



POLENERGIA GROUP

Financial results for Q3 2021

November 2021

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1 Summary of key events in Q3 2021

Summary of key events in Q3 2021: most important events (1/2)

Fact

- ▶ High energy production from wind farms in Q3 2021 partly set off the low production volume in the previous quarters
- ▶ Positive result of ENS production optimization carried out with Polenergia Obrót.

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

Effect/Comment

- ▶ Higher gross electricity production in Q3 by 29.4 GWh higher compared to the same period last year, due to start of Szymankowo wind farm and higher windiness. Cumulatively, the volume was lower by 66.5 GWh compared to 2020 with PLN 22.7m negative impact on EBITDA .
- ▶ The Group is in the process of optimizing the ENS work - as a result of changes in the margin level to a negative Clean Spark Spread ("CSS"), the decision was made to "reverse" the transactions hedging the ENS production and sales, i.e. to limit the planned production and close the position on the futures market mainly for the period from Q2 to Q4 2022. The valuation of the relevant financial instruments related to the above transactions in accordance with IFRS 9 involves the recognition in the result of Q3 2021 at the Group level of: (i) the result on the expected ENS production for the above mentioned future periods concerned by the concluded transactions, i.e. PLN 7.5m (YTD: PLN 18.7m) - a time shift, and (ii) the impact of additional optimization and favorable changes in CSS (CSS negative level) in the amount of PLN 22.5m (YTD: PLN 45.8m). The effect of these valuations is presented in the Trading and Sales segment in Q3 in the amount of PLN 9.2m (YTD: PLN 17.9m) and in the Gas and Clean Fuels segment in the amount of PLN 20,7m (YTD: PLN 46,6m). Valuations related to Q3 2021 shown in the amount of PLN 17.1m at the end of the first half of the year, were recognized in the realized result.
- ▶ On 4 November 2021 the Management Board of Polenergia S.A. entered into a Preliminary Share Sale Agreement (PSSA), pursuant to which the shareholders of Edison Energia S.A. (Edison Energia) with its registered office in Warsaw committed to conclude the Final Share Sale Agreement (FSSA) regarding the sale of 100% of the company's shares to the Issuer by the current shareholders of Edison Energia. Pursuant to the PSSA, the price of 100% of Edison Energia shares was initially set at PLN 76,500,000, but the exact amount payable at the conclusion of the FSSA will be subject to certain adjustments related to the closing accounts procedures set out in the PSSA. The final price of the company's shares sold under the FSSA may not, however, exceed PLN 86,000,000. The conclusion of the FSSA is subject to the approval by the President of the Office of Competition and Consumer Protection and other conditions precedent listed in the PSSA.
- ▶ The Szymankowo Wind Farm with an installed capacity of 38.1 MW obtained a license and a permit for use, and has been in operation since 13 September 2021. As a result of commencing the operation of the Szymankowo Wind Farm, the installed capacity of the wind farms operated by the Polenergia Group increased by 15% to 287 MW.
- ▶ Continued construction of two wind farms' portfolio and preparation for the building of two successive projects:
 - Dębsk: implementation of the construction in compliance with the schedule;
 - Kostomłoty: implementation of the construction in compliance with the schedule.
 - Piekło and Grabowo: preparatory works aimed at making the final investment decision and starting construction.
- ▶ Advanced stage of building a portfolio of Sulechów II, Sulechów III and Buk, three PV projects with a total capacity of 28 MW, which received support under the RES support auction scheme in 2020.
- ▶ Estimated total capital expenditure of MFW Bałtyk II and MFW Bałtyk III project companies to prepare wind farms on the Baltic sea amount to PLN 630m, and capital expenditure on the construction of farms will total PLN 16.1-18.2 billion.
- ▶ As of 1 January 2021 Nowa Sarzyna Heat and Power Plant as a participant of the Capacity Market has 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 key events in Q3 2021: most important events (2/2)

Fact

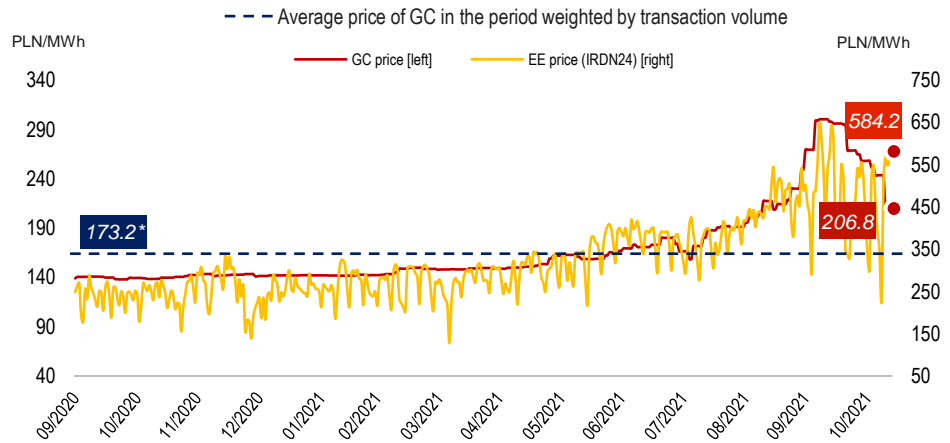
- ▶ Adoption of a resolution to issue shares as part of the target share capital increase.
- ▶ Advantageous regulatory environment

Effect/Comment

- ▶ On 23 September 2021 the Management Board of Polenergia S.A. adopted a resolution on the issue of no less than one and no more than 21,426,807 ordinary bearer AA series shares at the issue price of PLN 47 per share. The issue of shares will be in the form of a private subscription and will enable each shareholder, with the exception of Mansa Investments and BIF IV Europe Holdings Limited, to maintain the percentage share in the share capital of the Company in the amount that such shareholder held at the end of the day of approval of the Company's prospectus (Preference Day). Mansa Investments will be offered 5,150,211 new shares, while BIF IV Europe Holdings Limited will be offered no less than 10,804,185 and not more than 14,361,702 new shares, depending on the number of shares to be offered to other shareholders.
- ▶ Distance Act: Government officials announce the liberalization of the 10H principle. Works on the act is at an advanced stage, public consultations have been completed. According to the draft act, the local authorities may specify a distance requirement of less than 10h, always maintaining a minimum distance from buildings of at least 500m or the area of impact of the wind farm.
- ▶ On 15 September 2021 government administration representatives and key representatives of the offshore wind energy sector signed Polish Offshore Wind Sector Deal. The overriding goal of this deal is to support the development of the sector in Poland and to maximize "local content", i.e. the participation of Polish entrepreneurs in the supply chain for offshore wind farms established in the Polish exclusive economic zone.
- ▶ On 5 October 2021 the President of the Republic of Poland signed an amendment to the act on renewable energy sources. The most important changes include, without limitation:
 - the period during which auctions may be organized was extended until 2027, and the period during which the support may be used was extended until 2047;
 - the possibility to define a long-term schedule of providing support to RES producers for the next six years was introduced. The volume and value of electricity from renewable energy sources that can be sold in auction in 2022-2027 will be specified in the ordinance;
 - the principle of settling a positive balance in three-year periods was introduced (the provision has vacatio legis until October 2022).
- ▶ The President of the Energy Regulatory Office announced the schedule of successive auctions this year for the sale of energy from renewable sources (RES), which will be held on 2-10 December this year.
- ▶ On 14 October 2021 Poland concluded a Hydrogen Energy Sector Deal, as the first country in the European Union, after the announcement of the "Hydrogen Strategy for a climate-neutral Europe" by the European Commission in July 2020. The agreement was signed by representatives of government administration, entrepreneurs' community, science and business environment units.
- ▶ Works have been underway on the parliamentary draft act amending the billing rules for electricity prosumers. It is planned to pass from the current discount system to the so-called net billing, in which the prosumer will sell the energy introduced to the grid at the market price, and will purchase energy taken from the grid at the tariff price.
- ▶ On 2 November 2021 the Council of Ministers passed a resolution on the adoption of the "Polish hydrogen strategy until 2030 with a perspective until 2040", submitted by the Minister of Climate and Environment. The Polish Hydrogen Strategy is a strategic document that defines the main goals of the development of the hydrogen economy in Poland and the directions of actions necessary to achieve such goals. The document is part of global European and national activities aimed at building a low-emission economy.
- ▶ Works on the so-called special hydrogen act aimed at regulating the principles of production, transport and storage of hydrogen have been in course. As indicated by government representatives, parliamentary deliberations on the hydrogen act are scheduled to commence in mid-2022.

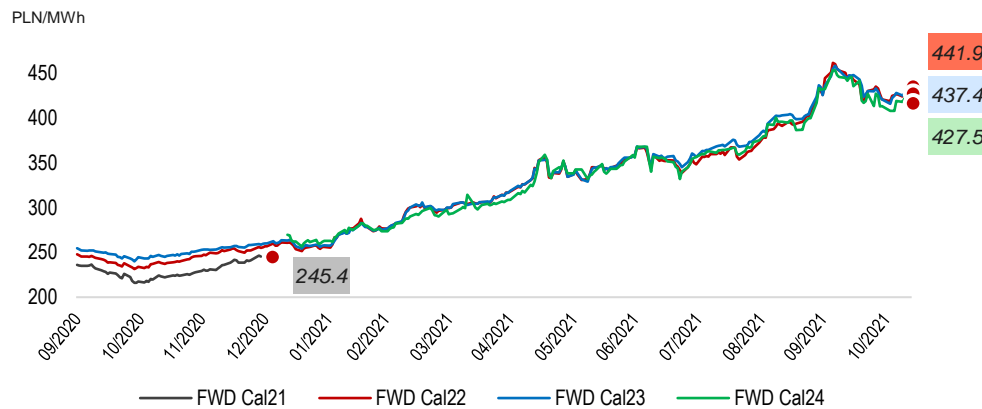
Key indexes and market prices

Prices of green certificates and electricity

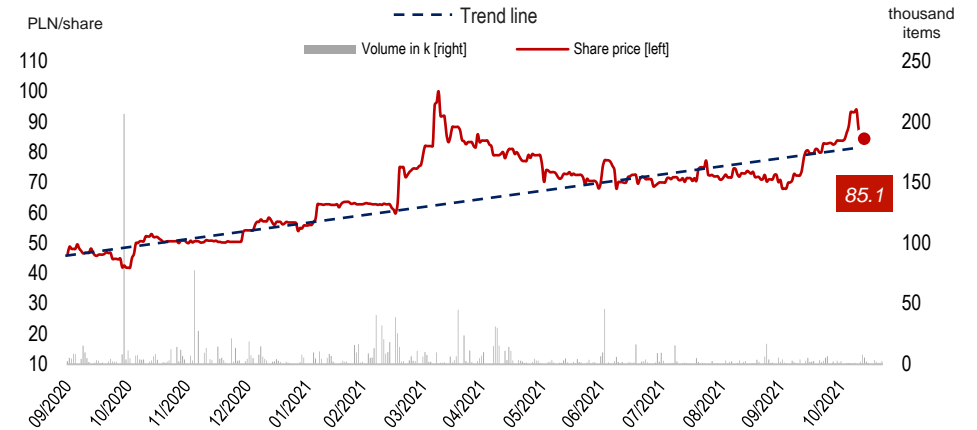


* The average price of GC weighted by transaction volume in the same period of the last year amounted to: PLN 139.5/MWh

