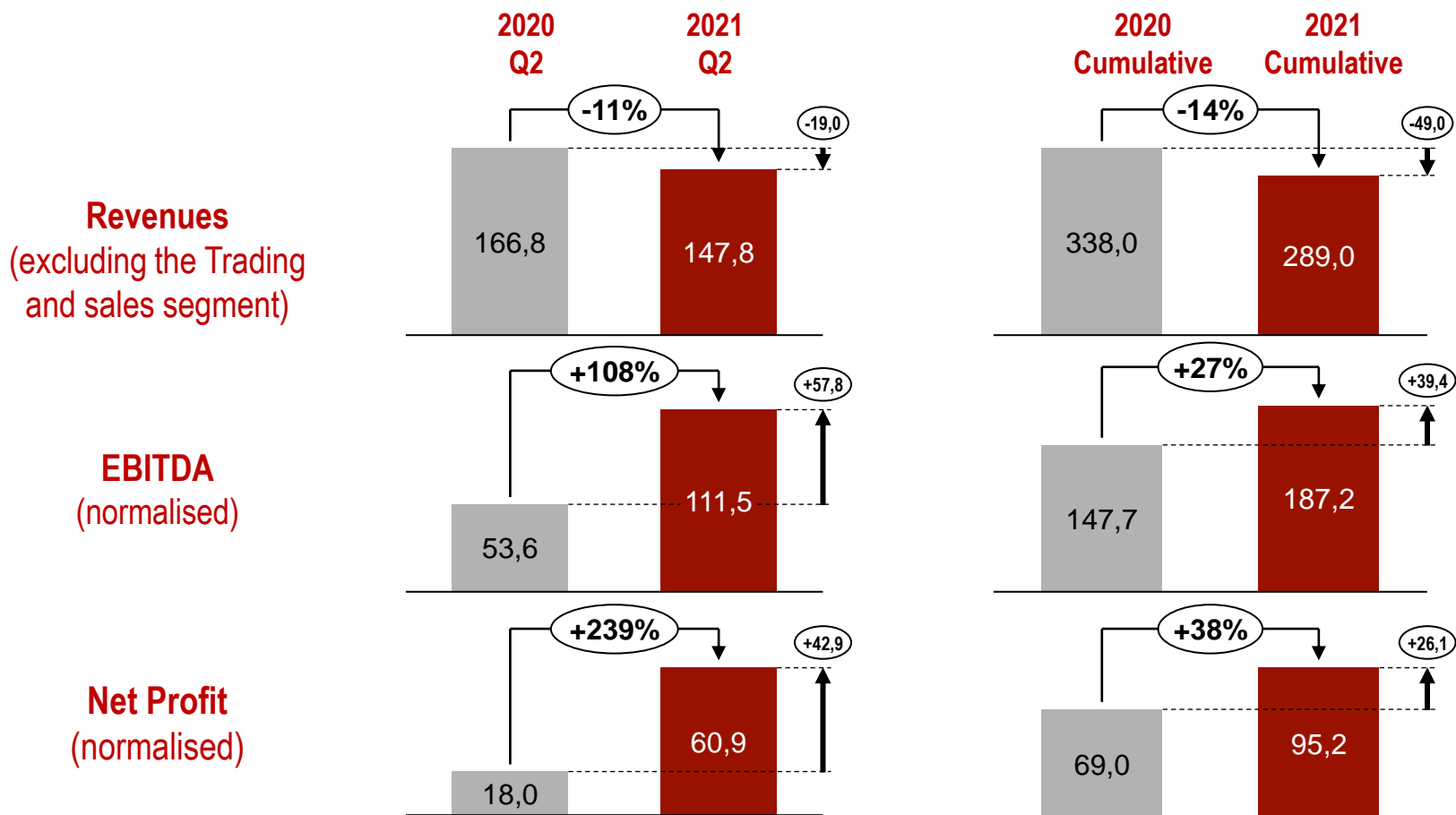
* regulatory asset base - term explained in the glossary

** term explained in the glossary

*** gross margin at ENS level, excluding the impact of optimisation recognised in the Group's consolidated financial results

3 Financial results for H1 2021

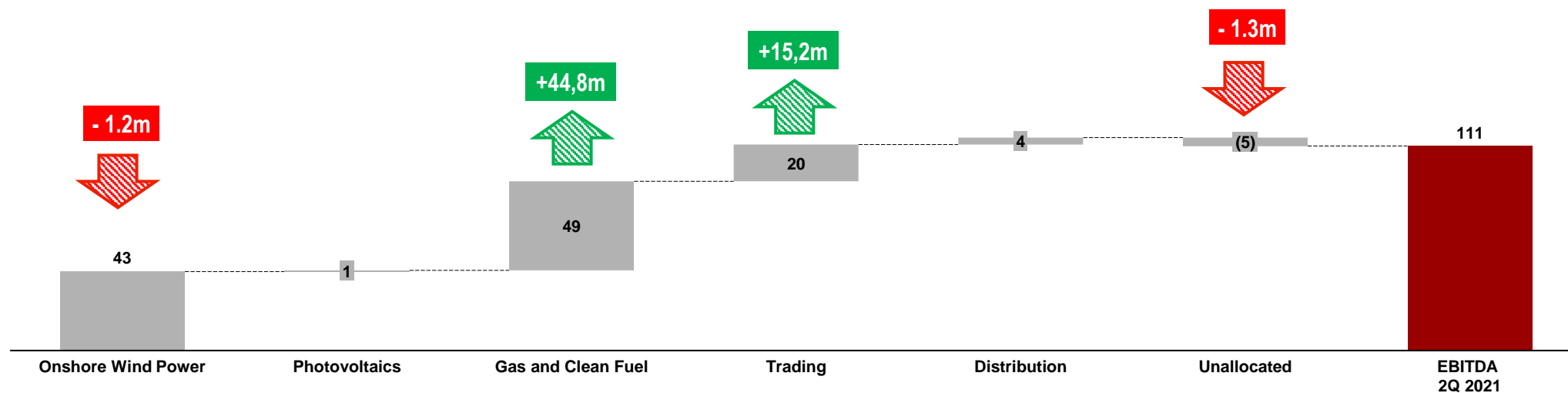
Financial results for H1 2021



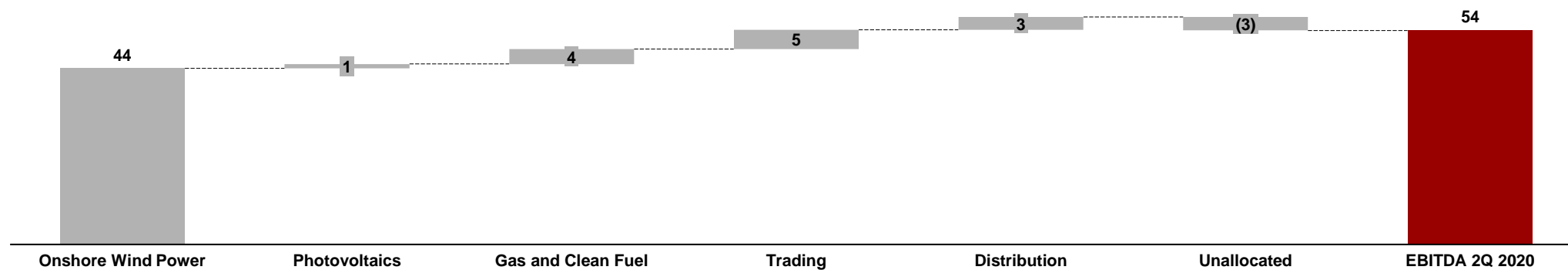
HIGHER RESULT IN Q2 2021 MAINLY DUE TO ENS PRODUCTION OPTIMISATION, PARTIALLY OFFSET BY LOWER RESULT IN THE ONSHORE WIND SEGMENT DUE TO LOWER WINDINESS

Structure of EBITDA - Q2 2021 compared to Q2 2020.

