



Polenergia Group

Q4 2022 Financial Results

March 2023

Polenergia © 2023






Agenda:

01. Summary of major events Q4 2022
02. Summary of key operational parameters
03. Financial performance Q4 2022
04. Group's strategy implementation status

Summary of major events Q4 2022

Summary of Q4 and entire 2022: key events (1/3)

Fact	Effect/Comment
 <p>Higher energy generation due to the increase in capacity</p>	<ul style="list-style-type: none"> ▶ High windiness in Q1, full-year operation of the Szymankowo WF (commissioned in 2021) and construction of further wind farms (Kostomłoty, Dębsk) resulted in higher production in 2022 by 302.9 GWh YOY, despite poor windiness in HY2.
 <p>Relative stability of the energy prices in Q4</p>	<ul style="list-style-type: none"> ▶ After the peak levels of market electricity prices reached in the Q3 of 2022, the Q4 brought a decline and a return of quotations to levels similar to those recorded in the first half of the year. At the same time, despite relative stabilization and lower price volatility due to, among others, regulatory changes in the balancing market limiting bid prices, nominal profile costs for both wind and PV farms remained at a higher level than last year.
 <p>Consistent implementation of the Polenergia Group Strategy for the years 2020- 2024</p>	<ul style="list-style-type: none"> ▶ <u>Onshore wind farms:</u> Continuation of the construction of two wind farm projects: <ul style="list-style-type: none"> ▶ Dębsk: a license to generate green power was issued for this project in January 2023; ▶ Kostomłoty: a license to generate green power was issued for this project in October 2022; ▶ Piekło and Grabowo: construction started at the end of March 2022 with progress on schedule. ▶ <u>Photovoltaics:</u> Continued development of the photovoltaic farm segment: <ul style="list-style-type: none"> ▶ An EPC contract for the construction of the Strzelino PV project was entered in December. ▶ The Szprotawa PV project with a target total capacity of about 47 MW, won support in the December auction. ▶ <u>E-mobility:</u> Polenergia eMobility commissioned first open-access available charging stations and has been efficiently procuring further locations for the construction of the EV charging stations all over the country. In November, the Company began selling the charging service using the first public charging stations owned by the Company. ▶ <u>Polenergia Fotowoltaika:</u> In Q4 2022, Polenergia Fotowoltaika deployed PV systems of the total capacity of 12.5 MW, while concurrently, Polenergia Pompy Ciepła installed 281 heat pumps. ▶ <u>Gas and Clean Fuels:</u> Polenergia, acting as a consortium leader, and ENS, acting as a consortium member, entered into a contract with the National Center for Research and Development for co-financing (PLN 95.1 m) of the project H2 HUB Nowa Sarzyna: Green Hydrogen Storage. The project's goal is to develop an integrated system for the production of green hydrogen, including its storage and a synthetic aviation fuel conversion system, that would be neutral from the CO₂ emission perspective.

Summary of Q4 and entire 2022: key events (2/4)

Fact

Effect/Comment



Dynamic changes in the macroeconomic environment and the impact of the war in Ukraine

- ▶ Increased energy and gas price levels and volatility: limited Russian gas supplies and the situation in the European gas market may continue to drive further price increase and volatility. ENS has its gas prices hedged (in terms of volume and fixed price) in relation to the thermal power generation contracts until 2023. An additional safety feature for heat generation is the supply of light heating oil maintained and increased in Q1 2022, as reserve fuel in the event of limited availability or no supply of gas at all. 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. At the same time, the high volatility of the energy price combined with periods of variable wind conditions result in a significant increase in profile costs.
- ▶ Increased risk of conducting business activity: The Group has identified increased risk of trading which is driven, among others, by increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers and the increased risk of insolvency of customers.
- ▶ Interest rate growth: the sensitivity of the onshore wind farm segment's operating part to fluctuation of interest and exchange rates is low due to the earlier hedging of most of the projects. However, the growing interest rates affect the investment financing costs of new projects and the revolving financing in the Trade and Sales and Distribution segments.
- ▶ Increased investment 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 material and commodity prices combined with the volatility of the EUR/PLN exchange rate may lead to an increase in total investment costs.
- ▶ Involvement in the markets of Ukraine, Belarus and Russia: The Polenergia Group is not directly exposed to the negative effects of the conflict due to the marginal involvement of the Group's companies in activities in Russia, Belarus and Ukraine and in the cooperation with partners based in these countries.

Summary of Q4 and entire 2022: key events (3/4)

Fact

Effect/Comment



Changing regulatory framework

Offshore wind farms:

- ▶ Amendment to the Offshore wind power act:
 - ▶ Price indexation: Individual price for the project will be subject to annual indexation with Polish CPI starting from 2022 (the CPI of 2021) for Phase 1 projects or the year following the year of the auction with respect to Phase 2 projects.
 - ▶ Negative balance settlement: before submitting the first application for the payment of the negative balance, the energy producer may specify the split of support price to be settled in PLN or EUR. The EUR-linked part of the support will be converted from PLN to EUR at a fixed EUR/PLN exchange rate that was used to calculate the maximum price specified in the regulation and then will be paid in PLN at the average spot rate of the month corresponding to the production period.
 - ▶ In addition, provisions have been introduced regarding permitting issues, i.e certification, water permit, validity of cable location permits and extension of validity of offshore location permit to 30 years from Commercial Operation Commencement Date. On top of that, part of the fee which was so far associated with obtaining the building permit (30%), will be paid only after the construction has started.
 - ▶ Impact: Amendment to the Offshore wind power act may contribute to the improved returns of the projects.

Onshore wind farms and PV farms

- ▶ Amendments to the 10H Act : On 9 March 2023, an amendment to the Distance Act was passed. The so-called 10H rule has been abolished in favor of a modified minimum distance from buildings of more than 700 meters, also, an obligation to sell 10% of generated electricity to local communities has been imposed upon generators. Impact: Such regulations continue to limit the availability of land for wind power investments and potentially reduce their profitability.
- ▶ The act abolishing the "power exchange sale obligation": The President signed the act which abolished the obligation to sell the generated electricity on the power exchange (TGE). Impact: This act may reduce market transparency and significantly reduce liquidity at TGE, thus limiting the ability to secure both production from assets and sales to customers in advance on attractive terms.
- ▶ Changes in the RES obligation for 2023: Obligation for 2023 amounts to 12% for green certificates (decrease from 18.5% in 2022). Impact: This change may contribute to lower return on projects in the GC system.

Summary of Q4 and entire 2022: key events (4/4)

Fact

Effect/Comment



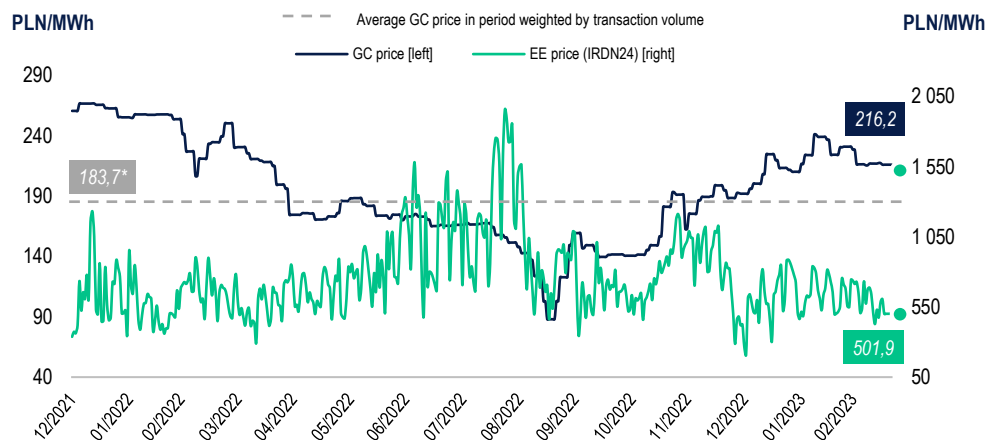
Changing regulatory framework

Regulatory intervention aimed at limiting the impact of energy price increase on end users:

- ▶ The new regulations: (i) ensure households that their prices from 2022 in settlements will be maintained in 2023, up to the limit of energy consumption specified in the regulations, (ii) define the maximum prices for the sale of energy to households (693 PLN/MWh) applicable after exceeding the consumption limits set out in the price freezing act, as well as for other eligible consumers (in particular small and medium-sized enterprises and a number of public utility entities) (785 PLN/MWh), (iii) limit the revenues generated by energy producers and trading companies. Achieving a surplus of revenues from the sale of energy over the price limits or margin limits referred to in the regulations results in an obligation to transfer such surplus to the account of the Price Difference Payment Fund.
- ▶ Impact: The abovementioned regulations limit revenues from electricity generation from RES and set a cap for the margin likely to be earned on sales of electricity to end customers and on trading activity in the period since 1 December 2022 until the end of 2023.

Key indices and market prices

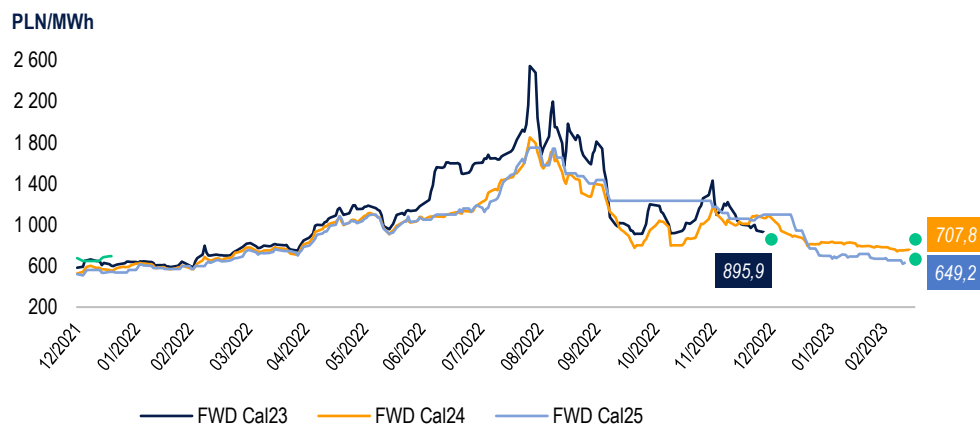
Prices of green certificates and electricity



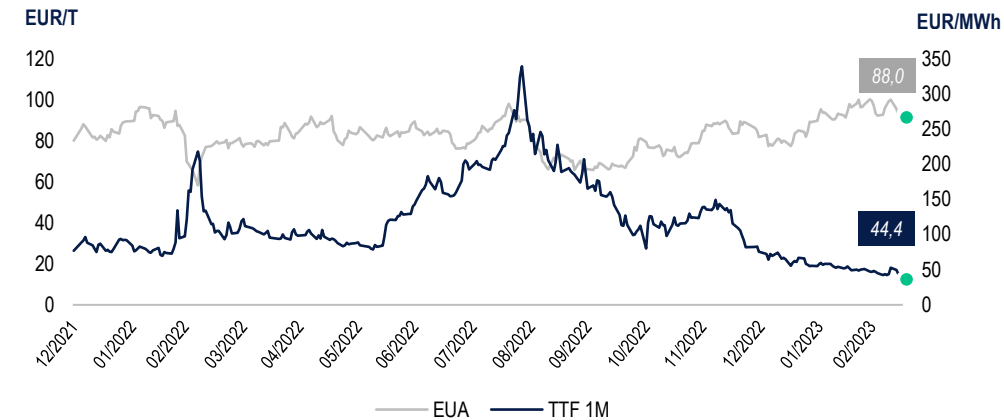
Stock exchange price quotations of Polenergia S.A. shares