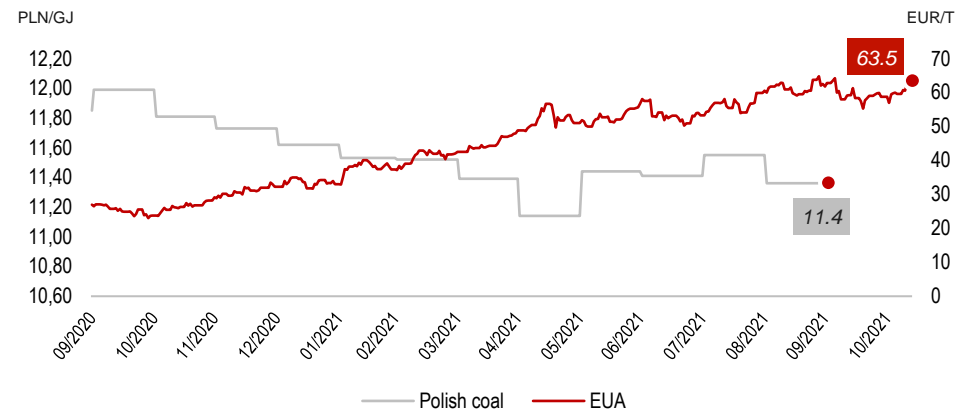
Forward prices of electricity



Quotations of Polenergia S.A. share prices



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



2 Summary of key operating parameters

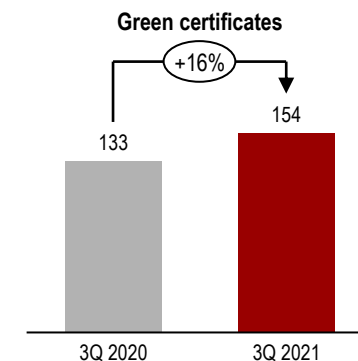
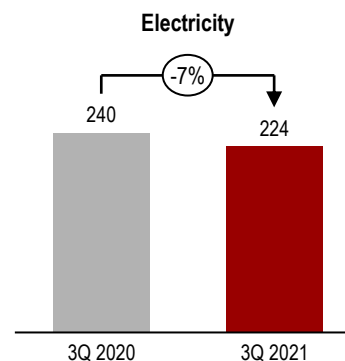
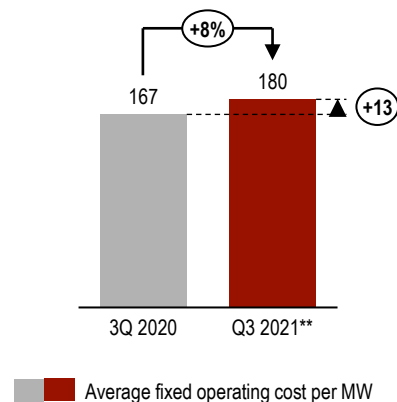
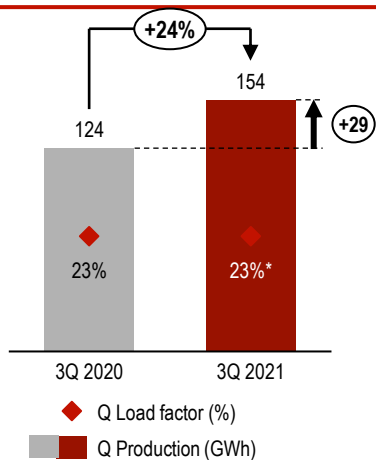
Summary of key operating parameters- Onshore wind farms

Production of wind farms (gross) and LF%

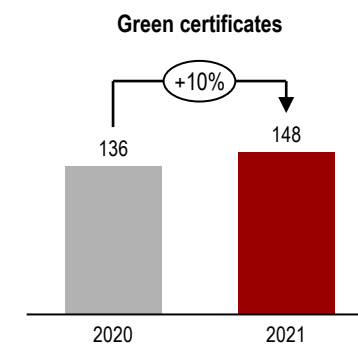
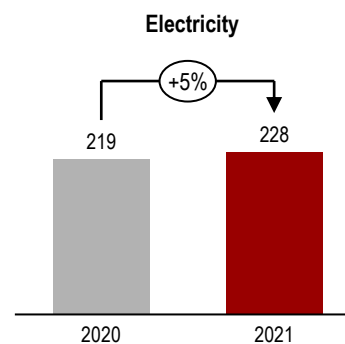
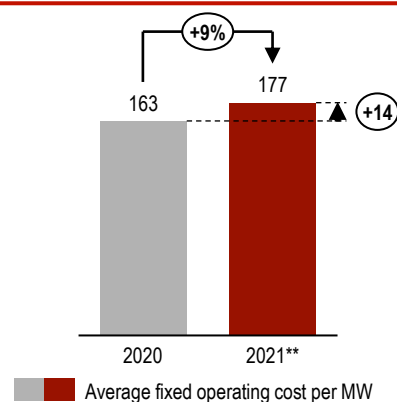
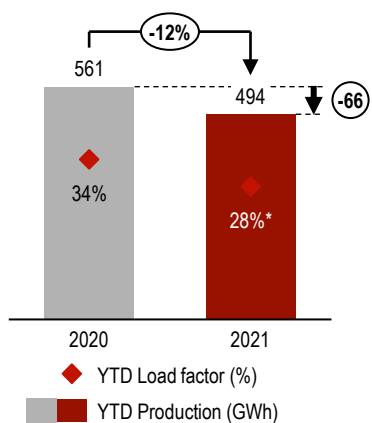
Average fixed operating cost per MW in wind farms [kPLN/MW/year]

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

Quarterly data



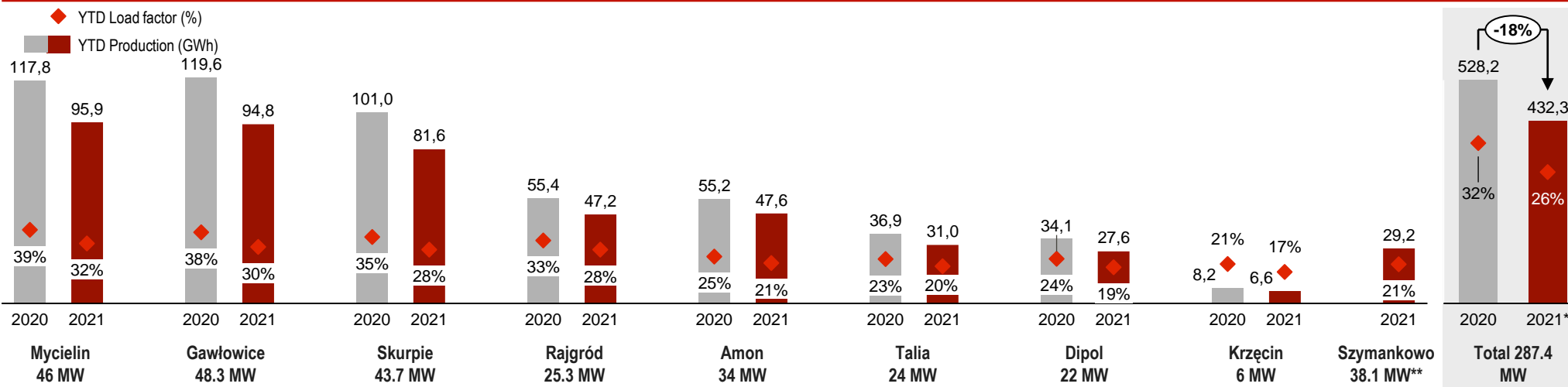
Data YTD



* productivity excluding the Szymankowo wind farm
** excluding the Szymankowo wind farm

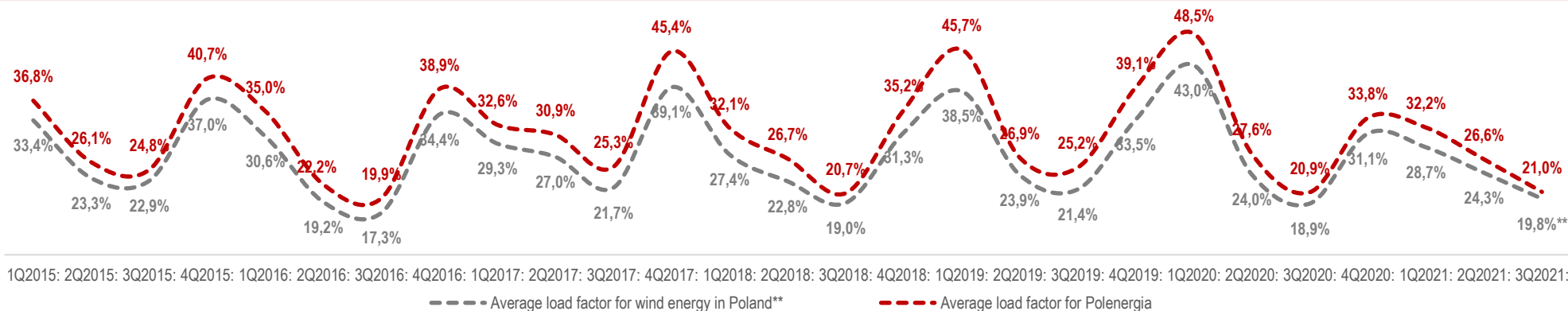
Summary of key operating parameters- Onshore wind farms

Production (net) YTD



* productivity excluding the Szymankowo wind farm; ** productivity since the date of commencing electricity production

Net productivity of Polenergia farms above the average*



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

** Calculation of the net production of the sector in September, estimated on the basis of market data of July and August based on the Polenergia's net production in September compared to Polenergia's net production of July and August.

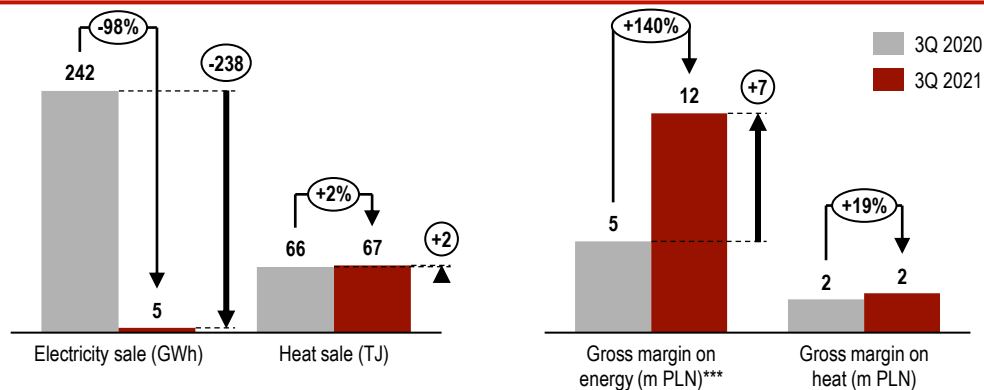
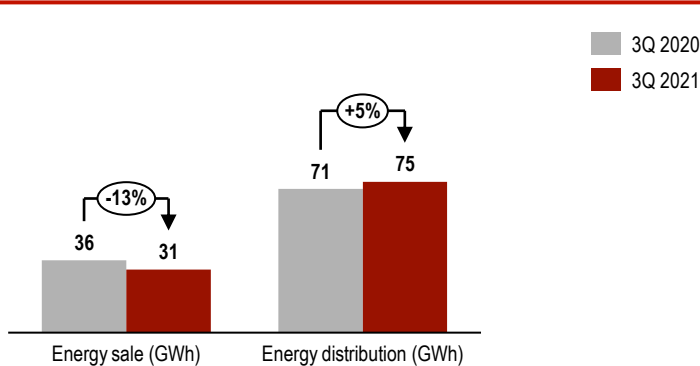
APPLICATION OF MODERN TECHNOLOGIES, VERY GOOD LOCATION OF PROJECTS AND EXPERIENCED TECHNICAL TEAM ENABLE CONTINUOUS ACHIEVEMENT OF PRODUCTION LEVELS EXCEEDING THE MARKET AVERAGE