2021



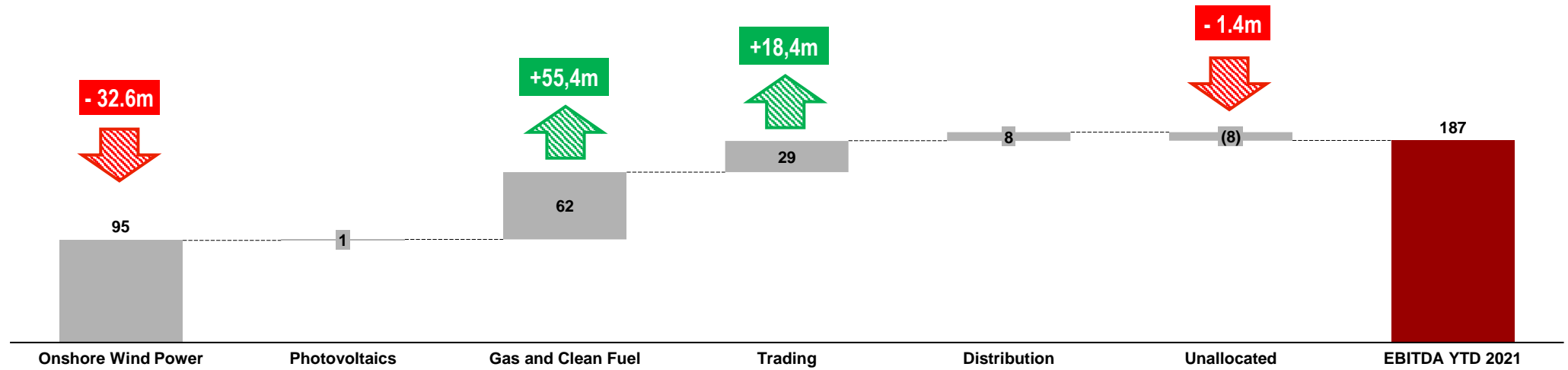
2020



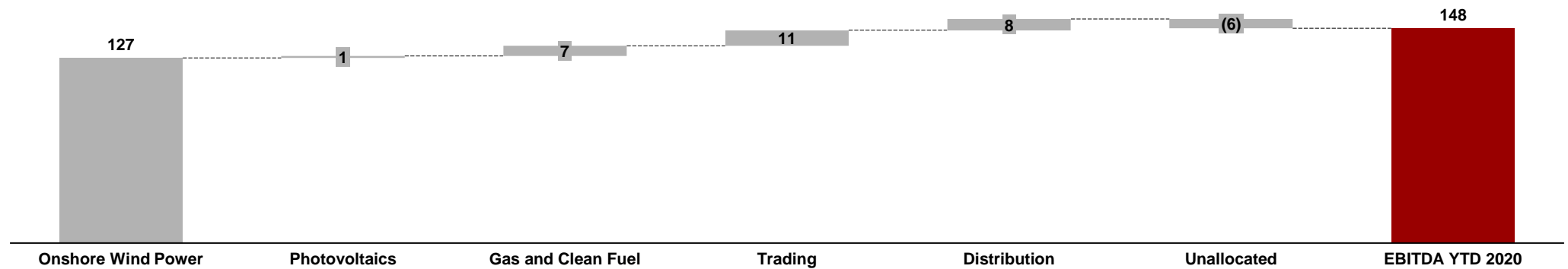
AN INCREASE IN THE RESULT OF THE GAS AND CLEAN FUELS AS WELL AS TRADING AND SALES SEGMENTS, WITH A SLIGHT DECREASE IN THE RESULT OF THE ONSHORE WIND FARMS AND UNALLOCATED SEGMENTS

Structure of EBITDA - H1 2021 compared to H1 2020.

2021



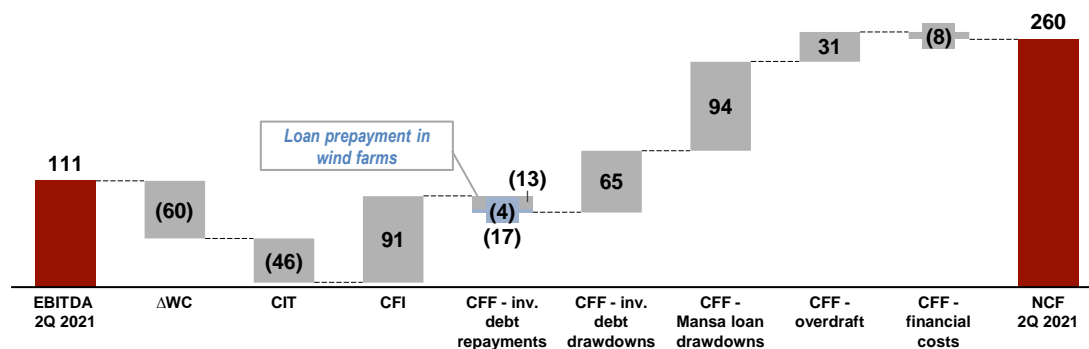
2020



AN INCREASE IN THE RESULT OF THE GAS AND CLEAN FUELS AS WELL AS TRADING AND SALES SEGMENTS, AND A DECREASE IN THE RESULT OF THE ONSHORE WIND FARMS AND UNALLOCATED SEGMENTS

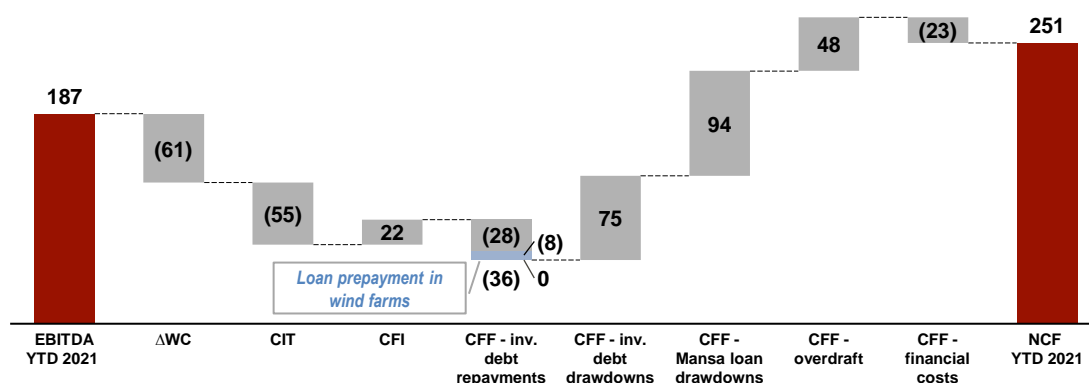
Polenergia Group cash flow

Q2



- ▶ **Cash flow from investment activities:** Investment expenditure made in the projects in advanced development phase which obtained support in RES auction in 2019 (-87.4m), and in other companies (-13.7m). Surcharges for offshore wind farms (-33.7m) and other companies (-0.5m). Earn-out proceeds (225.4m) and other (0.7m).
- ▶ **Cash flow from financial activities:** Repayment of the investment loan in Onshore wind farms (-11.9m), PV (-0.1m) and Distribution (-0.7m) segments as scheduled. Prepayment of investment loan in the wind farms (-4.3m). Taking out an investment loan in the Dębsk (32m), Szymankowo (27m), Kostomłoty (3.3m) projects, Distribution (2.4m) and a loan in the Dębsk (83.6m) and Kostomłoty (10m) wind farms. Change in working capital / VAT credit in Trading (+24.4m), Distribution (+1.7m), Dębsk (+8.3m) and Szymankowo (-3.1m). The financial flows on account of financial costs consist mainly of interest payments (-7.5m) and lease payments (-0.2m).

YTD

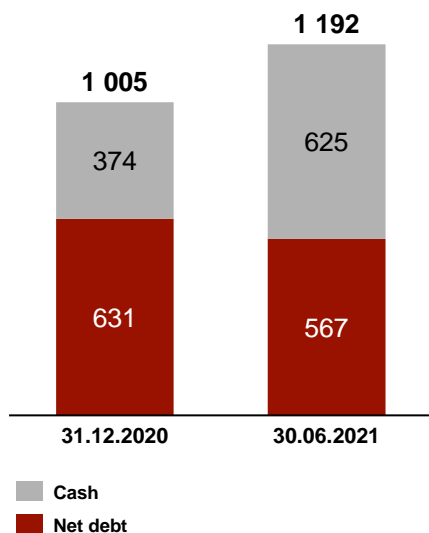


- ▶ **Cash flow from investment activities:** Investment expenditure made in the projects in advanced development phase which obtained support in RES auction in 2019 (-139.2m), and in other companies (-20.3m). Surcharges for offshore wind farms (-43.7m) and other companies (-0.7m). Earn-out proceeds (225.4m) and other (0.7m).
- ▶ **Cash flow from financial activities:** Repayment of the investment loan in Onshore wind farms (-25.7m), PV (-0.3m) and Distribution (-1.7m) segments as scheduled. Prepayment of investment loan in the wind farms (-8.2m). Taking out an of 75.1m investment loan. Taking out a loan at the Dębsk (83.6m) and Kostomłoty (10m) wind farms. Change in working capital / VAT credit in Trading (+46.4m), Distribution (+9.4m), Dębsk (+8.3m) and Szymankowo (-16.3m). The financial flows on account of financial costs consist mainly of interest payments in (-18.5m) and payments related to leasing liabilities (-4.2m).

