

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

# Polenergia Group

Q4 2021 Financial Results

April 2022

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# Agenda:

- 01. Summary of major events Q4 2021
- 02. Summary of key operating parameters
- 03. Financial results Q4 2021
- 04. Group's strategy implementation status





# Summary of major events Q4 2021

# Summary of the fourth quarter of 2021: key events (1/3)

	Fact	Outcome/Comment
L.	High energy production from wind farms in Q4 2021	<ul> <li>Higher windiness in Q4 by 57.9 GWh compared to the corresponding period of the preceding year.</li> <li>Volume YTD lower by 8.6 GWh than in 2020.</li> </ul>
	Positive result of optimized production in ENS	As a result of the changes in the level of margins towards a negative Clean Spark Spread ('CSS'), it was decided to reverse the transactions hedging the generation and sale of electricity in ENS. About 30% of the 2023 hedged position were reversed.
		The valuation of financial instruments related to the a/m transactions, means that the following items were recognized under the Q4 2021 result: (i) the result on the planned production of ENS for future periods affected by the transactions worth 1.4m, and (ii) the impact of additional optimization and positive CSS changes (negative CSS level) of 6.2 m. Valuations concerning Q4 2021 which at the end of Q3 were recorded in the amount of PLN 25.8 m, have been recognized under the realized profit/loss
	Consistent implementation of the Polenergia Group Strategy for the years 2020-2024	Onshore wind farms: Continuation of the construction of the portfolio of two wind farm projects and preparation for the construction of two further projects:
		Dębsk: construction according to schedule;
		<ul> <li>Kostomłoty: construction according to schedule;</li> </ul>
		Piekło and Grabowo: construction started at the end of March.
		Photovoltaics: The final stage of building a portfolio of three PV projects with a total capacity of 28 MW that secured an auction offtake under the RES support scheme in 2020 - Sulechów II, Sulechów III and Buk.
		Offshore wind farms: On 1 December 2021, the Company agreed with a Lithuanian company Modus Energy which will be its local partner, the key conditions of the joint venture agreement with a goal of developing off-shore projects.
		Distributed energy: On 31 December 2021 the Management Board of Polenergia S.A. executed the Final Share Sale Agreement (FSSA) concerning the sale of 100% of shares in Edison Energia S.A. by the shareholders of the latter. The price was agreed at PLN 74.9 million and the transfer of the ownership title to the company's shares took place on 3 January 2022.
		System-related services Since 1 January 2021 Elektrociepiownia 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 self-start and system reconstruction services for PSE. In Q4 2021, Nowa Sarzyna provided support to the power system operating on a RMR (Reliability-Must-Run) basis.

Fact

# Summary of the fourth quarter of 2021: key events (2/3)

	The public offering of the AA series shares	<ul> <li>On 27 January 2022, the Financial Supervision Committee (KNF) approved the prospectus prepared in connection with the intended public offering of no more than 21,426,807 fresh ordinary AA series shares.</li> <li>According to the Prospectus approved by KNF, the price of a single new share is PLN 47 PLN. These funds will be allocated to a large extent to finance the development and construction of zero-emissions energy sources.</li> </ul>
		The value of funds obtained from the share issue amounted to PLN 1,003.9 million
	The Group's strong resilience to changes in the macroeconomic environment and the impact of the war in Ukraine	Involvement in the markets of Ukraine, Belarus and Russia: The Polenergia Group is not directly exposed to any adverse effects of the conflict due to the marginal involvement of the Group's Companies in operations in Russia, Belarus and Ukraine or in cooperation with partners established in these countries.
		<u>Raw material price volatility</u> : the margin on electricity production in 2022 is not endangered due to the reversal of contracts for the sale of electricity and the purchase of gas and CO <sub>2</sub> emission allowances in 2021. On the other hand, the gas supplies related to the heat production contracts have already been hedged (in terms of volume and fixed price) until the end of 2023. The persisting high energy prices, together with the limited use of conventional sources such as coal, gas and oil, may provide an additional incentive to increase the scale of investments in RES. As a consequence, it may facilitate legislative processes and provide access to additional funds to support such investments.
		Interest rate risk: the sensitivity of the operating part of onshore wind farm segment to fluctuation of interest and exchange rates is low due to the earlier hedging of projects. On the other hand, the higher cost of working capital facility in the Trade and Sales segment due to the increase of interest rates, may result in a significant decrease of the return on the operations.
		Risk of increased costs and extended duration of projects' implementation: the increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. The raise of interest rates triggers increased financing costs while the increase in raw materials and commodity prices combined together with the volatility of the EUR/PLN exchange rate may lead to an increase in total investment costs.

