

Dear Shareholders,

the last several months have confirmed the direction taken by Polenergia was right. The growing financial results and the efficiently launched new share issue are strong foundations to build further growth. It is our belief that continued development and construction of emission-free sources of energy will not only translate into higher worth for the shareholders, but also contributes to creating a better, sustainable, and green future.

On 2 March 2022, the public offering of equity shares was closed yielding around PLN 1 billion. These funds will permit the Group to efficiently implement its Strategy for the years 2020-2024. Thanks to this money, we will finance the capital expenditures including the development of the offshore wind farm projects, the development and construction of the onshore wind farm projects, as well as development and acquisition operations in selected business areas both on the domestic and foreign markets.

In the opinion of the Management Board, the year 2021 confirmed that Polenergia has been highly resilient to adverse macroeconomic environment caused by the COVID-19 epidemic. Better financial performance than that of the preceding year indicates that the continued pandemic did not materially affect the Group's operations. At the same time, the Group's companies remain directly unexposed to any adverse effect of the armed conflict in Ukraine due to their marginal involvement in operations in Russia, Belarus, and Ukraine.

In 2021 the Polenergia Group's performance at the level of adjusted EBITDA reached PLN 361.2 million, which means an upside of PLN 104.4 million compared to the result of 2020. The growth of the EBITDA result was mainly due to a PLN 117.0 million excess performance of the gas and clean fuels segment – thanks to the implementation of the work optimizing process at Nowa Sarzyna Plant. Said growth has been partly offset by lower result of the onshore wind farm segment (by PLN 9.8 million) due to lower production volume resulting from poorer windiness compared to the year 2020.

The growth in the gas and clean fuels segment from PLN 18.8 million to PLN 135.7 million was achieved mainly due to the work optimization at ENS, better result on the sale of heat and system-related services (RMR) and gas compensation revenues. The optimization process involved reversing in 2021 the short- and medium-term transactions hedging the production and sale of electrical energy at Nowa Sarzyna Plant, as well as reversing the full hedge for the years 2022 and partial hedge for 2023. The curbing of the planned production and realizing the margin on the closing of the futures market position were made possible due to the change in the margin level reflecting the price changes for electricity, gas, and CO₂ allowances in relation to the electricity production at ENS.

The trading and sales segment recorded a growth of the EBITDA result by PLN 0.4 million compared to 2020, mainly as an effect of the optimization of the hedging of production and sales at ENS, better result on the trading portfolio, sales to strategic customers and proprietary trading. Said growth was offset by lower results on RES aggregation and trading of wind farm energy due to higher both profile and balancing costs

and on trading in certificates, as well as due to higher operating expenses related to the larger scale of business.

The onshore wind farm segment recorded a lower EBITDA result by PLN 9.8 million, mainly due to smaller production volume caused by poorer windiness. The impact of the production volume which was lower by 10 per cent from the project base of 2020 and 2021 was partly offset by the production of the Szymankowo Wind Farm brought into operation in 2021, the production in the start-up phase of the Dębsk Wind Farm in Construction and the higher prices of green certificates and electricity.

In turn, lower result by PLN 0.8 million in the PV segment is mainly attributable to the effect of increased costs related to the projects in the development phase.

The higher EBITDA result by PLN 4.2 million in the distribution segment was driven mainly by higher margin on distribution of electricity caused by the growth of revenues from connection fees, higher unit margin on sales of electricity and the enactment of the new tariff. The result was partly offset by higher operating costs, as well as the costs expended for the e-mobility pilot project.

Polenergia has been consistently implementing the assumptions made in the Strategy for the years 2020 - 2024. After the Szymankowo Wind Farm had been brought into operation, the total installed capacity in the wind power segment increased from 249 MW to 287 MW. The completion of a record-breaking project in the Group's history, i.e., the 121 MW Dębsk Wind Farm which is already in its start-up period has been scheduled for mid-2022. In February 2022 deliveries of wind turbine components and the assembly works commenced at the 27 MW Kostomłoty Wind Farm. Further two projects with secured support in the auction system are at the stage of preparation to construction. For the projects of the 13 MW Piekło Wind Farm and the 44 MW Grabowo Wind Farm investment agreements to finance construction has been concluded up to the total amount of PLN 257 million.

In the second quarter of 2022, construction of three PV project portfolios is scheduled to completion: Sulechów II, Sulechów III and Buk, which will increase our installed capacity in that segment from 8 MW to 36 MW. Further PV farm projects with a total capacity of ca. 56 MW successfully participated in the December auction for the sale of energy from renewable energy sources. The commencement of their construction is intended in the second half this year, after financing and corporate approvals are obtained.

