

In case of divergence between the language versions, the Polish version shall prevail.



ONSHORE WIND FARMS



GAS AND CLEAN FUELS



DISTRIBUTION



TRADING AND SALES

# POLENERGIA CAPITAL GROUP

## Financial results for Q1 2021

May 2021

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## Program:

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**01**

## **Summary of key events in Q1 2021**

## Summary of Q1 2021: the most important events (1/2)

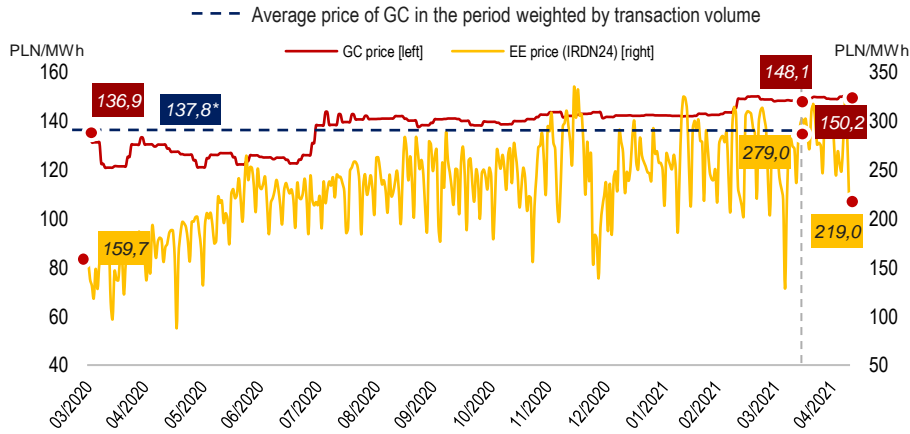
Fact	Effect/Comment
<ul style="list-style-type: none"><li>▶ Onshore wind farms – lower windiness in Q1 2021 compared to Q1 2020</li><li>▶ Consistent implementation of the Polenergia Group Strategy for 2020-2024</li></ul>	<ul style="list-style-type: none"><li>▶ Lower windiness in Q1 2021 compared to the same period last year caused a PLN 31.5m decrease in EBITDA.</li><li>▶ Continuation of construction of three wind farms' portfolio and preparation for the construction of the fourth project:<ul style="list-style-type: none"><li>• Szymankowo: advanced phase of construction, completion of the construction works on roads, assembly yards and foundations and completion of turbine assembly works. The documentation for the application for occupancy permit under preparation. The production of electricity from the farms started (synchronization with the grid). The planned technological start-up to take place in accordance with the schedule in May, June and July 2021.</li><li>• Dębsk: construction in compliance with the schedule.</li><li>• Kostomłoty: construction started.</li><li>• Piekło: preparation for the start of the construction.</li></ul></li><li>▶ Obtaining financing for a portfolio of three PV projects that won RES auctions in December 2020:<ul style="list-style-type: none"><li>• Sulechów II (11.7 MW): entering into an annex to the investment loan agreement for the total amount of PLN 21.5m and a VAT loan of up to PLN 5.5m.</li><li>• Sulechów III (9.8 MW): entering into loan agreement to refinance capital expenditure for the total amount of up to PLN 18m.</li><li>• 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.</li></ul></li><li>▶ Works are underway to prepare further projects to participate in future auctions. For individual projects, decisions on participation in the auction to be considered along with the increasing work progress.</li><li>▶ 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 307-385m, and capital expenditure on the construction of farms will reach PLN 16.1-18.2b.</li><li>▶ Offshore wind farms MFW Bałtyk II and MFW Bałtyk III were awarded the right to cover the negative balance of produced electricity by the decision of the President of the Energy Regulatory Office dated May 4th 2021.</li><li>▶ Since 1 January 2021, Nowa Sarzyna Heat and Power Plant as a participant of the Power Market, performs the capacity obligation in accordance with the agreement concluded with Polskie Sieci Elektroenergetyczne and continues to provide the system self-start and reconstruction service for PSE.</li></ul>

## Summary of Q1 2021: the most important events (2/2)

Fact	Effect/Comment
<ul style="list-style-type: none"><li>▶ Optimization of owned assets</li></ul>	<ul style="list-style-type: none"><li>▶ Increasing the level of protection against the interest rate increase risk from 25% to 75% of the total debt at the end of Q1 2021 compared to the end of Q1 2020.</li><li>▶ In Q1 2021 the dividend in the amount of PLN 20m PLN from Elektrociepłownia Nowa Sarzyna was paid.</li><li>▶ In Q1 2021 the prepayment of investment debt was made in Amon and Talia wind farms in the total amount of PLN 3.9m.</li></ul>
<ul style="list-style-type: none"><li>▶ Advantageous regulatory environment</li></ul>	<ul style="list-style-type: none"><li>▶ On 30 March 2021, the Minister of Climate and Environment issued an ordinance setting the maximum price in PLN per 1 MWh for electricity generated in an offshore wind farm fed to the grid, such price being the basis for the settlement of the right to cover the negative balance at the level of PLN 319.6 / MWh.</li><li>▶ The Council of Ministers adopted a draft amendment to the act on renewable energy sources, extending the maximum deadlines for granting state aid under the auction system until the end of 2027.</li><li>▶ The government promised to support the development of offshore wind energy with the amount of EUR 3 billion from the loan part of the National Reconstruction Plan.</li><li>▶ The President of the Energy Regulatory Office published announcements regarding auctions for the sale of electricity from renewable sources, to be held from May 26 to June 11 in 2021. In total, in eight auctions planned for 2021, over 68 TWh of green energy of maximum PLN 24b value will be for sale.</li><li>▶ One of the main goals of the European Union's energy policy is achieving climate neutrality by 2050. Hydrogen is to play a key role in this process, enabling the activity of, inter alia, emission-free transport, heating and industry. Under the so-called Climate Law, the European Union adopted the goal to reduce CO2 emissions by no less than 55% by 2030 compared to the emissions from the base year 1990.</li><li>▶ According to the assumptions of the National Plan for Energy and Climate for 2021-2030, Poland is to achieve a 21-23% share of RES in the final gross energy consumption in 2030. The increase in the share of renewable energy sources is to be driven primarily by the growing role of biofuels, the development of offshore wind energy and the dynamically increasing number of photovoltaic micro-installations.</li><li>▶ Distance Act: Government representatives announced the liberalization of the 10H rule, the works on the act are at an advanced stage, the new draft act is to reduce the minimum distance from buildings to 500 m.</li></ul>