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

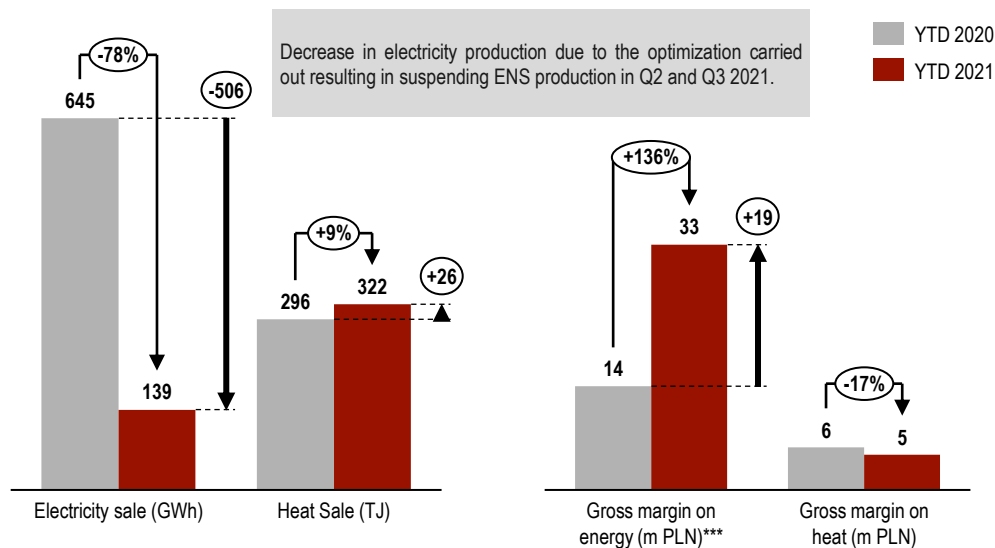
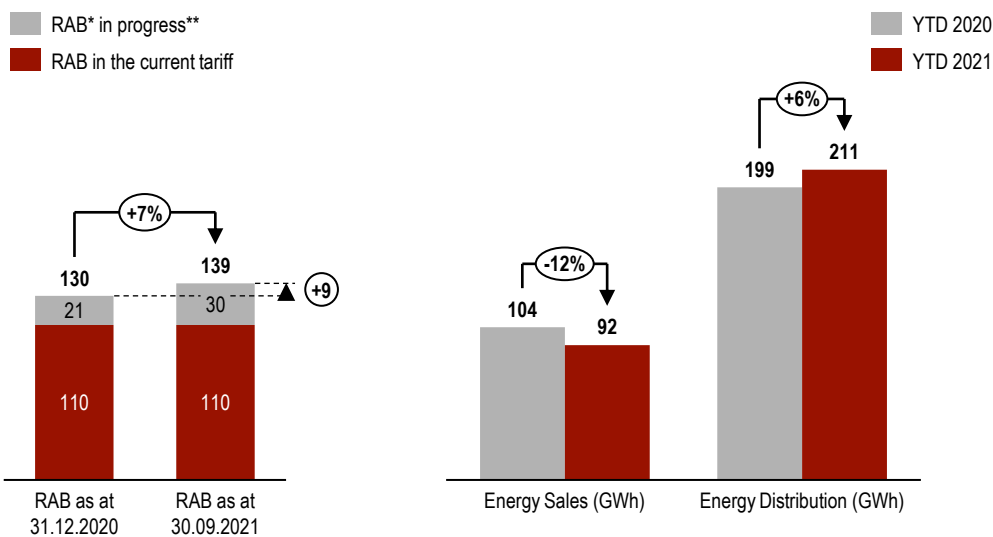
Distribution – sales [GWh]

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

Quarterly data



Data YTD



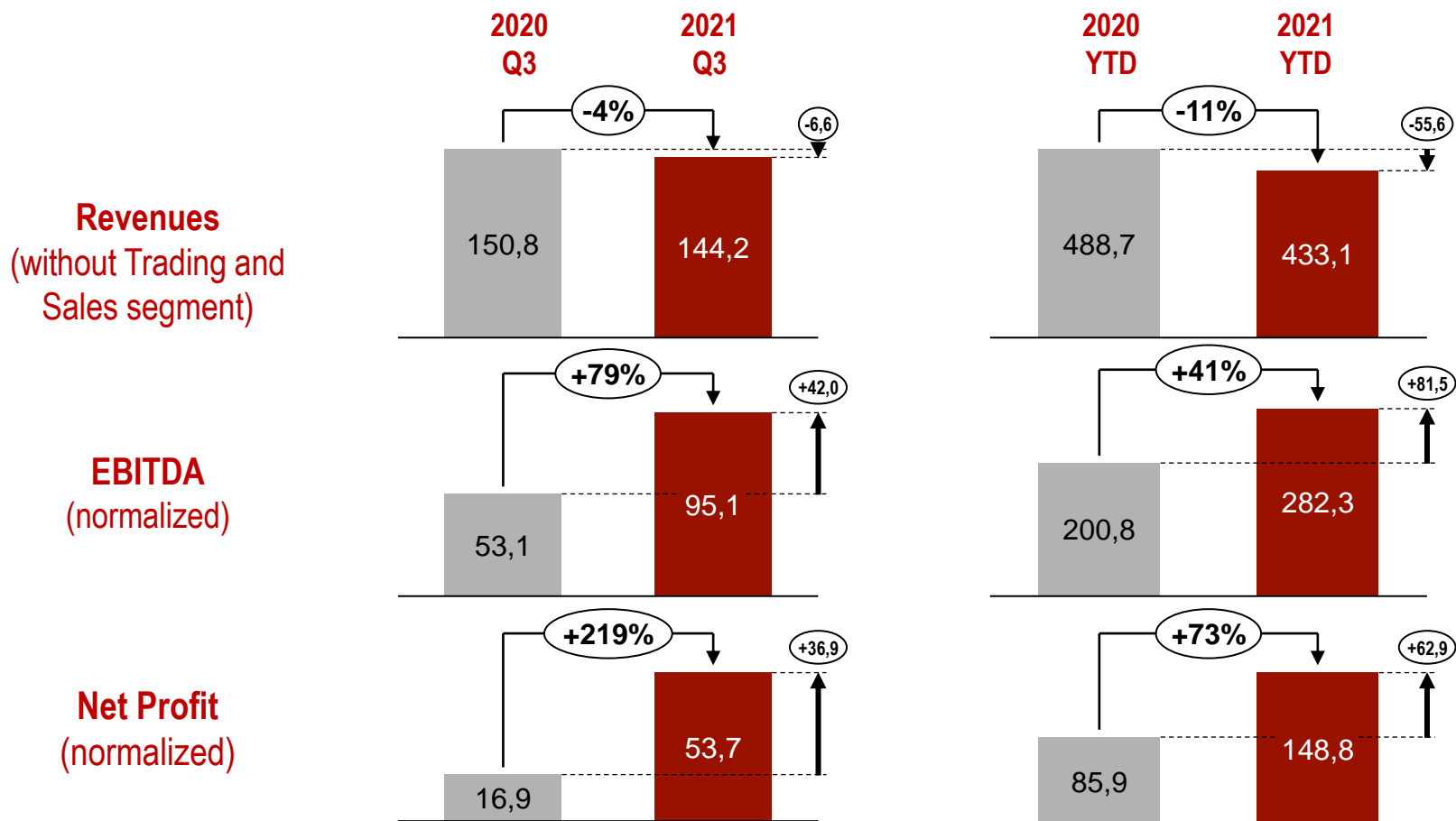
* regulatory value of assets - term explained in the glossary

** term explained in the glossary

*** gross margin at the ENS level, not taking into account the impact of optimization in the period October 2021 - December 2022, recognized in the consolidated financial results of the Group

3 Financial results for Q3 2021

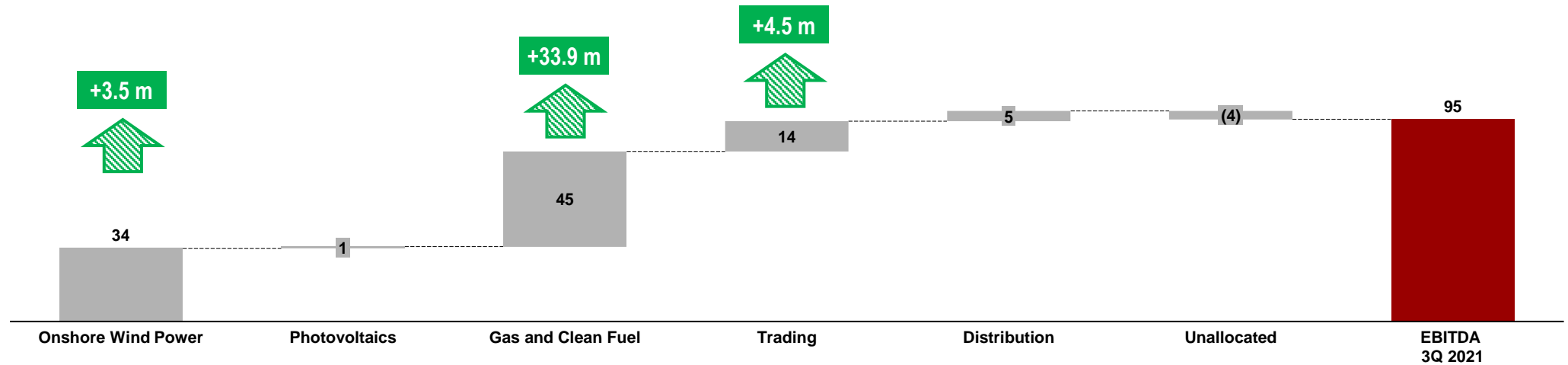
Financial results for Q3 2021



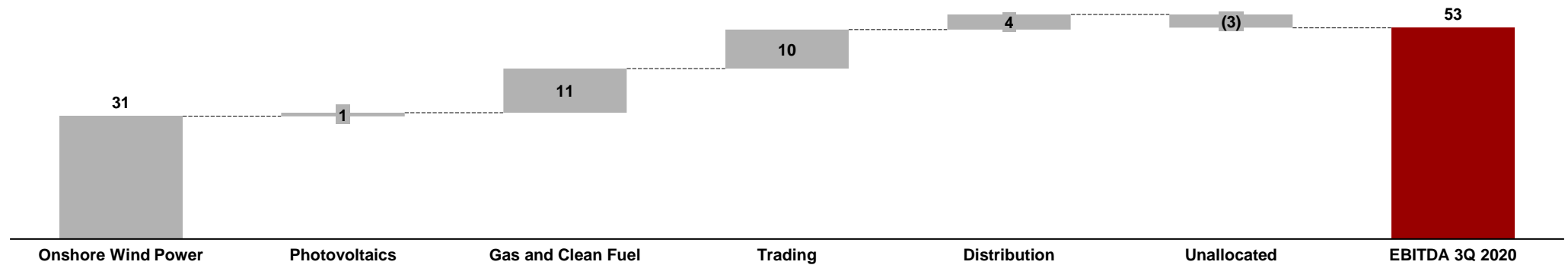
RESULT HIGHER IN Q3 2021 MAINLY DUE TO OPTIMIZATION OF ENS PRODUCTION AND HIGHER RESULT IN THE ONSHORE WIND FARM SEGMENT IN VIEW OF COMMENCED OPERATION OF THE SZYMANKOWO WIND FARM.