**Outcome/Comment** 



Favorable regulatory framework (1/2)

#### Onshore wind farms (1/2)

The government announced liberalization of the "10H" rule. The expected commencement date of the amending process in the Polish Parliament is Q2 2022. <u>Impact:</u> Further development of the segment and implementation of the Group strategy.

# Summary of the fourth quarter of 2021: key events (3/3)

#### Fact



Favorable regulatory framework (2/2)

#### **Outcome/Comment**

#### Onshore wind farms (2/2)

- The Ministry of Climate and Environment submitted for consultation a project of regulation on changing the share of electricity resulting from redeemed certificates of origin in 2023. Compared to the level applicable in 2022, the obligation for green certificates is reduced by 8.5 percentage points from 18.5 percent. up to 10 percent. Moreover, the Ministry has flagged possible intervention in the green certificates market and has been analyzing, among others, possible modifications to the conditions for payment of the substitute fee in order to provide greater flexibility on the part of the obligated parties to choose the path to fulfill the RES obligation. Impact: The Group has been consistently hedging its production in subsequent years at favorable market prices. Any potential negative changes will become visible after 2023. The Group's exposure to the price of green certificates has been progressively reducing due to the gradual exit of the facilities from the system (15-year support period).
- The European Commission has approved the support scheme for renewable energy producers notified by Poland, which is to apply in the years 2022-27, hence in the next five years the investors will receive subsidies totaling almost PLN 44 billion. Impact: further possibility of implementing projects based on CfD-type of contracts.

#### E-mobility

In January 2022, a call for proposals was launched under the program "Support for electric vehicles charging infrastructure and hydrogen fueling infrastructure" which is meant to establish a network of over 17 thousand electric car charging stations and 20 hydrogen stations all over Poland. <u>Impact:</u> a dedicated support system expedites the implementation of the Group's objectives.

#### Gas and clean fuels

On 7 December 2021, the full text of the Polish Hydrogen Strategy until 2030 was published in *Monitor Polski*. The planned capital expenditures by 2030 will amount to ca. PLN 11 billion, of which ca. PLN 9 billion, will be spent for the facilities for the production of low-emissions and zero-emissions hydrogen. <u>Impact:</u> the adoption of the legal framework and support of hydrogen projects is fundamental to the implementation of the Group's hydrogen strategy.

#### **Trading and sales**

On 15 December, the President of Poland signed an Act which abolished the prosumer system of rebates and, as a result, a net-billing system will be in place as of 1 April 2022, where the settlement of the energy fed into the grid by the prosumer will take place at market price while the prosumer will purchase energy from the grid at tariff price. Impact: Despite the change of the support system to, at least in theory, less favorable, high energy prices encourage customers to set up new installations.

# Key indices and market prices

#### Prices of green certificates and electricity



#### **Forward electricity prices**



#### Stock exchange price quotations of Polenergia S.A. shares



Coal price and CO<sub>2</sub> emission allowance quotations on the Polish market



\* Average GC price weighted against the transaction volume in the corresponding period of the preceding year was: 137.4 PLN / MWh



# Summary of key operating parameters



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# Summary of key operating parameters - Onshore wind farms



\* 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 from the start date of power generation

#### Net productivity of Polenergia farms above the average\*



THE USE OF STATE-OF-THE-ART TECHNOLOGIES, VERY GOOD LOCATION OF PROJECTS AND AN EXPERIENCED TECHNICAL TEAM PERMIT TO CONSTANTLY ACHIEVE HIGHER OUTPUT THAN THE MARKET AVERAGE.

