

Polenergia Group

Financial results for Q1 2023

May 2023

Polenergia © 2023







Program:

01. Summary of key events in Q1 2023
02. Summary of key operational parameters
03. Financial results for Q1 2023
04. Progress of the Group's strategy implementation

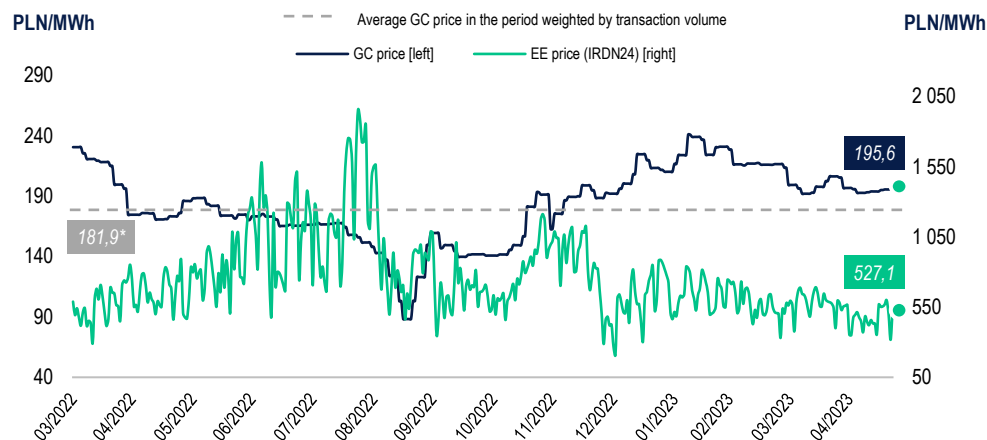
Summary of key events in Q1 2023

Summary of Q1 2023: key events

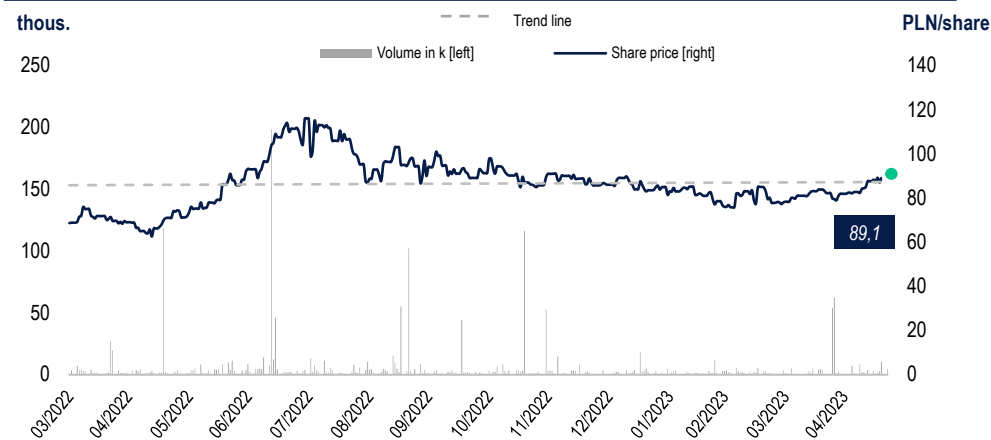
| Fact | Effect/Comment |
|--|---|
|  Higher energy production due to increased generation capacity | <ul style="list-style-type: none"> ▶ Completion of Kostomłoty and Dębsk projects and beginning start-up of Grabowo and Piekło projects in 1Q 2023 r. |
|  Consistent implementation of the Polenergia Group Strategy for the years 2020- 2024 | <ul style="list-style-type: none"> ▶ <u>Offshore wind farms:</u> <ul style="list-style-type: none"> ▶ Conclusion of annex to the agreement with Siemens Gamesa regarding the choice of preferred supplier of wind turbines, allowing formal reservation of installation port in Roene by the supplier. ▶ Conclusion of agreement with SIF Netherlands B.V. regarding the choice of preferred supplier and reservation of production capacity for production of monopile foundations for wind turbines. ▶ <u>Onshore wind farms:</u> Continuation of construction of two onshore wind farm projects Piekło (13MW) and Grabowo (44MW). ▶ <u>Photovoltaics:</u> Commencement of construction of PV farm Strzelino 45MW). ▶ <u>Hydrogen:</u> Preparatory works for execution of green hydrogen production project of 5 MW on ENS site. ▶ <u>E-mobility:</u> Company operates 6 active locations and develops new ones. ▶ <u>Distribution:</u> Execution of investments under IV Investment Plan. Delay in approval of new tariff. ▶ <u>Polenergia Fotowoltaika:</u> In 1Q 2023 Company completed installation of installations with total power of 14,9 MW and installed 81 heat pumps. |
|  Preparation for new issue of Company's stock | <ul style="list-style-type: none"> ▶ Through the issue the Company plans to raise obtain financing of PLN500m to PLN750m. ▶ Prospectus has been prepared and filed to KNF. Planned timing of the issue is turn of the 3Q and 4Q 2023. ▶ Funds raised through the issue will be used for continuation of development of offshore and onshore wind farms projects, PV farms projects and projects related to hydrogen technologies, energy storage and electromobility. |
|  Variable regulatory environment | <ul style="list-style-type: none"> ▶ <u>Liberalization of 10H rule:</u> Liberalization of the act will allow Group to resume development of new onshore wind farms projects. ▶ <u>New amendments to the Emergency Measures Law:</u> further expansion of the scope of the law in question may impact Group's financial results in next quarters of 2023. |

Key indexes and market prices

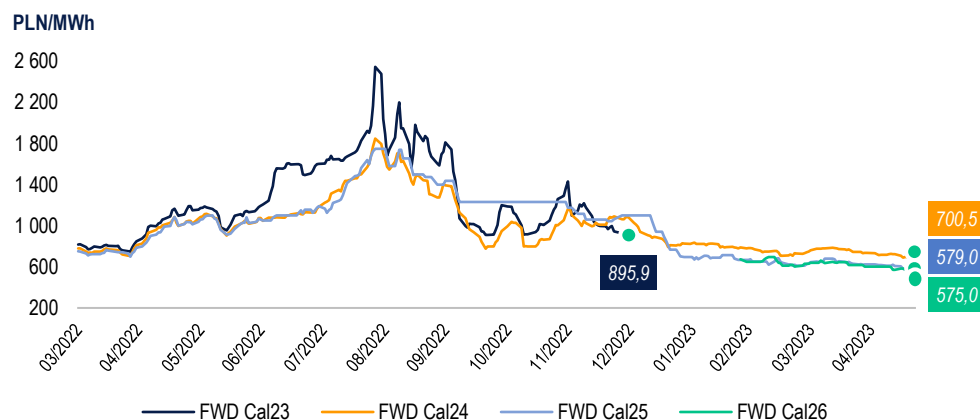
Prices of green certificates and electricity



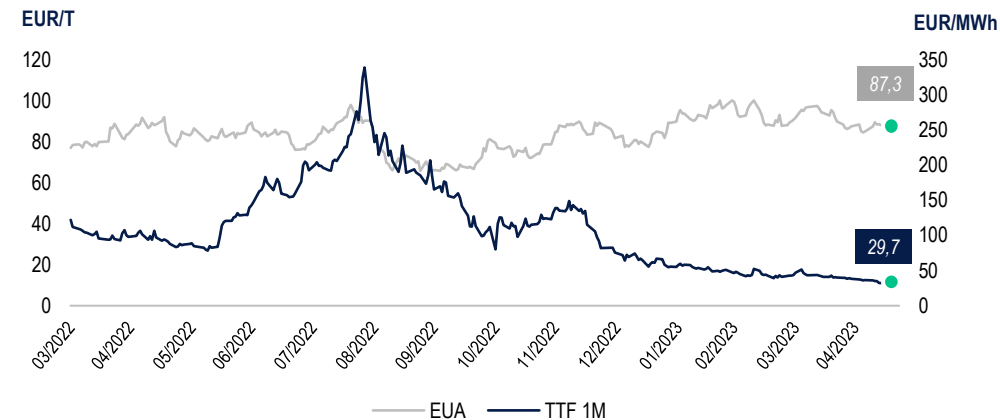
Stock exchange price quotations of Polenergia S.A. shares