Forward electricity prices



CO₂ emission allowance quotations and gas price on TTF



* Average GC price weighted against the transaction volume in the corresponding period of the preceding year was: 212.0 PLN/MWh

Summary of key operational parameters

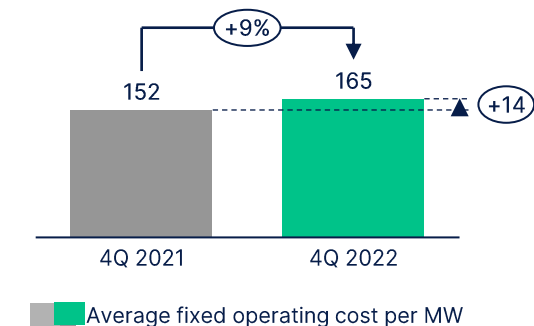
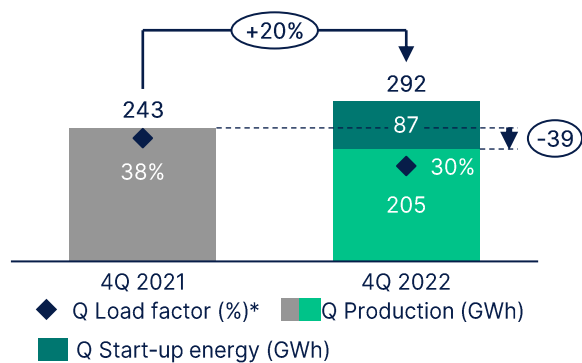
Summary of key operating parameters - Onshore wind farms

Operating onshore wind farm production, start-up energy and LF %

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

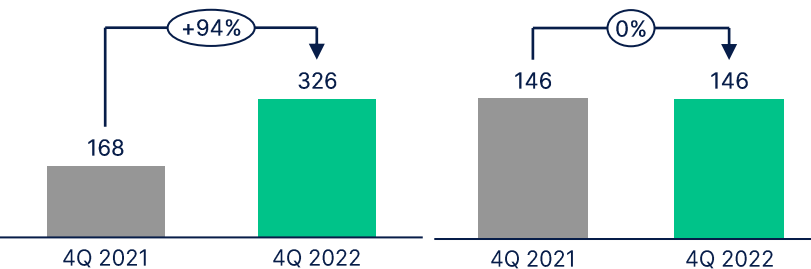
Average revenue per MWh (after balancing and profile cost) at the Group level [PLN/MWh]

Quarterly data

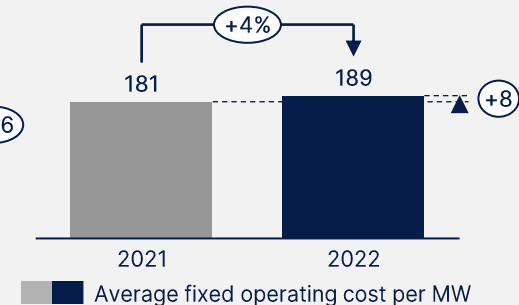
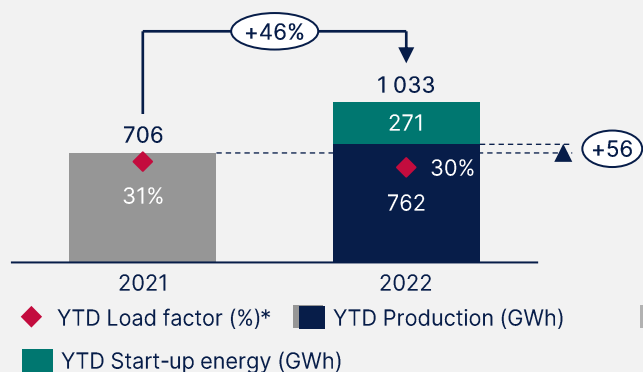


Electricity

Green Certificates

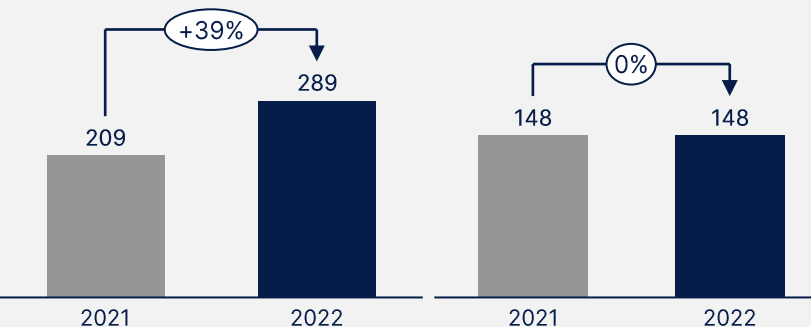


YTD figures



Electricity

Green Certificates

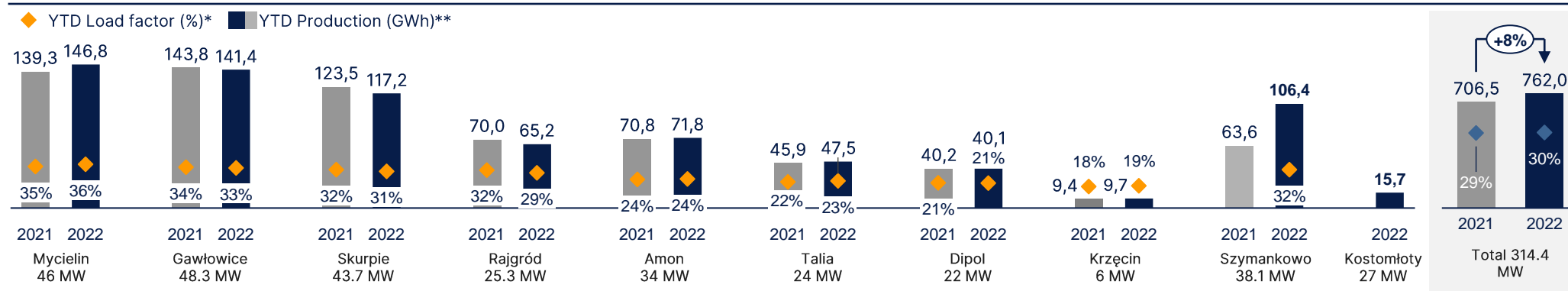


* Productivity in 2021, excluding the Szymankowo WF in view of its commenced generation in 2021, productivity in 2022, excluding the Dębsk and Kostomłoty WFs.

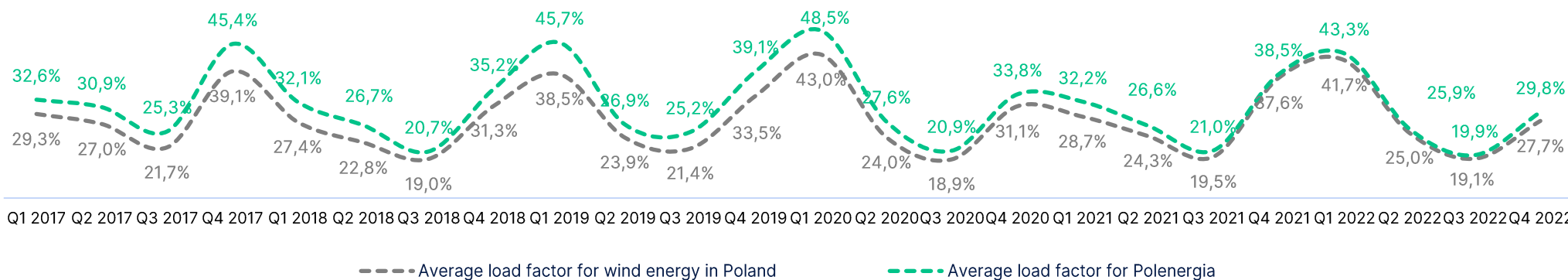
** Average fixed cost per MW in 2021 excluding the Szymankowo WF, in 2022 excluding the Dębsk and Kostomłoty WFs.

Summary of key operating parameters - Onshore wind farms

Production (net) YTD



Net productivity of the Polenergia farms



* Productivity in 2021, excluding the Szymankowo WF in view of its commenced generation in 2021, productivity in 2022, excluding the Kostomłoty WF.

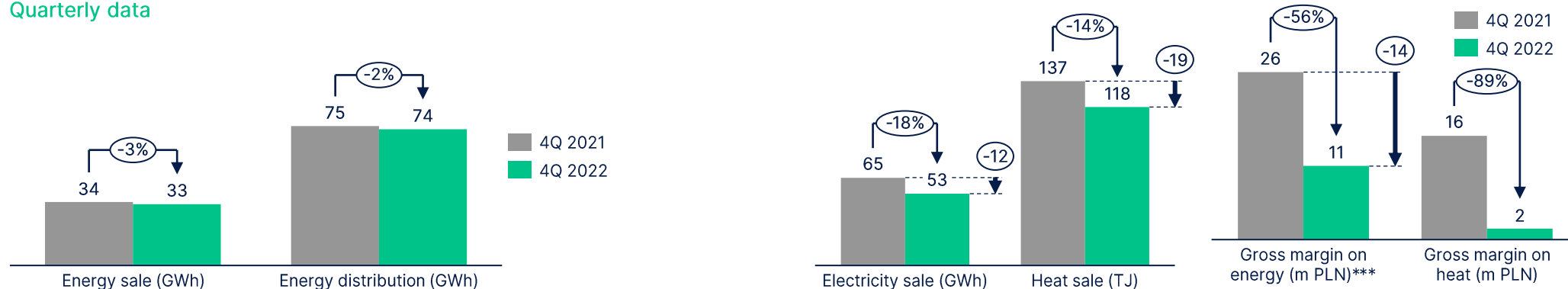
** Production of the Kostomłoty wind farm includes production after receiving the license to generate electricity