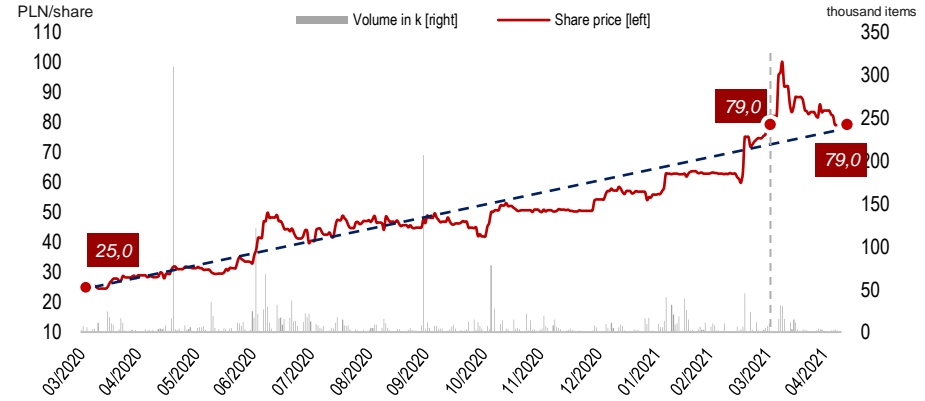
# Key indexes and market prices

## 1 Prices of green certificates and electricity

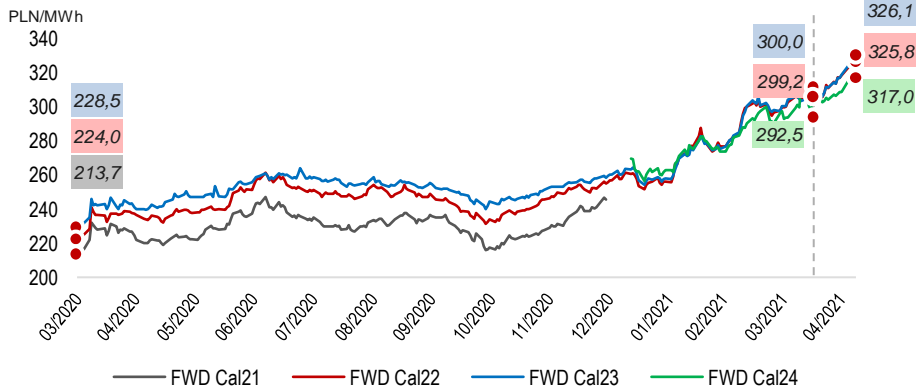


\*The average price of GC weighted by transaction volume in the same period of the last year amounted to 136,9 PLN/MWh

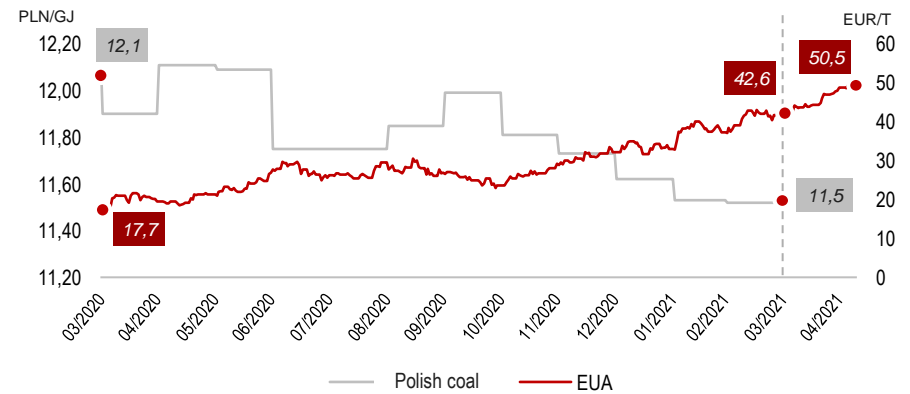
## 2 Quotations of Polenergia S.A. share prices



## 3 Forward prices of electricity



## 4 Quotation of Polish coal and CO2 emission allowance

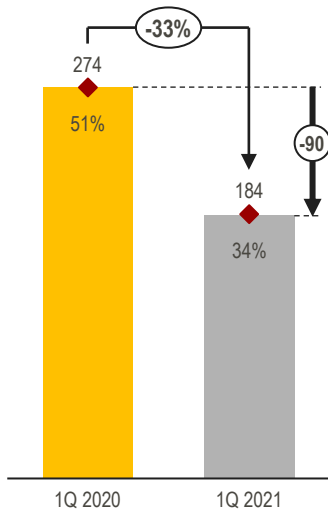


**02**

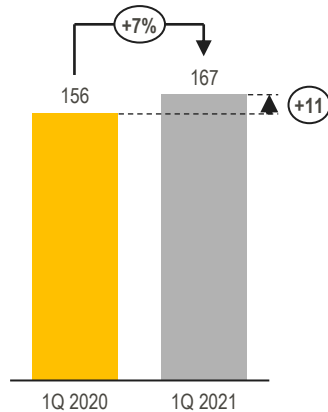
## **Summary of key operating parameters**

## Summary of key operating parameters - Onshore wind farms

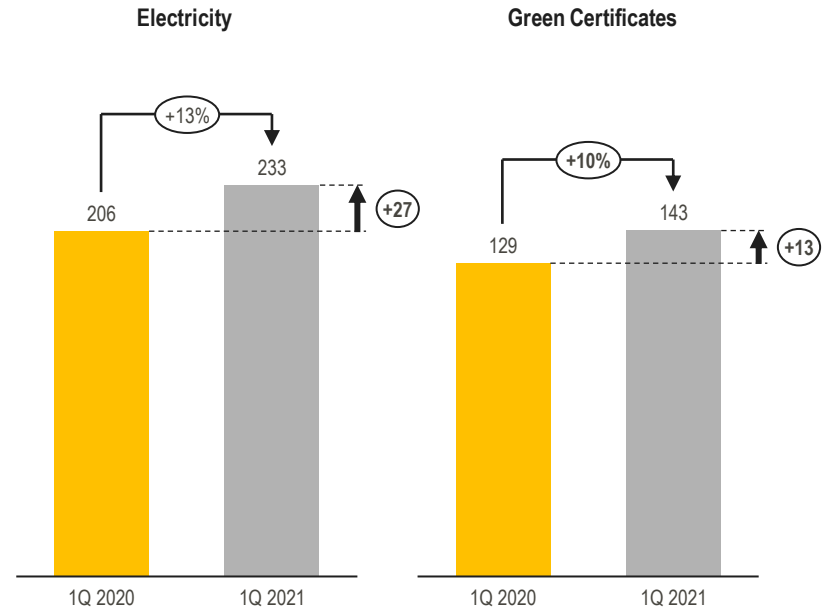
- 1** Production of wind farms (gross) and LF%  
*Quarterly data*
- 2** Average fixed operating cost per MW in wind farms [kPLN/MW/year]
- 3** Average revenues per MWh (after balancing and profiling costs) at the Group level [PLN/MWh]



◆ Q Load factor (%)  
 ■ Q Production (GWh)