**Distribution – sales [GWh]** 

# Summary of key operating parameters - Gas and clean fuels and Distribution



\* Regulatory asset base – the term explained in the glossary

\*\* Term explained in the glossary

\*\*\* Gross margin at ENS level, without the impact of the optimization in 2022 and part of 2023, recognized in the consolidated financial performance of the Group

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



# Financial results Q4 2021



# Financial results Q4 2021



BRINGING THE SZYMANKOWO WIND FARM INTO OPERATION.

# Structure of the EBITDA result – Q4 2021 compared to Q4 2020



#### Structure of the EBITDA result in Q4 2021

#### Structure of the EBITDA result in Q4 2020



INCREASED RESULT IN THE GAS AND CLEAN FUELS, ONSHORE WIND FARMS AND DISTRIBUTION SEGMENTS, PARTLY OFFSET BY LOWER RESULT IN THE TRADING & SALES AND UNALLOCATED SEGMENTS

# Structure of the EBITDA result - four quarters of 2021 compared to four quarters of 2020



#### Structure of the EBITDA result in 2021

#### Structure of the EBITDA result in 2020



BETTER RESULT IN THE GAS AND CLEAN FUELS, DISTRIBUTION AND TRADING & SALES SEGMENTS, PARTLY OFFSET BY THE DECREASE IN THE RESULT OF THE ONSHORE WIND FARMS, UNALLOCATED AND PHOTOVOLTAICS SEGMENTS.

# Cash flow of the Polenergia Group

#### The Group's cash flow in Q4 2021



**Net cash flows from investing activities:** Capital expenditure incurred in the wind farm and PV farm projects under construction and development (282.1m) and in other companies (8.6m). Contributions to offshore wind farms (-47.5m) and other companies (-0.9m). Sale of the Mercury project (3.7m). Payment for Edison acquisition (-71.9m).

**Cash flows from financing activities:** The scheduled repayment of the investment loan in the onshore wind farm segment (-51.6m), photovoltaics (-0.3m) and distribution (-0.7m). Repayment of debt to Mansa (-235.6m). Bridge financing incurred at Headquarters (250m), investment loan in Distribution (7.5m) and in wind farm and PV farm project companies (136.5m). Change in overdraft / VAT loan in Trading (10.2m), Distribution (-8.8m) and Wind and PV farms (+36.8m). Financial flows related to financial expenses include mainly interest payments (-7.2m) and lease payables (-0.9 m).

# Cash flows of the Group YTD



- **Cash flows from investing activities:** Capital expenditure incurred in the wind farm and PV farm projects under construction and development (548.1m) and in other companies (28.9m). Contributions to offshore wind farms (-108m). Earn-out received (225.4m), Sale of the Mercury project (3.7m). Payment for Edison acquisition (-71.9m).
- **Cash flows from financing activities:** The scheduled repayment of the investment loan in the onshore wind farm segment (-101.0m), photovoltaics (-0.8m) and distribution (-2.8m). Repayment of debt to Mansa (-235.6m). Investment loan in onshore wind farm projects and PV projects (324.4 m) and distribution (-23.4 m). Borrowing incurred in the Dębsk wind farm (83.6m) and in Kostomłoty wind farm (10m). Bridge financing at Headquarters (250m). Change in overdraft / VAT loan in Trading (+37.1m), Distribution (+1.7m) and Wind and PV farms (+41.9m). Financial flows accounting for financial expenses include mainly interest payments (-32.1m) and lease payables (-5.5 m).