Summary of Key Operational Parameters - Distribution and Gas and Clean Fuels

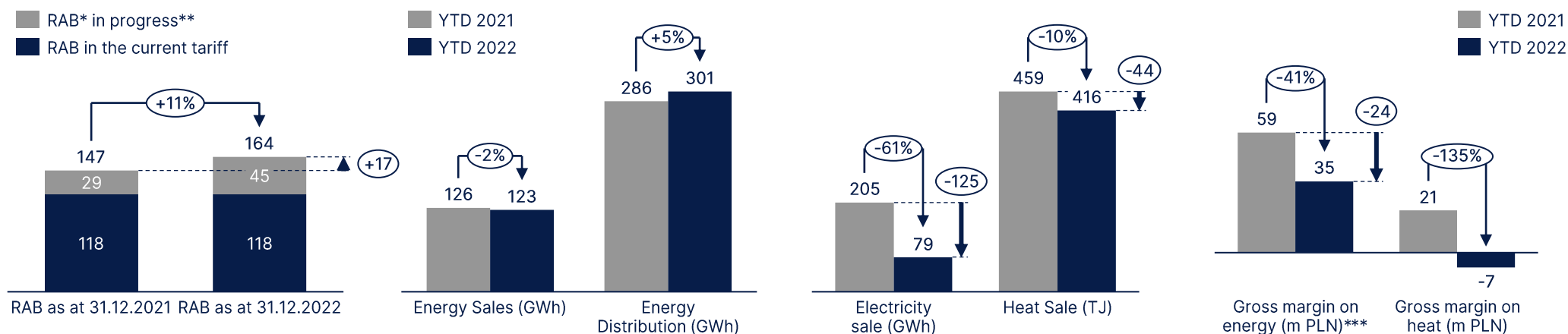
Distribution – RAB [PLN m] and sale [GWh]

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

Quarterly data



YTD figures



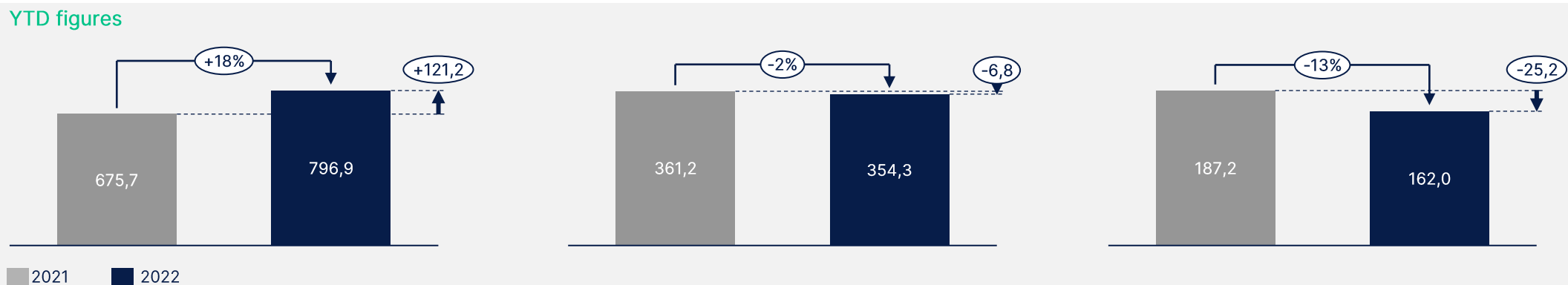
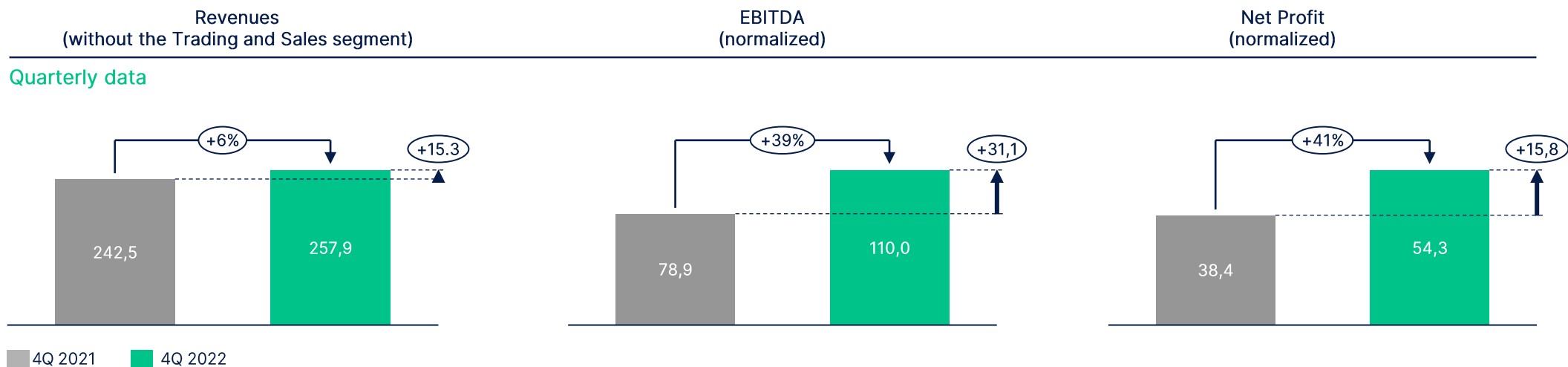
* Regulatory Asset Base- term explained in the glossary

** Term explained in the glossary

*** Gross margin at the ENS level, without taking into account the impact of optimization including a part of 2022, recognized in the consolidated financial results of the Group

Financial performance Q4 2022

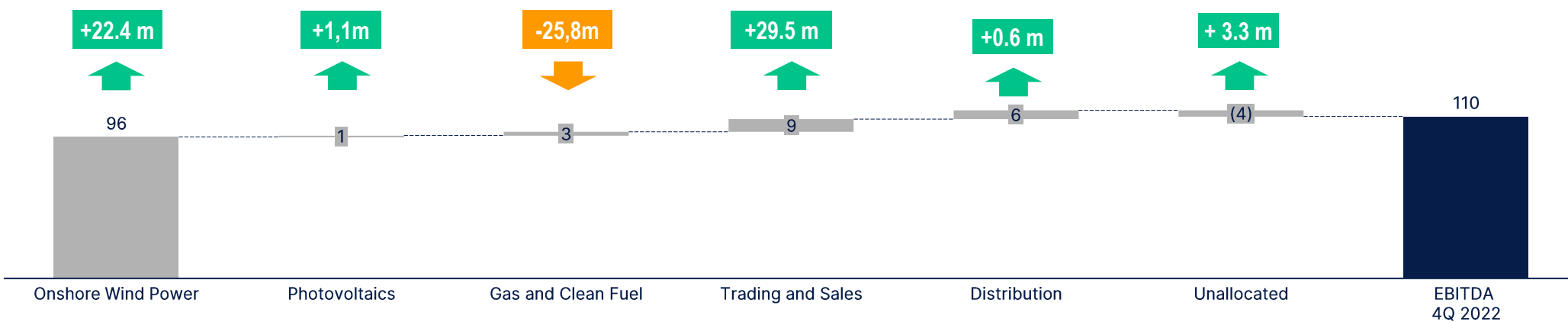
Financial performance Q4 2022



BETTER RESULT IN Q4 2022 MAINLY DUE TO BETTER PERFORMANCE IN THE TRADING AND SALES AND THE WIND POWER SEGMENTS, PARTLY OFFSET BY LOWER PERFORMANCE IN THE GAS AND CLEAN FUELS SEGMENT, RELATED TO OPTIMIZATION IN ENS IN 2021.

Structure of the EBITDA result – Q4 2022 compared to Q4 2021

Structure of the EBITDA result in Q4 2022



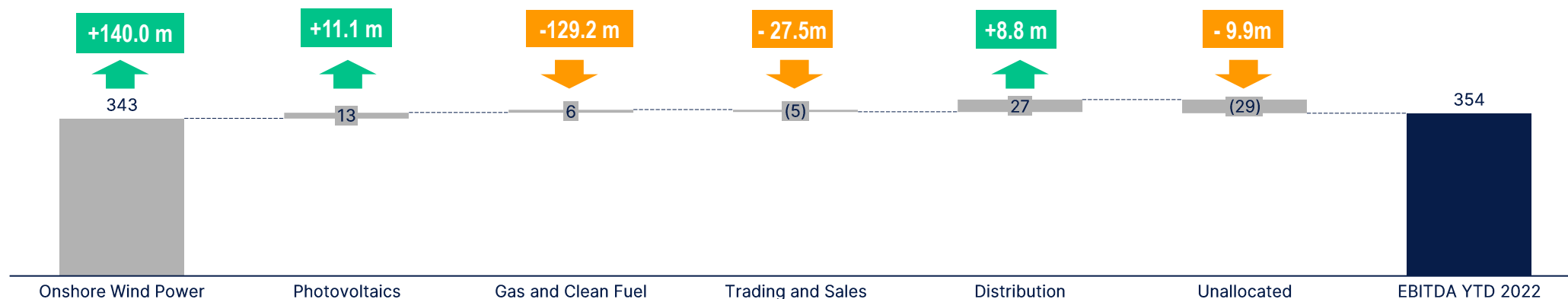
Structure of the EBITDA result in Q4 2021



ENHANCED RESULT IN THE TRADING AND SALES, ONSHORE WIND FARMS, UNALLOCATED, PHOTOVOLTAICS AND DISTRIBUTION SEGMENTS AND LOWER RESULT IN THE GAS AND CLEAN FUELS SEGMENT.

Structure of the EBITDA result – 2022 vs. 2021

Structure of the EBITDA result in 2022



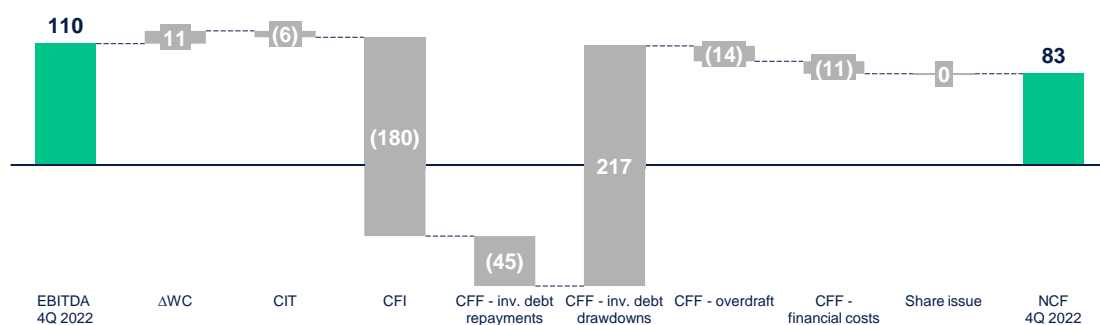
Structure of the EBITDA result in 2021



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

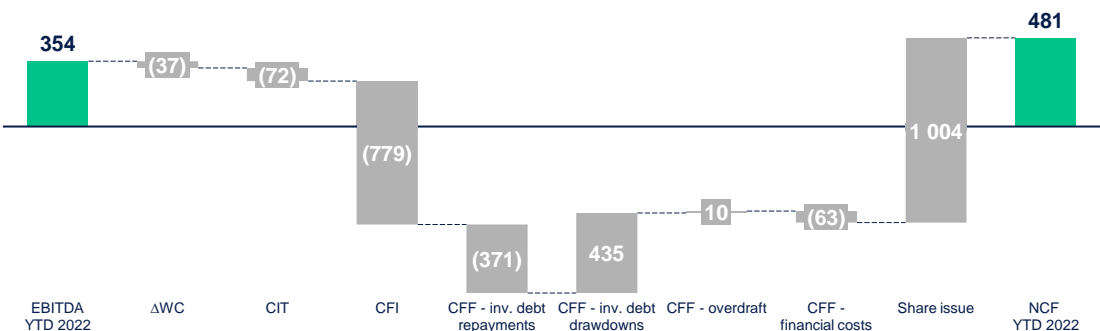
Polenergia Group cash flow

The Group's cash flow in Q4 2022



- ▶ **Cash flows from investing activities:** Mainly capital expenditures incurred in wind and photovoltaic farm projects (-167.3 m), including 35.2 m in the Dębsk project, 87.0 m in the Grabowo project and 31.6 m in the Piekło project, as well as capital expenditures in Polenergia Dystrybucja (-8.5 m) and other companies (-4.0 m).
- ▶ **Cash flows from financing activities:** Investment loan and interest repayment in the onshore wind farm and PV segments according to the schedule (-51.3 m), Incurring an investment loan in the wind farm and PV project companies (214.0 m). Change in the revolving loan/ VAT loan (-13.8 m). Other cash flows (-2.0 m).