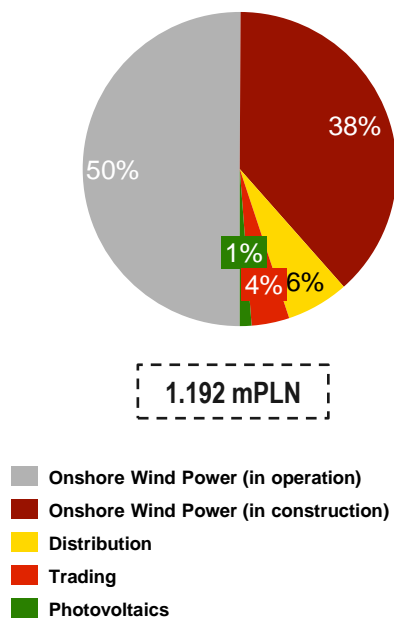
HIGH INVESTMENT EXPENDITURE IN ONSHORE WIND FARMS FINANCED WITH COMPANY FUNDS AND INVESTMENT DEBT.
EFFECT OF ADDITIONAL PAYMENTS FROM THE SALE OF SHARES IN OFFSHORE (MFW) PROJECTS IN 2018

Debt structure as at 30 June 2021

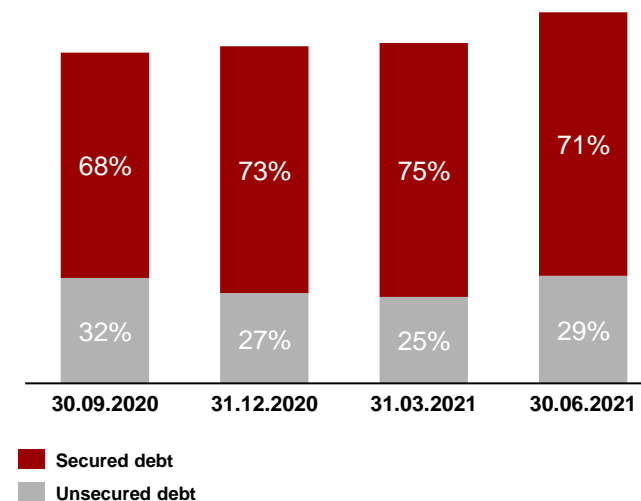
Gross debt (m PLN)



Debt structure as per segments



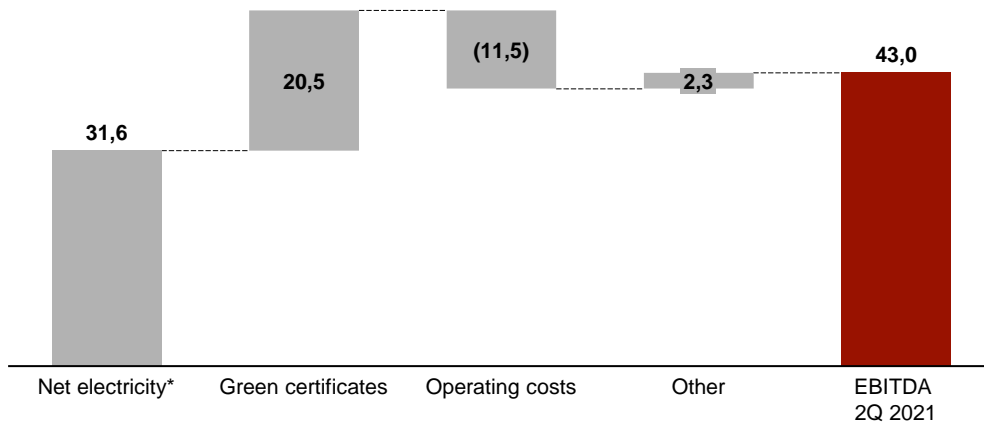
Debt structure - interest rate hedging



DECREASE IN NET DEBT IN Q2 DESPITE THE INCREASE IN DEBT, NO CURRENCY RISK IN THE DEBT STRUCTURE. 71% OF THE DEBT COST HEDGED

Onshore wind farms - Q2

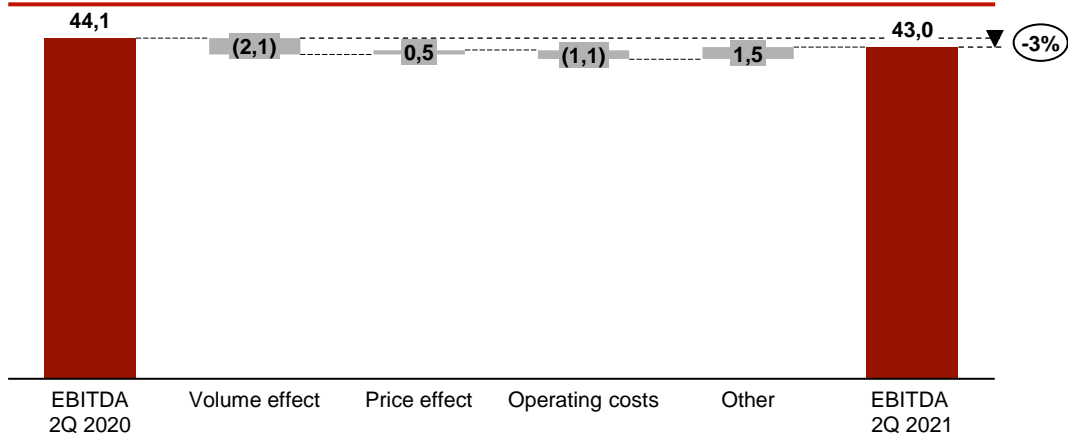
EBITDA build-up



Comment

- ▶ Gross energy production volume lower by 5.7 GWh.
- ▶ Increase in electricity selling prices at segment level (by 4.2 PLN/MWh).
- ▶ Green certificates sales prices at the segment level similar to those for Q2 2020.
- ▶ Operating costs in Q2 2021 higher than in Q2 2020 due to higher technical service and external services costs.
- ▶ Revenues on account of granted and yet unsold green certificates* and the related cost of sales are presented without taking into account the IFRS 15 adjustment (in contrast to the presentation in the consolidated annual report).

EBITDA* bridge

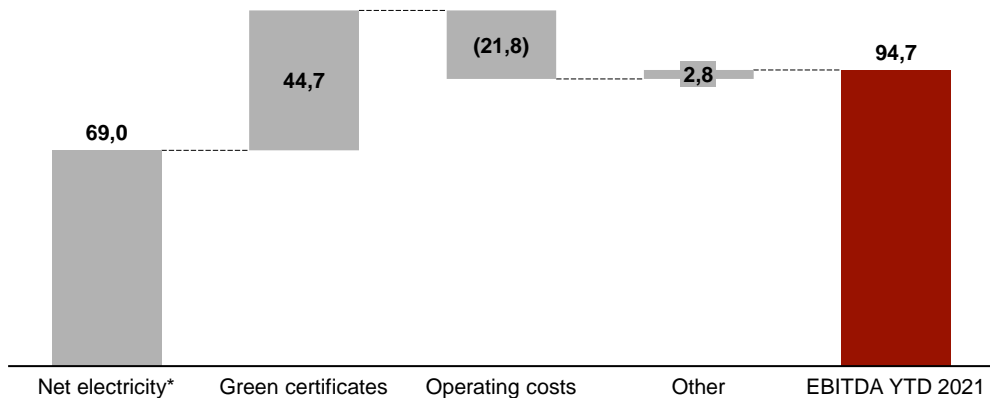


* term explained in the acronym glossary

LOWER PRODUCTION VOLUME PARTLY OFFSET BY HIGHER ELECTRICITY SELLING PRICES.