Forward electricity prices



CO₂ emission allowance quotations and gas price on TTF



* The average price of GC weighted by transaction volume in the same period of the last year amounted to: 219.7 PLN/MWh

Summary of key operational parameters

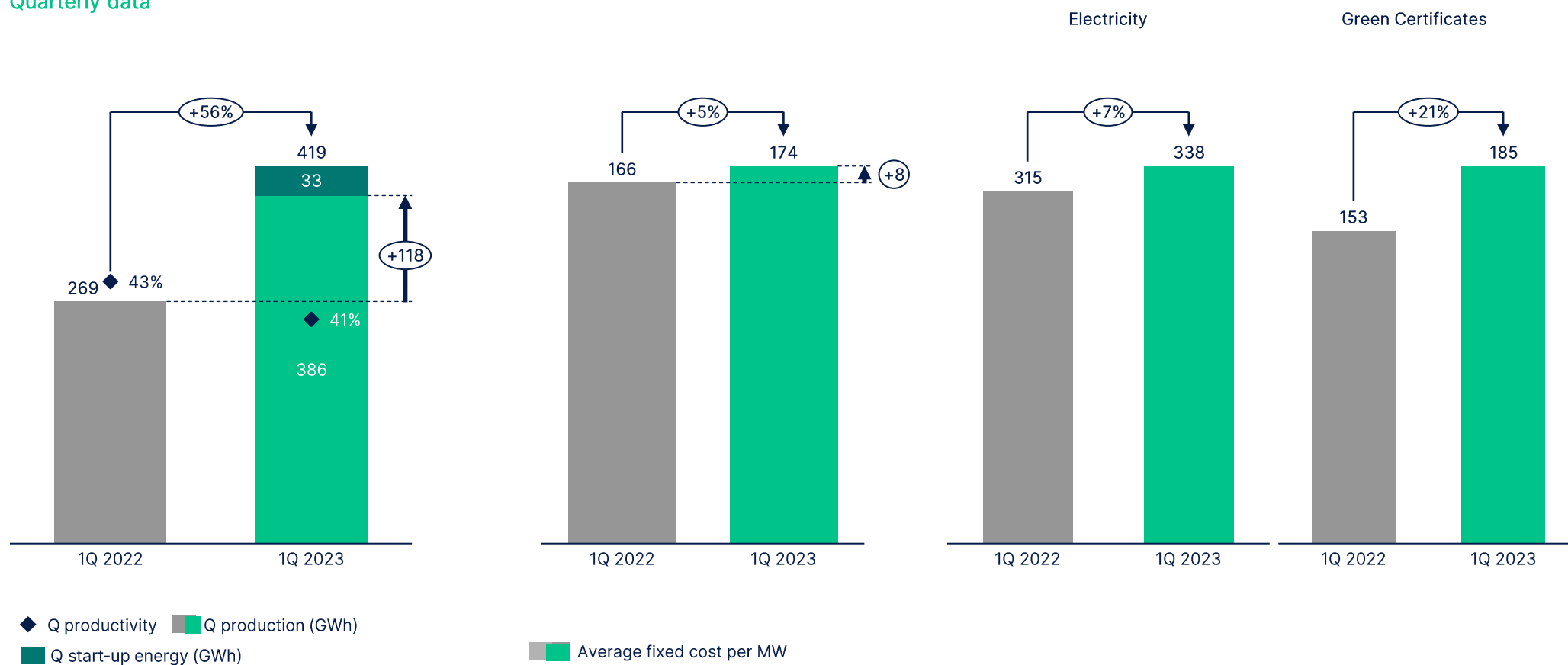
Summary of key operating parameters - Onshore wind farms

Production of operational onshore wind farms, start-up energy and productivity %

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

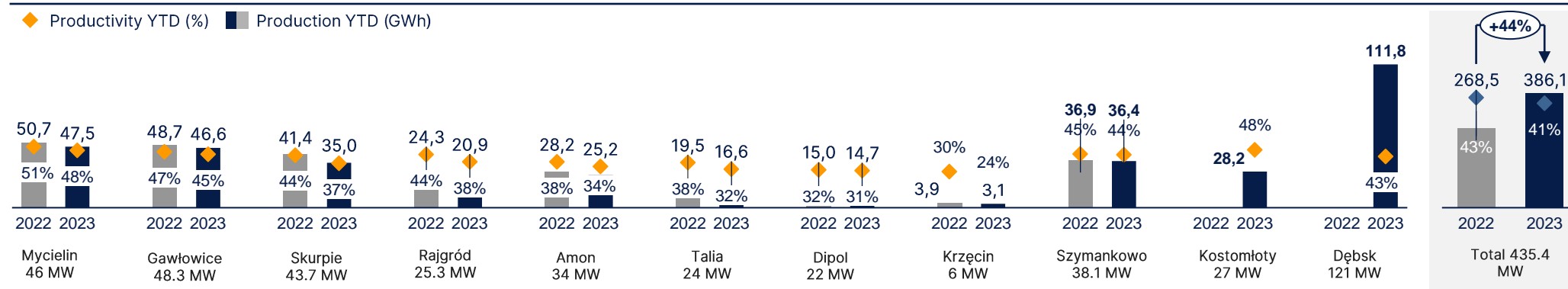
Average revenues per MWh (after balancing and profiling costs) at the Group level [PLN/MWh]