The abovementioned wind power and photovoltaics projects provide a near prospect of the growth of the green, zero-emissions projects of the aggregate installed capacity of 584 MW. At the same time, Polenergia is engaged in intense work aimed at preparing further projects for participation in future RES auctions.

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies preparing the development of the three offshore projects located in the Baltic Sea with a total capacity up to 3000 MW. The decision of the ERO President dated 4 May 2021 granted the MFW Bałtyk II and MFW Bałtyk III projects with a total capacity of 1440 MW the right to cover the negative balance of so-called the contract for difference, thus these projects has been included in phase one of the development of the Polish offshore wind power sector. In the offshore sector, Polenergia agreed

with the Lithuanian company Modus Energy AB the key conditions of the joint venture agreement with the goal to develop offshore wind power projects using the associated infrastructure in the Lithuanian territory of the Baltic Sea.

Based on the letter of intent executed in June 2020 by Polenergia and Siemens Energy, works are in progress in terms of developing hydrogen projects. Together, the companies have been developing a high-profile project for generation and storage of hydrogen produced by water electrolysis with the participation of its own renewable energy. In cooperation with the Partners, steps have also been taken to prepare the Nowa Sarzyna Plant to co-combustion of hydrogen with natural gas. In addition, the high-profile hydrogen project filed by Polenergia in the hydrogen technologies and systems contest, after formal vetting and compliance verification with the criteria was approved in May 2021 for further development and is now in the path for pre-notification to the European Commission.

In the trading and sales segment, a significant growth of the strategic end customers portfolio was achieved. New generating entities were contracted for the business in terms of the external RES sources aggregation and sales of renewable energy to end customers was launched. The green energy generated in the Polenergia assets is being sold in the Energia 2051 standard which is unique on the Polish market. It is 30 years ahead of the market, as it already complies with the guidelines of the European Green Deal requiring the supply of zero-emissions energy from 2050. Under the flexibility services business line, a contract has been signed for the provision of DSR services with Polskie Sieci Elektroenergetyczne. Commercial business on the wholesale markets has been continued on the Group's own account (prop trading), with the implemented trading strategies making the most of the market volatility, while maintaining restrictive measures of risk exposure.

It is a strategic goal of Polenergia to increase presence among the end customers in the distributed generation segment, as there will be no efficient transformation of the Polish energy sector without the participation of the prosumers. The conclusion of the deal with Edison Energia resulting in the acquisition of 100% of the shares in that company permitted the Group to dynamically enter that market. The emergence of the companies Polenergia Fotowoltaika (Photovoltaics) and Polenergia Pompy Ciepła (Heat Pumps) not only broadened the product range of the entire Group but also strengthened the green energy sales potential and fostered additional services for both business and household customers. Despite the change of the support scheme by discontinuing the prosumer discount scheme and launching the net billing system, we expect that high energy prices will continue to motivate many new customers to install their own PV systems to get a feeling of independence of their households in terms of energy supply.

In the distribution segment, as of 7 December 2021, new electricity distribution and sales tariff for Polenergia Dystrybucja has been in place, with RAB at PLN 118.1 million. The approved Investment Plan III for the years 2019 - 2022 worth PLN 51 million in total has been under implementation. The Company has also commenced implementation of the Investment Plan IV for the years 2021 -2026 worth PLN 105 million in total. Said Plan provides for launching investments with respect to the design and construction of electrical energy infrastructure aimed at supplying power to new facilities and customers, in particular to the new residential condominiums.

On top of that, the Group has been efficiently supporting the development of green e-mobility. In 2021, Polenergia eMobility launched the sale of the charging stations with a comprehensive implementation service. The Company commenced the initial phase of the project to build the system of public charging stations by way of securing the stations' locations.

We are satisfied to see that the regulatory process has been convergent with our development plans. The examples of such convergence with our development path are i.e. the enactment of the act on promoting generation of electricity in offshore wind farms, the adoption of the Polish Hydrogen Strategy until 2030 or the approval of the support scheme for Polish renewable energy generators for the years 2022 - 2027 by the European Commission. In addition, the government's hints that the 10H rule will be liberalized will permit to increase the investment potential of the Group in the zero-emissions sources of energy.

It is our belief that due to our zero-emissions projects, we are able to actively participate in the energy market transformation that changes the way of thinking about generation, delivery and consumption of energy - in accordance to our status of the largest private energy group being the first player in the Polish energy sector that represents New Energy Industry.

Sincerely,

Michał Michalski Ph.D. Economics – President of the Management Board