Cash flows of the Group YTD



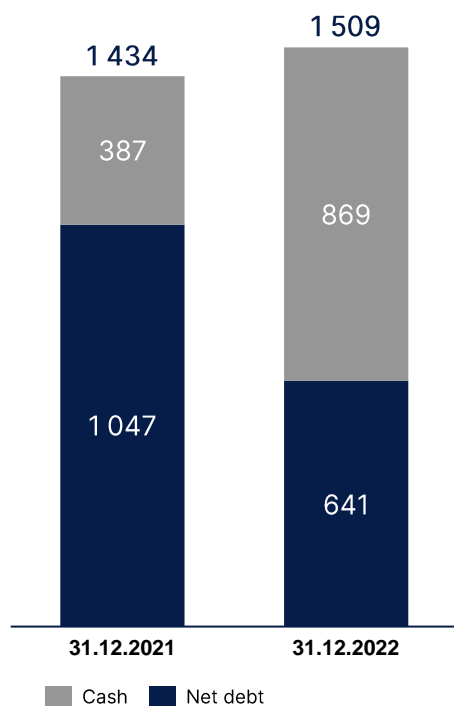
- ▶ **Cash flows from investing activities:** Mainly capital expenditures incurred in wind and photovoltaic farm projects (-625.2 m) including 215.9 m in the Grabowo project and 75.5 m in the Piekło project, contributions to offshore wind farms (-110.5 m), payment for Polenergia Fotowoltaika (-7.6 m) and capital expenditures in Polenergia Dystrybucja (-24.8 m) and other companies (-10.9 m).
- ▶ **Cash flows from financing activities:** Investment loan and interest repayment in the onshore wind farm and PV segments according to the schedule (-154.7 m), Repayment of the bridge financing (-250 m). Incurring an investment loan in the onshore wind farm and PV projects (425.8 m). Change in the revolving loan/ VAT loan (+9.5 m). Share issue (1 003.9 m). Payments of lease liabilities, interest in other segments and other in the amount of -20.0 m.



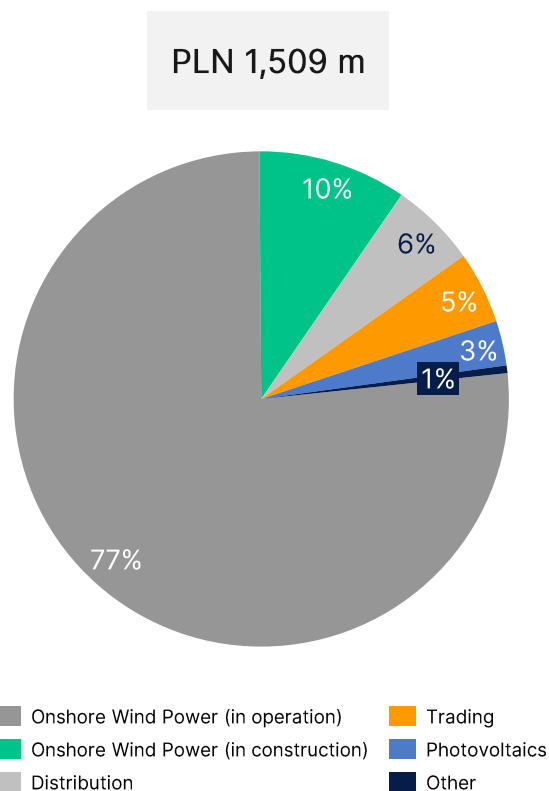
HIGH DEBT FINANCED CAPITAL EXPENDITURES IN THE WIND FARM AND PHOTOVOLTAIC FARM SEGMENTS.

Debt structure of the Polenergia Group as at 31 December 2022

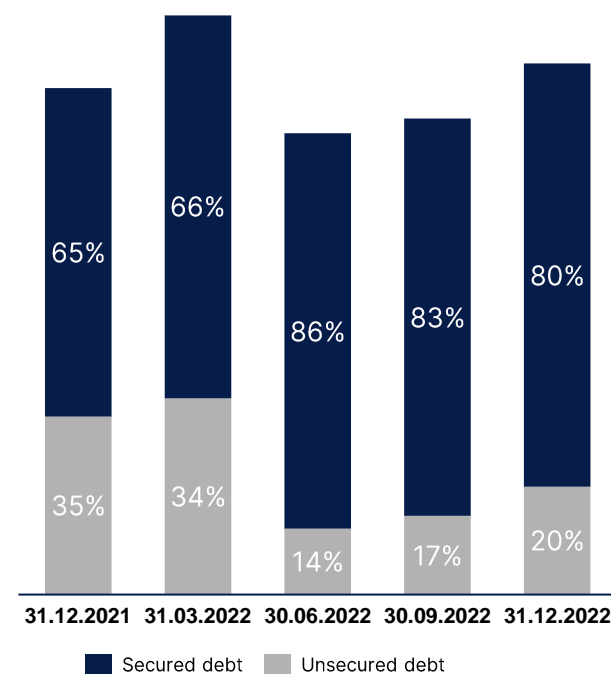
Gross debt (PLN million)



Debt structure by segments



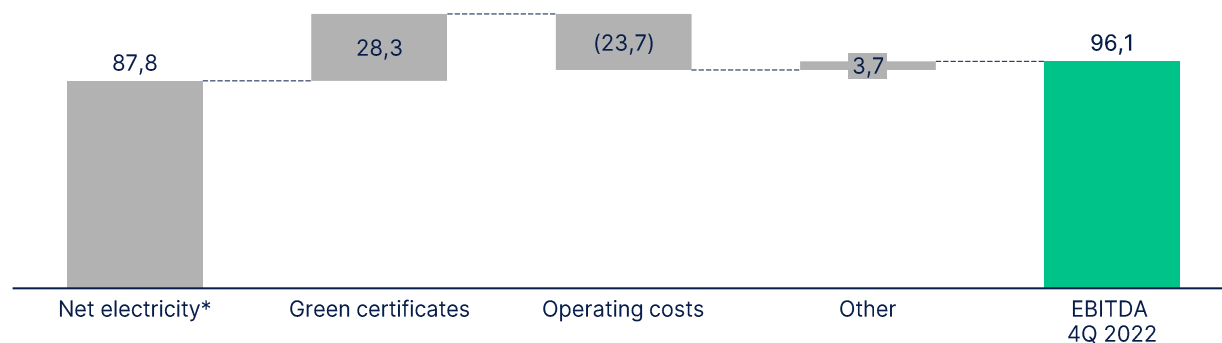
Debt structure - interest rate hedging



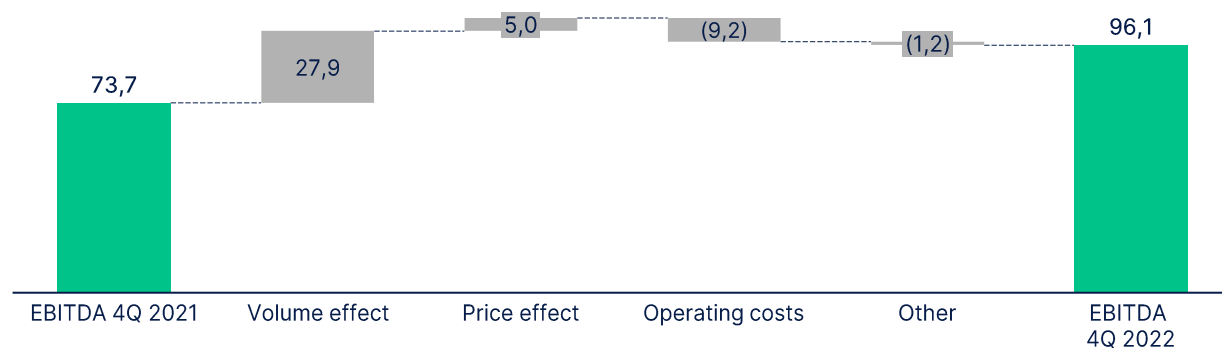
NET DEBT DECREASE COMPARED TO THE END OF 2021 DUE TO THE INCREASE IN THE CASH BALANCE, THERE IS NO FOREIGN EXCHANGE RISK IN THE DEBT STRUCTURE. DEBT COST HEDGED IN 80% FOR BANK LOANS, OF WHICH IN 87% FOR INVESTMENT LOANS.

Onshore wind farms - Q4

EBITDA build-up



EBITDA bridge



Commentary

- ▶ Higher electricity production volume due to the construction of new WFs (Kostomłoty and Dębsk) partly offset by lower electricity production volume in other operating farms by 36 GWh.
- ▶ Growth in sales prices of electricity at segmental level (by 41.1 PLN/MWh), excluding the effect of Dębsk and Kostomłoty).
- ▶ Growth in sales prices of green certificates at segmental level (by 41.8 PLN/MWh).
- ▶ Operating costs in Q4 2022 exceeded those in Q4 2021 mainly due to inclusion of the maintenance expenses of the Dębsk and Kostomłoty wind farms, higher costs of technical service and higher cost of own consumption of energy.
- ▶ The item "Other" includes the refund of overpaid property tax for 2017 at the Gawłowiec 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).