Quarterly data

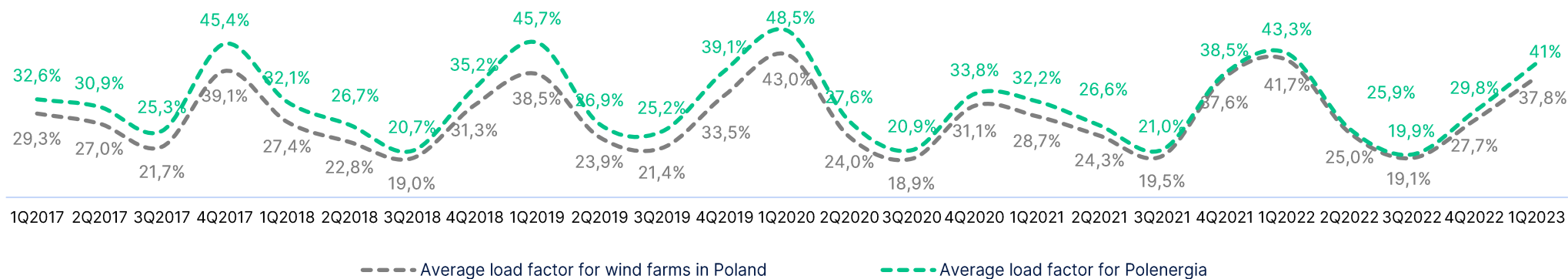


Summary of key operating parameters - Onshore wind farms

Production (net) YTD



Net productivity of Polenergia farms



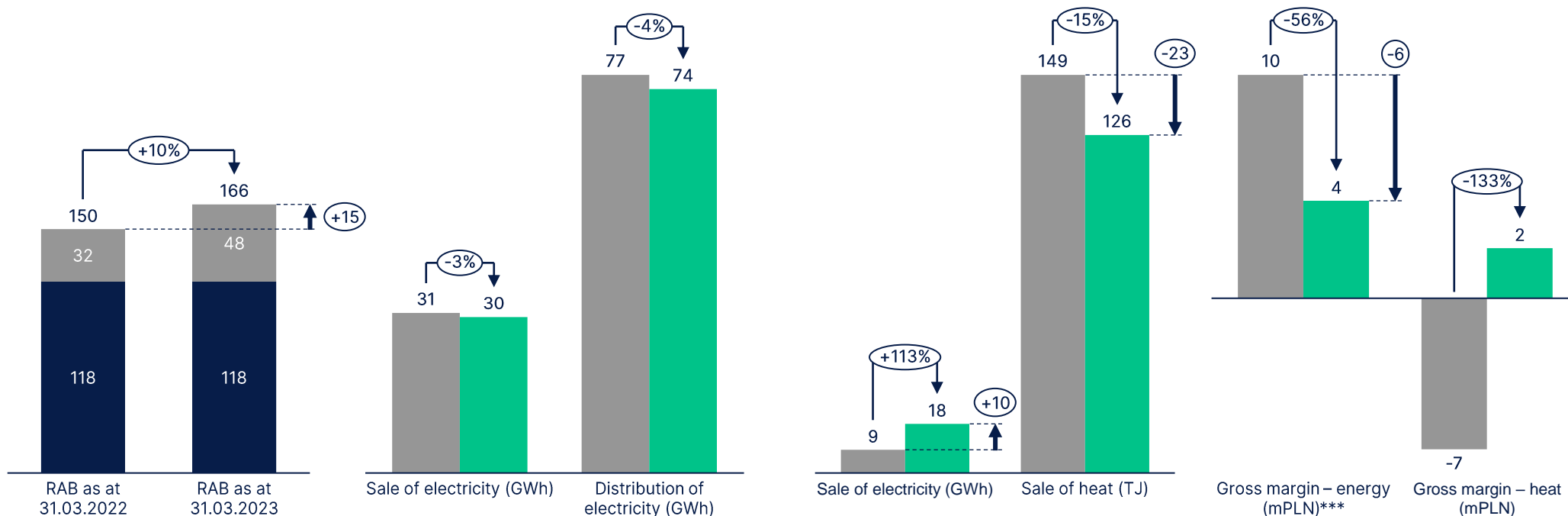
Summary of the key operating parameters - Distribution and Gas and Clean Fuels

Distribution – RAB [mPLN] and sale [GWh]

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

Quarterly data

■ RAB *in transit*
■ RAB at binding tariff



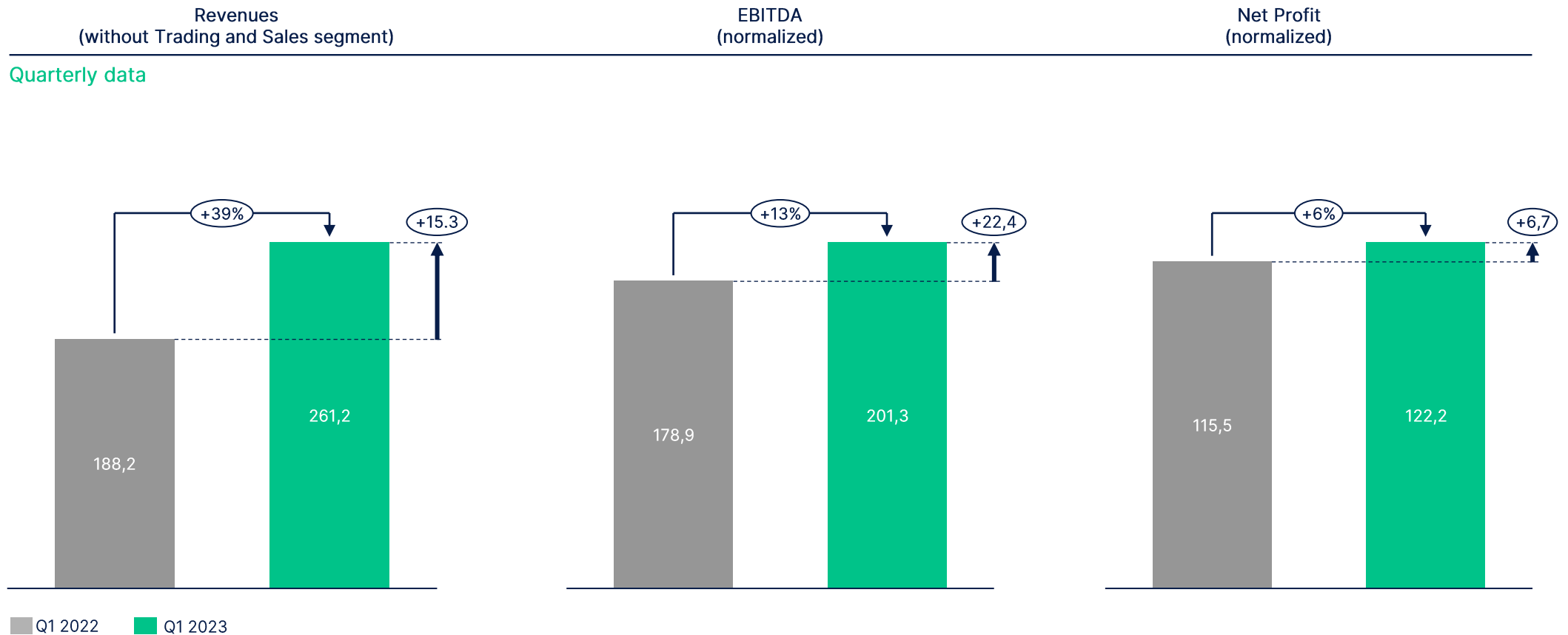
* regulatory value of assets - term explained in the glossary

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*** gross margin at the ENS level, without taking into account the impact of optimization including a part of 2023, recognized in the consolidated financial results of the Group in 2021 and 2022.