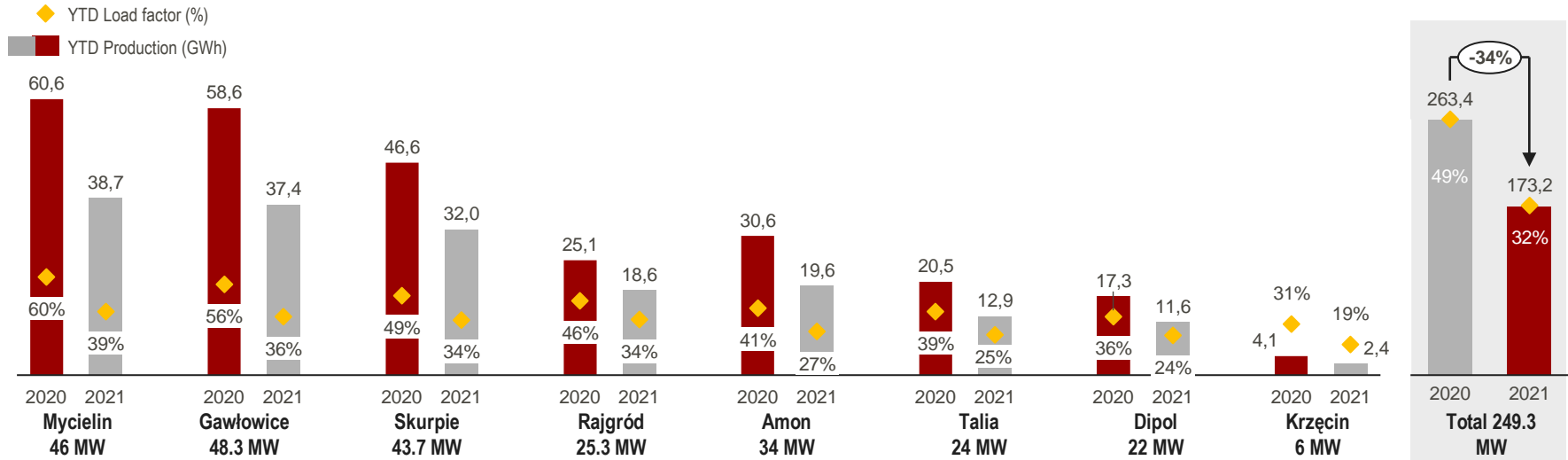
■ Average fixed operating cost per MW



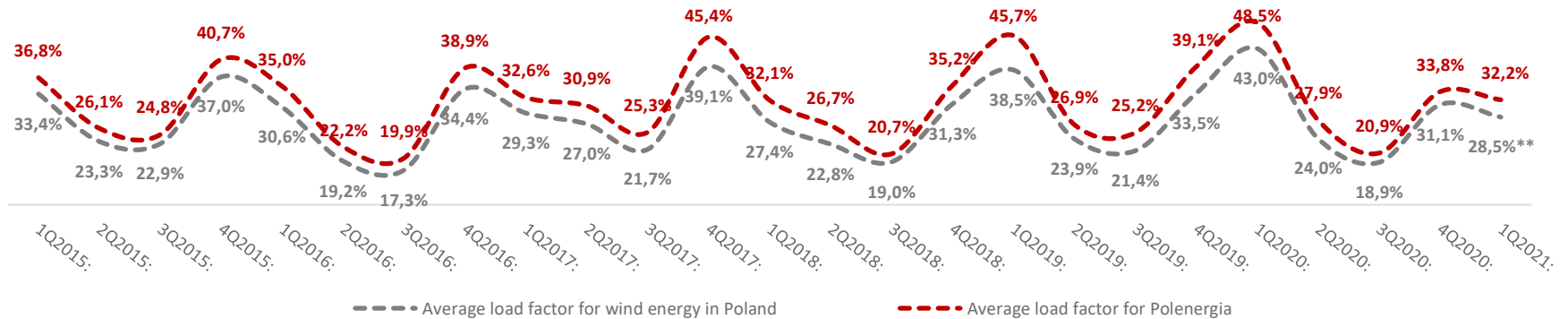


## Summary of key operating parameters - Onshore wind farms

### Production (net) YTD



### 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

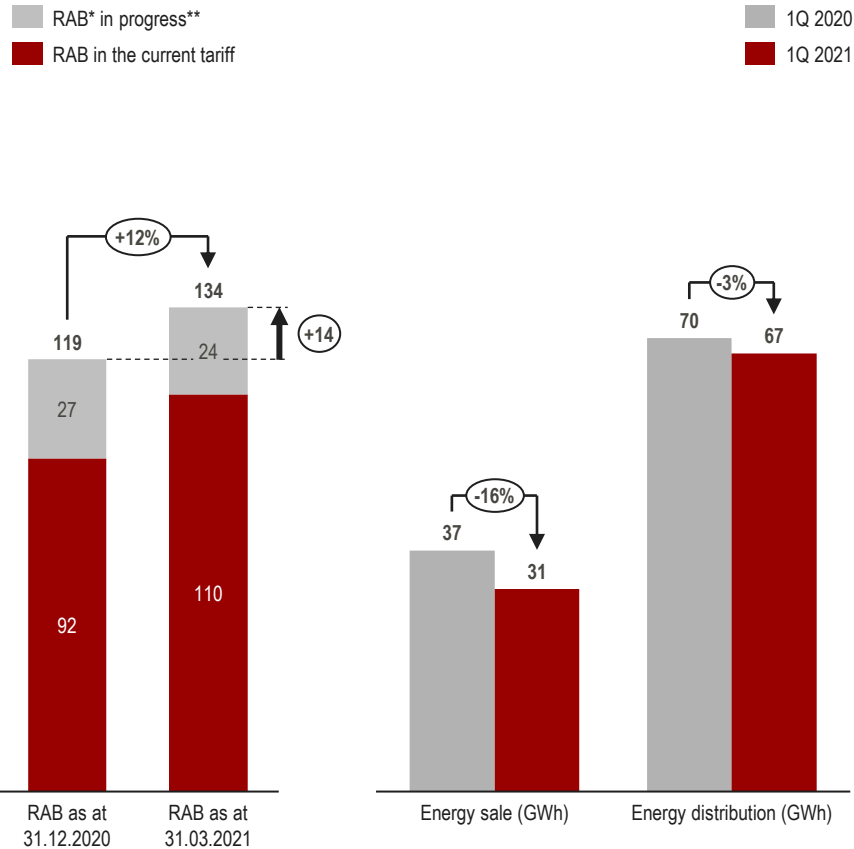
\*\* Calculation of the net production of the sector in March, estimated on the basis of January and February market data, based on the Polenergia's net production in March compared to Polenergia's net production in January and February.

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

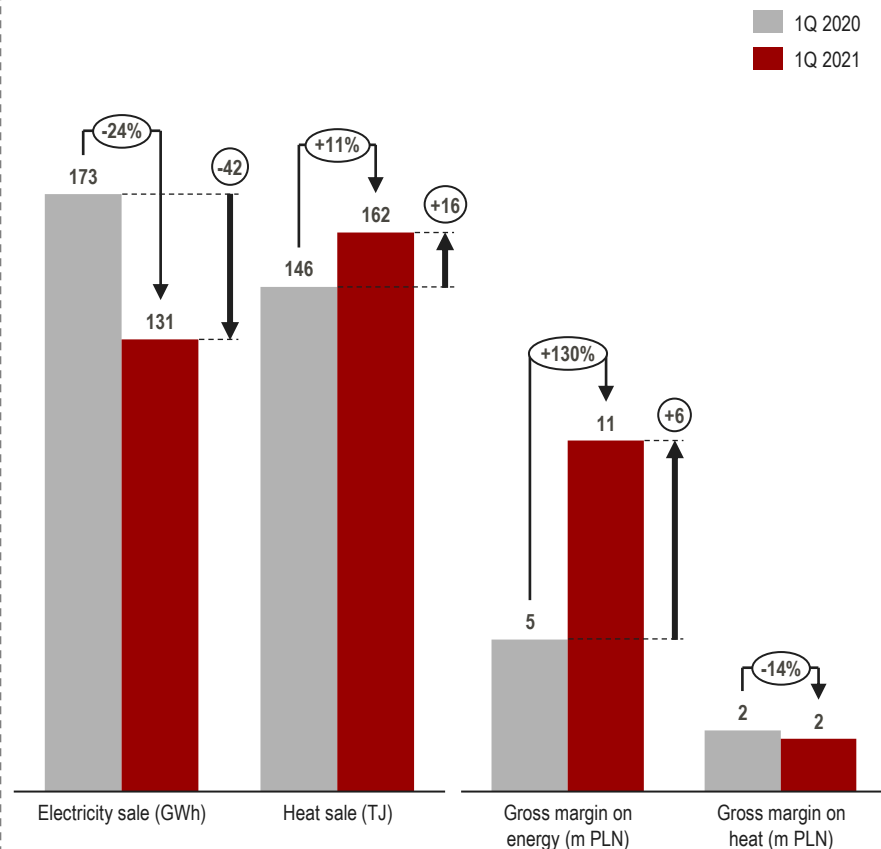
## Summary of key operating parameters - Gas and Clean Fuels and Distribution