HIGH CAPITAL EXPENDITURES IN WIND AND PHOTOVOLTAIC FARMS AND OFFSHORE INVESTMENTS FINANCED WITH EQUITY, INVESTMENT DEBT AND BRIDGE FINANCING. IMPACT OF ADDITIONAL PAYMENTS FROM SALE OF SHARES IN OFFSHORE WIND FARM PROJECTS IN 2018



# Debt structure of the the Polenergia Group as at 31 December 2021





NET DEBT INCREASE IN Q4 DUE TO GROSS DEBT INCREASE, NO F/X RISK IN DEBT STRUCTURE. THE COST OF DEBT HEDGED IN 65% FOR BANK LOANS, OF WHICH 86% FOR INVESTMENT LOANS

# **Onshore wind farms - Q4**

#### **EBITDA build-up**



#### **EBITDA bridge**



#### Commentary

- Gross production volume higher by 57.92 GWh.
- Increase in sales prices of electricity at segment level (by PLN 4.1/MWh).
- Drop in sales prices of green certificates at segment level (by PLN 4.0/MWh).
- Operating costs in Q4 2021 exceeded those in Q4 2020 due to higher costs of maintenance, energy for own use and third-party services.
- Among other effects affecting the EBITDA, the most important impact was that of the better result on the development of new wind farm projects due to the commencement of production by the first turbines at the Dębsk wind farm.
- Income from green certificates granted but yet unsold\* and the associated selling expenses are presented without the IFRS 15 adjustment (unlike in the presentation in the consolidated annual report).

#### HIGHER PRODUCTION VOLUMES, HIGHER ELECTRICITY SALES PRICES AND HIGHER RESULT OF WIND FARMS UNDER CONSTRUCTION PARTLY OFFSET BY LOWER SALES PRICES OF GREEN CERTIFICATES

# **Onshore wind farms - YTD**

#### **EBITDA build-up**



#### **EBITDA bridge**



#### Commentary

- Gross production volume lower by 8.6 GWh.
- ▶ Increase in sales prices of electricity at segment level (by PLN 0.7/MWh).
- Growth in sales prices of green certificates at segment level (by PLN 2.1/MWh).
- Operating costs in four quarters of 2021 exceeded those in four quarters of 2020 due to higher costs of technical maintenance, Energy for own use and third-party services.
- The result on wind farm development (being a part of the Other item) was higher YTD in Q4 2021 than in the corresponding period of 2020 by PLN 6.6 million, due to the start of production by the first turbines at the Dębsk wind farm.
- Income from green certificates granted but yet unsold \* and the associated selling expenses are presented without the IFRS 15 adjustment (unlike in the presentation in the consolidated annual report).

LOWER RESULT DUE TO LOWER PRODUCTION VOLUMES AND HIGHER OPERATING COSTS, PARTLY OFFSET BY BETTER PERFORMANCE OF WIND FARMS UNDER CONSTRUCTION AND HIGHER PRICES



## Photovoltaics - Q4

#### **EBITDA build-up**



#### Commentary

- The performance of the segment comprises mainly revenues from the sale of electricity guaranteed by the auction scheme support, generated by the portfolio of 8 PV projects (Sulechów I).
- ▶ The EBITDA result of Sulechów I in Q4 2021 was at a similar level compared to Q4 2020 (+PLN 0.1 m).

Lower result under 'Other' item is due to higher costs in connection with the development of further PV projects in the Group in Q4 2021 compared to Q4 2020.





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DROP IN RESULT DUE TO HIGHER COSTS ASSOCIATED WITH THE DEVELOPMENT OF FURTHER PV PROJECTS IN THE GROUP

PV - YTD

# EBITDA build-up

#### Commentary

The EBITDA result in the PV segment in 2021 was lower by PLN 0.8m compared to 2020, predominantly due to increased costs related to the development of the PV projects in the development phase.