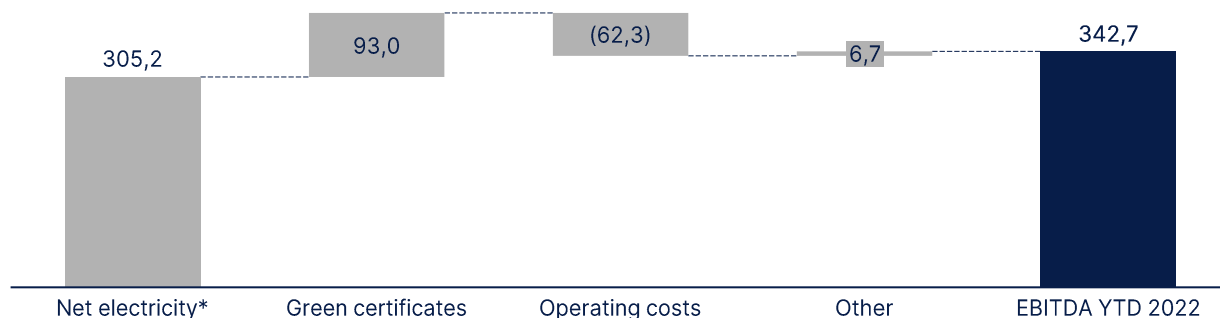


HIGHER PRODUCTION VOLUME AND SALE PRICES OF ELECTRICITY AND GREEN CERTIFICATES, PARTLY SET OFF BY HIGHER OPERATING COSTS.

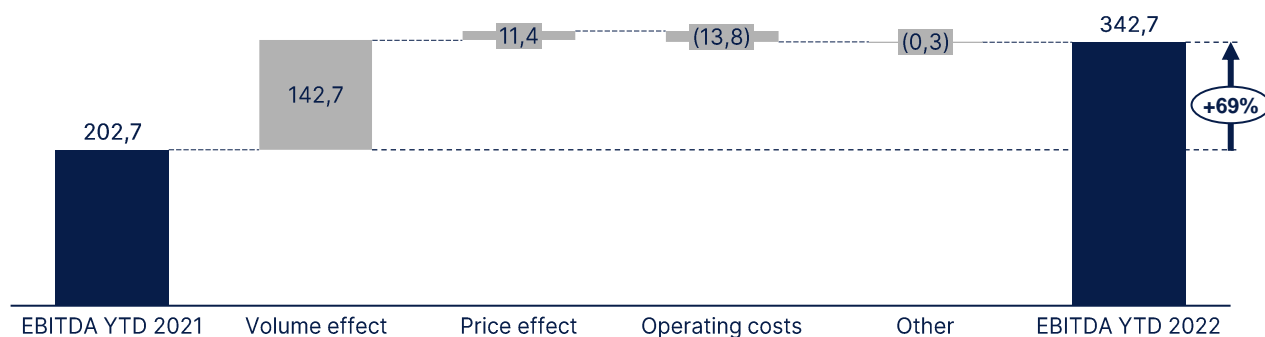
* Term explained in the glossary of abbreviations

Onshore wind farms - YTD

EBITDA build-up



EBITDA bridge



Commentary

- ▶ Net energy production volume higher by 328 GWh due to the construction of new WFs (Kostomłoty and Dębask) and the inclusion of the full-year production of the Szymankowo wind farm in 2022, which began operation in Q3 2021.
- ▶ Lower volume of green certificate production in 2022 due to the end of the green certificate support system at the Dipol wind farm.
- ▶ Growth in sales prices of electricity at segmental level (by 19.0 PLN/MWh), excluding the effect of Dębask and Kostomłoty).
- ▶ Growth in sales prices of green certificates at segmental level (by 14.2 PLN/MWh).
- ▶ Operating costs in 2022 exceeded those in the preceding year mainly due to inclusion of the maintenance expenses of the Szymankowo, Dębask and Kostomłoty wind farms, higher costs of technical service and own consumption of energy.
- ▶ 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).

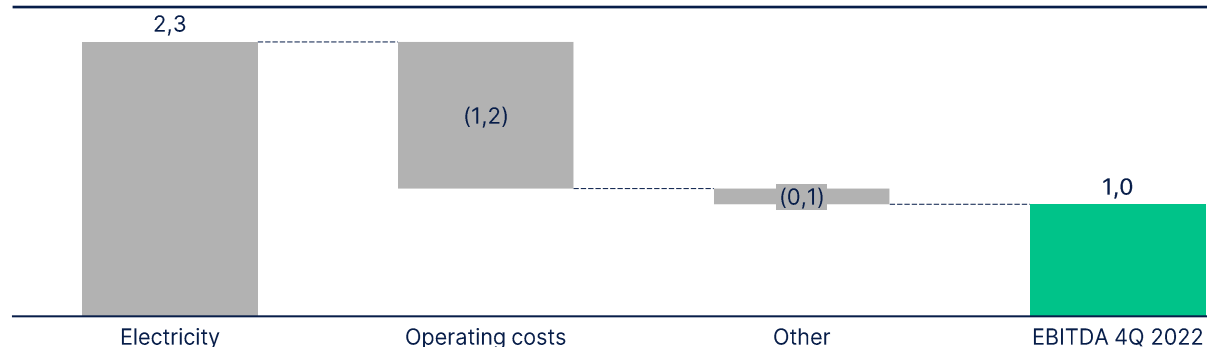


HIGHER PRODUCTION VOLUME AND HIGHER SALE PRICES OF ELECTRICITY AND GREEN CERTIFICATES, PARTLY SET OFF BY HIGHER OPERATING COSTS

* Term explained in the glossary of abbreviations

Photovoltaics - Q4

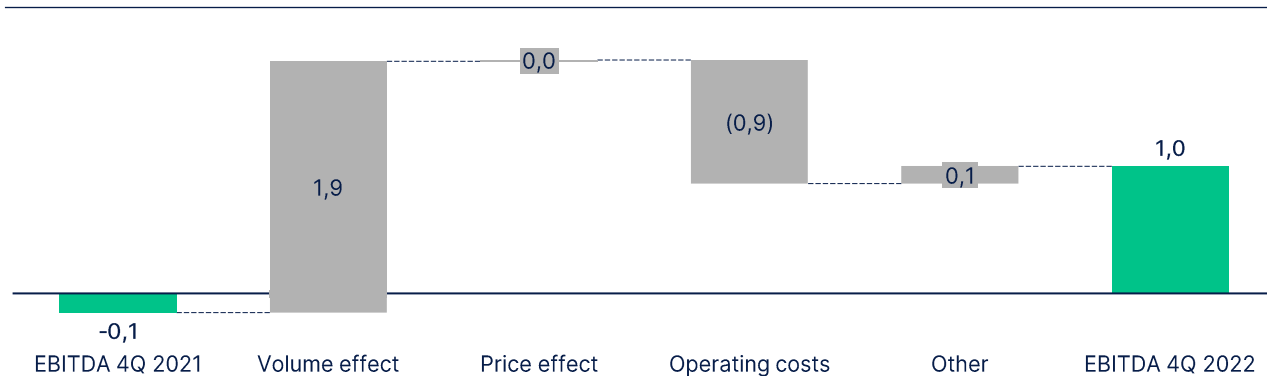
EBITDA build-up



Commentary

- ▶ The segment's result comprises sales revenues from electrical energy generated in Sulechów I (8 MW), Sulechów II (11.7 MW) and Sulechów III (9.8 MW) PV farms and the Buk farm energized in September 2022 (6.4 MW).
- ▶ The segment's EBITDA result in Q4 2022 exceeded that of Q4 2021 (+ PLN 1.1 m) due to energizing three new facilities: Sulechów II and Sulechów III at the end of Q1 2022 and Buk in Q3 2022.
- ▶ The volume produced in Q4 2022 by Sulechów I was settled entirely under the auction system.
- ▶ In Sulechów II, Sulechów III and Buk energy was sold at a fixed price hedged until the end of 2022.

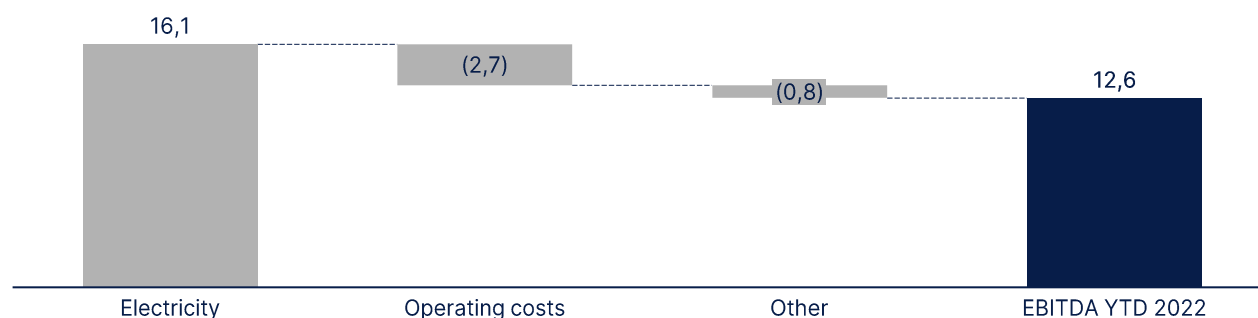
EBITDA bridge



BETTER RESULT DUE TO THE COMMENCEMENT OF THE OPERATING PHASE IN SULECHÓW II, SULECHÓW III AND BUK FACILITIES.

Photovoltaics - YTD

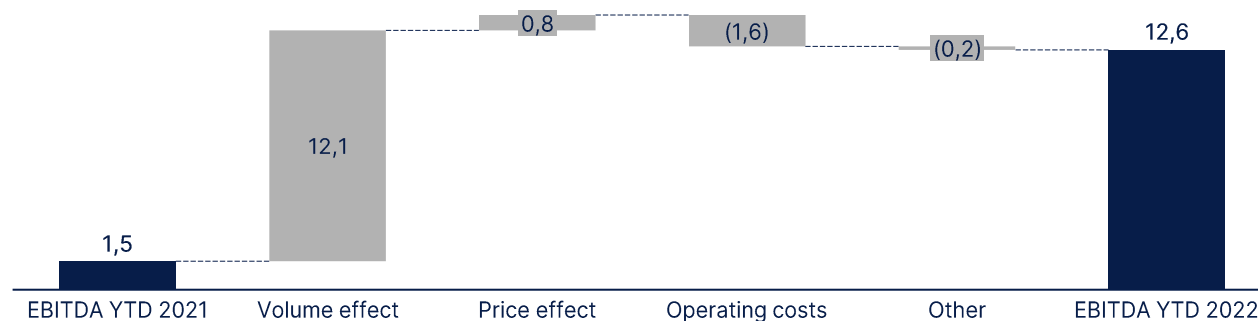
EBITDA build-up



Commentary

- ▶ The PV segment's EBITDA result after four quarters of 2022 exceeded by PLN 11.1 m that in a corresponding period of 2021 due to the energizing of three new facilities in 2022: Sulechów II and Sulechów III at the end of Q1 2022 and the Buk project in Q3 2022 and their start-up generation in Q2 and Q3.
- ▶ Part of the volume of Sulechów I generated in 2022 was accounted for under the support system, while the remainder was sold at relatively higher market prices.