Onshore wind farms - YTD

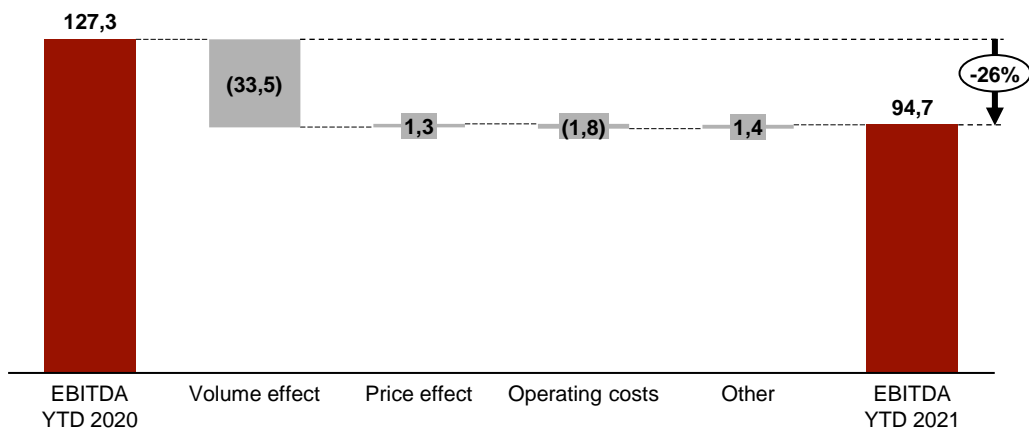
EBITDA build-up



Comment

- ▶ Gross energy production volume lower by 96 GWh.
- ▶ Increase in electricity selling prices at segment level (by 2.2 PLN/MWh).
- ▶ Green certificates sales prices at the segment level similar to those for H1 2020.
- ▶ Operating expenses in H1 2021 higher than in H1 2020 due to higher technical service and external services costs.
- ▶ Revenues on account of granted and yet unsold green certificates* and the related cost of sales are presented without taking into account the IFRS 15 adjustment (in contrast to the presentation in the consolidated annual report).

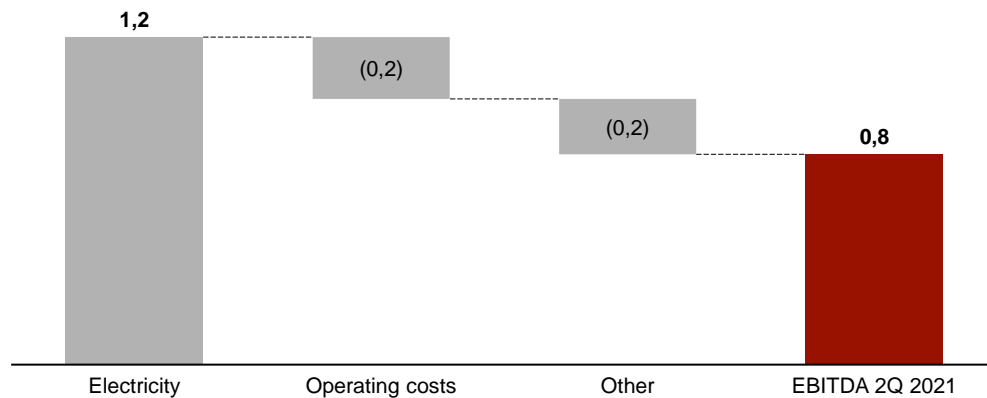
EBITDA* bridge



* term explained in the acronym glossary

LOWER PRODUCTION VOLUME PARTLY OFFSET BY HIGHER ELECTRICITY SELLING PRICES.

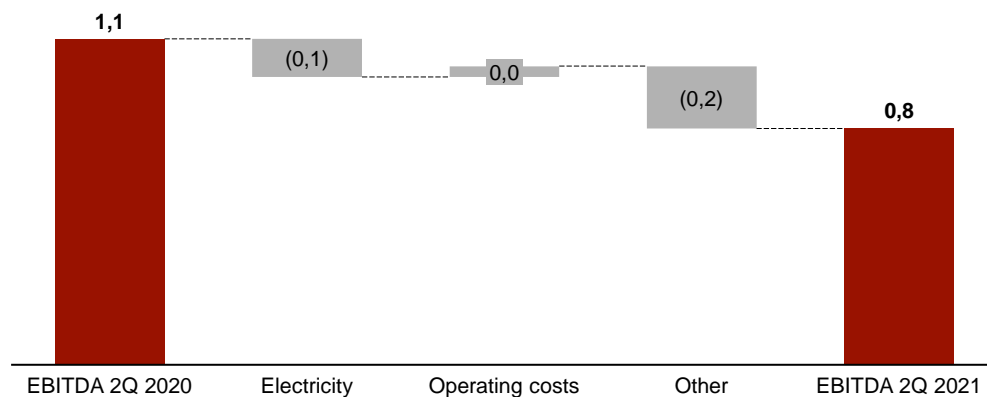
EBITDA * build-up



Comment

- ▶ The result in the segment consists mainly of revenues from the sale of electricity, guaranteed by the support obtained under the auction system, generated from a portfolio of 8 PV projects (Sulechów I).
- ▶ EBITDA of Sulechów I in Q2 2021 is at a similar level compared to Q2 2020 (-0.1 mPLN).
- ▶ The EBITDA of the entire PV segment in Q2 2021 was PLN 0.3m lower compared to the same period of the previous year mainly as a consequence of the increase in costs related to the development of PV projects in the development phase.

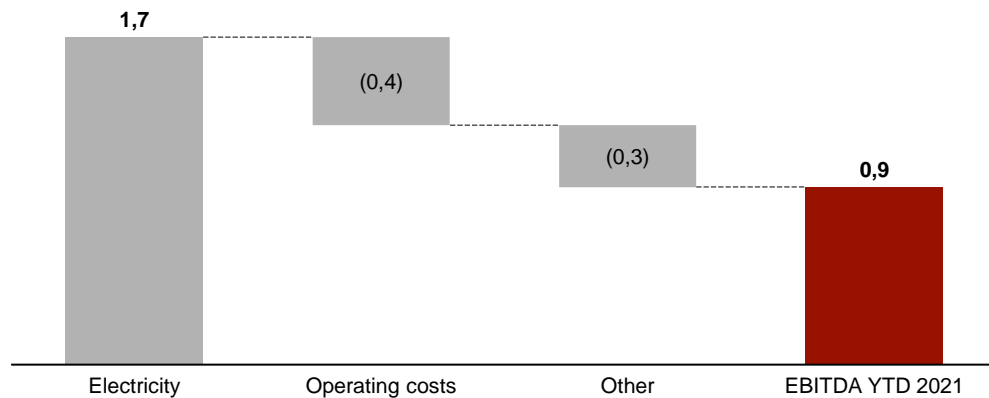
EBITDA* bridge



A DECREASE IN THE RESULT DUE TO HIGHER COSTS ASSOCIATED WITH THE DEVELOPMENT OF FURTHER PV PROJECTS IN THE GROUP.

PV - YTD

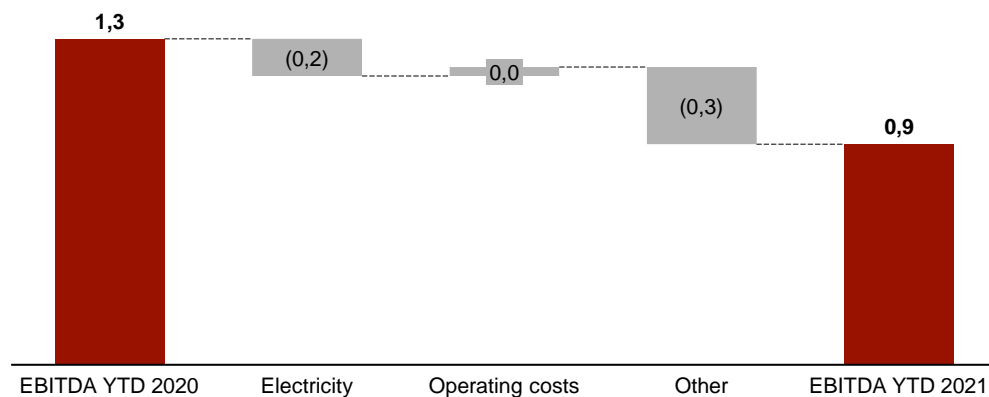
EBITDA build-up



Comment

- ▶ EBITDA of the portfolio of 8 PV projects (Sulechów I) in H1 2021 is at a similar level compared to H1 2020 (-0.1 mPLN).
- ▶ The EBITDA of the entire PV segment in H1 2021 was PLN 0.4m lower compared to the same period of the previous year mainly as a consequence of the increase in outlays related to the development of PV projects in the development phase.