Financial results for Q1 2023

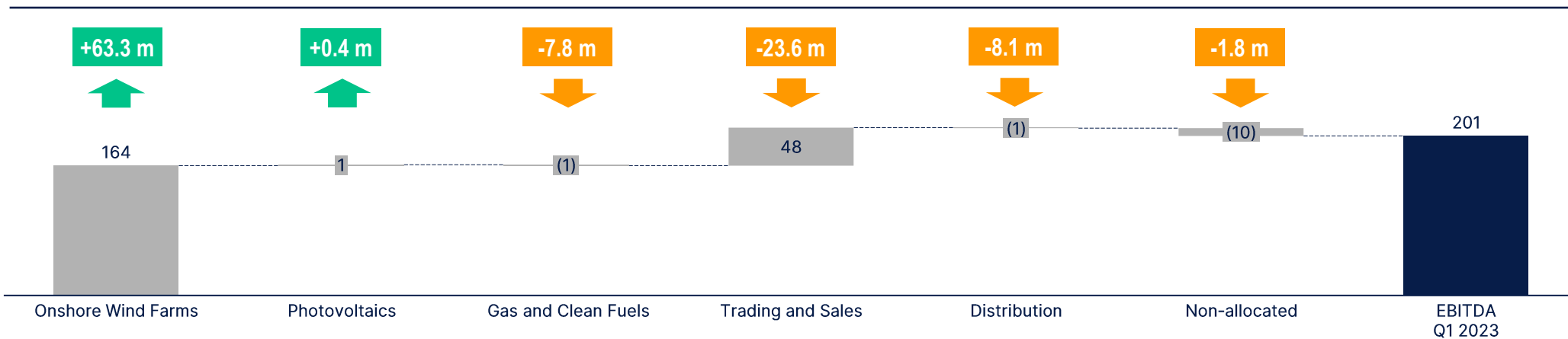
Financial results for Q1 2023



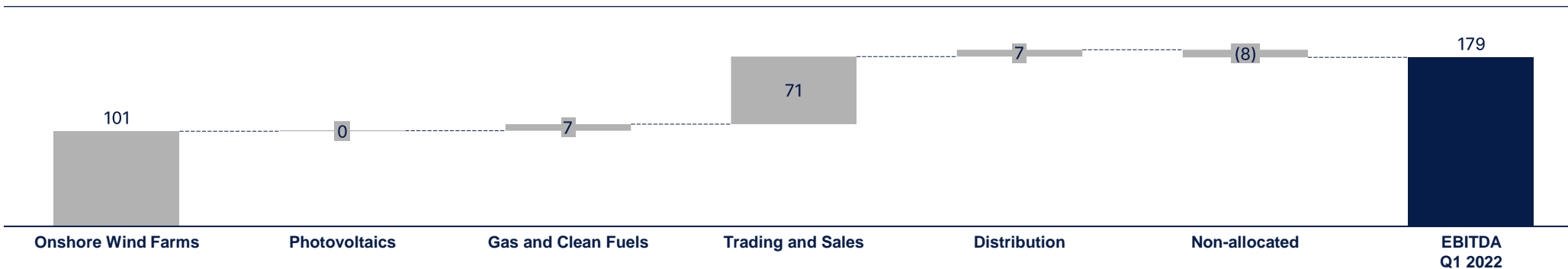
HIGHER RESULT IN Q1 2023 MAINLY DUE TO A HIGHER RESULT IN THE ONSHORE WIND FARMS SEGMENT, PARTLY SET OFF BY A LOWER RESULT IN THE TRADING AND SALES, GAS AND CLEAN FUEL AND DISTRIBUTION SEGMENTS.

EBITDA structure – Q1 2023 compared to Q1 2022

EBIDTA structure in Q1 2023



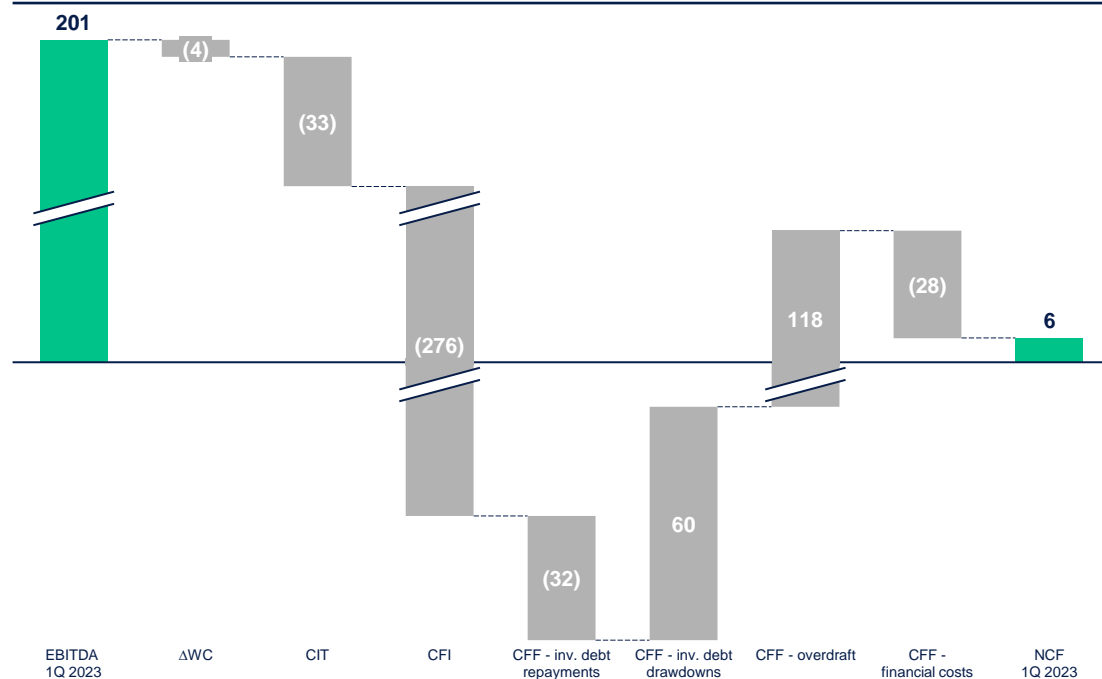
EBIDTA structure in Q1 2022



INCREASED RESULT IN THE ONSHORE WIND FARMS AND PHOTOVOLTAIC SEGMENTS AND LOWER RESULT IN TRADING AND SALES, DISTRIBUTION, GAS AND CLEAN FUELS AND UNALLOCATED SEGMENTS.

Polenergia Group cash flow

Group cash flow in the Q1 2023



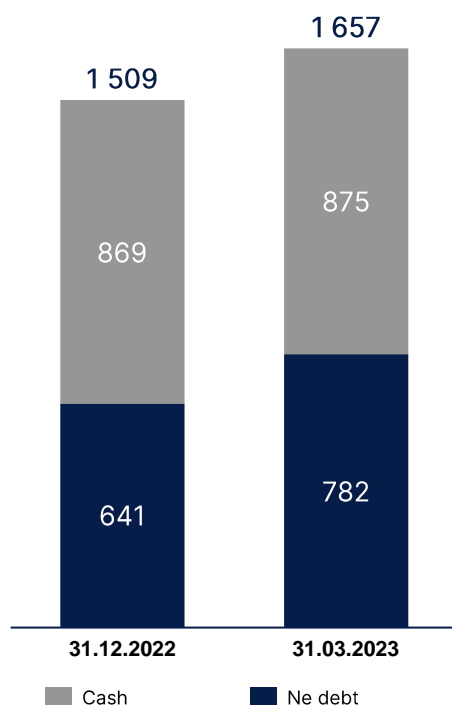
- **Cash flow from investment activities:** Capital expenditure made in wind and photovoltaic farms segments (-117,8m), including 27.8m in the Dębsk, 55.2m in the Grabowo and 12.6m in the Piekło segments and capital expenditure in Polenergia Dystrybucja (-6.9m) and in other companies (-4.3m). Premiums to offshore wind farm projects (-145.1m) and other projects (-1.7m).
- **Cash flow from financial activities:** Scheduled repayment of the investment loan plus interest in the onshore wind farms and photovoltaics (-49.7m) and distribution (-1.3m) segment. Taking out an investment loan in wind and photovoltaic farm project companies (56.5m) and in the distribution segment (3.9m). Change of the working capital/VAT loan (118.2m). Other cash flows (-8.9m).



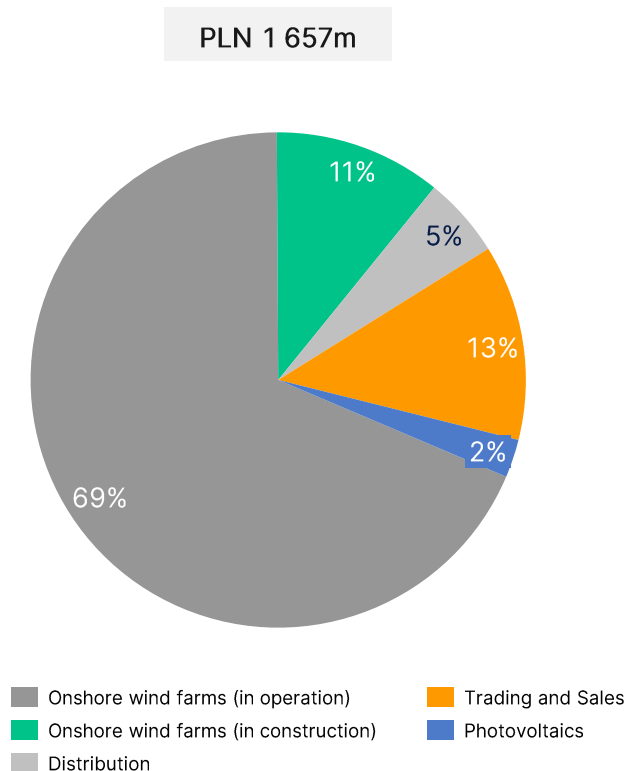
HIGH EXPENDITURES IN ONSHORE AND OFFSHORE WIND FARM PROJECTS FINANCED MAINLY FROM THE COMPANY OWN FUNDS.