### 4 Distribution – sale [GWh]

Quarterly data



### 5 Gas and Clean Fuels – sale [GWh] and gross margin [PLN m]

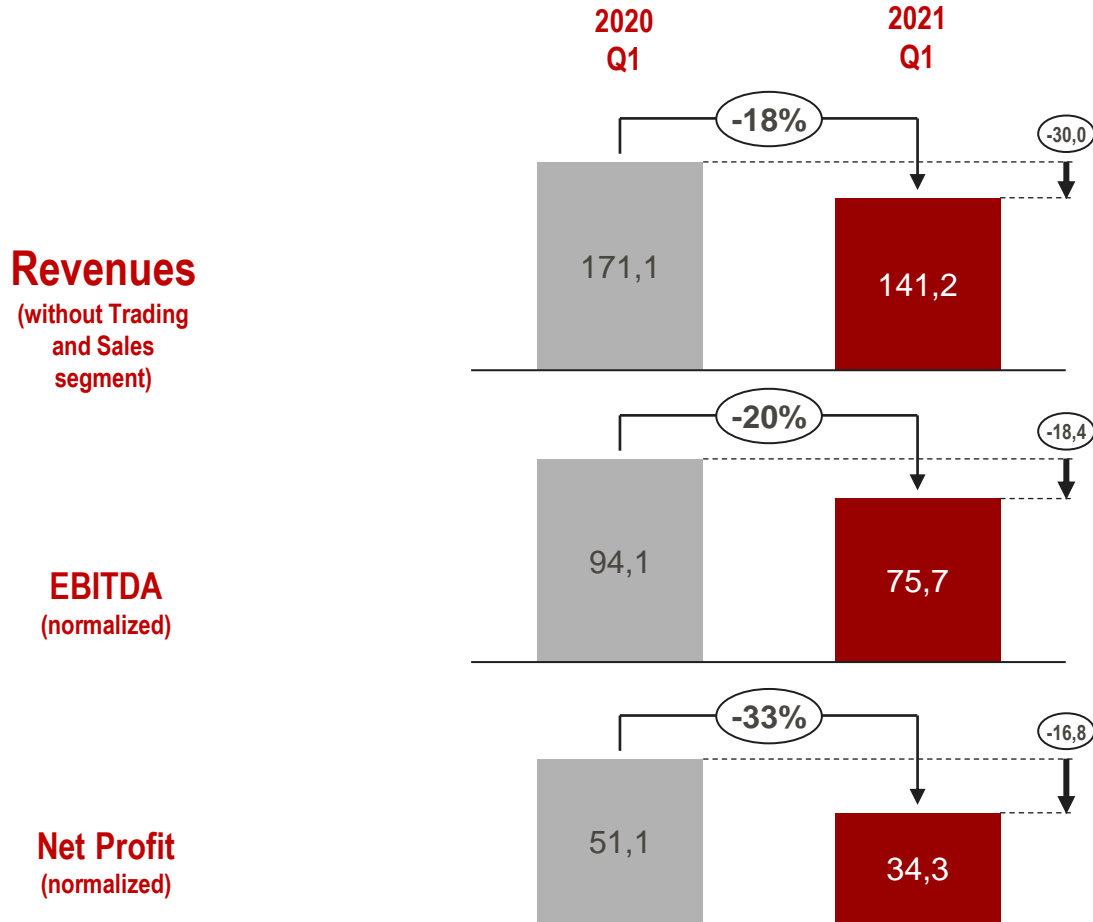


\* regulatory value of assets - term explained in the glossary  
 \*\* term explained in the glossary

**03**

## **Financial results for Q1 2021**

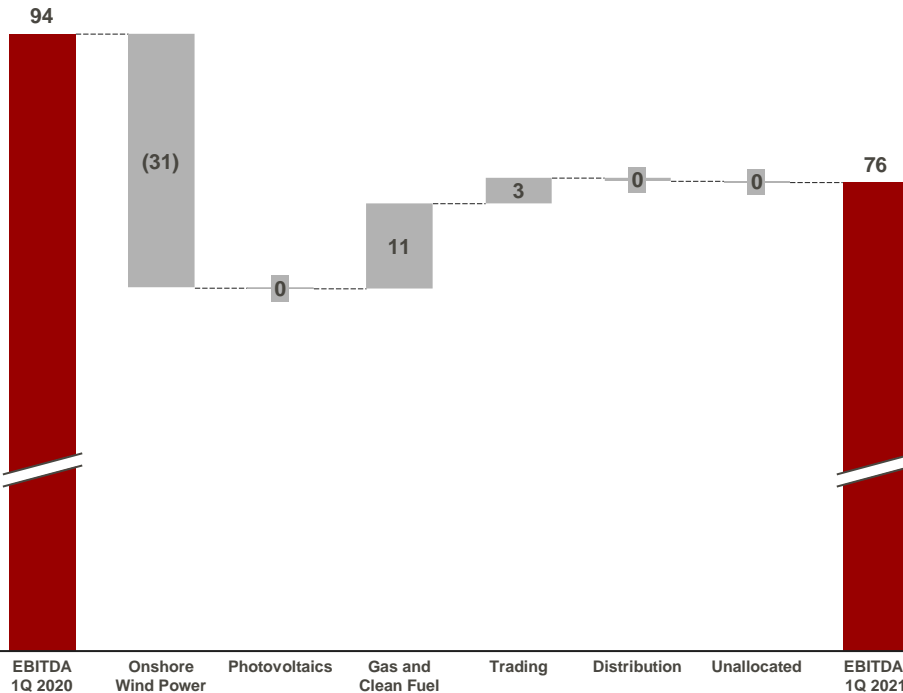
**Financial results for Q1 2021**



**WORSE RESULT IN Q1 2021 MAINLY DUE TO LOWER WINDINESS IN ONSHORE WIND FARM SEGMENT**

## EBITDA by operating segments

Q1



### Comments

**Onshore wind farms:** reduced result mainly due to lower production volume.

**Photovoltaic:** Result on the level similar to Q1 2020.

**Gas and Clean Fuels:** increased result is due to the revenues from the capacity market and better result on the sales of electricity partly offset by lack of revenues from stranded costs' compensation (end of the compensation system in May 2020).