EBITDA structure – Q3 2021 compared to Q3 2020

2021



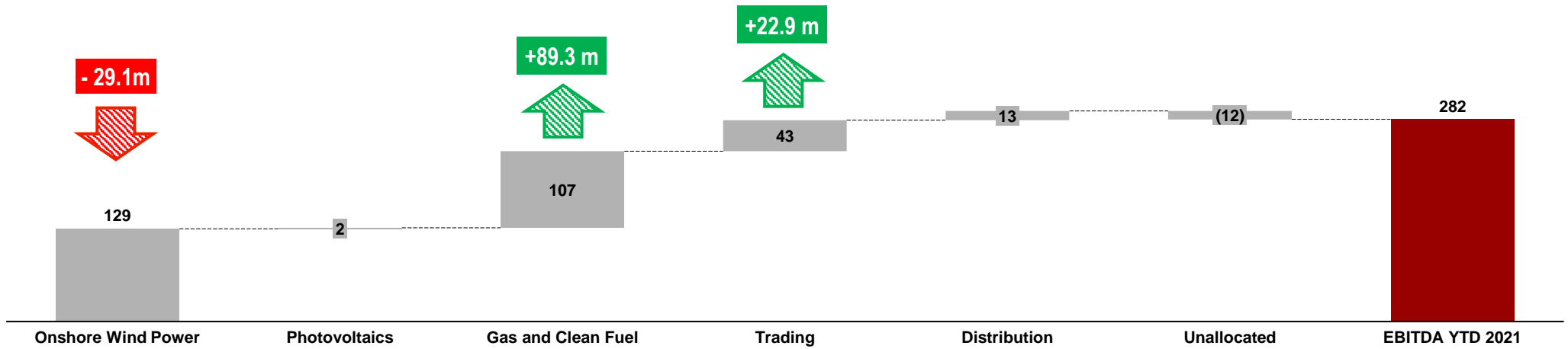
2020



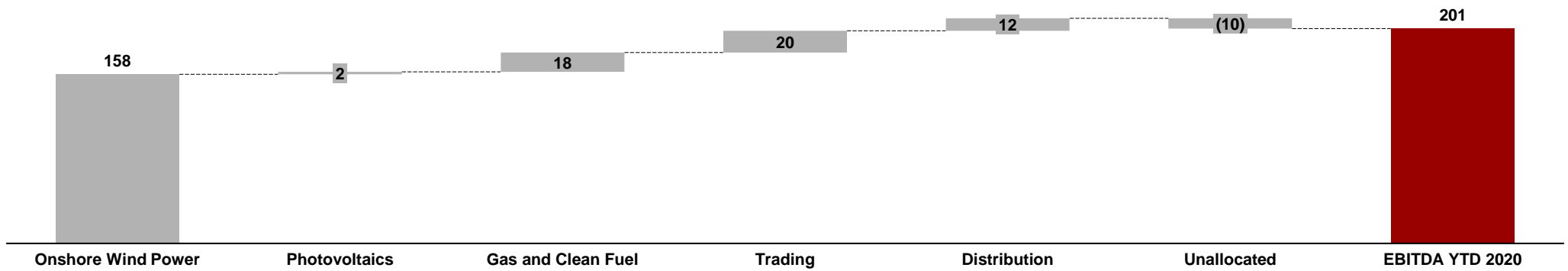
INCREASED RESULT IN GAS AND CLEAN FUELS AND TRADING AND SALES SEGMENTS AND ONSHORE WIND FARMS SEGMENT

EBITDA structure – 3 quarters of 2021 compared to 3 quarters 2020

2021



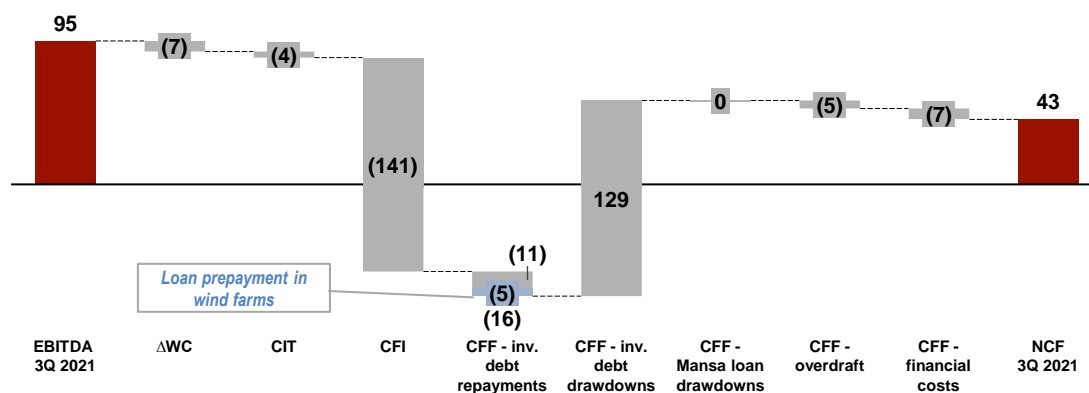
2020



INCREASED RESULT OF GAS AND CLEAN FUELS AND TRADING AND SALES SEGMENTS PARTLY SET OFF BY REDUCED RESULT OF ONSHORE WIND FARMS SEGMENT

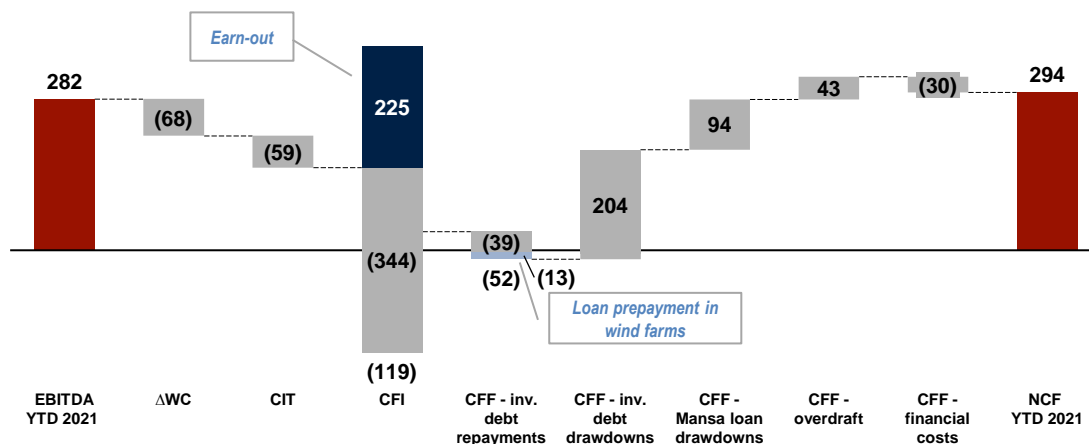
Polenergia Group cash flow

Q3



- ▶ **Cash flow from investment activities:** Investment expenditure made in the projects in advanced development phase which obtained support in RES auction in 2019 (-93.9m), and in other companies (-33.0m). Premiums to offshore wind farms (-16.8m) and other companies (-1.1m). Sales of the Mercury project (3.7m) and other projects (0.1m).
- ▶ **Cash flow from financial activities:** Scheduled repayment of the investment loan in the onshore wind farms segment (-10.6m), photovoltaics (-0.3m) and distribution (-0.4m). Prepayment of investment loan in the onshore wind farms (-4.9m). Taking out an investment loan in the Dębsk (100m), Szymankowo (7m), Kostomłoty (2.6m), Dystrybucja (3.2m) and Sulechów (16.0m) projects. Change of the working capital loan/VAT loan in Obrót (-19.5m), Dystrybucja (+1.1m), Dębsk (+8.4m), Szymankowo (+1.1m) and Sulechów (+3.6m). The financial flows on account of financial costs consist mainly of interest payments (-6.4m) and lease payments (-0.5m).

YTD

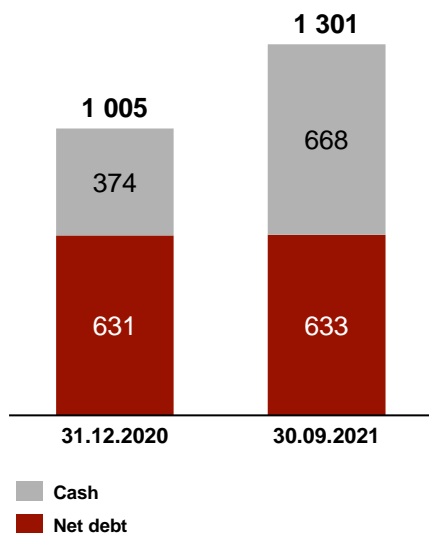


- ▶ **Cash flow from investment activities:** Investment expenditure made in the projects in advanced development phase which obtained support in RES auction in 2019 (-233.0m), and in other companies (-53.2m). Premiums to offshore wind farms (-60.5m) and other companies (-1.8m). Earn-out received (225.4m), the sale of the Mercury project (3.7m) and other (0.8m).
- ▶ **Cash flow from financial activities:** Scheduled repayment of the investment loan in the onshore wind farms segment (-36.2m), photovoltaics (-0.5m) and distribution (-2.1m). Prepayment of investment loan in the wind farms (-13.1m). Taking out of the investment loans in the onshore wind farms segment (171.9m), photovoltaics (16m) and distribution (15.9m) segments. Taking out a loan at the Dębsk (83.6 m) and Kostomłoty (10 m) wind farms. Change of the working capital loan/VAT loan in Obrót (+26.9m), Dystrybucja (+10.5m), Dębsk (+16.7m), Sulechów (+3.6m) and Szymankowo (-15.3m). The financial flows on account of financial costs consist mainly of interest payments (-24.9m) and liabilities on account of lease (-4.6m).

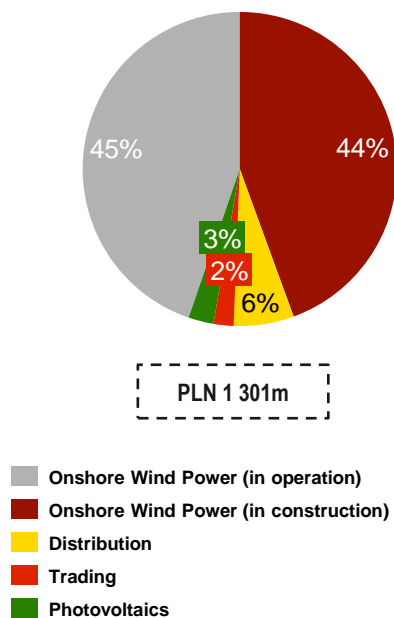
HIGH INVESTMENT EXPENDITURE IN ONSHORE WIND FARMS FINANCED WITH COMPANY FUNDS AND INVESTMENT DEBT.
EFFECT OF ADDITIONAL PAYMENTS ON ACCOUNT OF THE SALE OF SHARES IN OFFSHORE WIND FARMS IN 2018 .

Debt structure as at 30 September 2021

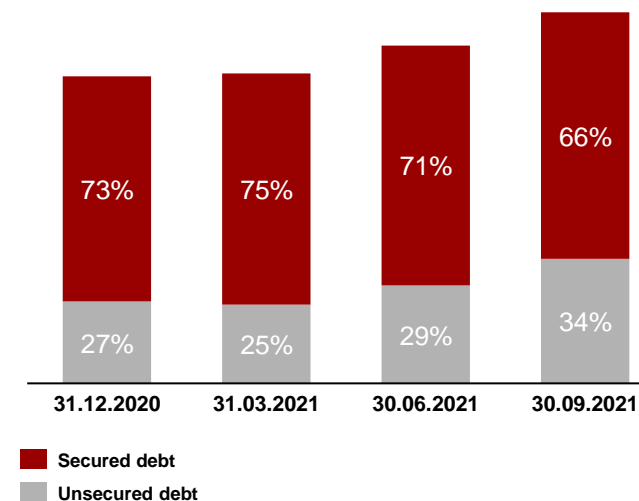
Gross debt (mPLN)



Debt structure as per segments



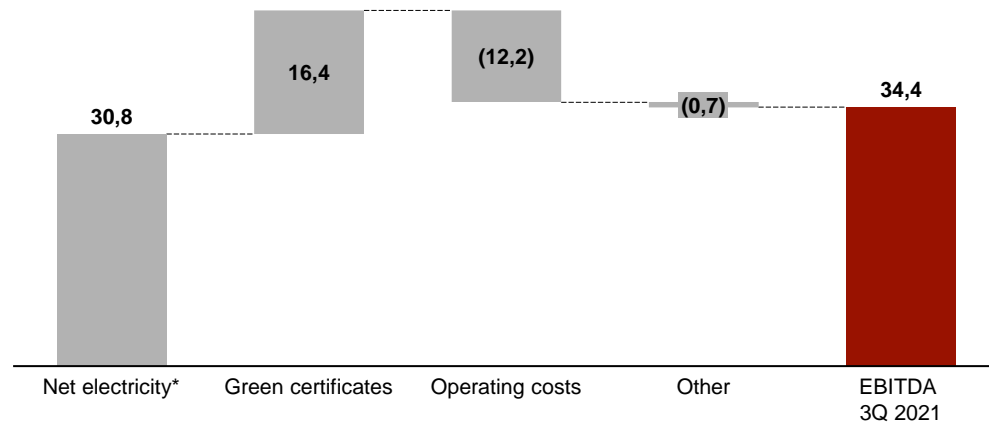
Debt structure - interest rate hedging



RELATIVELY CONSTANT NET DEBT IN Q3 DESPITE THE INCREASE IN DEBT, NO CURRENCY RISK IN THE DEBT STRUCTURE. 66% OF THE DEBT COST HEDGED FOR BANK LOANS