Polenergia Group debt structure as at 31 March 2023

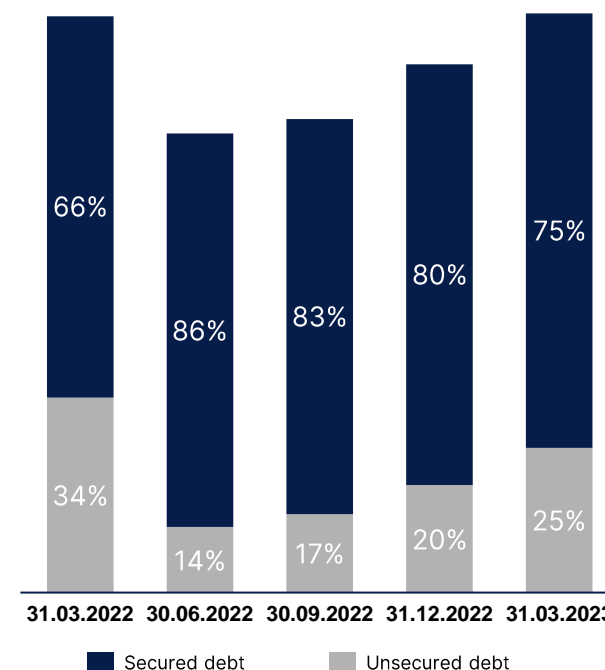
Gross debt (mPLN)



Debt structure as per segments



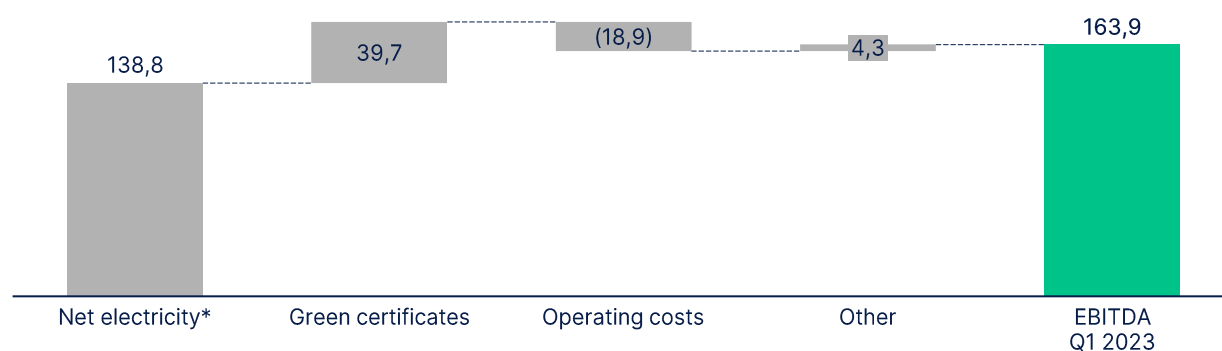
Debt structure - interest rate hedging



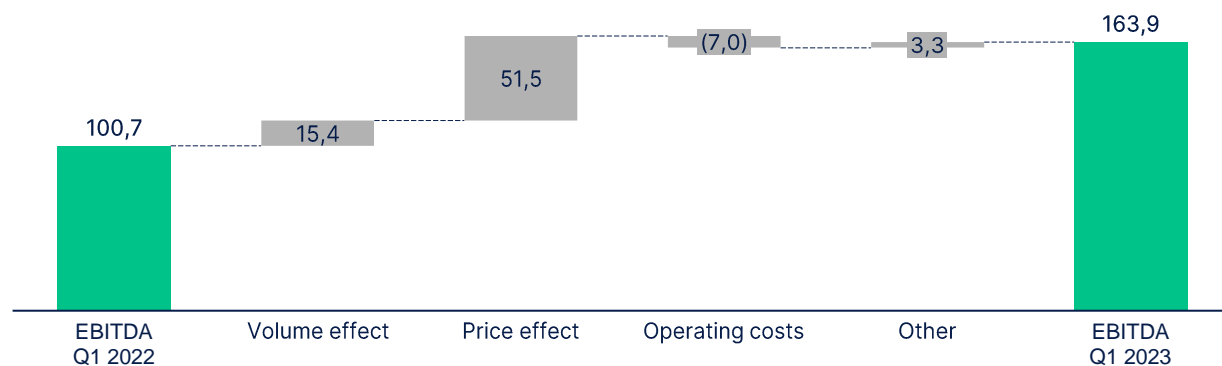
INCREASE OF NET DEBT COMPARED TO THE END OF 2022 DUE TO INCREASE OF DEBT IN TRADING AND SALE SEGMENT; NO CURRENCY RISK IN THE DEBT STRUCTURE. DEBT COST HEDGED IN 75% FOR BANK LOANS, INCLUDING 88% OF INVESTMENT LOANS.

Onshore wind farms - Q1

EBITDA build-up



EBITDA bridge



Comment

- ▶ Higher volume of produced electricity due to the concession obtained by the Dębsk (January 2023) and Kostomłoty (October 2022) farms and the production in start-up phase in the Piekło and Grabowo farms, partly set off by lower volume of electricity produced in other operating farms.
- ▶ Increase in electricity and green certificates sales prices at the segment level compared to Q1 2022 (in which prices resulting from hedging transactions were in force).
- ▶ The operating costs in Q1 2023 higher than in Q1 2022 mainly due to taking into account of the costs related to the maintenance of the Dębsk and Kostomłoty wind farms.
- ▶ The "Other" item includes the reimbursement of the overpaid 2017 real estate tax for the Skurpie wind farm.
- ▶ Revenues from awarded but not yet sold green certificates* and related selling costs are presented without IFRS 15 adjustment (as opposed to the presentation in the consolidated annual report).

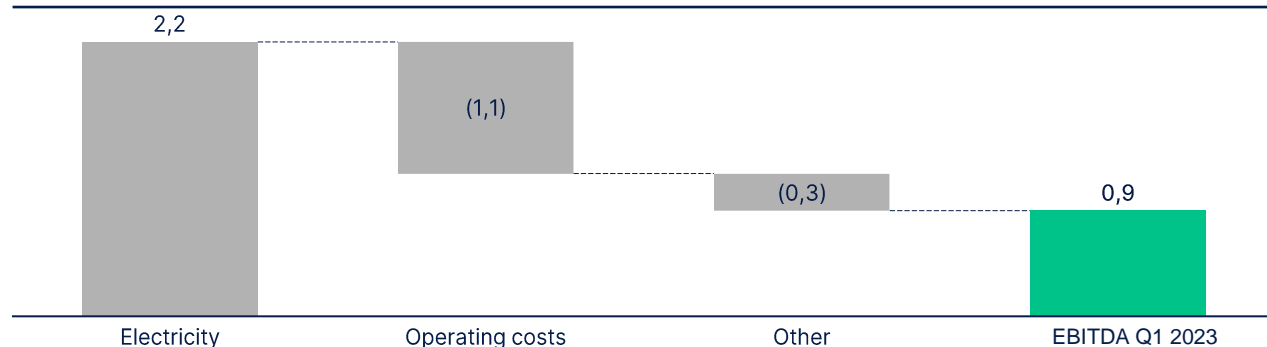


HIGHER PRODUCTION VOLUME AND HIGHER SALE PRICES OF ELECTRICITY AND GREEN CERTIFICATES, PARTLY SET OFF BY HIGHER OPERATING COSTS.