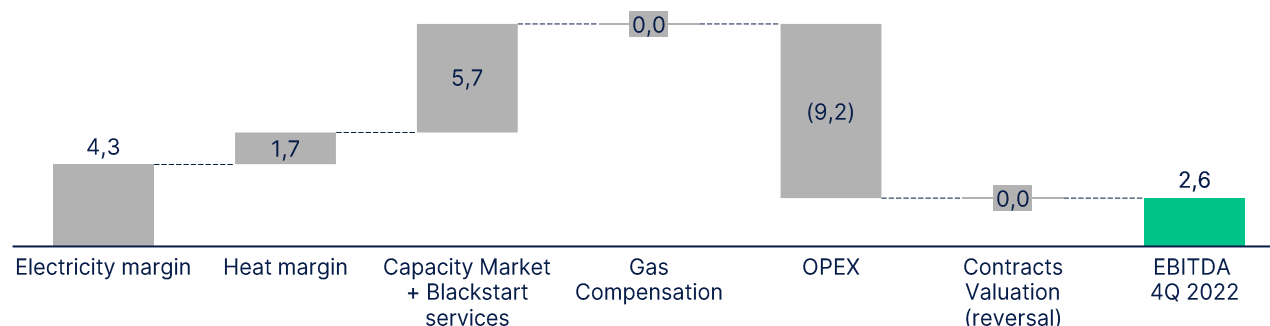
EBITDA bridge



BETTER RESULT DUE TO THE COMMENCEMENT OF THE OPERATING PHASE IN SULECHÓW II, SULECHÓW III AND BUK FACILITIES.

Gas and clean fuels – Q4

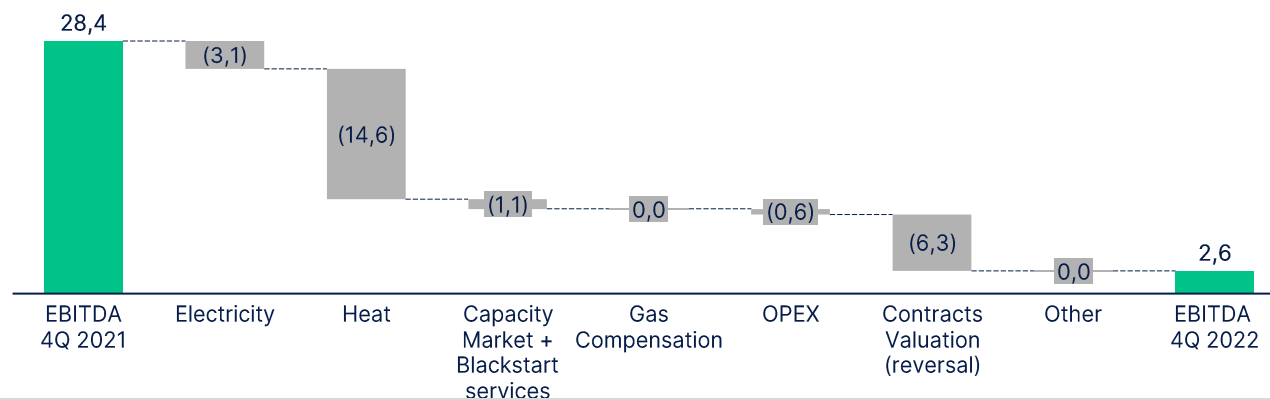
EBITDA build-up



Commentary

- ▶ Lower result on electricity (taking into account the measurement of contracts) as a result of the process of optimization of ENS performance (in Q4 2021 mainly measurement of futures hedging the ENS production and sales for part of 2023 and their reversal = PLN 6.3 m) and lower margin on availability service in Q4 2022.
- ▶ Lower result on heat is due to higher gas and CO₂ costs in 2022, and additional compensation received in December 2021 (amounting to 13.4 m) for higher gas and CO₂ costs in 2022.
- ▶ Lower revenues from the capacity market due to the lower price in 2022.

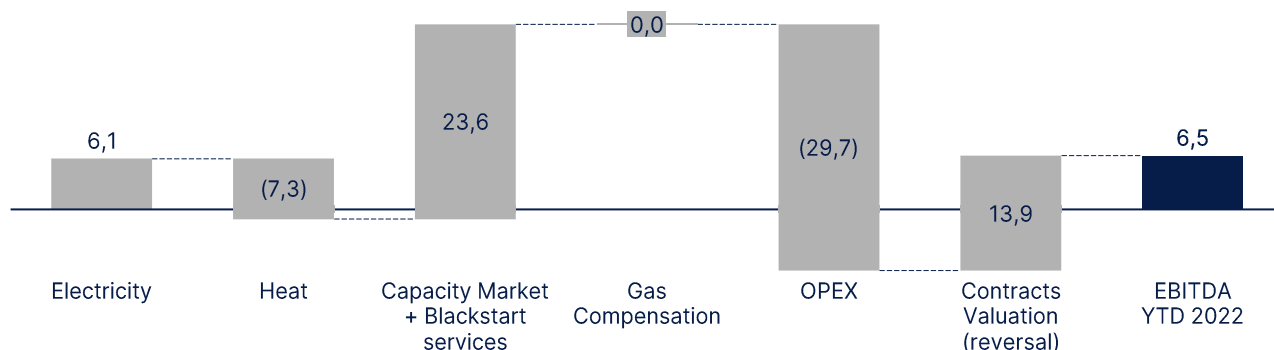
EBITDA bridge



LOWER EBITDA DUE TO LOWER OPTIMIZATION OF THE ELECTRICITY GENERATION PROCESS AND LOWER RESULT ON THERMAL POWER.

Gas and Clean Fuels - YTD

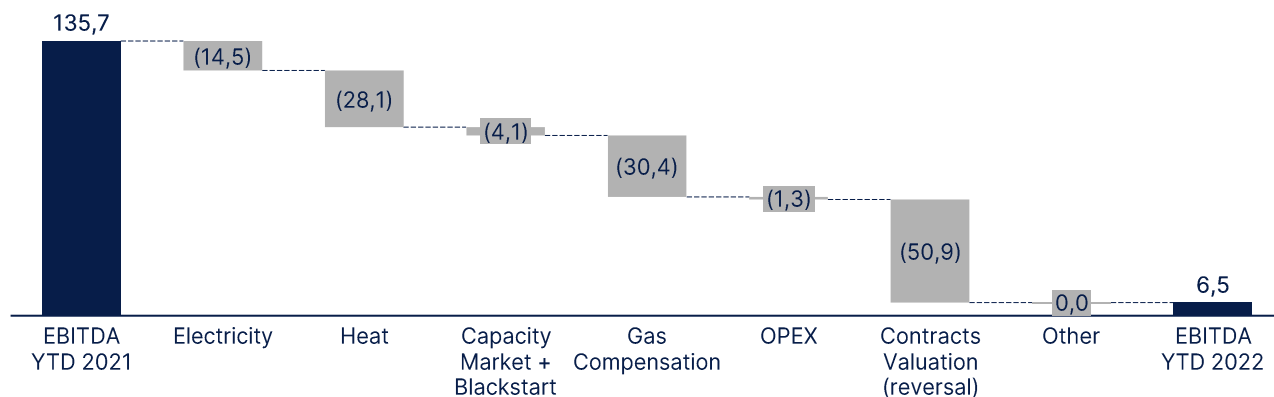
EBITDA build-up



Commentary

- ▶ Lower result on electrical energy (including contracts measurement) due to the ENS operation optimization (mainly measurement in 2021 of forward transactions hedging production and sales in ENS and the reversal of such transactions for Q3 and Q4 2021, for 2022 and part of 2023, in aggregate = 64.8 m and the measurement in 2022 of the hedging transactions and the reversed transactions relating to remaining part of 2023 = 13.9 m), increased by lower final adjustment of the stranded costs compensation recognized in 2021 (-9 m).
- ▶ Lower result on heat is due to higher gas and CO₂ costs in 2022, and additional compensation received in December 2021 (amounting to 13.4 m) for higher gas and CO₂ costs in 2022.
- ▶ Lower revenues from the capacity market due to the lower price in 2022.
- ▶ Annual (and final) gas cost compensation adjustment for 2020 (30.4 m) recognized in 2021.

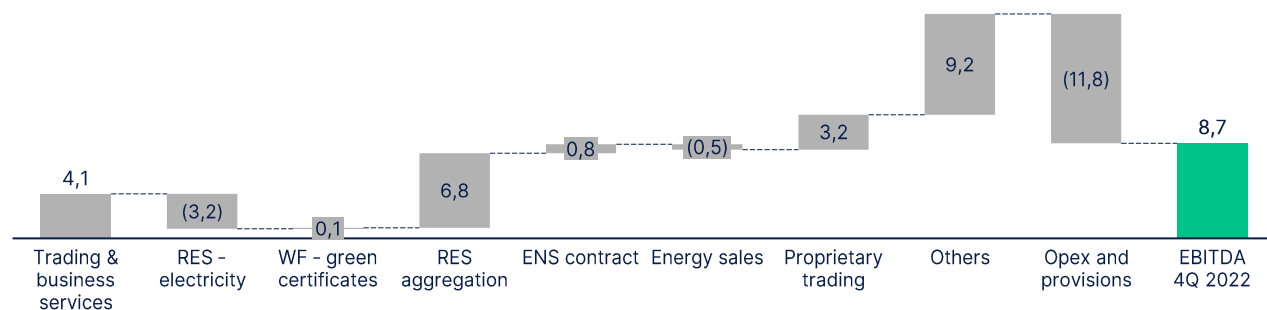
EBITDA bridge



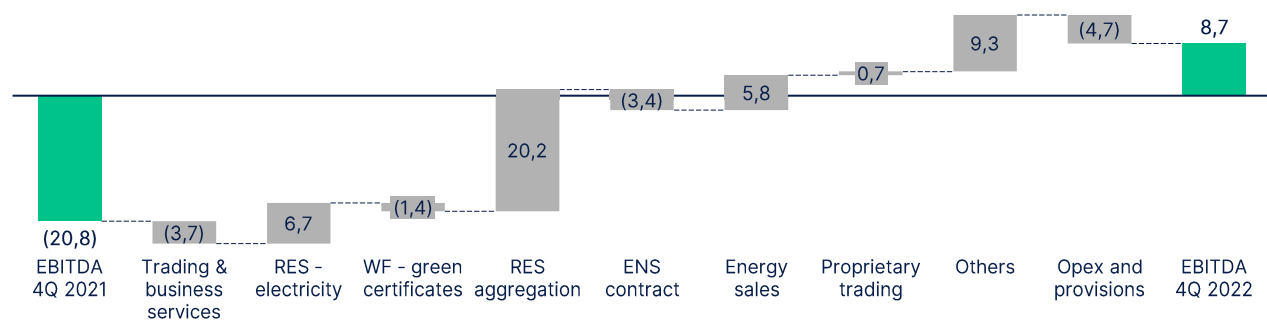
 LOWER EBITDA DUE TO LOWER OPTIMIZATION OF THE ELECTRICITY GENERATION PROCESS AND LOWER RESULT ON THERMAL POWER.