Onshore wind farms - Q3

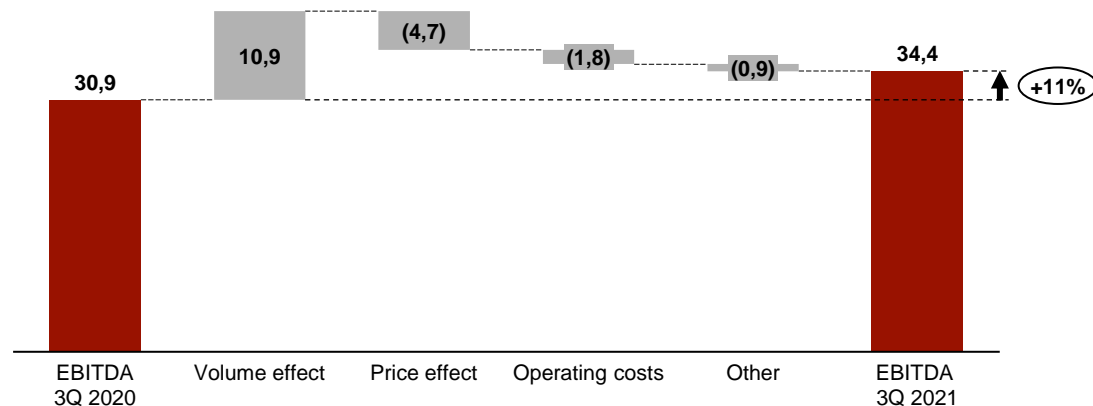
EBITDA build-up



Comment

- ▶ Gross energy production volume higher by 29.5 GWh.
- ▶ Decrease in electricity sales prices at the segment level (by PLN 6.1 / MWh).
- ▶ Increase in green certificates' sales prices at the segment level (by PLN 4.4 / MWh).
- ▶ Operating costs in Q3 2021 higher than in Q3 2020 due to higher costs of technical service, energy for own needs and external services
- ▶ Among other factors impacting EBITDA, the decrease in the result in the development of new wind farm projects had the most significant effect.
- ▶ Revenues from awarded but not yet sold green certificates* and related sales costs are presented without IFRS 15 adjustment (as opposed to presentation in the consolidated quarterly report).

EBITDA* bridge

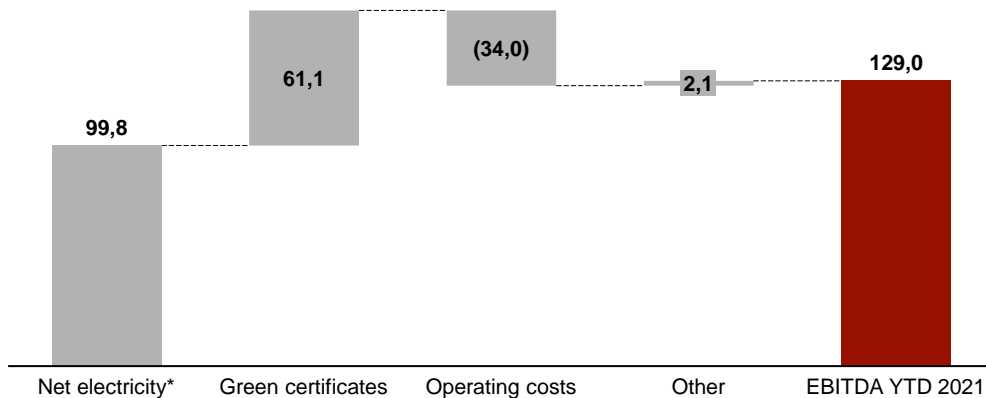


* term explained in the glossary of abbreviations

HIGHER PRODUCTION VOLUME PARTLY OFFSET BY LOWER ELECTRICITY SALES PRICES.

Onshore wind farms - YTD

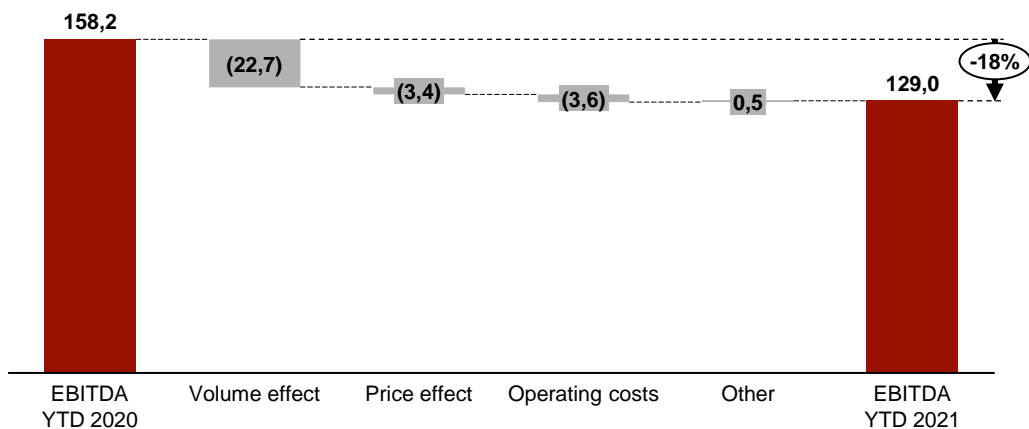
EBITDA build-up



Comment

- ▶ Gross energy production volume lower by 66 GWh.
- ▶ Decrease in electricity sales prices at the segment level (by PLN 1.5 / MWh).
- ▶ Increase in green certificates' sales prices at the segment level (by PLN 4.2 / MWh).
- ▶ Operating costs in Q3 2021 higher than in Q3 2020 due to higher costs of technical service, energy for own needs and external services.
- ▶ YTD result on wind farm development (part of other item) was by PLN 0.55m higher in Q3 2021 than in the same period of 2020.
- ▶ Revenues from awarded but not yet sold green certificates* and related sales costs are presented without IFRS 15 adjustment (as opposed to presentation in the consolidated quarterly report).

EBITDA* bridge

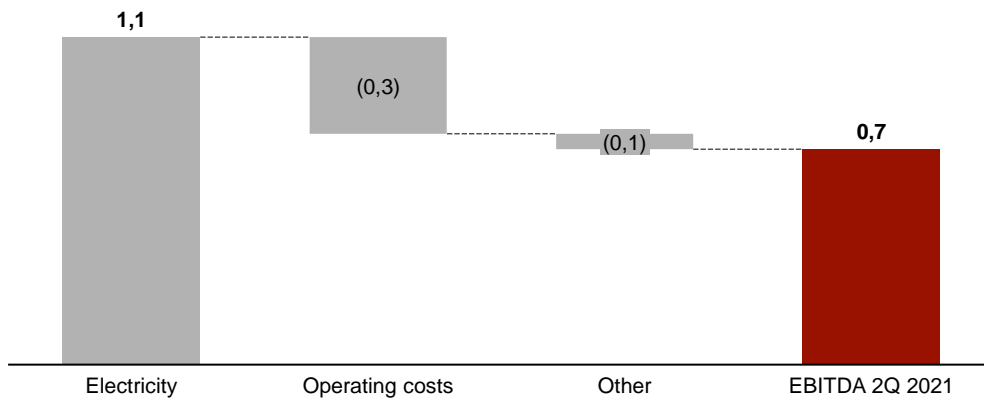


* term explained in the glossary of abbreviations

LOWER RESULT DUE TO LOWER PRODUCTION VOLUME AND LOWER ELECTRICITY SALES PRICES.

Photovoltaics - Q3

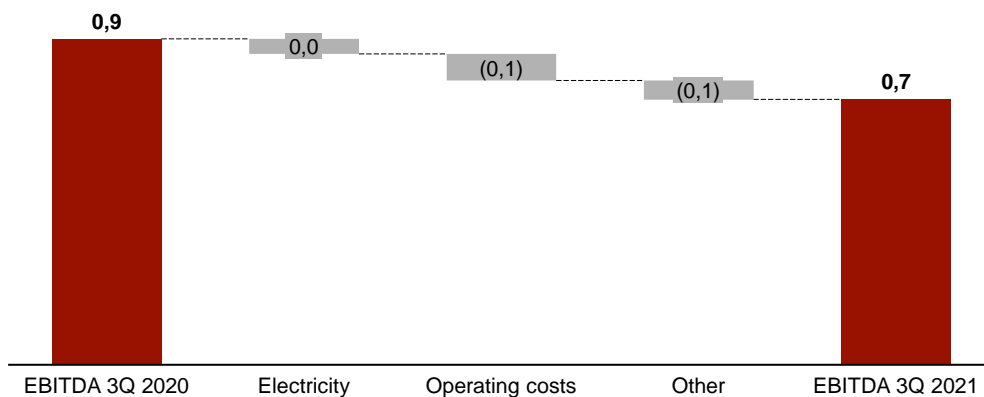
EBITDA build-up



Comment

- ▶ The result in the segment mainly includes revenues from the sale of electricity, guaranteed by the support obtained under the auction system, generated within the portfolio of 8 photovoltaic projects (Sulechów I).
- ▶ The EBITDA result of Sulechów I in Q3 2021 was at a similar level compared to Q3 2020 (-0.1m PLN).
- ▶ Lower result in the other item is due to the lower result on the development of new projects in Q3 2021 compared to Q3 2020.

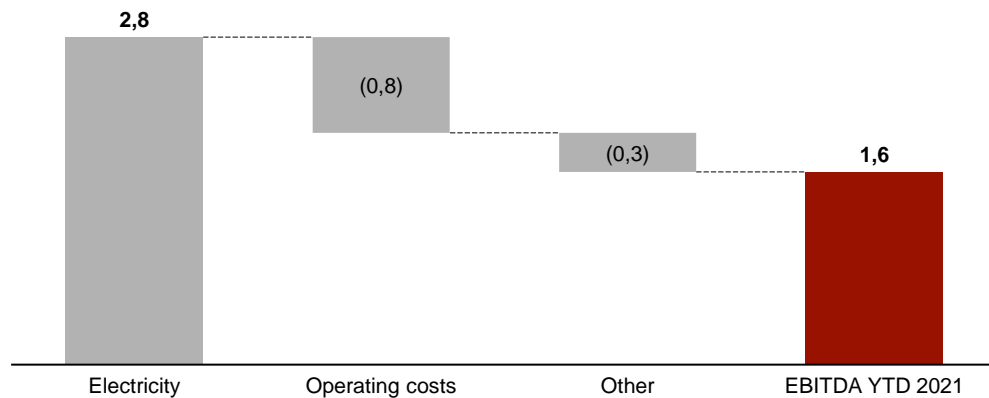
EBITDA bridge



REDUCTION IN RESULT DUE TO HIGHER COSTS RELATED TO THE DEVELOPMENT OF SUCCESSIVE PHOTOVOLTAIC PROJECTS IN THE GROUP.

Photovoltaics - YTD

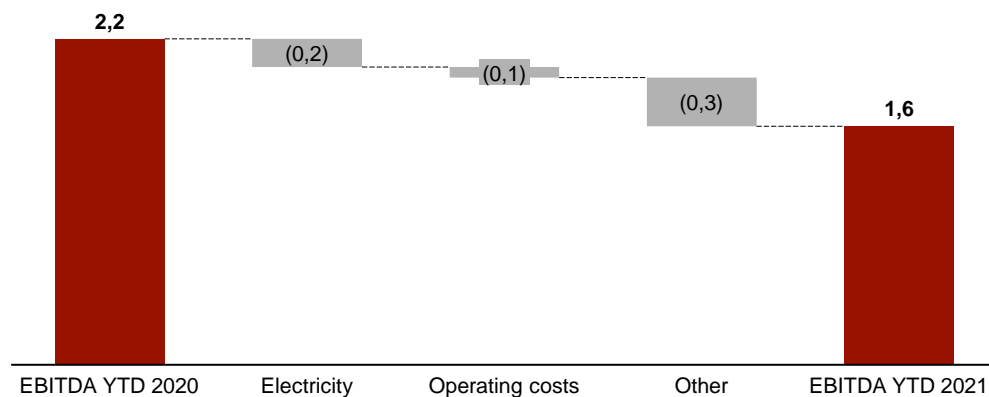
EBITDA build-up



Comment

- ▶ EBITDA of the PV segment after three quarters of 2021 was lower by PLN 0.6 m compared to the corresponding period of the previous year, mainly due to the increase in costs related to the development of photovoltaic projects in the development phase and lower insolation, which resulted in lower volumes and revenues generated under Sulechów I.
- ▶ Lower result in the other item is due to lower result on the development of new projects in Q3 2021 YTD compared to the corresponding period of 2020.