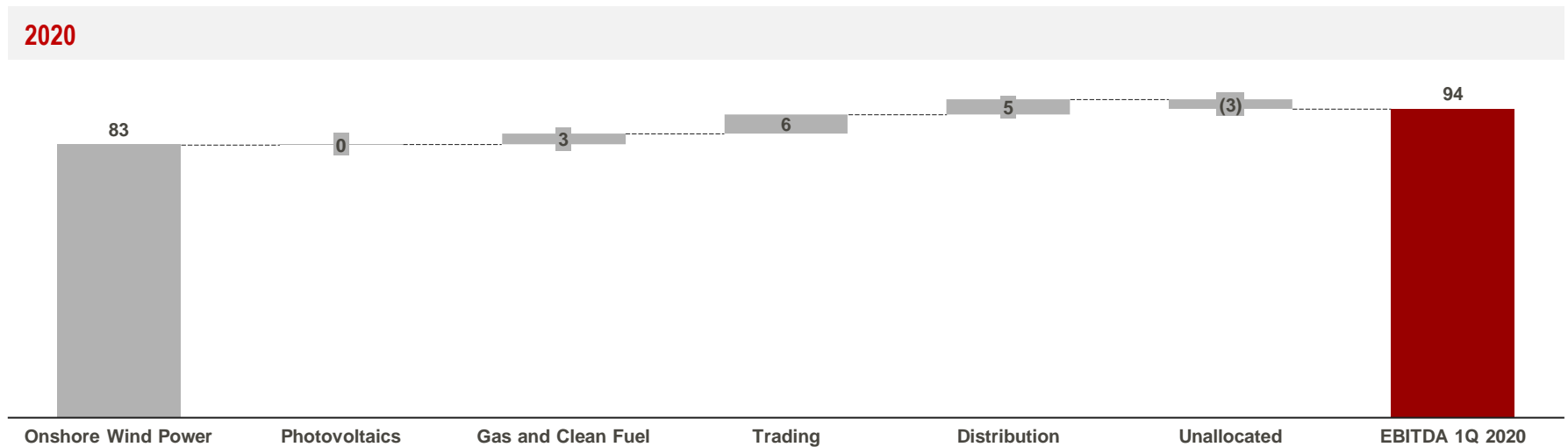
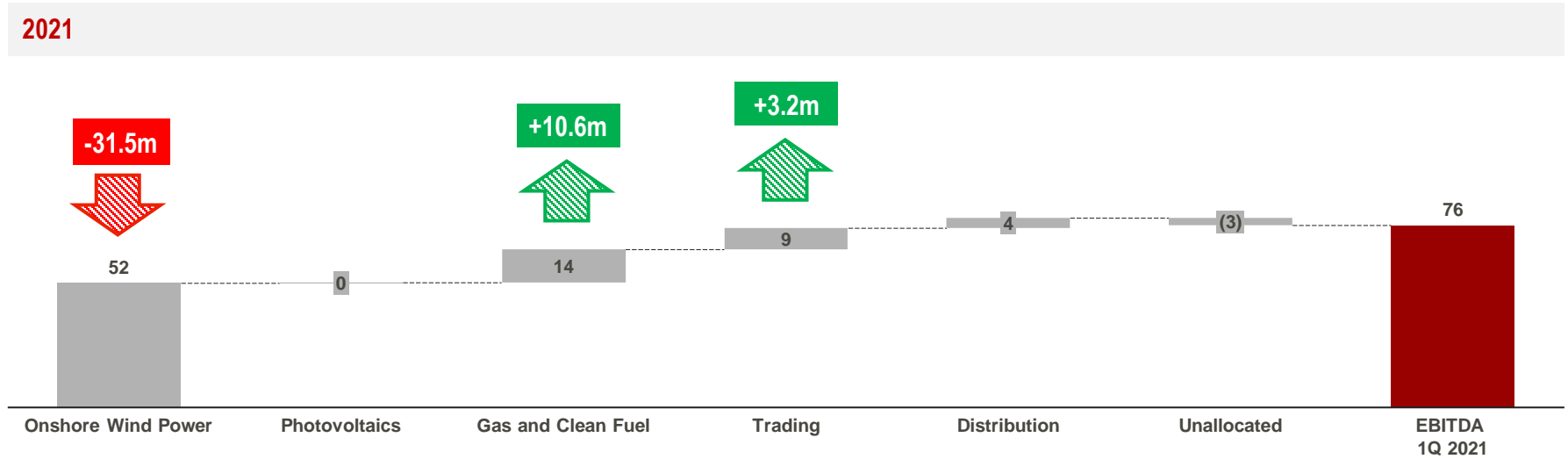
**Trading and Sales:** increased result on the sale of electricity generated by the wind farm segment, higher margin on trading book and the effects of implementing the new strategy in trading and sales' area. The above factors were partly offset by the lower result on the sale of certificates and higher operating costs and commission costs.

**Distribution:** reduced result is mainly due to lower margin on the sale of energy which is mainly due to 16% lower volume as a consequence of COVID-19 epidemics, lower TPA sale, lower unit margin, and lower other operating revenues (in Q1 2020 the Company obtained the refund of the real estate tax), partly offset by a higher margin on distribution.

**Unallocated:** reduced result is mainly due to discontinuation of biomass activity partly offset by better result of the Headquarters.

**LOWER RESULT OF ONSHORE WIND FARMS PARTLY OFFSET BY IMPROVED RESULT OF GAS AND CLEAN FUELS AND TRADING AND SALES SEGMENTS.**

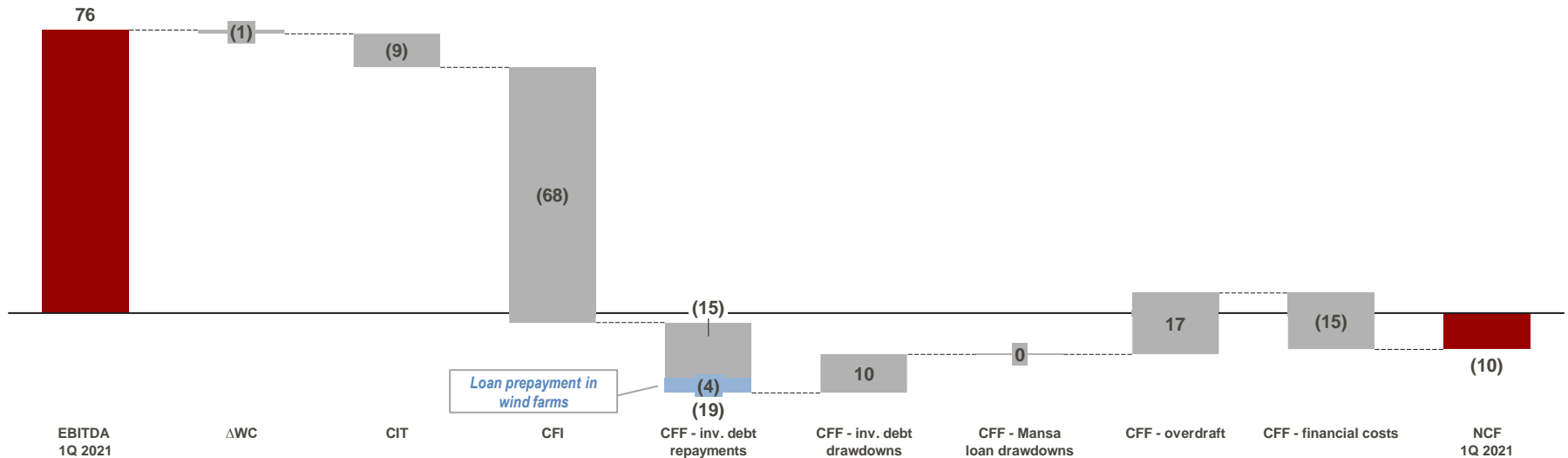
## Structure of EBITDA - Q1 2021 compared to Q1 2020



**REDUCTION IN THE RESULT OF ONSHORE WIND FARMS PARTLY OFFSET BY INCREASED RESULT OF GAS AND CLEAN FUELS AND TRADING AND SALES SEGMENTS.**

## Polenergia Group cash flow

Q1

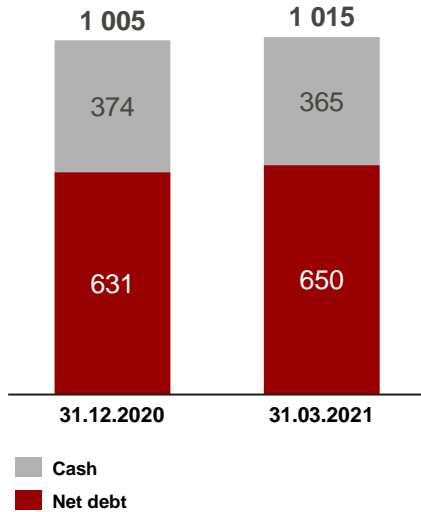


- **Cash flow from investment activities:** Investment expenditure made in the projects in advanced development phase which obtained support in RES auction in 2019 (-51.7m), and in other companies (-6.5m). Premiums to offshore wind farms (-10.0m) and other (-0.2m).
- **Cash flow from financial activities:** Scheduled repayment of investment loan (-14.9m). Prepayment of investment loan in the wind farms (-3.9m). Taking out an investment loan in Distribution (+10.3m). Change of VAT working capital loan in Szymankowo wind farm (-13.2m), change of working capital loan in Polenergia Obrót (+22.0m) and Dystrybucja (+7.7m). The financial flows on account of financial costs consist mainly of interest payments (-11.0m) and lease payments (-4.0m).

