

Press release

Polenergia Grows in Wind Segment and Retains High Results

Polenergia S.A. (“Polenergia”), the largest Polish private energy group, presented a consolidated report for 2020. Sales revenues exceeded PLN 1,811 million, adjusted EBITDA neared PLN 257 million, whereas corrected net profit was PLN 111 million.

- **PLN 257 million of adjusted EBITDA in 2020;**
- **37% adjusted EBITDA margin in 2020 (excluding the trade segment);**
- **33% average productivity of wind farms in 2020;**
- **714 GWh production of electricity from wind farms in 2020;**
- **227 MW total capacity of new projects which received support as part of RES auctions;**
- **1,440 MW total capacity of projects submitted as part of the support system for offshore wind farms.**

The year 2020 turned out to be very demanding for the energy sector, as well as the entire Polish economy. Nevertheless, the coronavirus pandemic that has lasted for over twelve months did not cause any significant disruptions in the operation of Polenergia. Regulatory environment had a positive impact on the Group. Entry into force of the act on support for offshore wind energy means a green light for three wind farm projects on the Baltic Sea with a total capacity of 3,000 MW developed jointly with Equinor. The government adopted the Energy Policy of Poland Until 2020, where the offshore wind energy is an important element. The Ministry of Climate declares that in just twenty years, over a half of the installed capacity in the National Power System will constitute zero-emission sources. Furthermore, inter-departmental consultations for the Polish Hydrogen Strategy Until 2030 with a perspective to 2040 were completed. Its detailed goals will encompass support for the hydrogen use in three areas: energy, transport and industry. The new Polenergia’s Strategy for 2020-2024 adopted last year fully complies with the governmental plans. The quality of assets held by Polenergia and the decisions to secure sale prices from generation assets made at the right moment resulted in the fact that the market volatility caused by the COVID-19 pandemic did not materially influence the Group’s financial results.

“The last year was exceptional for Polenergia in many respects. High resistance to the aggravating macro-economic conditions, confirmed by the accomplished financial results, strengthens our belief about the Polenergia’s stable position. Dynamic changes in the market environment related to the commencement of investment processes at an unprecedented scale in the Group’s history and consistent implementation of the new strategy - right since the moment of its announcement - allow us to look at the future with optimism.” says Michał Michalski, Ph.D., President of the Management Board of Polenergia.

High Financial Results

Higher prices of electricity and green certificates in 2020 allowed the onshore wind farm segment to accomplish a record EBITDA result, 19% higher than in 2020. The distribution segment, which is the most susceptible to the direct impact of the pandemic, recorded continued to record stable results all the time. The growing margin on the distribution of electricity compensates a drop in the volume of sales by 10% as compared to 2019. Efficient activities optimising the levels of long- and mid-term security and commercial optimisation actions on the current market allowed for accomplishing the EBITDA result in the segment of trade and sale that was by 49% higher as compared to the result for 2019.

Throughout 2020, the adjusted EBITDA was PLN 256.8 million and was lower by PLN 22.4 million as compared to 2019. This was caused by a drop of PLN 62 million of the result in the segment of gas and clean fuels in effect of lower revenues from gas cost compensation (termination of a long-term contract for purchase of gas in 2019) and lower revenues from compensation of stranded costs (termination of the compensation system in May 2020). The lower result in this segment was partially compensated by a higher result of the onshore wind farm segment by PLN 34.3 million and the segment of trade and sale by PLN 7.3 million. Since the beginning of 2020, Polenergia has been presenting the photovoltaics segment separately in its results which, due to the Sulechów I photovoltaic farm, generated the EBITDA result of PLN 2.2 million. As a result of the activities above, the adjusted EBITDA margin, excluding the segment of trade (which is characterised by a relatively low unit margin with a very high volume of transactions), amounted to 37.4% and was lower by 3.6 p.p. than the one recorded in 2019.

Last year, the net profit grew slightly, from PLN 109 million to PLN 110.5 million. The higher net profit is a result of resumption of implementation of the Piekło Wind Farm with a capacity of 13 MW. It received support as part of the auction system, which allowed for reversing some of the write-downs made in the previous years, related to the costs of the project development. In 2020, the Group's revenues dropped to PN 1,811 million, which was caused by lower revenues in the segment of trade and sale and gas and clean fuels, partially compensated by an increase in the revenues in the onshore wind farm segment.

The onshore wind farm segment has been the driving force of Polenergia for a number of years. This segment's record results in 2020 was brought by higher prices of electricity and stable market prices of green certificates remaining on a level of approx. PLN 139/ MWh. Wind farms produced a net of 714 GWh of electricity last year. Their productivity remains all the time above the average in the entire national sector and in the first quarter of 2020, the productivity of the Polenergia farms recorded a record level of 48.5%.