#### **EBITDA bridge**





DROP IN RESULT DUE TO HIGHER COSTS ASSOCIATED WITH THE DEVELOPMENT OF FURTHER PV PROJECTS IN THE GROUP

**EBITDA build-up** 

## Gas and clean fuels – Q4

#### 0,0 6,8 (11,4) 28,4 0,0 15,4 17,5 EBITDA Electricity Heat Capacity Market Gas Contracts Mercury + Blackstart Valuation 4Q 2021 services **EBITDA bridge**

#### Commentary

- Higher result on electricity mainly due to the optimization in ENS (valuation of forward transactions hedging the production and sale of ENS in a part of 2023), of which 1.4m is the result on the projected production of ENS for the a/m periods covered by the transactions (time shift).
- Since January 2021, a new source of revenue from the capacity market.
- Higher result on heat comes from additional revenues in December 2021 (13.4m,) partly offsetting higher gas costs in 2022.



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

# Gas and clean fuels - YTD





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

\* Includes final stranded costs compensation

## Trading and sales - Q4

#### **EBITDA build-up**



#### **EBITDA bridge**



#### Commentary

- Decrease the EBITDA result by PLN 22.5m due to:
  - lower performance on the business in the RES aggregation line wind farm-originating energy trading as a result of the adverse impact of high profile costs,
  - lower result on the wind farm-originating energy trading as a result of the adverse impact of high profile costs,
  - a decrease in the result on the sales to strategic customers related to the measurement of forward transactions,
  - higher operating costs and commission costs resulting from the increased scale of business
- This decrease was partly offset by:
  - higher margin on the trading portfolio due to the implementation of the short-term strategy on energy markets,
  - an increase in the result due to implementation of the strategy on the energy and gas markets, coupled with high price volatility, under proprietary trading.
  - additional PLN 1.3m on optimization performed under the SLA resulting in the measurement of part of the planned ENS production for 2023.



DECREASE IN RESULT ON RES AGGREGATION, WIND ENERGY TRADING AND SALES TO STRATEGIC CUSTOMERS PARTLY OFFSET BY HIGHER RESULT ON THE TRADING PORTFOLIO, PROP TRADING AND OPTIMIZATION OF THE ENS PRODUCTION LEVEL

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# **Trading and sales - YTD**

#### **EBITDA build-up**



#### **EBITDA bridge**



#### Commentary

- Growth of the EBITDA result by PLN 0.4m due to:
  - the result on short-term optimizations in the current year and midterm optimizations performed under SLA in terms of hedging production and sales of ENS, resulting in the measurement of PLN 11.1 worth of forward transactions for 2022 and partly for 2023,
  - better performance on the trading portfolio due to the implementation of the short-term strategy on, among others, electricity markets,
  - sales to strategic customers and limited proprietary trading in the field of energy and gas
- Said growth was offset by:
  - lower result on RES aggregation and wind farm-originating electricity trading due to higher profile and balancing cost in Q4 2021.
  - lower result on trading in green certificates from wind farms, mainly due to lower production of certificates in 2021 and lower impact of the green certificate inventory measurement by PLN 1.2m,
  - higher operating costs and commission costs resulting from the business scale.



HIGHER RESULT ON THE OPTIMIZATION OF THE PRODUCTION LEVEL OF ENS, THE TRADING PORTFOLIO, PROP TRADING AND SALES TO STRATEGIC CUSTOMERS COMPENSATE FOR A LOWER RESULT ON RES AGGREGATION, TRADING IN ELECTRICITY AND WIND FARM CERTIFICATES AS WELL AS HIGHER OPERATING COSTS AND COMMISSIONS



#### **Distribution - Q4**

#### **EBITDA build-up**



#### **EBITDA bridge**



#### Commentary

- The distribution segment recorded a growth of the EBITDA result by PLN 3.1m compared to the corresponding period of the preceding year, mainly because of:
  - higher distribution margin, mainly due to higher revenues from connection fees, the entry into force of a new tariff in December 2021 and lower energy demand in 2020 as a consequence of epidemiological constraints
  - higher unit margin on energy sales
- partially offset by:
  - higher operating costs
  - lower result of Polenergia Kogeneracja on gas distribution due to lower volume and higher cost of balancing gap
  - costs incurred for the implementation of the electro-mobility pilot project.