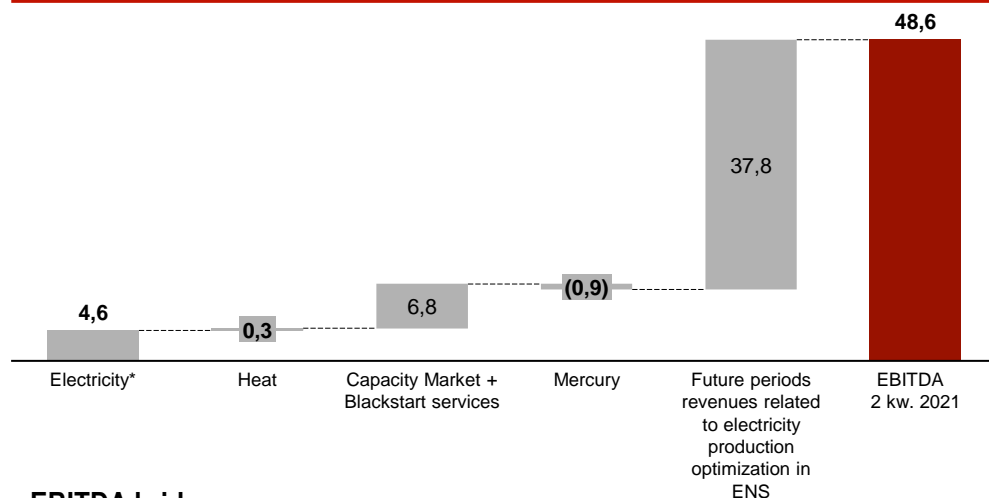
EBITDA bridge



A DECREASE IN THE RESULT DUE TO HIGHER COSTS ASSOCIATED WITH THE DEVELOPMENT OF FURTHER PV PROJECTS IN THE GROUP.

Gas and clean fuels – Q2

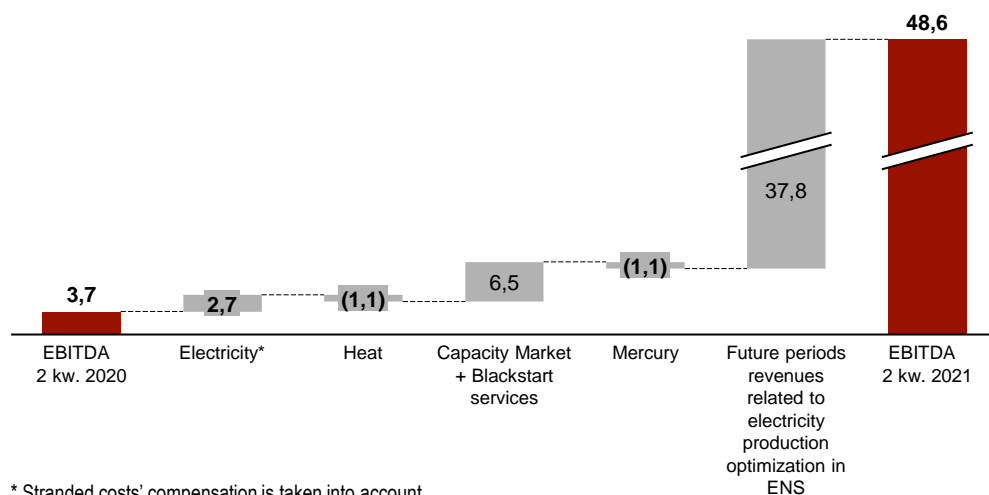
EBITDA build-up



Comment

- Higher result on electricity mainly as a result of the process of optimising the ENS operation (valuation of forward transactions hedging the production and sales of ENS in Q3 and Q4 2021 and Q1 2022) of which 18.5m is the result on the anticipated ENS production for the above periods, covered by the concluded transactions (time shift).
- Result partially offset by lack of revenue from stranded cost compensation (end of compensation scheme in May 2020).
- New source of revenues from the capacity market starting from January 2021.

EBITDA bridge

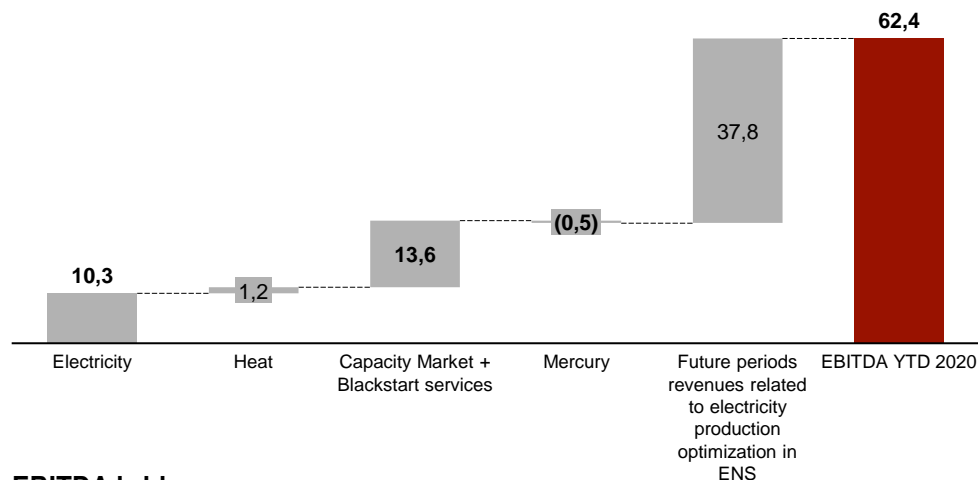


* Stranded costs' compensation is taken into account.

HIGHER EBITDA DUE TO HIGHER MARGIN ON PRODUCTION AND OPTIMISATION OF ELECTRICITY GENERATION VOLUME AND REVENUES FROM THE CAPACITY MARKET.

Gas and clean fuels – YTD

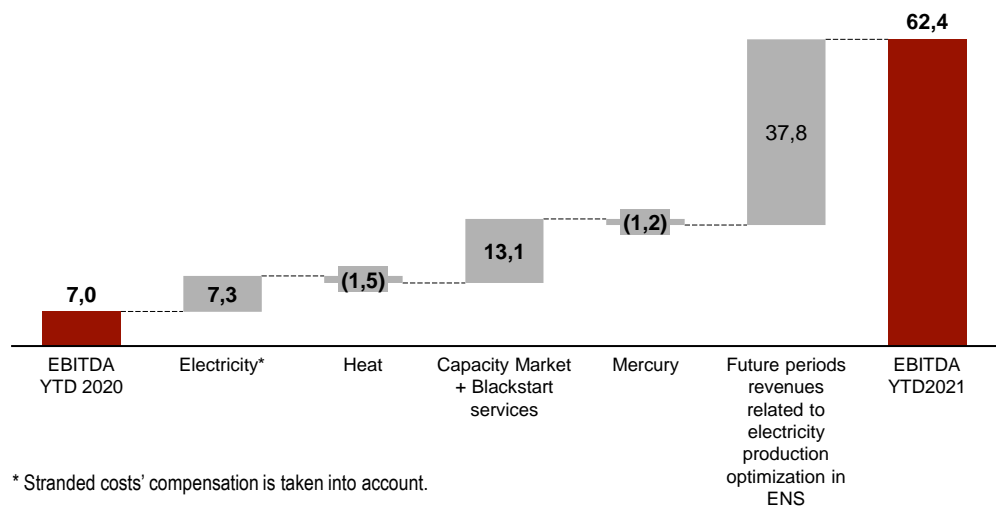
EBITDA build-up



Comment

- Higher result on electricity mainly as a result of the process of optimising the ENS operation (valuation of forward transactions hedging the production and sales of ENS in Q3 and Q4 2021 and Q1 2022) of which 18.5m is the result on the anticipated ENS production for the above periods, covered by the concluded transactions (time shift).
- Result partially offset by lack of revenue from stranded cost compensation (end of compensation scheme in May 2020).
- New source of revenues from the capacity market starting from January 2021.