Implementation of Group's Strategy

Polenergia, together with Equinor, are preparing three offshore wind farms for construction with a total capacity up to 3,000 MW. With respect to the MFW Bałtyk II and MFW Bałtyk III projects which are at an advanced stage of development, applications were already submitted for granting the right to cover the negative balance as part of the first stage of projects foreseen in the act promoting generation of electricity in offshore wind farms of 17 December 2020.

“The received support allows us to move on to the second stage of development of the offshore projects, which, after procurement of construction permits, will end with a final investment decision. At this stage, we have to take very costly actions and incur liabilities, such as the select suppliers of individual components of the farm. We also have to organise the service and maintenance base. Without stable regulations allowing for determination of financial conditions and a schedule of work, these projects could not have been developed any further. Adoption of the Act on promotion of electricity generated in offshore wind farms allows us to plan the first input of energy to the network in 2026.” claims Michał Michalski, Ph.D., President of the Management Board of Polenergia.

At the present moment, the Group is pursuing four projects of onshore wind farms, which received support as part of the auction system: Szymankowo Wind Farm, Dębask Wind Farm, Kostomłoty Wind Farm and Piekło Wind Farm. Their total capacity is 199 MW. As of the date of publication of the consolidated report for 2020, 10 out of 11 wind turbines with a capacity of 38 MW were assembled in the Szymankowo Wind Farm. Completion of the Szymankowo Wind Farm is scheduled in the middle of the year.

As part of the December RES auction, Polenergia received a 15-year support for three photovoltaic project portfolios: Sulechów II, Sulechów III and Buk I with a total capacity of 28 MWp. Already in the fourth quarter of this year, Sulechów II photovoltaic farm will be commissioned, whereas Sulechów III and Buk I photovoltaic farms will be completed in the first quarter of 2022.

In the gas and clean fuel segment, work is under way to develop projects based on green hydrogen, which will be a necessary supplement for the European Green Deal. Polenergia signed a letter of intent with Siemens Gas and Power GmbH & Co. KG and Siemens Energy Sp. z o.o. pertaining to cooperation. Several potential projects are under analysis, which consist in production and storage of hydrogen generated in the process of electrolysis from own renewable energy. The Nowa Sarzyna CHP Plant is successfully pursuing transformation of its business model, becoming a key participant in the National Power System, supporting its recovery in emergency moments. The Company took part in the auction for supplies as part of the power market and extended the already concluded power contracts for years 2021-2024 also to 2025.

The Group is pursuing a new strategy in the segment of trade and sale by developing new or existing business areas. Preparations are under way to launch activities consisting in direct sale of green energy to end clients. A license was already procured for a sales company, whereas the process of building sale channels is at an advanced stage. Activities in the area of aggregation of

external RES producers are being pursued: the current and new clients for 2021 were sourced. Polenergia is also selling energy to large industrial recipients. Contracts were concluded with clients for years 2021-2022 and new clients are actively sourced. As part of geographic expansion, the Group started to operate on the Ukrainian and the Hungarian market. Preparations are under way to start the operation on the markets of the Baltic states and the Romanian market.

In the distribution segment, Polenergia started to implement the 4th investment plan with a total value of PLN 105 million. The programme for 2021-2026 stipulates performance of investments with respect to design and construction of electric power infrastructure used to supply new facilities and recipients, primarily in newly erected housing estates. By the end of 2020, the Company issued 88 documents on terms of connection to the network, as part of which 44 connection agreements were signed. Connection agreements were completed and readiness to connect 45 investments or investment stages was notified.

Sustainable Development

Polenergia is the first Polish company from the energy sector to launch a comprehensive ESG website, which communicates the Group's activities in the area of environment, social issues and corporate governance. It delivers up-to-date and reliable knowledge about actions taken in the area of social responsibility. The www.esg.polenergia.pl website offers in-depth elaboration of the standard non-financial reports published once a year, as well as presents information which can be frequently found in several different sources such as corporate websites, investor relations and financial reports. The ESG website responds to the current needs of various stakeholder groups, in particular the media, analysts, national and international institutions and the financial sector.

Impact of Pandemic on the Group's Operations

In relation to the ongoing COVID-19 pandemic, risk factors which may affect the operation and the financial results of Polenergia are monitored and identified on a continuous basis. The Management Board has taken steps to mitigate the negative effects of the coronavirus epidemic, yet their final impact and scale are hard to assess. So far, the Group has manifested strong resistance to the adverse macro-economic environment caused by the pandemic. High financial results generated in 2020 show that the partial freezing of the Polish economy did not significantly affect the functioning of Polenergia's companies. Implementation of wind farm projects which are at the construction stage has so far not been adversely affected by COVID-19.

Polenergia: Polish private energy group consisting of vertically integrated companies operating in the area of energy production from renewable and conventional gas sources, as well as distribution, and trading of electric energy. The

strategic project implemented by the Group is construction of wind farms in the Baltic Sea with a total capacity of 3000 MW. Gazeta Giełdy i Inwestorów "Parkiet" awarded the "Byk i Niedźwiedź" prize to Polenergia as the best company in the sWIG80 index in 2018. More information: www.polenergia.pl

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