# STABLE OPERATIONAL ACTIVITY. THE INCREASE IN EBITDA DUE TO HIGHER REVENUES FROM CONNECTION FEES, ENTRY INTO FORCE OF THE NEW DISTRIBUTION TARIFF AND HIGHER MARGIN ON SALES OF ENERGY



## **Distribution - YTD**

#### **EBITDA build-up**



#### Commentary

- The distribution segment recorded a growth of the EBITDA result by PLN 4.2m compared to the corresponding period of the preceding year, mainly because of:
  - higher distribution margin, mainly due to higher revenues from connection fees, entry into force of a new tariff and lower energy demand in 2020 as a consequence of epidemiological constraints
  - higher unit margin on energy sales
- partly offset by:
  - higher operating costs
  - costs incurred for the implementation of the electro-mobility pilot project.

#### **EBITDA bridge**



#### STABLE OPERATIONAL ACTIVITY THE INCREASE IN EBITDA DUE TO HIGHER REVENUES FROM CONNECTION FEES, ENTRY INTO FORCE OF THE NEW DISTRIBUTION TARIFF AND HIGHER MARGIN ON SALES OF ENERGY



# Group's strategy implementation status

# **Group's strategy implementation status (1/4)**

Polenergia has obtained funding for three PV projects and two wind farm projects and has started to operate the Szymankowo project, with the construction of the Dębsk and Kostomłoty wind farms remaining on schedule

Area	Status
	Projects under advanced development:
Onshore wind farms	The Group continues works aimed at the development of four wind farm projects of the total capacity of 205 MW which secured support under the RES support auction scheme.
	In 2020, loan agreements were entered into for the financing of the construction of the Debsk wind farm (121 MW) and the Kostomioty wind farm (27 MW), with loan agreements for Grabowo (44 MW) and Piekio (13,2 MW) executed in December 2021.
	<ul> <li>Construction works at in wind farms under construction have been on schedule, with turbine installation at D</li></ul>
	Other projects:
	The wind farm projects: Piekło, which secured an auction offtake in December 2020, and Grabowo, which secured an auction offtake in December 2021, obtained investment clearances in December 2021 for their development. Currently, these projects are under construction. Facility agreements for the financing of those projects and contracts for the supply of turbines and the performance of electrical and construction works have been signed. Companies have been selected to provide contract engineer services. The construction works started at the end of March 2022. Completion of construction with respect to those projects has been intended in the second half of 2023.
	Works are in progress aimed at preparing further projects for participation in future auctions. For individual projects, decisions will be considered to participate in auctions or other forms of ensuring future production revenues, as the development will progress reaching further phases. The Group continues further development of wind projects with a view to attain the goals identified in the Group's Strategy for the years 2020 - 2024.
	Projects under advanced development:
- C Photovoltaics	The Group continues works aimed at the development of three PV projects of the total capacity of 28 MW which secured auction offtake under the RES support auction scheme.
	In 2021, loan agreements were entered into to finance the construction of those farms - Sulechów II (11.7 MW), Sulechów III (9.8 MW) and Buk (6.4 MW).
	Earth works were completed in the area of the farms, inverters and container stations were assembled, and 100% of photovoltaic modules were installed.
	Other projects:
	The Group is preparing two photovoltaic projects (Świebodzin and Strzelino) with a total capacity of ca. 56 MW, which secured auction offtake under the RES support auction scheme in December 2021.
	Works are in progress aimed at preparing further projects for participation in auctions. For individual projects, decisions will be considered to participate in auctions or other forms of ensuring future production revenues, as the development will progress reaching further phases. The Group continues developing its photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020 - 2024.