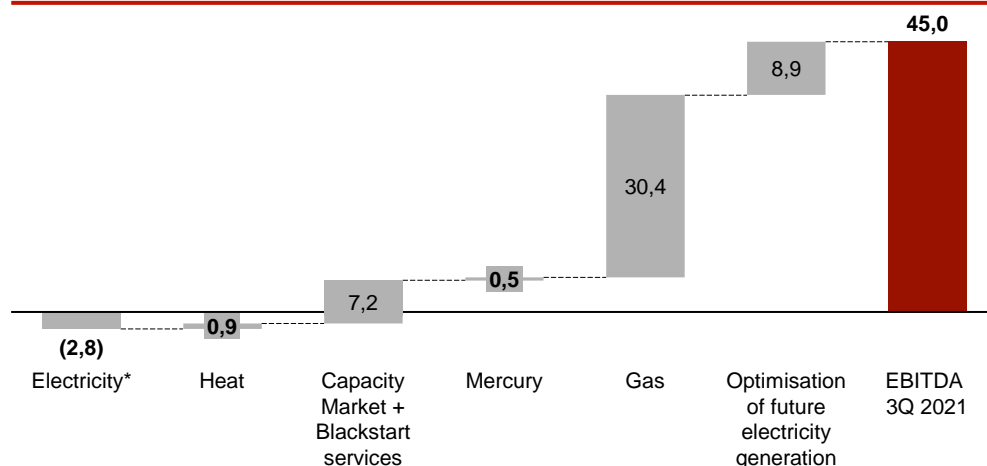
EBITDA bridge



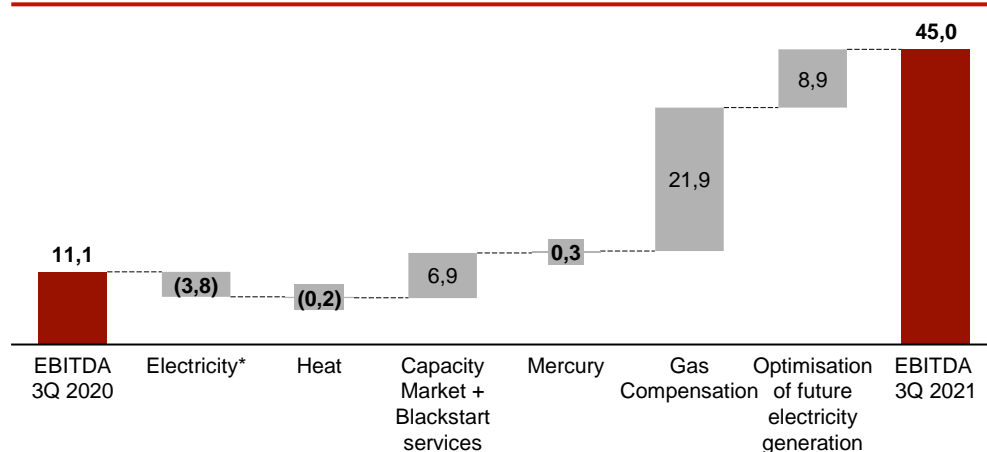
REDUCTION IN RESULT DUE TO HIGHER COSTS RELATED TO THE DEVELOPMENT OF SUCCESSIVE PHOTOVOLTAIC PROJECTS IN THE GROUP.

Gas and Clean Fuels - Q3

EBITDA build-up



EBITDA bridge



* Stranded costs' compensation is taken into account.

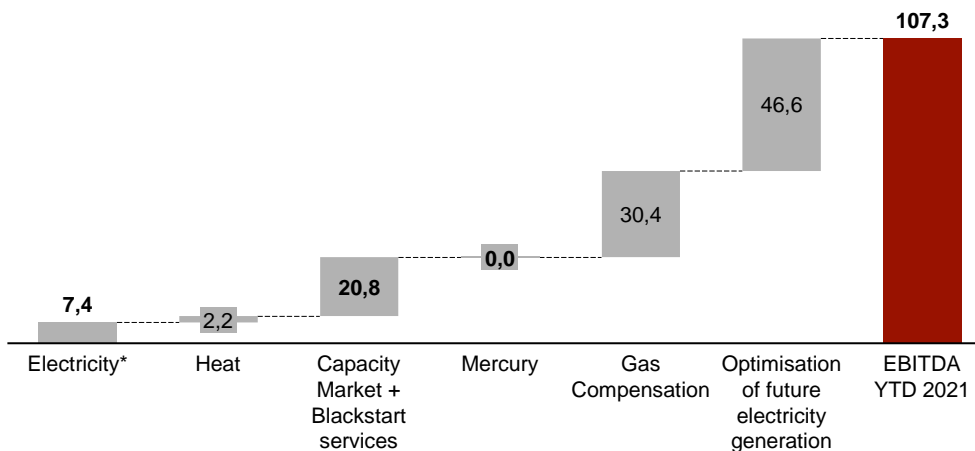
Comment

- Higher result on electricity (excluding compensation for stranded costs) mainly due to the process of optimization of ENS work (valuation of forward transactions securing the ENS production and sale in Q2, Q3 and Q4 of 2022), of which PLN 7.5m corresponds to the result on the expected ENS production in the above-mentioned periods concerned by the transactions (time shift) reduced by a lower final adjustment of stranded costs compensation (-9m).
- Higher result on gas compensation in 2021 due to higher adjustment of gas costs for 2020 (30.4m) recognized in July 2021 with respect to the adjustment for 2019 (8.5m) recognized in 2020.
- New source of revenues from the capacity market starting from January 2021.

HIGHER EBITDA DUE TO HIGHER MARGIN ON PRODUCTION AND OPTIMIZATION OF ELECTRICITY PRODUCTION LEVEL AND REVENUES FROM CAPACITY MARKET.

Gas and Clean Fuels - YTD

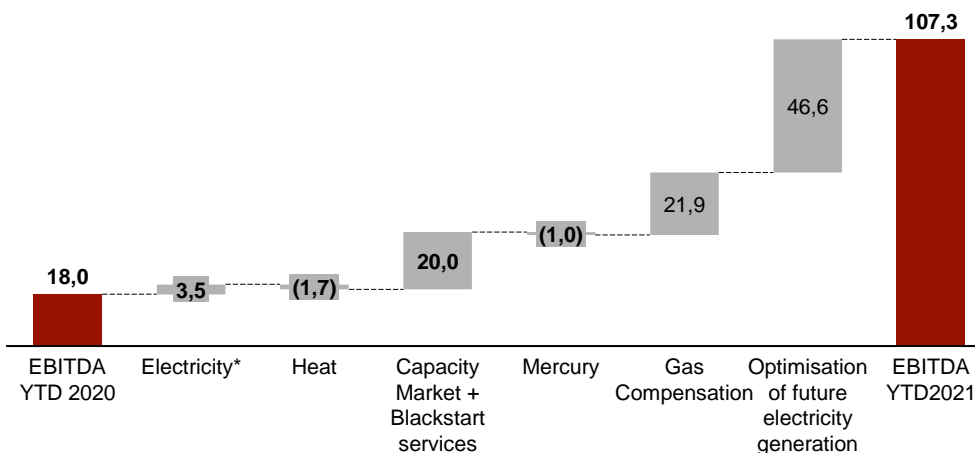
EBITDA build-up



Comment

- Higher result on electricity mainly due to the process of optimization of ENS work (valuation of forward transactions securing the ENS production and sale in Q4 of 2021 and in 2022), of which PLN **18.7m** corresponds to the result on the expected ENS production in the above-mentioned periods concerned by the transactions (time shift) reduced by a lower final adjustment of stranded costs compensation (-9m).
- Higher result on gas compensation in 2021 is due to higher adjustment of gas costs for 2020 (30.4m) recognized in July 2021 with respect to the adjustment for 2019 (8.5m) recognized in 2020.
- New source of revenues from the capacity market starting from January 2021.

EBITDA bridge

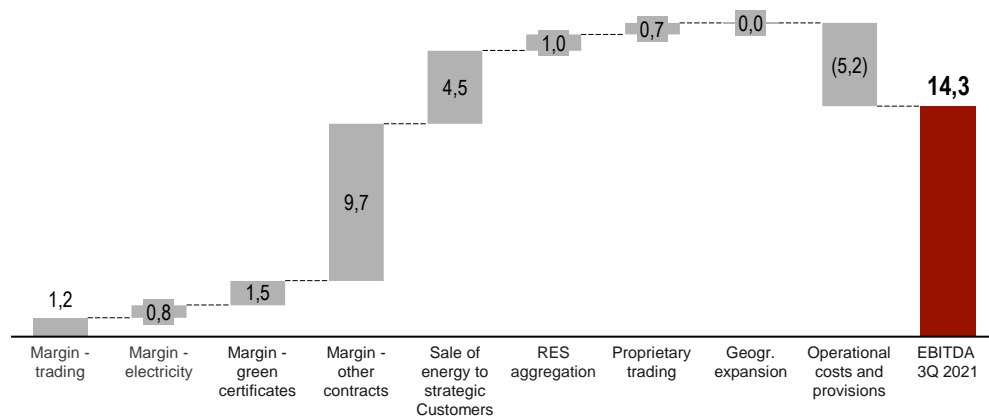


* Stranded costs' compensation is taken into account.

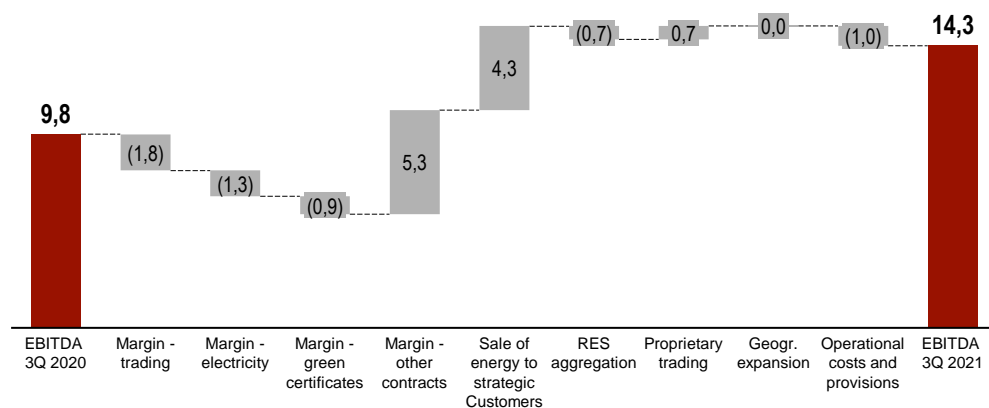
HIGHER EBITDA DUE TO HIGHER MARGIN ON PRODUCTION AND OPTIMIZATION OF ELECTRICITY PRODUCTION LEVEL AND REVENUES FROM CAPACITY MARKET.