* term explained in the glossary of abbreviations

Photovoltaics - Q1

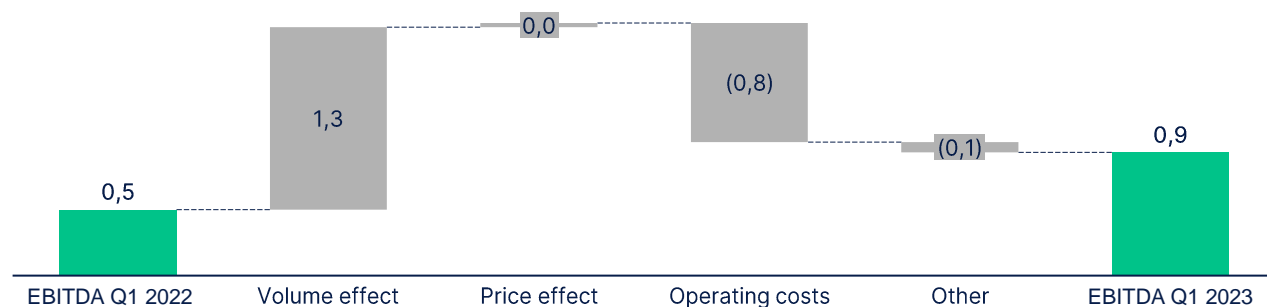
EBITDA build-up



Comment

- ▶ The result in the segment consists of revenues from the sale of electricity generated by the Sulechów I (8 MW), Sulechów II (11.7 MW), Sulechów III (9.8 MW) and Buk (6.4 MW) PV farms.
- ▶ The segment's EBITDA in Q1 2023 was at a higher level compared to the result of Q1 2022 (+0.4mPLN) mainly due to powering of PV Sulechów 2 and PV Sulechów 3 at the end of Q1 2022 and PV Buk in Q3 2022. Negligible impact of the price effect on the segment's result in the quarter. In the case of the Sulechów II, III and Buk facilities, electricity was sold at a fixed price secured until the end of 2023, capped with the statutory price limit.
- ▶ Volume produced in Q1 2023 by the Sulechów I farm was fully settled under the auction system.
- ▶ Higher operating costs of the segment mainly due to the full operational phase of the Sulechów 2, Sulechów 3 and Buk projects in Q1 2023.

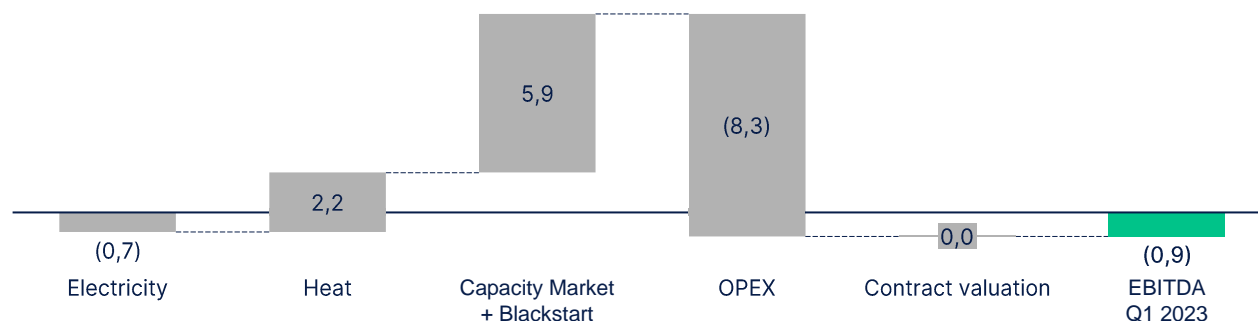
EBITDA bridge



INCREASED RESULT IN CONNECTION WITH THE ENTRY OF THE SULECHÓW II , SULECHÓW III AND BUK FACILITIES IN THE OPERATIONAL PHASE.

Gas and Clean Fuels - Q1

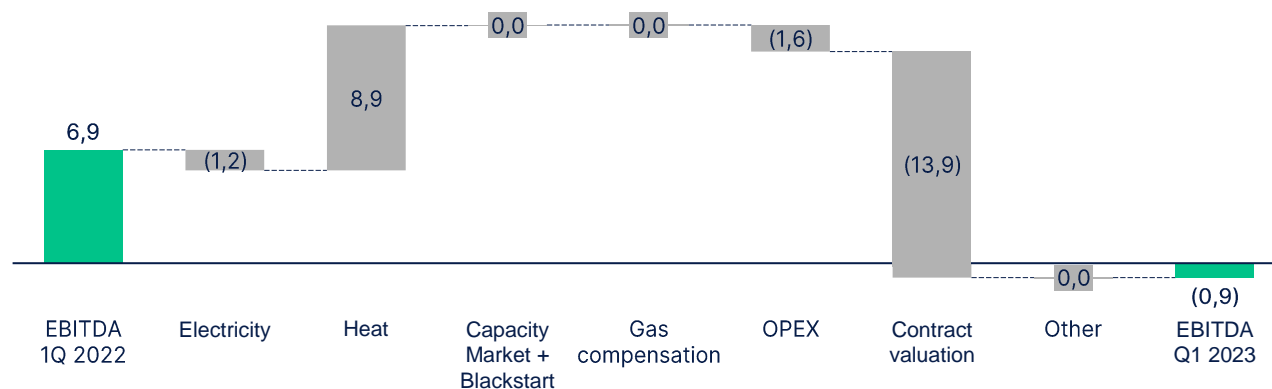
EBITDA build-up



Comment

- ▶ Lower result on electricity (taking into account the valuation of contracts) as a result of the ENS operation optimization process (in Q1 2022, mainly the valuation of forward hedging transactions, ENS sale for part of 2023 and their "reversal" = PLN 13.9m).
- ▶ Heat - higher result on heat in 2023 due to higher tariff prices (the tariff transferring higher gas and CO2 costs in 2022 entered into force in August 2022); additional compensation for higher gas and CO2 costs in 2022 was received in December 2021 (in the amount of 13.4M, of which 6.9m in Q1 2022).
- ▶ OPEX - higher costs of the transmission fee for the ordered gas capacity (increase in Gaz-System's tariff prices) and higher costs of services and salaries due to higher inflation in 2023 vs. 2022.