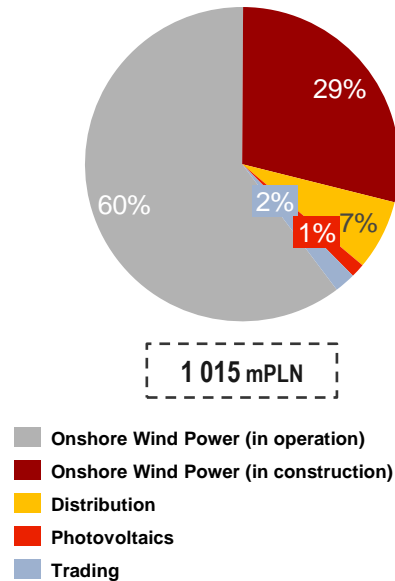
**HIGH INVESTMENT EXPENDITURE IN ONSHORE WIND FARMS FINANCED WITH COMPANY FUNDS AND INVESTMENT DEBT**

## Debt structure as at 31 March 2021

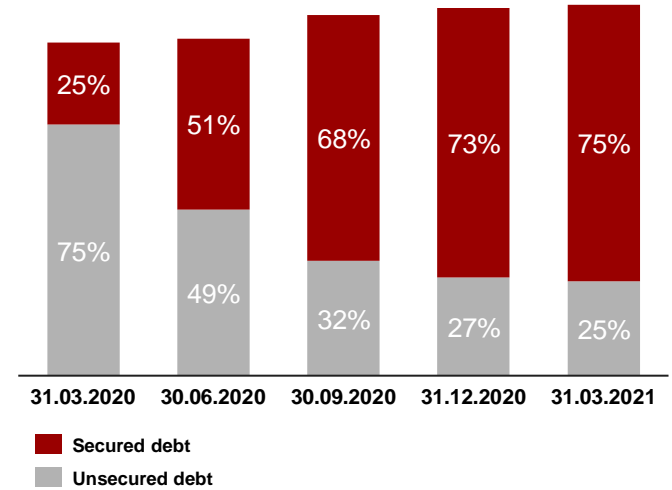
Gross debt (mPLN)



Debt structure as per segments



Debt structure - interest rate hedging

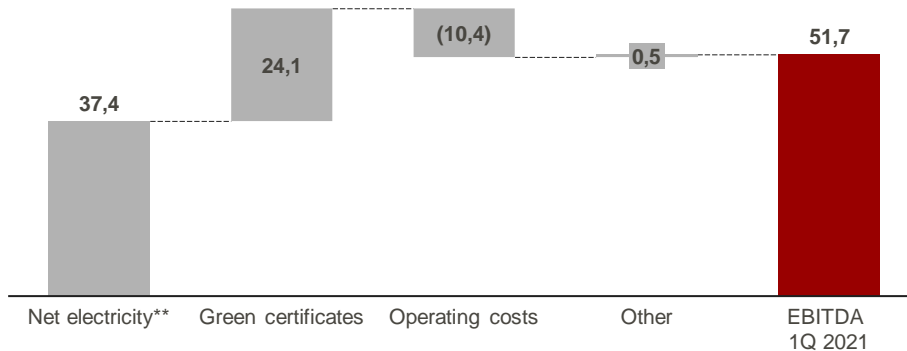


**NO CURRENCY RISK IN THE DEBT STRUCTURE. 75% OF THE DEBT COST HEDGED**



## Onshore wind farms - Q1

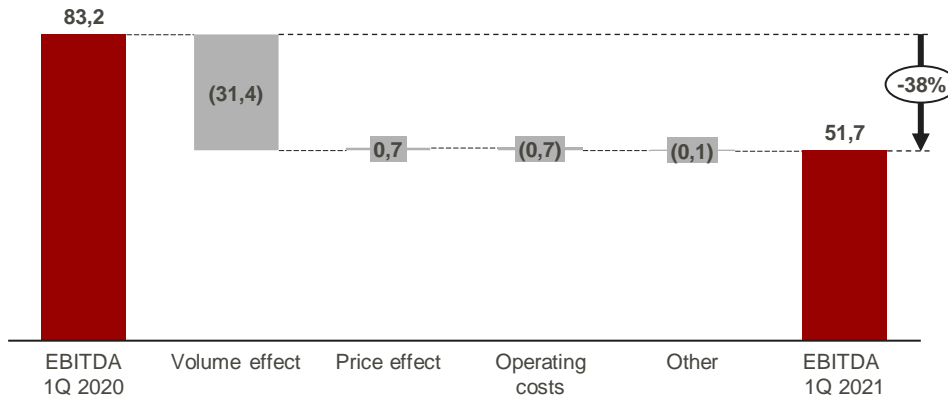
### 1 EBITDA\* build-up



### Comments

- Gross energy production volume lower by 90 GWh.
- The prices of electricity at the level similar to the prices in Q1 2020.
- Increase in green certificates' sales prices at the segment level (by PLN 4 / MWh).
- 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).

### 2 EBITDA\* bridge



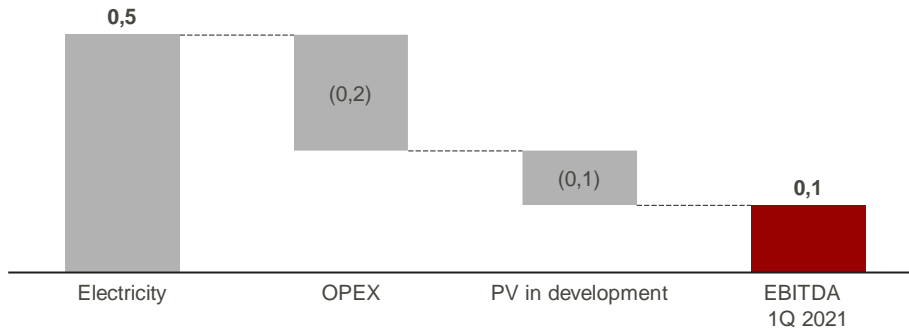
\* In Q2 2020, there was a change in the presentation of activities related to the development and construction of wind farms by allocating them to the Onshore wind farm segment ("other" item). In order to maintain data comparability, the cost of wind farm development and construction was also included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

\*\* term explained in the glossary of abbreviations

**REDUCTION IN EBITDA MAINLY DUE TO LOWER PRODUCTION VOLUME**

## Photovoltaics - Q1

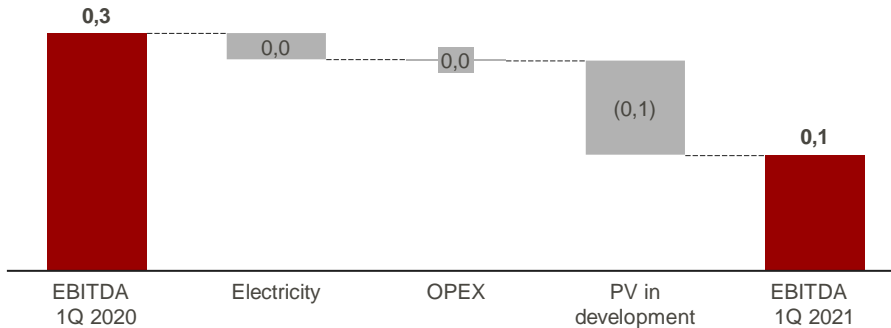
### 1 EBITDA\* build-up



### Comments

- EBITDA generated in the scope of the Sulechów I project, the only Group's project in the operational phase (from the beginning of 2020), is at the level similar to the Q1 2020 level.
- EBITDA in Q1 2021 is by PLN 0.1m lower due to the increased costs related to the progress of photovoltaic projects in development phase.