Trading and Sales - Q3

EBITDA build-up



EBITDA bridge



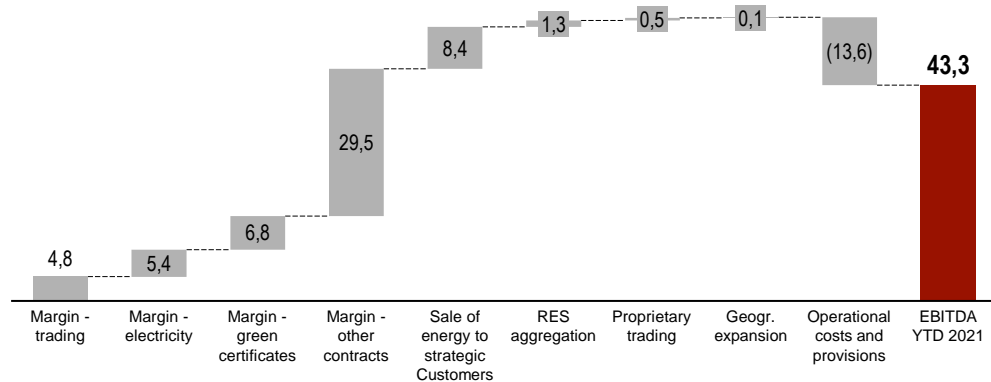
Comment

- ▶ EBITDA increase by PLN 4.5m in connection with:
 - an additional result on the optimization carried out under the SLA, resulting in the valuation of forward transactions securing the ENS production and sale in the period from Q2 to Q4 2022,
 - higher result under the implemented new strategy in the scope of sales to strategic customers,
 - increased result in connection with the implementation of the strategy applied on the gas market as a part of proprietary trading,
- ▶ The increase was partly offset by:
 - lower result on the trading book due to a worse result on short-term trading as a consequence of market constraints,
 - decline in the result on trade in energy from wind farms due to lower production (below the adopted hedged level) compared to higher SPOT prices and the negative impact of the profile cost,
 - decrease in the result on trade in wind farm certificates due to by PLN 3.2m lower impact of the valuation of the green certificate warehouse compared to Q3 of last year, partly offset by higher result on sales,
 - lower result on activity under the RES aggregation line due to worse wind conditions (compared to the adopted hedged level) and an increase in SPOT prices,
 - higher operating costs and commission costs resulting from the increase in the scale of operations.

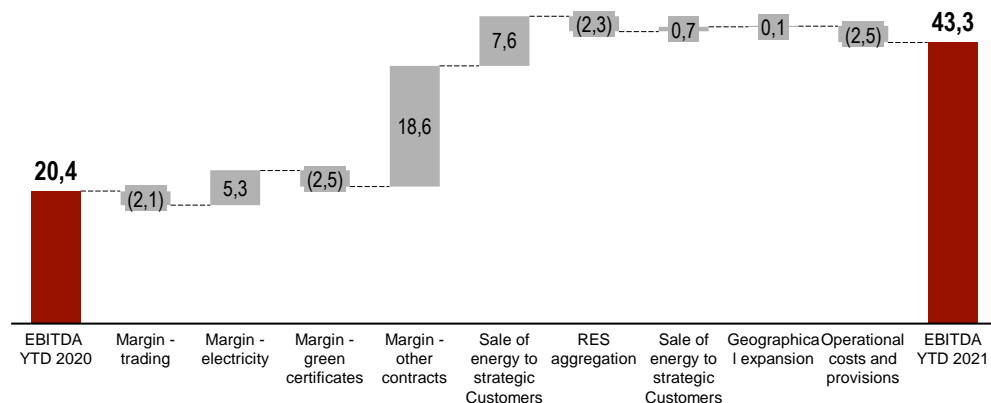
**HIGHER RESULT ON OPTIMIZATION OF ENS PRODUCTION LEVEL AND ON SALES TO STRATEGIC CUSTOMERS
PARTLY OFFSET BY LOWER RESULT ON TRADING BOOK AND DECREASED RESULT ON ENERGY AND GREEN CERTIFICATES FROM WIND FARMS**

Trading and Sales - YTD

EBITDA build-up



EBITDA bridge



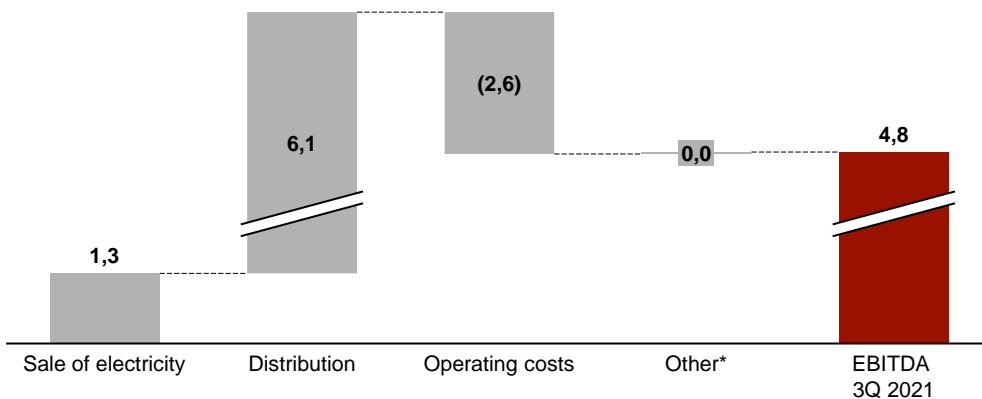
Comment

- ▶ EBITDA increase by PLN 22.9m in connection with:
 - the result on short-term optimizations in the current year and on mid-term optimizations carried out under the SLA to hedge ENS production and sales, resulting in the valuation of forward transactions for Q4 2021 and 2022.
 - increase in the result on trading in energy from wind farms, due to, inter alia, the optimization of volume hedging and positive effect of lower profiling costs,
 - the effect of implementing the new strategy, mainly in energy sales to strategic customers (the volume of energy consumption lower than declared by customers allowed for operations increasing the profitability of contracts) and activities related to proprietary trading.
- ▶ The increase was partly offset by:
 - decrease in the result on trade in green certificates from wind farms, mainly due to lower impact (by PLN 2.2m) of the valuation of the green certificate warehouse,
 - decrease in the result on the trading book due to worse result on short term trade and one-off events that contributed to reducing the result in 2021,
 - lower result on activity under the RES aggregation line,
 - higher operating costs and commission costs resulting from the increase in the scale of operations.

HIGHER RESULT ON ENS PRODUCTION OPTIMIZATION, TRADING IN ELECTRICITY FROM WIND FARMS AND SALE TO STRATEGIC CUSTOMERS COMPENSATE FOR LOWER RESULT ON TRADING IN CERTIFICATES FROM WIND FARMS, LOWER MARGIN ON TRADING BOOK AND UNDER RES AGGREGATION ACTIVITY

Distribution - Q3

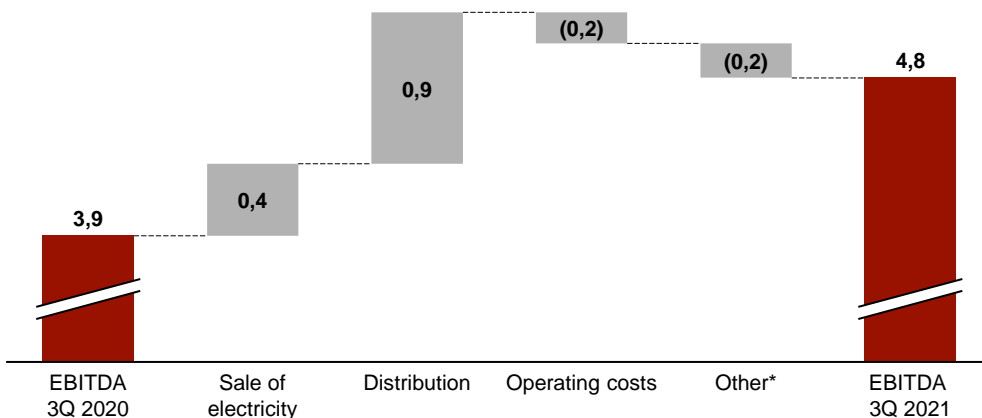
EBITDA build-up



Comment

- ▶ The distribution segment recorded the PLN 0.9m increase in EBITDA compared to the same period last year, mainly due to:
 - higher margin on distribution, which is primarily due to the entry into force of the new tariff, higher revenues from connection fees and lower energy demand in 2020 due to the epidemic restrictions in force
 - higher unit margin on energy sales
 - partly offset by:
 - higher operating costs
 - lower result of Polenergia Kogeneracja on gas distribution due to lower volume
 - costs incurred for the implementation of the pilot project in the field of electromobility.

EBITDA bridge

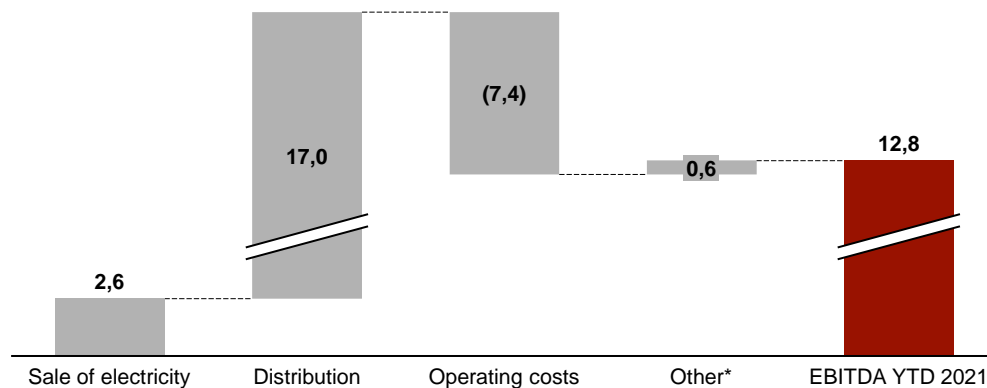


* the result of Polenergia Kogeneracja and Polenergia eMobility taken into account

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

Distribution - YTD

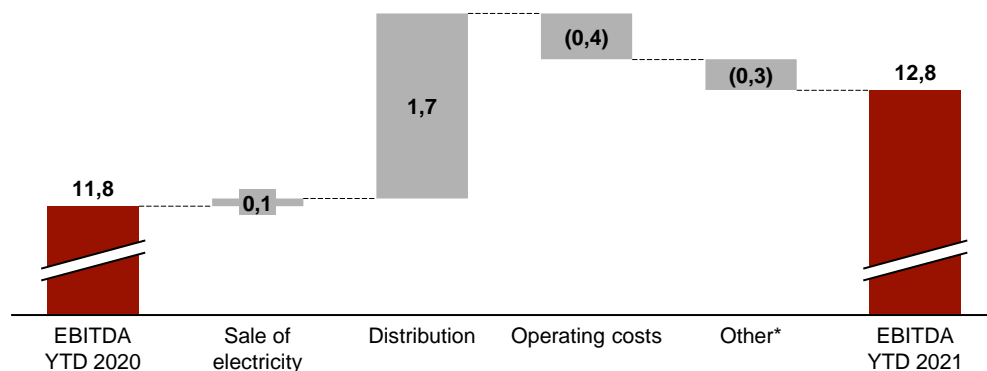
EBITDA build-up



Comment

- ▶ The distribution segment recorded the PLN 1.1m increase in EBITDA compared to the same period last year, mainly due to:
 - higher margin on distribution, primarily due to the entry into force of the new distribution tariff and lower energy demand in 2020 due to the epidemic restrictions in force
 - partly offset by:
 - higher operating costs
 - lower result of Polenergia Kogeneracja on gas distribution due to lower volume
 - costs incurred for the implementation of the pilot project in the field of electromobility.