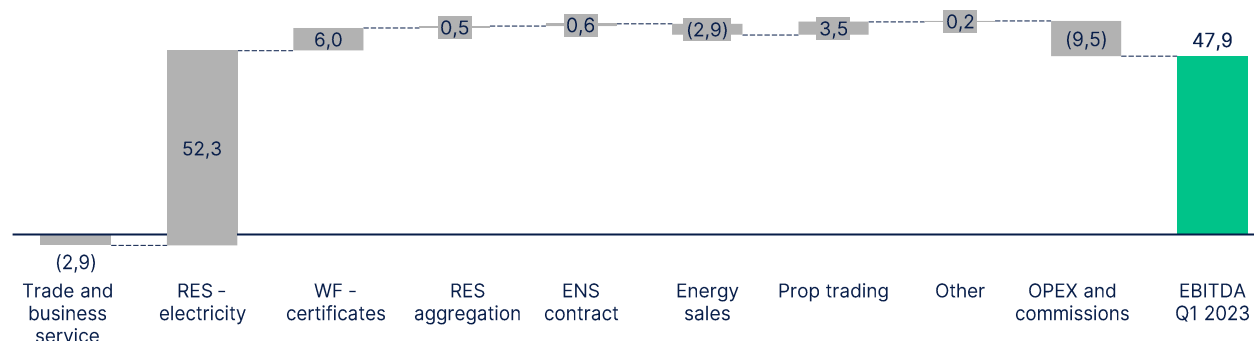
EBITDA bridge



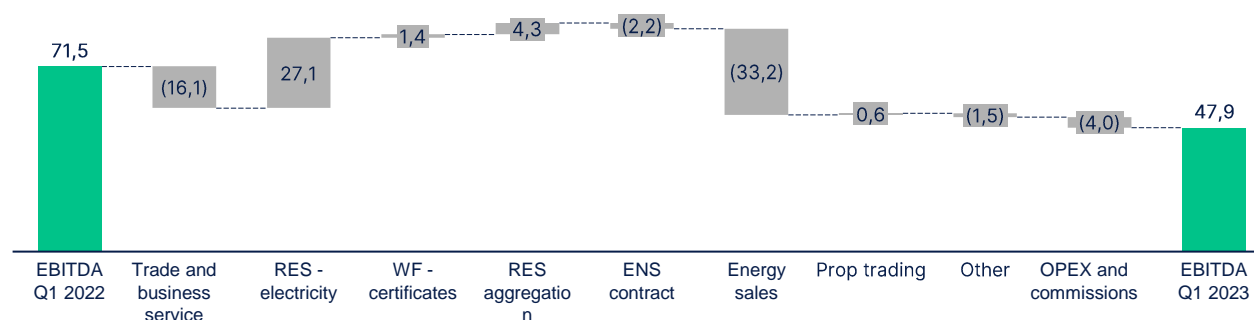
LOWER EBITDA DUE TO LOWER IMPACT OF OPTIMIZATION OF THE ELECTRICITY PRODUCTION, PARTLY OFFSET BY A HIGHER RESULT ON HEAT

Trading and Sales - Q1

EBITDA build-up



EBITDA bridge



Comment

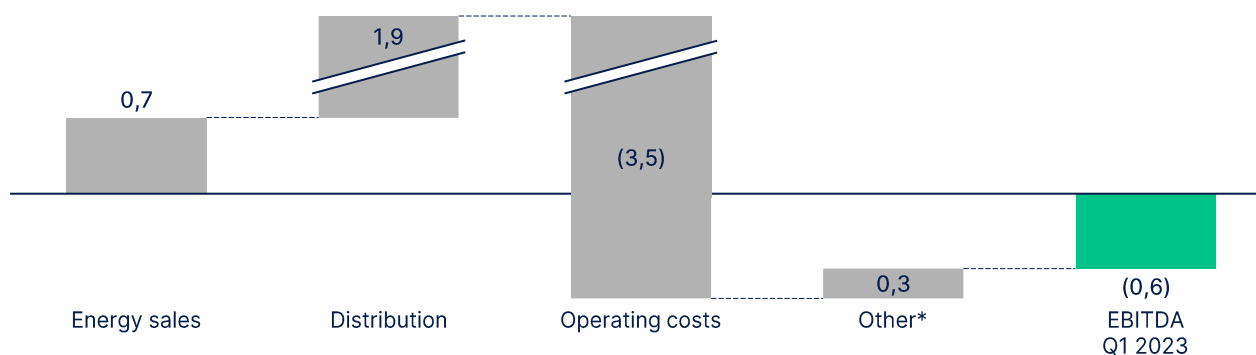
- ▶ Decrease in EBITDA in the following areas:
 - sales of electricity mainly related to the recognition of a one-off result on the valuation of futures transactions in the previous year and a lower realized margin in Q1 2023 on supply contracts,
 - electricity trading and business services related mainly to the reverse distribution of the y/y result - realization of a negative margin in the first quarter and a hitherto unrecognized positive margin on transactions performed in the remaining part of 2023.
 - higher operating costs due to increased scale of operations.
- ▶ EBITDA decrease partly offset by:
 - higher result on trading in energy from RES assets due to higher electricity sales prices (in 2022 electricity was sold at lower prices previously hedged at futures market) and lower impact of wind profiling costs (compared to the hedged sales price) and higher volume due to the increased portfolio of generation projects,
 - higher result on RES aggregation, mainly as a consequence of terminating the contracts with a negative margin (resulting from dynamic changes on the electricity market) in 2022.



DECREASE IN THE RESULT ON SALE OF ELECTRICITY (ONE-OFF EFFECT OF THE VALUATION OF FORWARD TRANSACTIONS IN Q1 2022) AND TRADE AND BUSINESS SERVICE PARTLY SET OFF BY INCREASED RESULTS ON TRADING ENERGY FROM GROUP ASSETS AND RES AGGREGATIONS

Distribution - Q1

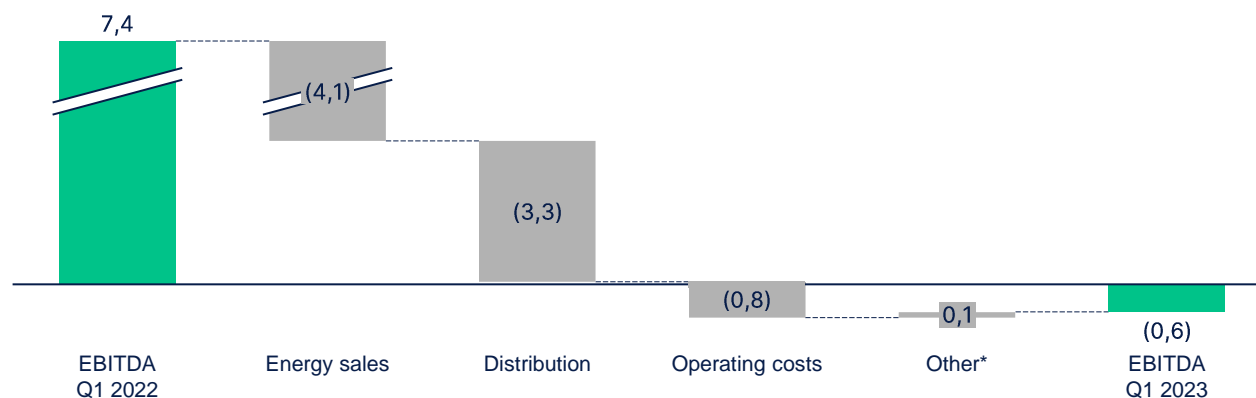
EBITDA build-up



Comment

- ▶ The distribution segment recorded a PLN 8.1m decrease in EBITDA compared to the same period last year, mainly due to:
 - lower unit margin on energy sales,
 - lower margin on electricity distribution (mainly due to the delay in updating the distribution tariff),
 - higher operating costs mainly due to the increased scale of operations,
- ▶ partly offset by:
 - higher revenues from connection fees,
 - higher other operating revenues (repayment of the previously written-off receivables after winning a lawsuit).