EBITDA bridge

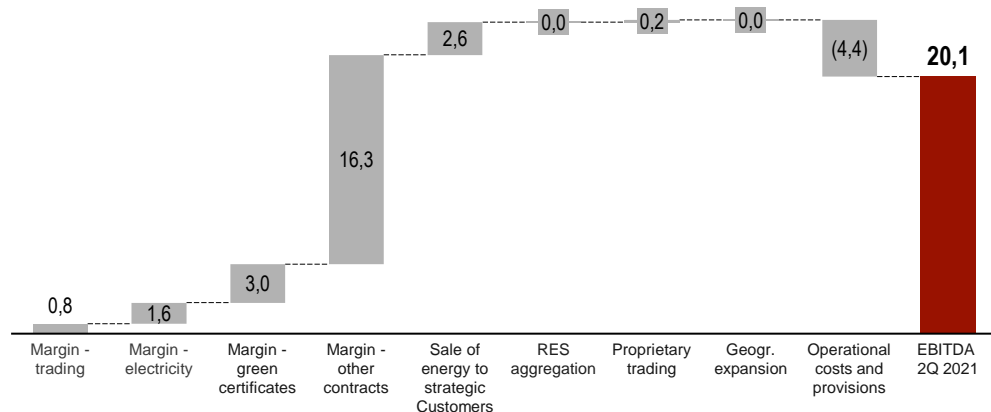


* Stranded costs' compensation is taken into account.

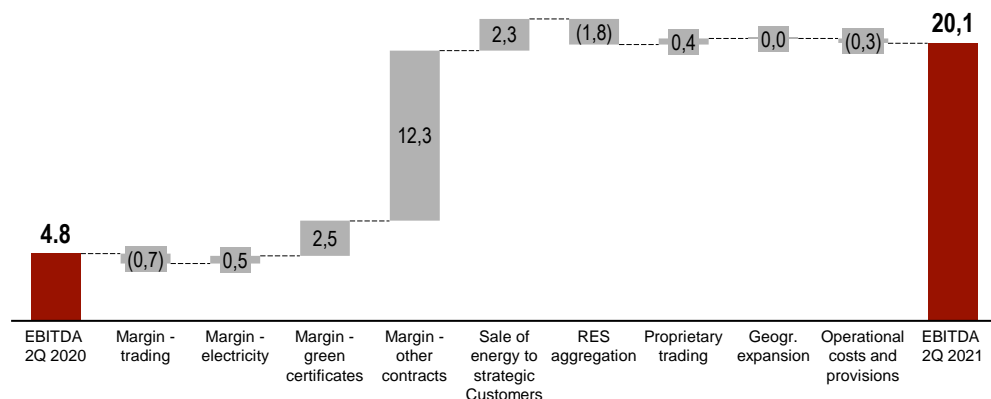
HIGHER EBITDA DUE TO HIGHER MARGIN ON PRODUCTION AND OPTIMISATION OF ELECTRICITY GENERATION VOLUME AND REVENUES FROM THE CAPACITY MARKET.

Trading and Sales - Q2

EBITDA build-up



EBITDA bridge



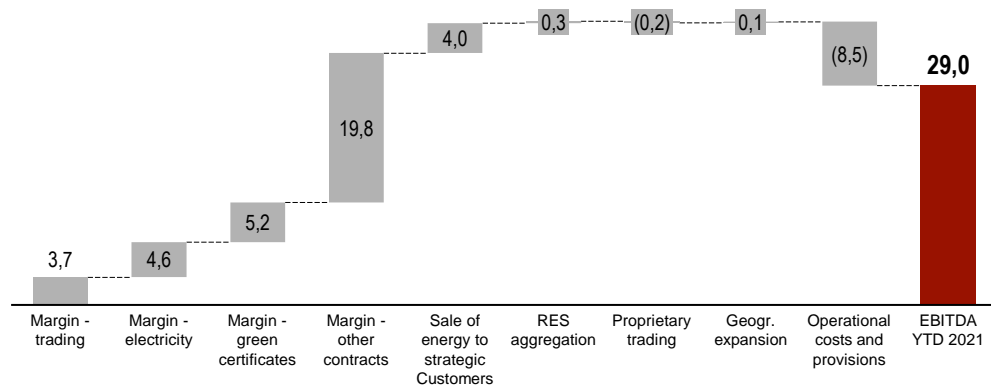
Comment

- ▶ EBITDA increase by PLN 15.2m in connection with:
 - the result on the optimisation performed under the SLA resulting in the valuation of the forward transactions hedging ENS production and sales in Q3 and Q4 2021 and Q1 2022,
 - an increase in the result on trading in green certificates from wind farms due to the 3.9m higher impact of the valuation of the green certificates stock than in Q2 2020, offset in part by a lower supply of certificates in Q2 (lower windiness level and higher cost of sales),
 - an increase in the result from wind power trading due, among other things, to the optimisation of medium- and short-term volume hedging,
 - an increase in the result as part of the implementation of a new strategy for sales to strategic customers and proprietary trading.
- ▶ The increase was partly offset by:
 - lower result in the trading portfolio as a result of the recognition in Q2 2021 of an adjustment of PLN 0.7m relating to the verification of values in the previous year's reconciliation model,
 - lower result on the activity in the RES aggregation line,
 - higher operating costs resulting from the increase in the scale of operations and higher commission costs.

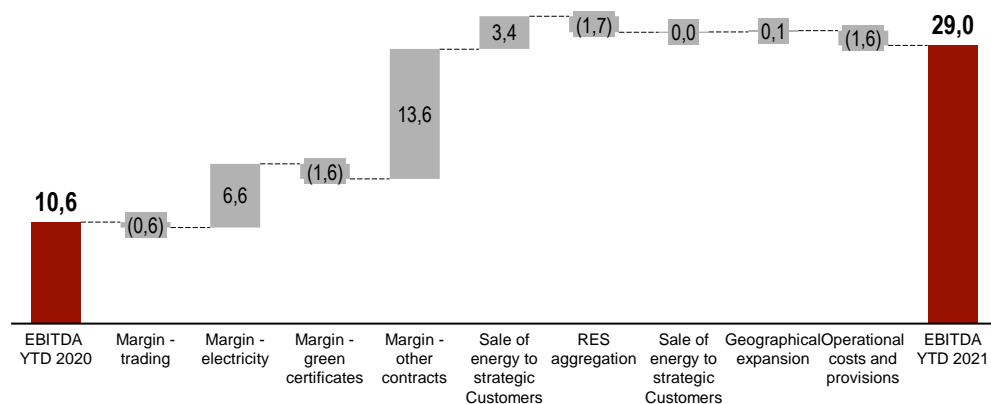
HIGHER RESULT ON OPTIMISATION OF ENS PRODUCTION LEVEL AND TRADING IN CERTIFICATES AND ELECTRICITY FROM WIND FARMS

Trading and Sales - YTD

EBITDA build-up



EBITDA bridge



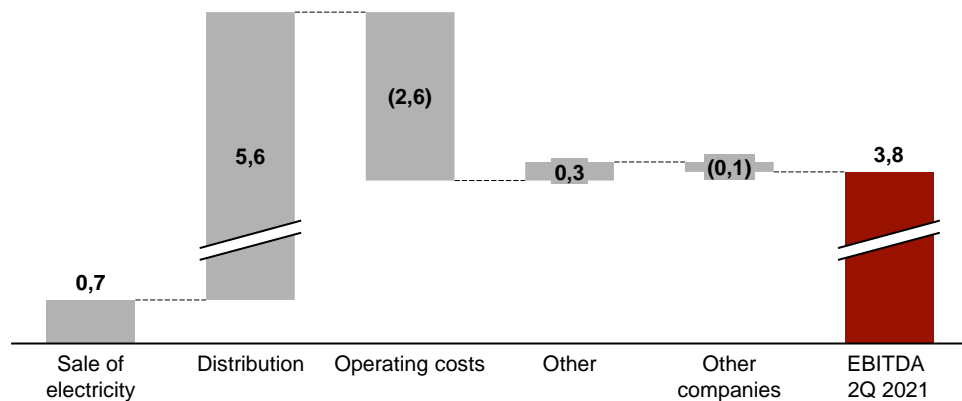
Comment

- ▶ EBITDA increase by PLN 18.4m in connection with:
 - the result on the optimisation performed under the SLA resulting in the valuation of the forward transactions hedging ENS production and sales in Q3 and Q4 2021 and Q1 2022,
 - an increase in the result from wind energy trading due to, among other things, optimised volume hedging and a positive effect from lower profile costs,
 - the effect of implementing a new strategy for energy sales to strategic customers and geographic expansion.
- ▶ The increase was partly offset by:
 - a decrease in the result on trading in green certificates from wind farms mainly due to a lower supply in 2021 (a decrease in the level of windiness and higher cost of certificate sales),
 - a decrease in the result on the trading portfolio due to the recognition of non-recurring events that had an impact on the result worsening in 2021,
 - lower result on the activity in the RES aggregation line,
 - higher operating costs resulting from the increase in the scale of operations and higher commission costs.