# Group's strategy implementation status (2/4)

Intense development of the business of the Group continues; Elektrociepłownia Nowa Sarzyna joined an international consortium for the use of hydrogen as a zero-emissions fuel in gas turbines, the ultimate goal is to switch the gas turbines in ENS to clean hydrogen fuel

Area	Status
Offshore wind farms	<ul> <li>The Act on promoting electricity generation in offshore wind farms was signed by the President of Poland.</li> <li>Advanced development phase projects - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of ca.1.4 GW).</li> <li>Early development phase projects - MFW Bałtyk I Sp. z o.o. (planned capacity of ca.1.6 GW).         <ul> <li>An environmental research program is in progress with a view to draw up an environmental impact report. The project was granted extension of validity of the previous decision, with a request for a new decision submitted for re-examination.</li> </ul> </li> <li>Polenergia became signatory of "Sectoral agreement for the development of offshore wind energy in Poland". This is the second sectoral agreement in the world, the aim of which is to maximize the share of the local content in the supply chain in the process of construction of offshore wind farms in the Baltic Sea.</li> </ul>
Distribution	<ul> <li>Polenergia Dystrybucja has been implementing Investment Plan IV for the years 2021- 2026 worth PLN 105m in total.</li> <li>On 15 January 2021 the company executed an annex to the facility agreement with ING Bank Śląski S.A. granting financing to the company for the implementation of the Plan in the amount of PLN 75.3m.</li> <li>In December 2021, the new distribution tariff took effect with RAB at the level of PLN 118.1m.</li> </ul>
Gas and clean fuels	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 reconstruction 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. In addition, in the second half of 2021, ENS provided the reliability-must-run (RMR) services to PSE. On top of that, based on the Service Level Agreement (SLA) Nowa Sarzyna has been dynamically operating on the energy market due to its optimized model of operation.
	<ul> <li>Based on the letter of intent executed in June 2020 by Polenergia and Siemens Energy works are in progress in terms of developing new 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.</li> <li>ENS is preparing to co-burn natural gas with hydrogen and produce renewable hydrogen. In 2021 ENS joined an international consortium for</li> </ul>
	<ul> <li>using hydrogen as a zero-emissions fuel in gas turbines in the existing European facilities.</li> <li>The large-scale hydrogen project filed by Polenergia S.A. in the hydrogen technologies and systems contest (under the IPCEI scheme), after formal vetting and compliance verification with the criteria (performed by the Minister of the Development, Labor and Technology and the Minister of Climate and the Environment) was approved, in May 2021, for further development and is now in the path for pre-notification to the European Commission.</li> </ul>
	Polenergia signed letters of intent on cooperation with the major actors in the European value chain and the potential industrial customers for renewable hydrogen in Poland, including, among others, ArcelorMittal. Polenergia is provide the "Caster ArcelorMittal.
	Polenergia became a signatory to the "Sector Agreement for the development of the hydrogen economy"

# **Group's strategy implementation status (3/4)**

The acquisition of Edison Energia will allow the Group to expand its business into new business segments and will provide access to the nationwide sales network