EBITDA bridge






EBITDA DECREASE DUE TO LOWER MARGIN ON ENERGY SALES AND HIGHER DISTRIBUTION COSTS

* 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 Group continues to implement wind farm projects with a 57 MW capacity and started construction of the Strzelino photovoltaic farm with a capacity of approximately 45 MW. An agreement was entered into regarding the selection of the preferred supplier of monopile foundations for the MFW Bałtyk II and MFW Bałtyk III projects.

| Area | Status |
|---|--|
|  Onshore wind farms | <p>Projects in the advanced phase of development:</p> <ul style="list-style-type: none"> ▶ The Group continues the works aimed at completion of two wind farm projects of the total capacity of 57 MW which obtained support under the RES support auction scheme. The Piekło and the Grabowo wind farm projects are in the construction phase. Construction works began at the end of March 2022. All foundation, road and cable works were completed. All turbines have been assembled in both farms, permits and start-up works of the turbines are currently underway. The projects' construction is planned to be completed in H2 2023. |
|  Photovoltaics | <p>Projects in the early phase of development:</p> <ul style="list-style-type: none"> ▶ The Group started the construction of the Strzelino Photovoltaic Farm with a capacity of approx. 45 MW, which received support under RES auction in December 2021. Key contracts were concluded in Q1 2023. Planned completion of construction in Q4 2023. |
|  Offshore wind farms | <p>The projects in advanced development phase - MFW Bałtyk II and MFW Bałtyk III (total planned capacity of approx. 1.4 GW)</p> <ul style="list-style-type: none"> ▶ In February MFW Bałtyk II and MFW Bałtyk III concluded annex to the agreement with Siemens Gamesa Renewable Energy Poland regarding the choice of preferred supplier of wind turbines, allowing formal reservation of installation port in Roene by the supplier. ▶ In April 2023, MFW Bałtyk II and MFW Bałtyk III concluded the agreements on the selection of the preferred supplier with SIF Netherlands B.V. The agreements provide for, inter alia, reservation of production capacity allowing for the production of monopile foundations in quantities and on dates in compliance with the current design assumptions. <p>Projects in the early phase of development:</p> <ul style="list-style-type: none"> ▶ Continued work on the MFW Bałtyk I project, aimed at preparing the project for the auction. The windiness and wave intensity surveys, which lasted over a year, were completed in April 2023. The obtained ocean and meteorological data will allow for determining expected electricity production and starting the facility design. ▶ Continued preparatory work for the 700 MW offshore wind farm project in Lithuanian maritime areas, aimed at preparing the project for auction. |





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

The intensive development of the Group's operations is underway, Polenergia eMobility started selling the charging service from its own stations.

| Area | Status |
|--|--|
|  Distribution |  <ul style="list-style-type: none"> Polenergia Dystrybucja has been implementing IV investment plan for the years 2021-2026 for the total amount of PLN 105m in compliance with the prior adopted schedule. Polenergia eMobility started selling charging service at own stations. In 2023 three locations became operational, other being in construction. The first public and private stations managed by Polenergia eMobility were connected in the software system. System functionality and client application are being developed, and further locations for public stations secured. In 2023, the company applied for 1 program related to co-financing the National Fund for Environmental Protection and Water Management. |
|  Gas and clean fuels |  <ul style="list-style-type: none"> In 2023 the EC Nowa Sarzyna (Heat and Power Plant), as the participant in the Capacity Market, has 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 also participates 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 2023 the heat and power plant provided PSE with the System Constrained Generation (GWS) services. Thanks to the contracts for the sale of energy and the purchase of gas and CO₂, secured for 2023 and then "reversed", in accordance with the SLA (Service Level Agreement), the gas and steam unit is currently not operating on the energy market (except for system services) and heat is produced in auxiliary boiler room. Should a positive CSS occur, the ENS will dynamically revert to energy production thanks to an optimized operating model. 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. Company carries out preparatory works for construction of water electrolysis unit project with capacity of 5MW, which will allow to provide hydrogen to first selected clients in Subcarpathian region and to run co-combustion tests at existing gas units. 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. |
|  Trading and Sales (1/2) |  <ul style="list-style-type: none"> The Group modifies the implementation of the strategy in the trading and sales segment, adapting it to changing market conditions and the increasing costs of securing end users and profiling RES sources. At the end of 2022, a part of the contracts with customers expired, and further growth in sales volumes depends on the development of the market situation, which forces the ongoing recalculation of risks and financial costs related to securing the recipients' position on the futures market. The regulations being implemented to limit energy sales prices and deductions payable to the Price Settlement Authority fund in 2023 largely inhibited the possibility of dynamic development of sales and activities related to the aggregation of external RES. The company is developing a sales model in long-term CPPAs based on the Group's existing and newly built generation assets. |

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

Polenergia actively participates in humanitarian support for refugees from Ukraine, supports the development of future staff in the energy sector, promotes environmental and climate education, takes up activities to strengthen relations with local communities and prepares an ESG strategy.

| Area | Status |
|--|---|
|  Trading and Sales (2/2) |  <ul style="list-style-type: none"> ▶ Trading on own account on wholesale markets (prop trading) is successively performed, and the implemented trading strategies take advantage of market volatility with a positive effect, while maintaining restrictive measures to limit risk exposure. An ultra-short-term (intraday) trade line is being developed, allowing for the use of price volatility related to fluctuating market conditions shortly before delivery (for example in case of failures or changes in wind conditions, insolation or demand). The company started the development of structure trading activities consisting in concluding bilateral transactions with business entities operating on European markets in the scope of sale, purchase, storage and transmission of natural gas and electricity. The company's commercial activity is covered by regulations on deductions payable to the Price Settlement Authority, therefore the results of all business lines in 2023 will be reduced by fees payable to the Price Settlement Manager. |
|  Corporate Social Responsibility |  <p>The Company:</p> <ul style="list-style-type: none"> ▶ is involved in humanitarian aid for refugees from Ukraine. Recent activities in the area of emergency and long-term assistance include: financing a job position for a Ukrainian wrestling trainer in Peplin and financing classes and care for children from Ukraine as part of day care classes during the 2023 summer holidays. ▶ actively works to support the development of future staff and support women through involvement in the preparation of classes as part of the ESG Innovation Academy organized by the Lesław Paga Foundation. ▶ supports biodiversity – started cooperation with the University of Zielona Góra – based on annual research on PV farms in Sulechów, scientific papers are planned to be prepared on the development of biodiversity by UZG PhD students. ▶ undertakes activities in favor of D&I, organizing workshops for the Group's employees on inclusivity and inclusive language. ▶ takes up activities to promote health of employees and their families, cooperates with the Mazowieckie Neuropsychiatric Center. From the beginning of April, the Polenergia sports challenge was launched aiming at involving employees in sports activities, and instilling a healthy lifestyle. In addition, the campaign has a charitable purpose to raise a defined amount of money for the Rak'n'Roll Foundation. Win a Life! by collecting points for regular sports activities that are converted to PLN. ▶ runs employee voluntary service, involved in the preparation of Easter packages (food, cleaning products, cosmetics) for seniors as part of the "Open Door" Easter from the Heart Association campaign. Spring voluntary service was organized at the "Pegasus" shelter. ▶ is involved in environmental and climate education activities, organizes employee voluntary service as part of the Polenergia Play Green with us!® ecological project, supports competitions for environmental education in primary schools, engages educational institutions in the "Climate Reading" campaign by financing the purchase of books on ecology, nature and climate protection. ▶ takes actions to strengthen relationship with local communities, holds a dialog with representatives of municipalities and associations operating within the Group's projects. ▶ At the end of March, in cooperation with a consulting company, work was completed on the preparation of the ESG strategy and the Group's non-financial report (Consolidated Non-Financial Statements). |

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 | Gross profit minus financial income plus financial costs plus depreciation plus impairment loss on non-financial fixed assets (including goodwill) |
| RAB | Regulatory asset base - the value of assets on the basis of which the Energy Regulatory Office determines the distribution tariff |
| RAB in transit | Expenditure already incurred, but not reflected in the distribution tariff. Such expenditure 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 |
| SEG | Social, Environment and Governance |
| EHS | Environment, Health and Safety |
| YTD | Year-to-date, cumulative from the beginning of the year |
| Act on price freezing | Act on special solutions to protect electricity consumers in 2023 in connection with the situation on the electricity market, implemented on 7 October 2022. |
| CSS | Clean Spark Spread, gross margin on sale of one unit of electricity in gas power plants |



Polenergia SA
ul. Krucza 24/26
00- 526 Warsaw

Tel.: +48 22 522 3974
E-mail: POLENERGIAIR@polenergia.pl

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