HIGHER RESULT ON OPTIMISATION OF ENS PRODUCTION LEVEL, TRADING IN ELECTRICITY FROM WIND FARMS AND SALES TO STRATEGIC CUSTOMERS MORE THAN OFFSET THE LOWER RESULT ON WIND FARM CERTIFICATE TRADING AND ON ACTIVITY IN THE RES AGGREGATION LINE

Distribution - Q2

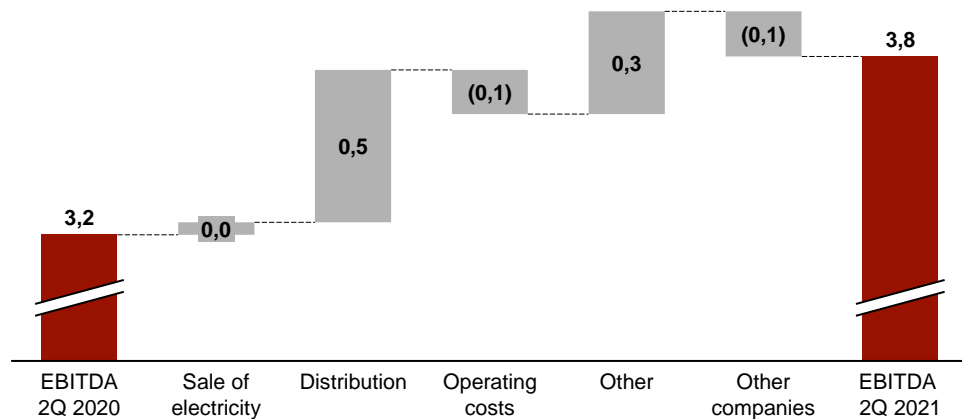
EBITDA build-up



Comment

- ▶ The Distribution segment recorded EBITDA increase by PLN 0.6m compared to the same period of the previous year, which was mainly a result of:
 - higher distribution margin mainly due to 18% higher volume and new distribution tariff coming into force
 - higher margin on additional services provided to the Company's customers
 - partly offset by:
 - lower result of Polenergia Kogeneracja on gas distribution due to lower volume
 - costs incurred in carrying out the electromobility pilot project.

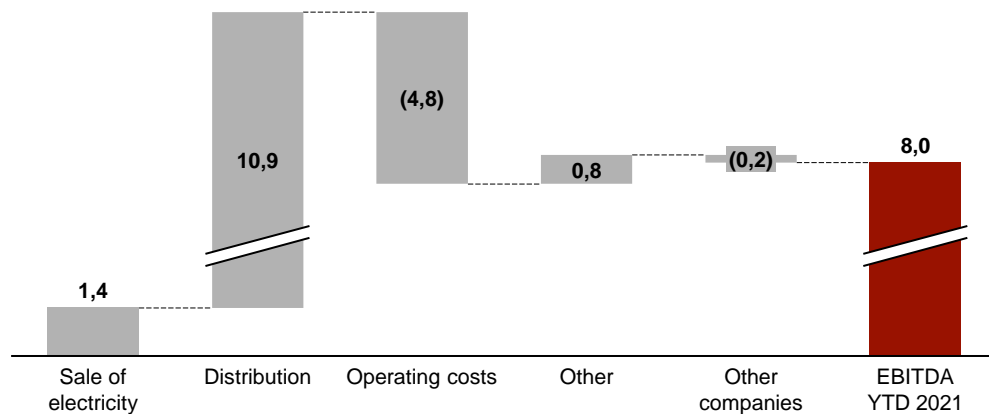
EBITDA bridge



STABLE OPERATING ACTIVITY. INCREASE IN EBITDA DUE TO HIGHER DISTRIBUTION VOLUMES AND THE ENTRY INTO FORCE OF THE NEW TARIFF.

Distribution – YTD

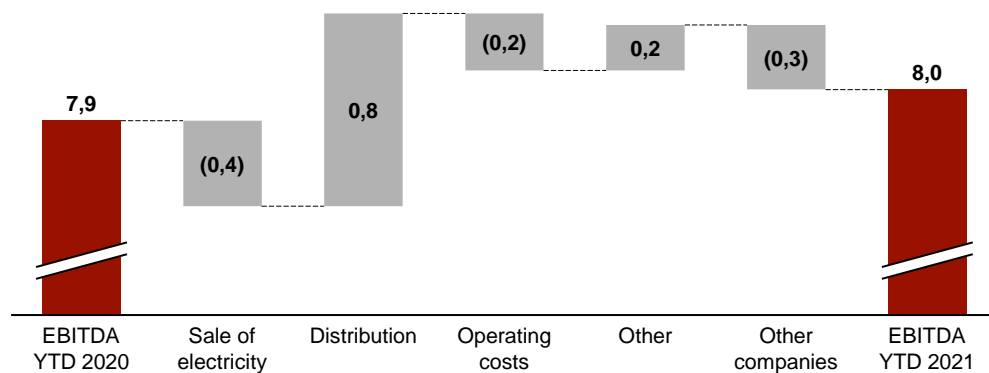
EBITDA build-up



Comment

- ▶ The Distribution segment recorded EBITDA increase by PLN 0.1m compared to the same period of the previous year, which was mainly a result of:
 - higher distribution margin mainly due to 7% higher volume and new distribution tariff coming into force
 - higher margin on additional services provided to the Company's customers
 - partly offset by:
 - lower margin on energy sales mainly due to 11% lower volume
 - lower result of Polenergia Kogeneracja on gas distribution due to lower volume
 - costs incurred in carrying out the electromobility pilot project.

EBITDA bridge





STABLE OPERATING ACTIVITY. INCREASE IN EBITDA DUE TO HIGHER DISTRIBUTION VOLUMES AND THE ENTRY INTO FORCE OF THE NEW TARIFF.

4 Progress of the Group's strategy implementation




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

Polenergia has secured financing for three PV projects and has completed construction work on the Szymankowo project; construction of the Dębsk and Kostomłoty wind farms is proceeding in line with the schedule

Area	Status
 Onshore wind farms	<p>Advanced projects:</p> <ul style="list-style-type: none">▶ The Group is working to implement four wind farm projects with a total capacity of 199 MW, which received support under the RES support auction scheme.▶ In 2020 loan agreements were concluded to finance the construction of Dębsk (121 MW) and Kostomłoty (27 MW) wind farms. Additionally, an agreement was signed amending and unifying the loan agreement of 2019, increasing the limit of available loans for the Szymankowo wind farm (38 MW).▶ Construction works are performed in line with the schedule. In Szymankowo, work on roads, assembly yards and foundations has been completed, construction of the electrical part (MV lines, substation) has been finished, and all turbines have been assembled and put into operation. On 23.06.2021 a report on the completion of the construction works was signed. Applications have been made for an operating permit and a concession. Structural and electrical construction work is ongoing in Dębsk. Construction of the third farm, Kostomłoty, is proceeding in line with the schedule. <p>Other projects:</p> <ul style="list-style-type: none">▶ The Group is preparing for the construction of 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 which won RES auction in 2020.▶ Polenergia Farma Wiatrowa Grabowo sp. z o.o., which is developing a 37.4 MW wind farm project, has not won the auction for the sale of energy from renewable sources. The Group does not rule out alternative forms of revenue hedging for the said projects, i.e. entering into PPAs (Power Purchase Agreements) or sales based on market risk supported by hedging in the forward market. <p>Works are underway to prepare further projects to participate in future auctions. For individual projects, decisions to participate in auctions or other forms of securing revenues from future production will be considered as the stage of development progresses. The Group is working on the further development of onshore wind projects to achieve the goals set out in the Group's Strategy for 2020-2024.</p>
 PV	<p>Obtaining financing for a portfolio of three PV projects that won RES auctions in December 2020:</p> <ul style="list-style-type: none">▶ Sulechów II (11.7 MW): signing an annex to the investment loan agreement for the amount of up to PLN 21.5m and a VAT loan of up to PLN 5.5m.▶ Sulechów III (9.8 MW): entering into agreement to refinance investment loan for the total amount of up to PLN 18m.▶ Buk (6.4 MW): entering into an investment loan agreement for the total amount of up to PLN 13m and a VAT loan of up to PLN 3.2m. <p>Construction of Sulechów II and Sulechów III projects has begun. Construction of the load-bearing structures for Sulechów II and the pile driving process for the Sulechów III project have been completed. Construction work for the Buk project began in early August 2021. Two PV projects - Strzelino (45.2MW) and Świebodzin (10.5MW) - did not win the June 2021 auction. Works are underway to prepare further projects to participate in auctions. For individual projects, decisions to participate in auctions or other forms of securing revenue from future production will be considered as the stage of development progresses. The Group is working on the further development of photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024.</p>