Trading and sales - Q4

EBITDA build-up



EBITDA bridge



Commentary

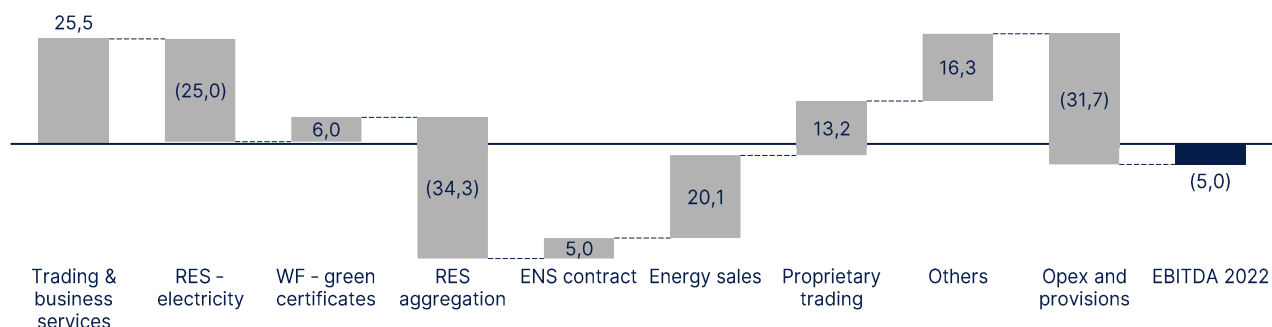
- ▶ Increase of the EBITDA result in the areas of:
 - RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio,
 - RES aggregation predominantly as a result of agreements made with the customers which partly compensate for the negative margin of the previous periods of 2022 and the smaller impact of high profile costs,
 - sales of energy, mainly as a consequence of recognizing negative result on the forward transactions measurement in 2021,
 - sale of the prosumer power systems, including PV panels and heat pumps,
- ▶ The increase of the EBITDA result was partly offset by:
 - lower result on electricity trading and business service,
 - lower impact of the ENS optimizing process entailing measurement in Q4 2021 of forward transactions hedging the future periods' generation and sales,
 - higher operating expenses resulting from the expansion of operations.



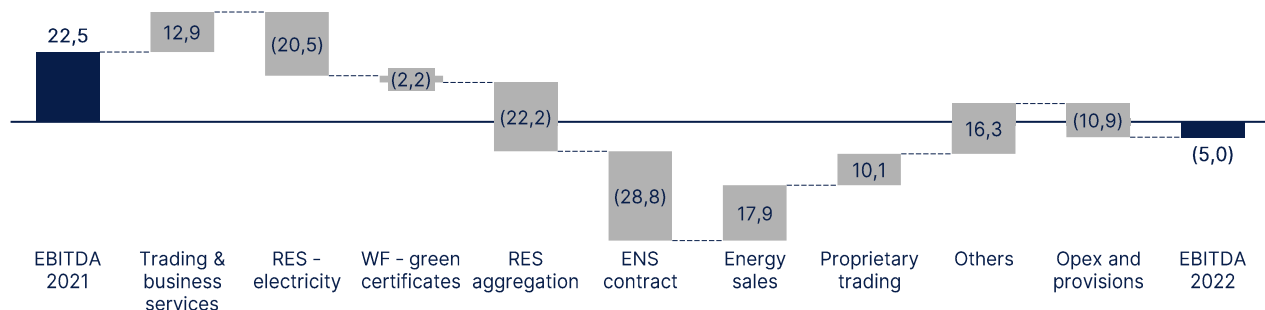
BETTER RESULT ON TRADING IN ENERGY FROM GROUP ASSETS AND RES AGGREGATION, AS WELL AS SALES IN PROSUMER POWER GENERATION

Trading and Sales - YTD

EBITDA build-up



EBITDA bridge



Commentary

▶ Decrease of the EBITDA result as a consequence of:

- smaller impact of the ENS contract service in connection with the ENS optimization in 2021 resulting in the measurement of forward transactions hedging production and future periods sales,
- lower result on RES aggregation as a consequence of the significant increase of profile cost and the volume variance compared to the sales hedging position,
- lower result on of RES assets originating energy trading and increase of profile cost and the volume variance of wind farm generation compared to the sales hedging position,
- higher operating expenses resulting from the expansion of operations.

▶ The decrease of the EBITDA result was partly offset by:

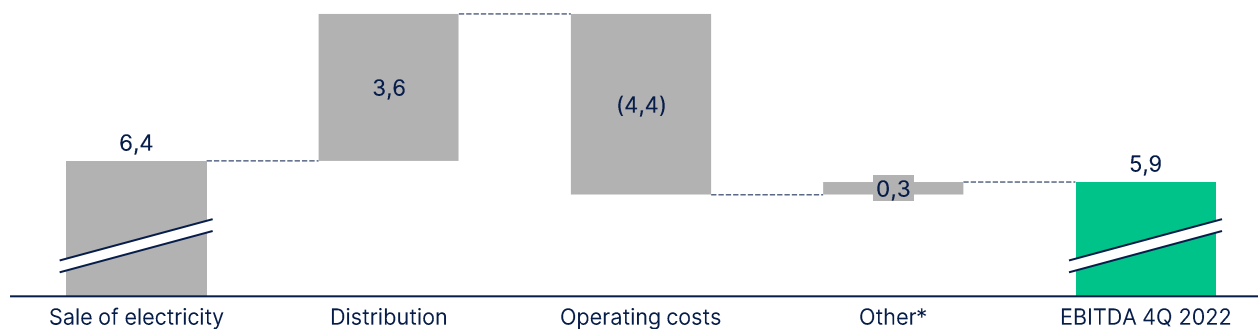
- increased margin on the trading portfolio and business service due to the i.a. implementation of a short-term strategy on the markets,
- better result on energy sales related mainly to better result on the measurement of forward transactions,
- better result on the proprietary trading in the energy and gas markets,
- additional margin on the sale of the prosumer power systems, including PV panels and heat pumps.



LOWER MARGIN ON THE ENS CONTRACT BY RECOGNIZING THE RESULT ON THE OPTIMIZATION OF FUTURE PERIODS IN 2022, THE AGGREGATION OF RES AND ENERGY TRADING FROM RES ASSETS DUE TO AMONG OTHERS, INCREASED PROFILE COST PARTLY OFFSET BY BETTER RESULT ON ENERGY SALES AND PROSUMER POWER SALES

Distribution - Q4

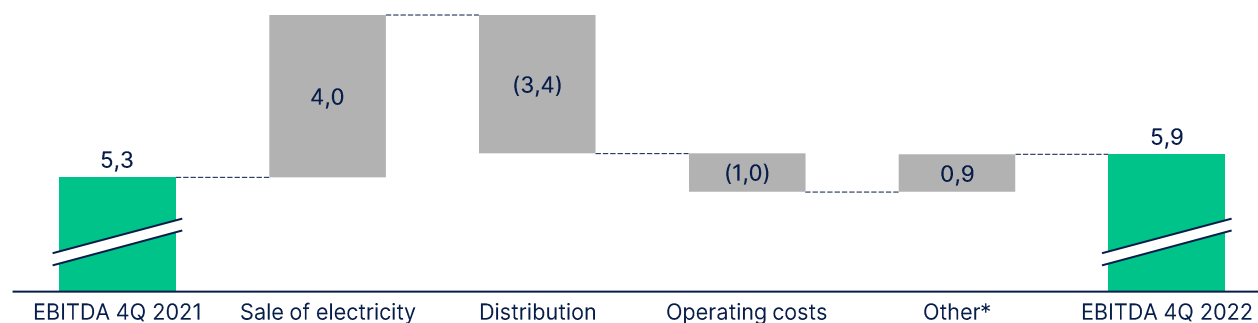
EBITDA build-up



Commentary

- ▶ The distribution segment recorded a growth of the EBITDA result by PLN 0.6 m compared to the corresponding period of the preceding year, mainly as a result of:
 - higher unit margin on energy sales,
- ▶ partly offset by:
 - higher operating expenses mainly because of the upscaling of operations,
 - lower margin on electricity distribution resulting from: lower connection fee revenues and cost adjustments for 2022.

EBITDA bridge

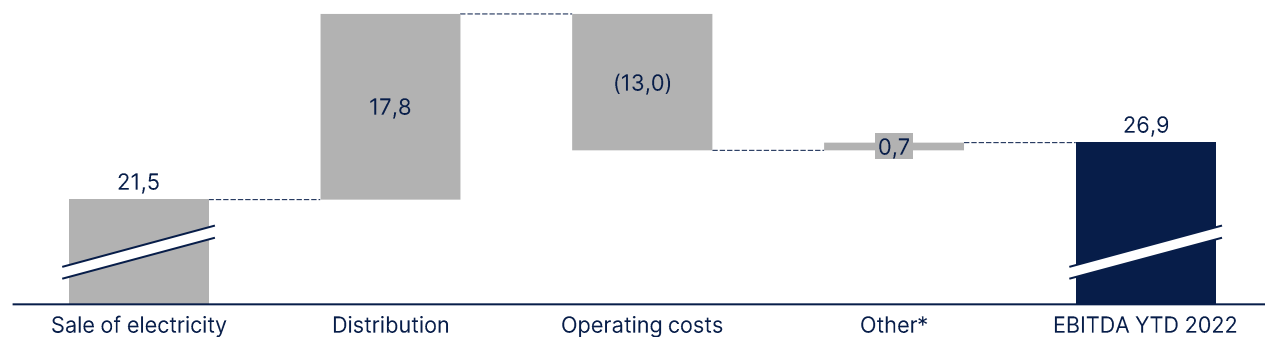


HIGHER EBITDA DUE TO HIGHER MARGIN ON ENERGY SALES.

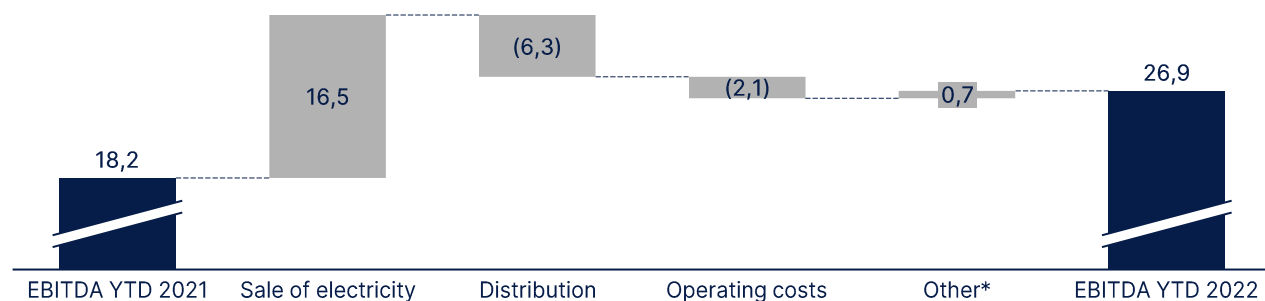
* takes into account the result of Polenergia Kogeneracja and Polenergia eMobility

Distribution - YTD

EBITDA build-up



EBITDA bridge



Commentary

- ▶ The distribution segment recorded a growth of the EBITDA result by PLN 8.8 m compared to the corresponding period of the preceding year, mainly as a result of:
 - higher unit margin on energy sales,
- ▶ partly offset by:
 - lower margin on electricity distribution - adjustment took place in Q2 2022 of revenue from connection fees as a result of the changes in the implementation schedules of projects with the customers and the cost adjustment for 2022 took place in Q4.
 - higher operating expenses driven by the upscaling of business,
 - costs incurred for the implementation of the electro-mobility pilot project.