Area	Status
Trading and sales	Optimization of the Nowa Sarzyna plant – changes in the level of margin due to changes in the price levels of electricity, gas and CO <sub>2</sub> emission allowances linked to the production of electricity in ENS (Clean Spark Spread) allowed to make a decision to reduce the planned production and to reverse the position on the forward market for the entire year 2022 – about 30% of the position hedged at a given time for 2023 were reversed (around 1/3 of annual production of ENS was hedged).
	Energy sales to strategic customers – sales to end customers acquired in the preceding year continue. The Company entered into contracts with new customers for the years 2022-2024 and has been actively prospecting new customers.
	RES aggregation — the company provides services to external RES customers and regularly expands its portfolio. The company approaches further customers with it offer and develops long-term products that are being negotiated with customers.
	Sales of renewable energy to end customers – Polenergia launched sales of green energy solely through the website and teleshopping channels. Advanced work is underway to increase the reach of the marketing campaign. Customers for the years 2021 - 2026 have been contracted and green energy supplies to end users began as of 1 June 2021. The Company has been selling energy according to the Energia 2051 standard, for which Polenergia Sprzedaż, as a first energy company in Poland, obtained TÜV SÜD certificate, confirming the highest quality of the offer of the sale of green energy in Energia 2051 standard.
	Geographical expansion – the business in the Hungarian market has entered into an operational phase. Due to the restrictions on the available cross-border capacities, the volume of trade was limited. Trade potential studies have also been carried out in the Baltic markets, which, due to their shallow markets, have not identified any significant potential for business development in those markets. The company has intensified its activities in the field of the development of ultra-short (intraday) trade in the European intraday SIDIC market In view of the geopolitical situation in Ukraine, business involvement has been reduced to a minimum and the intended development in the internal gas market has been completely halted. The Company keeps monitoring and analyzing the situation.
	Flexibility Services – a successful bid was submitted in tender and a contract for DSR service was executed with PSE. A common approach has been implemented for the Group and external entities in terms of the DSR services aggregation and the participation in the secondary capacity market. Due to the lack of relevant legislation in place, the development of the market for system-related services is still limited.
	On 31 December 2021 the Management Board of Polenergia S.A. executed the Final Share Sale Agreement (FSSA) concerning the sale of 100% of company shares in Edison Energia S.A. with registered office in Warsaw to the Issuer by the existing shareholders. The price for 100% of the company's shares was agreed at PLN 74,895,871.02 and is subject to further adjustments related to the closing accounts procedures. The transfer of the ownership title to the Company's shares took place on 3 January 2022.
	On the basis of the Edison Energy Group acquired this January, two new companies of Polenergia Fotowoltaika and Polenergia Pompy Ciepła have been established, which already offer individual and business customers home photovoltaic power stations, energy storages and heat pumps. In line with the Group's Strategy adopted for the years 2020-2024, the Polenergia Group adapts to the new reality through investments in facilities and customer service in the area of prosumer energy.

# Group's strategy implementation status (4/4)

Polenergia has taken measures to provide aid to Ukrainian refugees

Area	Status
Corporate Social Responsibility	<ul> <li>Humanitarian aid to refugees from Ukraine:         <ul> <li>Ad hoc aid at railway stations/reception points, employee volunteering, articles for children, assistance in creating additional jobs in crisis centers, e.g., the Children's Psychiatry Center in Warsaw, etc.).</li> <li>A roof over their heads - one-off measures (assistance to local authorities/foundations in adapting accommodation) and long-term commitments (including paying the utilities, food, medicines and other livelihood costs). Financing of adaptatin works at accommodation establishments, commitment to long-term financing of utilities, food, medicines. Providing aid to refugees with disabilities.</li> <li>Decent job - seeking opportunities within the Group to offer decent job to refugees from Ukraine.</li> </ul> </li> <li>Supporting the development of future energy sector staff:         <ul> <li>In December 2021, the 10<sup>th</sup> edition of the L. Paga Foundation's Energy Academy came to an end, with Polenergia as a strategic partner for the second time. In January 2022, Polenergia entered into cooperation agreements for the next edition of the Energy Academy. Polenergia has also become a Strategic Partner of the Women Business Leaders Academy.</li> <li>In 2021, Polenergia signed a number of framework agreements for cooperation with University-level schools. One of these universities is the University of Gdańsk, with which Polenergia signed a framework od the CSD and post-graduate studies It funded two places for women, inhabitants of Ustka and Stupsk municipalities, in post-graduate studies "Education for Sustainable Development of sustainable Development of sustainable Development of sustainable Development. Offshore wind powrer", organized by the Center for Sustainable Development at the University. Two employees of the Group are lecturers of relevant courses.</li> </ul> </li> <li>Other actions:         <ul> <li>The Polenergia Group i</li></ul></li></ul>



# Q&A





# Appendix



# **Glossary of abbreviations**

Term	Definition
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 18 and 19 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	The profit before tax less the financial revenue plus financial expense plus depreciation plus impairment losses of 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 made but not reflected in the distribution tariff. Such inclusion will take place during successive updates of the tariff
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, an agreement for a guaranteed level of service provided
SEG	Social, Environment and Governance
EHS	Environment, Health and Safety



Polenergia S.A. ul. Krucza 24/26 00-526 Warszawa

Tel.: +48 22 522 3974 Email: POLENERGIAIR@polenergia.pl

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