### 2 EBITDA\* bridge

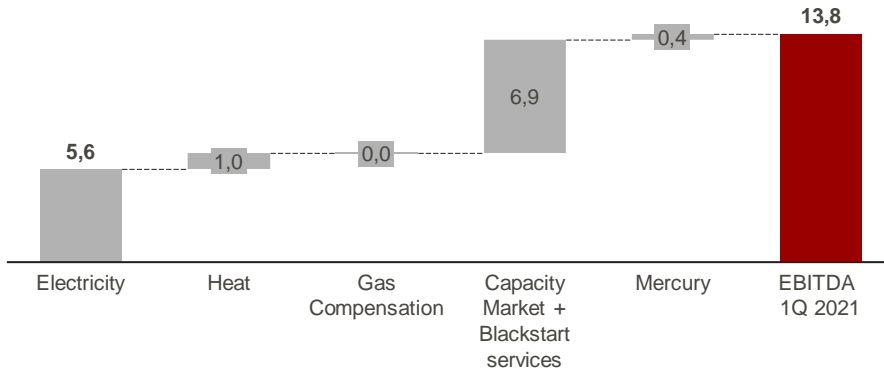


\* Revenues from the sale of electricity and operating costs regarding the Sulechów PV farm in operation.

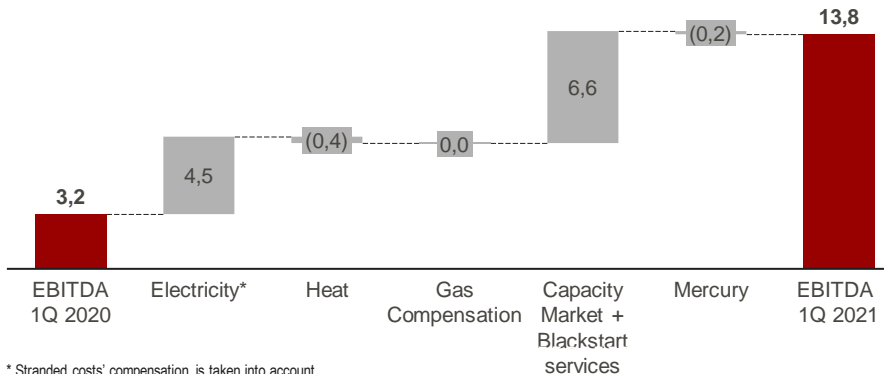
**LOWER RESULT DUE TO HIGHER EXPENDITURE RELATED TO THE DEVELOPMENT OF SUCCESSIVE PHOTOVOLTAIC PROJECTS.**

## Gas and Clean Fuels – Q1

### 1 EBITDA build-up



### 2 EBITDA bridge



\* Stranded costs' compensation is taken into account.

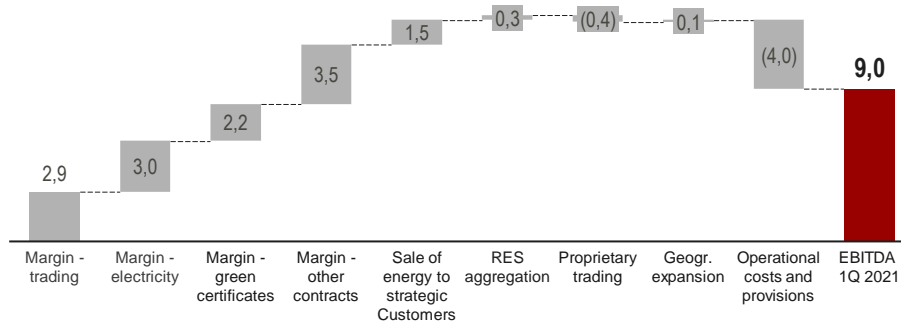
### Comments

- Higher result on electricity due to higher margin on the sales of electricity partly offset by lack of revenues from stranded costs' compensation (end of the compensation system in May 2020).
- New source of revenues from the capacity market starting from January 2021.

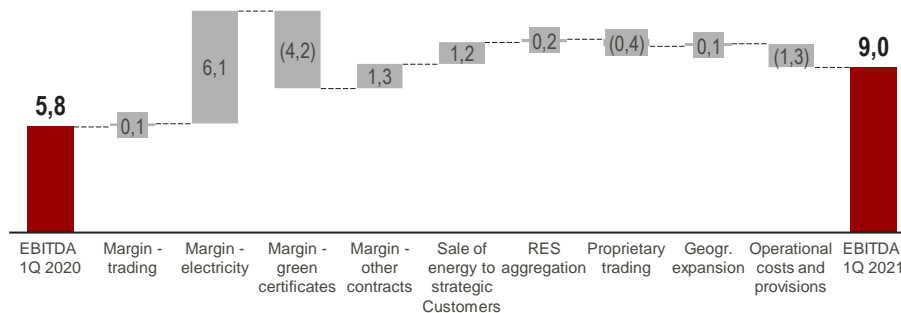
**HIGHER EBITDA DUE TO HIGHER MARGIN ON ENERGY AND REVENUES FROM CAPACITY MARKET**

## Trading and Sales - Q1

### 1 EBITDA build-up



### 2 EBITDA bridge



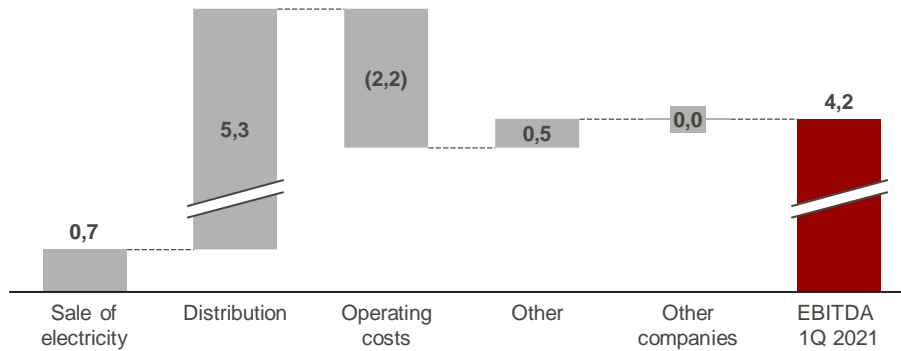
### Comments

- EBITDA increase by PLN 3.2m due to the:
  - increased result on trading in energy from wind farms, including, inter alia, due to optimization of volume hedging and positive effect of the lower profiling costs,
  - increased result on the optimization of the production level in the Group's production assets,
  - effect of implementing the new strategy in the sales to strategic customers.
- The increase was partly offset by:
  - reduced result of the sale of green certificates from wind farms mainly due to lower offer in Q1 2021 (decrease in windiness level and higher cost of sales of certificates) and by PLN 2.9 m lower effect of the evaluation of green certificates stock compared to Q1 2020.
  - higher operating costs due to increased business scale and higher commissions costs,
  - lower result on proprietary trading.