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

Intensive development of the Group's activity continues, Nowa Sarzyna Heat and Power Plant has joined an international consortium for the use of hydrogen as zero-emission fuel in gas turbines, the target is to switch ENS gas turbines to clean hydrogen fuel

Area	Status
 <p data-bbox="271 507 495 593">Offshore wind farms</p>	<ul style="list-style-type: none">▶ The act on promoting electricity generation in offshore wind farms was signed by the President of the Republic of Poland.▶ 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">▶ By decision of the President of the ERO on 4 May 2021, the projects were granted the right to cover the negative balance for electricity generated by both offshore wind farms.▶ Projects in early development phase - MFW Bałtyk I Sp. z o.o. (planned capacity approx. 1.6 GW)<ul style="list-style-type: none">▶ An environmental research program was launched to prepare an environmental impact report.▶ On 29 January 2021, a connection agreement was signed with PSE.
 <p data-bbox="286 769 477 810">Distribution</p>	<ul style="list-style-type: none">▶ Polenergia Dystrybucja is implementing the 4th investment plan for 2021-2026 with a total value of PLN 105 million.▶ On 15.01.2021, the company signed an annex to the loan agreement with ING bank granting the company financing for the implementation of the plan in the amount of PLN 75.3m.
 <p data-bbox="271 1136 495 1225">Gas and clean fuels</p>	<ul style="list-style-type: none">▶ As of 1 January 2021, Nowa Sarzyna Heat and Power Plant as a participant of the Power Market, performed the capacity obligation in accordance with the agreement concluded with Polskie Sieci Elektroenergetyczne and continued to provide the system self-start and reconstruction service for PSE. ENS also successfully participates in the secondary capacity market, where capacity obligations are traded and capacity obligations are reallocated between capacity providers. Moreover, on the basis of an SLA (Service Level Agreement), Nowa Sarzyna Heat and Power Plant operates in the energy market in a dynamic manner thanks to an optimised operating model.▶ Based on the letter of intent concluded by Polenergia in June 2020 with Siemens Energy, work is underway to develop gas-fired cogeneration and hydrogen projects. Polenergia, together with its Partner, is developing a large-scale project for the production and storage of hydrogen produced in the water electrolysis process with the participation of its own renewable energy. Steps are being taken in cooperation with Partners to prepare ENS for co-firing natural gas with hydrogen.▶ Large-scale hydrogen project submitted by Polenergia SA in the competition for projects in the field of hydrogen technologies and systems (organised as part of IPCEI mechanism) after formal verification and assessment of compliance with the criteria (performed by the Minister of Development, Labour and Technology and the Minister of Climate and Environment) in May 2021 was approved for further implementation.▶ In 2021 ENS joined an international consortium for the use of hydrogen as a zero-emission fuel in gas turbines in existing European installations. ENS operates on two Frame6B gas turbines manufactured by Thomassen International with a capacity of 40 MW each, which will be modified in the future to co-fire hydrogen with natural gas, with the ultimate plan being to convert them to clean hydrogen fuel. Partners to the Mutual cooperation agreement, apart from Ansaldo Thomassen and ENS, are also: Vattenfall, DOW, Nouryon, EmmTec, Hygear, TU Delft, TU Eindhoven, DLR and OPRA Turbines.

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

A Group company has launched the sale of green energy to end customers through its website and telesales channels, Polenergia was the first energy sector company in Poland to launch a comprehensive ESG service

Area	Status
 Trading and sales	<ul style="list-style-type: none"> ▶ Optimisation of Nowa Sarzyna Heat and Power Plant – more than half of the optimal electricity generation mix has been secured for 2022. Changes in the margin levels resulting from changes in the price levels of electricity, gas and CO2 emission allowances related to electricity production in ENS (the so-called Clean Spark Spread) allowed to take the decision to reduce the planned production and to gradually close the positions in the futures market for Q3 and Q4 3 2021 and Q1 2022. ▶ Sales of energy to strategic customers - sales are carried out to industrial recipients acquired in the previous year. The Company has entered into agreements with new customers for 2021-2023 and is actively acquiring additional customers. ▶ RES aggregation - the company is providing services to external RES customers. Current customers were retained and new customers were acquired. The company is making offers to more customers. ▶ Sales of renewable energy to end customers – Polenergia Sprzedaż launched the sale of exclusively green energy through its website and telesales channels. Advanced preparations are underway to launch a marketing campaign. Customers for 2021-2024 have been acquired and energy supply to the first customer has commenced as of 1 June 2021. ▶ Geographical expansion - the activity in the Ukrainian and Hungarian market entered the operational phase. Due to limitations in available cross-border capacity, trading volumes were limited. Preparations are underway to launch the gas market in Ukraine and to analyse the potential for trade in the Baltic markets. ▶ Flexibility services - tender procedure won and a contract for DSR service signed with PSE. The activity of aggregation of DSR services and participation in the secondary capacity market is being developed.
 Corporate Social Responsibility	<ul style="list-style-type: none"> ▶ On 31 March Polenergia was the first company in the energy sector in Poland to launch a comprehensive ESG service. It is a communication platform regarding Polenergia's activities from an environmental, social and corporate governance perspective. ▶ Issue of a full EHS report according to the requirements of the financing institutions for 2020 on environmental protection, health and safety and CSR; the report was made available on the ESG platform and submitted to lenders. ▶ As part of the Charity Policy, the company continued to strengthen charity work in local communities, conduct training for charity leaders, launch #ForClimate educational activities in all municipalities with installations in operation or under construction. ▶ Support for the biodiversity protection. Submission of projects from 2020 to the Best Practices of the Responsible Business Forum. Joining the UNEP Grid Partnership "Green Ribbon for the Planet", preparation of tree plantings in local parks and squares, extension of the action "Active conservation of the Montagu's Harrier" to a further project (FW Kostomłoty), cooperation with naturalists supervising the development of local measures to minimise the impact during project construction, preparation of the first natural report in Poland on the impact of sowing flower meadows on photovoltaic farms. ▶ Continuation of activities in the International Partnership - United Nations Global Compact (UNGC), the President's participation in the UNGC panel and the Ministry of Climate concerning the future of energy with F. Timmermans, President of the EC and continuation of the project #TargetGender Equality (workshops to implement ambitious targets for D&I) ▶ D&I: implementation of a series of online training and coaching sessions with a physiotherapist, trainer and psychologist - "Healthy Energy Farm", a series of 4 meetings with Employees on the occasion of Diversity Month. In May 2021 Responsible Business Forum announces the company was one of 31 companies most committed to diversity management (the first Polish edition of DiversityInCheck)

Acronym glossary (1/2)

Term	Meaning
▶ Revenues on account of granted and yet unsold green certificates	Revenue presented net of IFRS 15 adjustment for 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 on account of granted and yet unsold green certificates presented on slides 20 and 21 include revenue provisions made when certificates of origin are produced, while 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 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 incurred but not reflected in the distribution tariff. They will be included in subsequent tariff updates.
▶ MW	Megawat
▶ MWh,GWh	Megawatt hour, Gigawatt hour
▶ TJ, GJ	Terajoule, Gigajoule
▶ RES	Renewable Energy Sources
▶ Proprietary trading	Trade on own account using own funds.

Acronym glossary (2/2)

Term	Meaning
▶ SLA	Service Level Agreement.
▶ SEG	Social, Environment and Governance.
▶ EHS	Environment, Health and Safety.