HIGHER EBITDA DUE TO HIGHER MARGIN ON ENERGY SALES.

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

Progress of the Group's strategy implementation




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

The Dębisk wind farm obtained a general license for generation of energy. The Group continues to develop wind farm projects with the capacity of 57 MW and has been preparing photovoltaic farms with the capacity of 92 MW for construction.

Area	Status
 <p data-bbox="271 547 546 576">Onshore wind farms</p>	<p data-bbox="804 512 1272 533">Projects in the advanced phase of development:</p> <ul style="list-style-type: none"> <li data-bbox="804 547 2128 596">▶ Construction of the Kostomłoty and Dębisk wind farms has been completed. Both projects have received an operating permit and a general license to generate electricity. <li data-bbox="804 611 2128 735">▶ The Group continues work aimed at the development of two wind farm projects of the total capacity of 57 MW which secured auction offtake under the RES support auction scheme. The Piekło and Grabowo wind farm projects are under construction. Construction works began in late March 2022. Completed works include foundations, road works and cabling. At both wind farms all turbines have been assembled. Turbine acceptance work, testing and commissioning work with respect to the assembled turbines are underway at both farms. Completion of construction with respect to those projects has been scheduled for the second half of 2023.
 <p data-bbox="271 810 452 839">Photovoltaics</p>	<p data-bbox="804 778 1227 799">Projects in the early phase of development:</p> <ul style="list-style-type: none"> <li data-bbox="804 813 2128 887">▶ The Group has been preparing the Strzelino PV Farm project with the capacity of ca. 45 MW, which secured auction offtake under the RES auction scheme in December 2021. An EPC contract for the construction of the project was entered into in December and the remaining contracts are in the final stages of negotiation. <li data-bbox="804 901 2128 951">▶ Polenergia Farma Wiatrowa Namysłów sp. z o.o., developing the Szprotawa PV Farm with a target total capacity of about 47 MW, won the December RES auction.
 <p data-bbox="271 997 546 1026">Offshore wind farms</p>	<ul style="list-style-type: none"> <li data-bbox="804 970 2128 1254">▶ 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"> <li data-bbox="900 1002 2128 1054">▶ The notification application for the MFW Bałtyk II offshore wind farm is currently being processed by the European Commission. A notification for the MFW Bałtyk III project is being prepared. <li data-bbox="900 1066 2128 1114">▶ MFW Bałtyk III obtained a positive decision from the environmental authority RDOŚ Gdańsk amending the environmental decision for the project. <li data-bbox="900 1125 2128 1254">▶ In December 2022, the companies MFW Bałtyk II i MFW Bałtyk III entered into agreements with Hitachi Energy Poland sp. z o.o. for the following: execution of design work for the electrical system of the offshore wind farms; delivery of the onshore substation under the EPC formula; delivery of a complete control system, telecommunications network, all high-voltage equipment in the offshore and onshore substations; system analysis and integration of all equipment coming from other contractors, as well as connection work <li data-bbox="804 1300 2128 1393">▶ Projects in the early phase of development: <ul style="list-style-type: none"> <li data-bbox="900 1332 1868 1358">- Continued work on the MFW Bałtyk I offshore wind farm project to prepare the project for auction. <li data-bbox="900 1369 2047 1393">- Continued preparatory work for the 700 MW Lithuanian offshore wind farm project to prepare the project for auction.


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

Intense development of the Group's operations has been continued, with Polenergia eMobility commencing the sale of charging service using its own charging stations.

Area	Status
 <p data-bbox="253 544 412 571">Distribution</p>	<ul style="list-style-type: none"> <li data-bbox="808 496 2136 544">▶ Polenergia Dystrybucja has been implementing IV investment plan for the years 2021-2026 for the total amount of PLN 105 m in compliance with the prior adopted schedule. <li data-bbox="808 549 2136 675">▶ Polenergia eMobility commenced selling charging service at its own charging stations. Three first stations began operation with other being under construction. The first private stations managed by Polenergia eMobility have been connected in the software system. The company continues to develop the system's functionality and application for users, and has been prospecting more locations for public stations. The company has applied for three programs related to financing from the National Environmental Protection and Water Management Fund.
 <p data-bbox="253 767 519 794">Gas and clean fuels</p>	<ul style="list-style-type: none"> <li data-bbox="808 683 2136 895">▶ In 2022 the Thermal Power Plant Nowa Sarzyna, as the participant in the Capacity Market, continued to perform the capacity obligation as per the contract entered into with Polskie Sieci Elektroenergetyczne and to provide the black start and system restoration service for PSE. ENS has also been 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 Q1, Q3 and Q4 2022, ENS provided the Reliability-must-run (RMR) services to PSE. Thanks to the contracts for the sale of energy and the purchase of gas and CO₂, secured for 2022 and then reversed, in accordance with the SLA (Service Level Agreement), the gas and steam unit is currently not operating in the energy market (except for system services) and heat is produced in auxiliary boiler room. Should a positive CSS occur, ENS will dynamically revert to energy production thanks to an optimized operating model. <li data-bbox="808 900 2136 948">▶ Polenergia has been developing a large-scale 100 MW project for generation and storage of hydrogen produced by water electrolysis using its own renewable energy. <li data-bbox="808 952 2136 1018">▶ ENS prepares for the production of renewable hydrogen and for the co-combustion of natural gas with hydrogen, and actively participates in the creation and development of the Subcarpathian Hydrogen Valley.
 <p data-bbox="271 1098 517 1125">Trading and Sales</p>	<ul style="list-style-type: none"> <li data-bbox="808 1026 2136 1209">▶ The Group is modifying the implementation of its strategy in the trading and sales segment, adapting it to the changing market conditions and the rising costs of hedging end users and profiling RES sources. With the end of 2022, some of the customer contracts expired, with further growth in sales volumes depending on market developments, which necessitates the follow-up recalculation of risks and financial expenses associated with hedging the users' forward market positions. The regulations put in place to limit energy sale prices and contributions to the Settlement Administrator's (Zarządca Rozliczeń) fund in 2023 have largely inhibited opportunities for dynamic sales and external RES aggregation. The Company has been developing a long-term cPPA contract sales model based on the existing and newly built Group's generation assets. <li data-bbox="808 1214 2136 1428">▶ 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 to reduce risk exposure. An ultra-short-term (intraday) trading line is being developed to take advantage of price volatility due to the fluctuating market conditions shortly before delivery (e.g. due to a breakdown or changes in windiness, insolation, demand). The Company began developing its „structure trading” activity consisting in concluding bilateral transactions with trading entities operating in the European markets in terms of sales, purchase, storage and transmission of natural gas and electricity. The company's trading activities are subject to regulations on the contributions to the Settlement Administrator, therefore the results of all business lines in 2023 will be reduced by the payments to the Settlement Administrator.

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

Polenergia has been actively taking part in humanitarian support for Ukrainian refugees, supporting the development of future energy sector personnel, spreading environmental and climate education and preparing its ESG strategy.

Area	Status
 <p data-bbox="275 533 696 564">Corporate Social Responsibility</p>	<p data-bbox="801 517 943 539">The Company:</p> <ul style="list-style-type: none"> <li data-bbox="801 552 2119 628">▶ has been involved in humanitarian aid for refugees from Ukraine. A total of more than 15 activities in the area of immediate and long-term assistance were implemented, including funding for seven positions for refugee women (psychologists, registrars and animators) who work with Ukrainian children at the Mazovian Neuropsychiatric Center. <li data-bbox="801 641 2119 718">▶ has been active in supporting the development of future personnel in the energy sector through involvement in teaching at the University of Gdańsk (2 Polenergia employees were lecturing there in Q4) as part of postgraduate studies: "Education for Sustainable Development: Offshore wind power (OWP)" <li data-bbox="801 730 2119 833">▶ supports biodiversity - in order to improve natural conditions in the Kostomłoty WF area, trees were planted at community educational centers. In the Dębask FW area, trees and shrubs were planted in the Żuromin city park. Environmental oversight has been exercised over the construction of two wind farms permitting to plan additional activities in the area of biodiversity. has signed a contract with UNEP/GRID-Warsaw to perform ecosystem protection activities as part of a 2023 gift to the planet. <li data-bbox="801 845 2119 890">▶ undertakes D&I activities - organizes workshops for the Group employees on inclusiveness and inclusive language. Two such workshops took place in November and December 2022. <li data-bbox="801 903 2119 979">▶ has been taking actions for the health of employees and their families engages in the promotion of psycho-educational meetings for parents by cooperating with the Mazovian Center for Neuropsychiatry: the employees of Polenergia were invited to the musical "Mr. Unusual", about the dangers that children and adolescents encounter on the Internet. <li data-bbox="801 992 2119 1037">▶ has been engaged in employee volunteer work - helping create a "Santa Claus Village" for the patients of the Mazovian Neuropsychiatry Center and getting involved in the provision of gifts for families in need as part of the "Noble Gift " initiative. <li data-bbox="801 1050 2119 1094">▶ engages in environmental and climate education activities - 6 webinars were organized for educators on environmental protection, it also organizes employee volunteer service and supports contests in elementary schools for environmental education. <li data-bbox="801 1107 2119 1184">▶ has been acting to strengthen relations with local communities – conducting dialog with representatives of municipalities and associations operating within the Group projects. organized a suppliers day for offshore farm suppliers and contractors, attended by more than 100 entrepreneurs. <li data-bbox="801 1197 2119 1273">▶ in cooperation with a consulting firm, has embarked on the preparation of an ESG strategy and a non-financial report. Four topical workshops were held for Group employees, and the fulfillment of the principles of Minimum Safeguards in accordance with Article 18 of the EU Taxonomy was analyzed. <li data-bbox="801 1286 2119 1331">▶ has been engaging in charitable activities for foundations and organizations that help the elderly and the poor and homeless by supporting them financially, but also by donating books for the climate to sick children in the hospitals.

Appendices



Glossary of abbreviations



Term



Definition

Revenues on account of granted and yet unsold green certificates	<p>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.</p> <p>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.</p>
Net electricity	Revenue from sales of electricity less cost of balancing and profile
EBITDA	The profit before tax less the financial income 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. 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, an agreement for a guaranteed level of services provided
SEG	Social, Environment and Governance
EHS	Environment, Health and Safety
YTD	Year-to-date, cumulative since the beginning of the year
The act on freezing energy prices	The Act on extraordinary measures aiming at protecting energy customers in 2023 n 2023 due to the electricity market situation, effective as of 7 October 2022



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