**HIGHER RESULT ON TRADING ELECTRICITY FROM WIND FARMS, OPTIMIZING THE GROUP'S ASSETS PRODUCTION LEVEL AND THE SALES TO STRATEGIC CLIENTS, PARTLY OFFSET BY LOWER RESULT ON THE SALES OF CERTIFICATES FROM WIND FARMS AND HIGHER OPERATIONAL COSTS.**

## Distribution - Q1

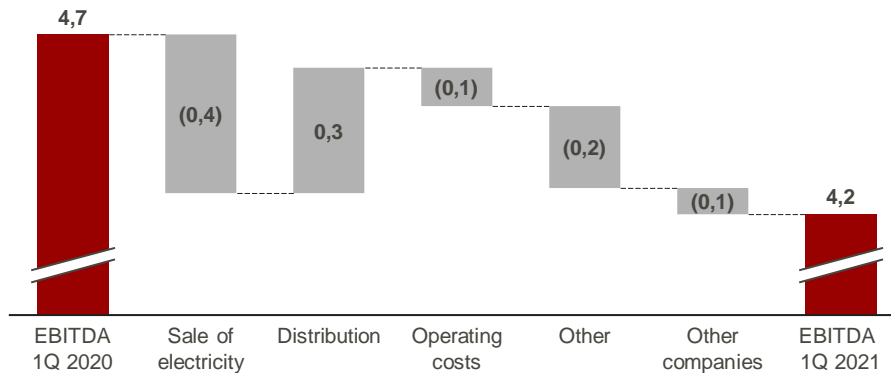
### 1 EBITDA build-up



### Comments

- The distribution segment recorded PLN 0.4m reduction in EBITDA compared to the same period last year, mainly due to:
  - lower margin on energy sale, mainly as a result of a 16% lower volume in connection to the COVID-19 epidemic, lower TPA sale and lower unit margin
  - lower other operational revenues - in Q1 2020 the Company received a refund of real estate tax
  - partly offset by higher margin on distribution.

### 2 EBITDA bridge



**DECREASE OF EBITDA DUE TO LOWER SALES VOLUME AS A RESULT OF COVID-19 PANDEMICS, PARTLY OFFSET BY STABLE INCREASE OF DISTRIBUTION MARGIN**

**04**

## **Progress of the Group's strategy implementation**

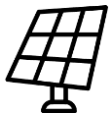
## Progress of the Group's strategy implementation (1/2)

### Onshore wind farms



- Projects in the advanced phase of development
  - 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 entered into to finance the construction of Dębsk (121 MW) and Kostomłoty (27 MW) wind farms. Additionally, an agreement was signed amending and unifying the 2019 loan agreement, increasing the limit of available loans for the Szymankowo wind farm (38 MW).
  - Construction works are performed in line with the schedule. Works related to the construction of roads, assembly yards and foundations as well as turbine assembly works were completed in Szymankowo. The documentation for the application for occupancy permit is under preparation. The production of electricity from the farm started (synchronization with the grid). The planned technological start-up will take place in accordance with the schedule in May, June and July 2021. In Dębsk construction works on structure and electrical system are underway. The construction of the third farm, Kostomłoty, started.
- Other projects
  - 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.
- Works are underway to prepare further projects to participate in future auctions. For individual projects, decisions on participation in the auction will be considered along with the increasing work progress.
- 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.

### Photovoltaic:



- Financing was obtained for a portfolio of three PV projects that won RES auctions in December 2020:
  - Sulechów II (11.7 MW): entering into an annex to the investment loan agreement for the total amount of 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.
- Sulechów II, Sulechów III and the Buk I projects are in the final phase of the preparation for the construction.
- Works are underway to prepare further projects to participate in future auctions. For individual projects, decisions on participation in the auction will be considered along with the increasing work progress.
- 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.

### Offshore wind farms:



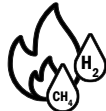
- The act on promoting electricity generation in offshore wind farms was signed by the President of the Republic of Poland.
- The projects in advanced development phase - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of approx. 1.4 GW)
  - by the decision of the President of the Energy Regulatory Office dated May 4th 2021, both projects were granted the right to cover negative balance for electricity produced in offshore wind farms.
- Projects in early development phase - MFW Bałtyk I Sp. z o.o. (planned capacity approx. 1.6 GW)
  - 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 (2/2)



### Distribution:

- The implementation of the approved investment plan for 2019-2022 of the total value of PLN 51m is underway.
- Polenergia Dystrybucja proceeded to the implementation of the investment plan IV for the years 2021-2026 of the total value of PLN 105m. On 15.01.2021, the company entered into an annex to the loan agreement with ING bank, obtaining PLN 75.3m for implementing the plan.
- In Q1 2021 the Company entered into 22 contracts, constituting 15 % of the IV investment portfolio.



### Gas and Clean Fuels:

- Nowa Sarzyna Heat and Power Plant – in compliance with SLA entered into with Polenergia Obrót, ENS commercial standing for 2021 was hedged (optimal energy volume, price of energy, gas and CO2), commercial standing for 2022 is currently being hedged.
- In virtue of the letter of intent entered into by Polenergia with Siemens Energy in 2020, works are underway on the development of gas and hydrogen co-generation 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 also taken in cooperation with Partners to prepare a gas-fired CHP plant in Nowa Sarzyna for the co-firing of natural gas with hydrogen.



### Trading and Sales:

- Optimization of Nowa Sarzyna Heat and Power Plant - more than half of the optimal electricity production structure for 2022 was secured. Due to favorable market conditions ("clean spark spread"), positions were reversed for the Q1 2021, resulting in additional revenues.
- Sales of energy to strategic customers - sales are carried out to industrial recipients acquired in the previous year. The company entered into agreements with customers for the years 2021-2023 and is acquiring more customers.
- RES aggregation - the company is providing services to external RES customers. The existing customers were retained and new customers were acquired for 2021. The Company is submitting offers to prospective customers
- Sales of renewable energy to end customers - Polenergia Sprzedaż launched sales through its website and teleshopping channels. Advanced preparations are underway to launch a marketing campaign.
- 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 analyses of 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.



### Corporate Social Responsibility:

- On 31 March Polenergia was the first company in the energy sector in Poland to launch a comprehensive ESG service, a communication platform for Polenergia's activities from an environmental, social and corporate governance perspective.
- Issue of a full EHS report compliant 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.
- As part of the Charity Policy, further strengthening of charity activities for the benefit of local communities, conducting training for charity leaders.
- Support for the biodiversity protection. Submission of projects from 2020 to the Best Practices of the Responsible Business Forum.
- Continuation of activities under the international Partnership of United Nations Global Compact (UNGC).



## Glossary of abbreviations

✓ Revenues on account of granted and yet unsold green certificates	Revenues are presented <u>without the adjustment</u> 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 goods sold 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 slide 17 include the provisions for revenues set up at the time of production of certificates of origin, while the cost of sales is not adjusted for these revenues.
✓ Net electricity	Revenue from sales of electricity less cost of balancing and profile.
✓ EBITDA	Gross profit minus financial income plus financial costs plus depreciation plus 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.
✓ SLA	Service Level Agreement.
✓ ESG	Environment, Social and Governance.
✓ EHS	Environment, Health and Safety.
✓ DSR	Demand Side Response