EBITDA bridge






* the result of Polenergia Kogeneracja and Polenergia eMobility taken into account

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

4 Progress of the Group's strategy implementation




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

Polenergia has obtained financing for three PV projects and commenced the operation of the Szymankowo project. The construction of the Dębsk and Kostomłoty wind farms has been progressing according to the schedule

Area	Status
 Onshore wind farms	<p>Projects in the advanced phase of development:</p> <ul style="list-style-type: none">▶ The Group has continued works aimed at implementing three wind farm projects of the total capacity of 161 MW which secured auction offtake under the RES support auction scheme.▶ In 2020 loan agreements were entered into to finance the construction of the Dębsk (121 MW) and Kostomłoty (27 MW) wind farms.▶ Construction works on wind farms under construction have been progressing according to the schedule, turbine installations has been underway in Dębsko, construction and electrical works have been underway in Kostomłoty. <p>Other projects:</p> <ul style="list-style-type: none">▶ The Group has been 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.▶ The Group has been preparing the Grabowo wind farm project for construction. Polenergia Farma Wiatrowa Grabowo sp.z o.o. developing the project did not win the auction for the sale of energy from renewable energy sources. The Group does not rule out alternative forms of securing revenues for the aforementioned project, i.e. PPA (Power Purchase Agreement) or sales agreement based on market risk supported by hedging on the futures market, as well as participation in subsequent RES auctions. <p>Works are underway to prepare further projects to participate in future auctions. For individual projects, decisions on participating in auctions or other forms of hedging revenues from future production will be made while the works progress. The Group has been working to further develop onshore wind projects to achieve the goals set out in the 2020-2024 Group's Strategy.</p>
 Photovoltaics	<p>Projects in the advanced phase of development:</p> <ul style="list-style-type: none">▶ The Group has continued works aimed at implementing three PV projects of the total capacity of 28 MW which secured auction offtake under the RES support auction scheme.▶ In 2021 the following loan agreements have been entered into: Sulechów II (11.7 MW) - annex to the investment loan agreement for the amount up to PLN 21.5m and VAT loan agreement up to PLN 5.5m; Sulechów III (9.8 MW) - the agreement to refinance investment loan for the total amount of PLN 18m; Buk (6.4 MW) - the investment loan agreement for the total amount of PLN 13m and VAT loan agreement up to PLN 3.2m.▶ The implementation of all three projects has been carried out in parallel - the earthworks on the farm grounds have been completed, load-bearing structures, inverters and container stations have been assembled. The installation of photovoltaic modules has been in progress. <p>Works have been underway to prepare further projects to participate in auctions. For individual projects, decisions on participating in auctions or other forms of hedging revenues from future production will be made while works progress. The Group has been working on the further development of photovoltaic projects to achieve the goals set out in the 2020-2024 Group's Strategy.</p>
 Offshore wind farms	<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">▶ On 04.05.2021 by the Decision of the President of the Energy Regulatory Office the projects obtained 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 29.01.2021 the connection agreement was entered into with PSE.



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

The Group has been intensively developing its activity, Elektrociepłownia Nowa Sarzyna joined the international consortium for the use of hydrogen as a zero-emission fuel in gas turbines, ultimately it is planned to switch ENS gas turbines to pure hydrogen fuel.

Area	Status
 <h3 data-bbox="286 422 474 459">Distribution</h3>	<ul style="list-style-type: none">▶ Polenergia Dystrybucja gas been implementing IV investment plan for the years 2021-2026 for the total amount of PLN 105m.▶ On 15.01.2021 the Company entered into the annex to the facility agreement with ING bank, granting PLN 75.3m funds to the Company to implement the plan.
 <h3 data-bbox="271 718 495 805">Gas and clean fuels</h3>	<ul style="list-style-type: none">▶ As of 1 January 2021 the Elektrociepłownia Nowa Sarzyna, as the participant in the Capacity Market, has been performing its capacity obligation, as per the contract with Polskie Sieci Elektroenergetyczne and has been continuing to provide the black start and system restoration services for PSE. ENS has also been successfully participating in the capacity aftermarket, where trading in capacity obligations takes place, as well as re-allocation of capacity obligations among capacity suppliers. Moreover, based on the SLA (Service Level Agreement), EC Nowa Sarzyna has been dynamically operating on the energy market due to its optimized model of operation.▶ Based on the letter of intent executed in June 2020 by Polenergia and Siemens Energy works have been in progress to develop new gas co-generation projects and hydrogen projects. Together with its Partner Polenergia has been developing a high profile project for generation and storage of hydrogen produced by water electrolysis with participation of its own renewable energy. Steps are taken in cooperation with Partners to prepare ENS for co-firing natural gas with hydrogen.▶ In May 2021 the large-scale hydrogen project submitted by Polenergia SA in the competition for projects in the area of hydrogen technologies and systems (organized under the IPCEI scheme), after passing formal verification and assessment for compliance with the criteria (by the Minister of Development, Labor and Technology and the Minister of Climate and Environment), was approved for further implementation and is in the process of obtaining pre-notification from the European Commission.▶ Polenergia has become a signatory of the "Polish Hydrogen Sector Deal".▶ 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 and ultimately switch to pure hydrogen fuel. Apart from Ansaldo Thomassen and ENS, the partners of the Mutual Cooperation Agreement also include: Vattenfall, DOW, Nouryon, EmmTec, Hygear, TU Delft, TU Eindhoven, DLR and OPRA Turbines.
 <h3 data-bbox="241 1197 517 1284">Trading and Sales (1/2)</h3>	<ul style="list-style-type: none">▶ Optimization of Elektrociepłownia Nowa Sarzyna - changes in the level of margin resulting from the changes in the level of prices of electricity, gas and CO₂ allowances in connection with the generation of electricity in ENS (the so-called Clean Spark Spread) allowed for making a decision to curb the planned generation and close the position in the forward market for Q4 2021 and for 2022. About 1/3 of the planned ENS production for 2023 was secured.▶ Sales of energy to strategic customers - sales are carried out to industrial recipients acquired in the previous year. The company entered into agreements with new customers for the years 2022-2024 and is actively acquiring more customers.▶ RES aggregation - the company has been providing services to external RES customers. Existing customers were retained and new ones were acquired. The company has provided offers to new customers and has been developing long-term products.▶ Sales of renewable energy to end customers - Polenergia Sprzedaż launched sales of green energy only through its website and teleshopping channels. Advanced preparations are underway to launch a marketing campaign. Customers for the years 2021-2024 were acquired, and green energy supplies started from 1 June 2021.▶ Geographical expansion - the activity in the Ukrainian and Hungarian market entered the operational phase. Preparations are underway to start operations on the gas market in Ukraine and to analyze the trade potential on the Baltic markets.▶ Flexibility services - the tender was won and a contract for DSR service provision was signed with PSE. The activity of aggregation of DSR services and participation in the secondary capacity market is being developed.

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

The acquisition of Edison Energia will allow the Group to expand its operations with new business segments and give access to a nationwide sales network. Polenergia is the first company in the energy sector in Poland to launch a comprehensive ESG website.

Area	Status
 <p>Trading and Sales (2/2)</p>	<ul style="list-style-type: none"> ▶ On 4 November 2021 the Management Board of Polenergia S.A. entered into a Preliminary Share Sale Agreement (PSSA), pursuant to which the shareholders of Edison Energia S.A. Edison Energia) with its registered office in Warsaw committed to conclude the Final Share Sale Agreement (FSSA) regarding the sale of 100% of the company's shares to the Issuer by the current shareholders of Edison Energia. Pursuant to the PSSA, the price of 100% of Edison Energia shares was initially set at PLN 76,500,000, but the exact amount payable at the conclusion of the FSSA will be subject to certain adjustments related to the closing accounts procedures set out in the PSSA. The final price of the company's shares sold under the FSSA may not, however, exceed PLN 86,000,000. The conclusion of the FSSA is subject to the approval by the President of the Office of Competition and Consumer Protection and other conditions precedent listed in the PSSA. The FSSA will be signed within 10 business days from the date of fulfillment of all conditions precedent provided for in the PSSA or on another date agreed by the parties. ▶ Edison Energia is one of the fastest growing Polish photovoltaic companies. It offers innovative solutions in the field of photovoltaics, heat and optimization of energy consumption. Thanks to the transaction carried out, the Polenergia Group will expand its operations to new business segments and gain access to a nationwide sales network, a large customer base and a wide portfolio of innovative products and services. It will also allow to diversify the current areas of its activity and become a significant player in the newly emerging market segment.
 <p>Corporate Social Responsibility</p>	<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. The website is constantly updated with new materials. ▶ A full EHS report was issued in compliance with the requirements of financing institutions for 2020 in the field of environmental protection, OHS and CSR; the report was made available on the ESG platform and submitted to the lenders. ▶ As part of the Charity Policy, further strengthening charity activities for local communities, conducting #DlaKlimatu (#ForClimate) training in all municipalities where there are installations under operation or under construction, implementation of ongoing charity initiatives for local societies in all special purpose vehicles. ▶ Support for the biodiversity protection. Submission of projects from 2020 to the Good Practices of the Responsible Business Forum. Joining the „Zielona Wstążka dla Planety” ("Green Ribbon for the Planet") UNEP Grid Partnership, preparation of tree plantings in local parks and squares (the first edition of planting of 600 trees was completed, and summarized on 10 October on the occasion of the Tree Day), extension of the "active protection of the Montagu's harrier" action to include FW Kostomłoty as the next project. Since 2014 such action has been carried out in FW Modlikowice and Łukaszów. Cooperation with naturalists supervising local activities minimizing the impact during the construction of projects, preparing and publishing on the ESG website of the first natural report in Poland on the impact of flower meadows sowing on photovoltaic farms. ▶ Continuation of activities under the international United Nations Global Compact (UNGC) Partnership, participation of the President in the UNGC and the Ministry of Climate panel on the future of energy with F. Timmermans, President of the European Commission, and continuation of the #TargetGender Equality project (workshops aimed at implementing ambitious goals for D&I), participation in the debate during the Green Film Festival "The clock is ticking - are we able to stop temperature from rising?., - the role of business in stopping climate change. Inclusion of the Polenergia Group in the climate round table initiative (the aim is to develop a core curriculum in the field of environmental and climate education for schools and universities). ▶ D&I: implementation of a series of "Healthy energy farm" online courses and trainings with a physiotherapist, coach and psychologist, including a series of 4 meetings with Employees on the occasion of the diversity month. In May 2021 the company was announced by the Responsible Business Forum as one of the 31 companies most involved in diversity management (the first edition of DiversityInCheck in Poland). ▶ Actions to support the development of future human resources in the energy sector - launching (on 16.10) the 10th jubilee edition of the Academy of Energy, with Polenergia once again as its Strategic Partner. The edition is planned to be completed on 13 December this year.

5 Purchase of 100% of Edison Energia shares







Purchase of 100% of Edison Energia shares

Edison Energia

- ▶ Edison Energia is one of the fastest growing Polish photovoltaic companies, offering innovative solutions in the field of photovoltaics, heat supply and optimization of energy consumption.
- ▶ In less than two years, the company has built over 20,000 photovoltaic installations of a total capacity of 120 MWp for individual and business customers.
- ▶ Currently number 2 on the market of prosumer photovoltaic installations in Poland.
- ▶ Prospective growth in the heat pump segment, ensured by the development of Edison Heat.
- ▶ Strengths of Edison Energia:
 - marketing,
 - the quality of the installations implemented is confirmed each time by a technical audit,
 - high quality of the assembled components of the installation,
 - employees ensuring the company's success. The company currently has nearly 1,500 employees and co-operating persons performing:
 - sales, mainly by own sales teams,
 - design, purchase and logistics of delivery of installation components,
 - assembly of installations in accordance with applicable standards,
 - audits of assembled installations and after-sales service.

Purchase of 100% of Edison Energia shares

Polenergia SA and Edison Energia

	Edison	Polenergia	Total
 Sales network	✓		✓
 Quality installations	✓		✓
 Innovation	✓	✓	✓
 Capital		✓	✓
 Energy purchase		✓	✓
 Energy sales		✓	✓

Purchase of 100% of Edison Energia shares

Polenergia SA and Edison Energia - vision for the years 2022-2025



- ▶ Integrated energy player
 - Installation
 - Various financing models
 - Green energy purchase
 - Energy sales



- ▶ Player no 1 in Poland and CEE



- ▶ Comprehensive offer for individual and business customers



- ▶ Innovative complementary products

Glossary of abbreviations (1/2)

Term	Meaning
▶ 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 20 and 21 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 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)	Megawatt.
▶ MWh,GWh	Megawatt hour, Gigawatt hour
▶ TJ, GJ	Terajoule, Gigajoule
▶ RES	Renewable Energy Sources.
▶ Proprietary trading	Trade on own account using own funds.

Glossary of abbreviations (2/2)

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