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Press release

Polenergia's Revenues Up By 39%

Polenergia S.A. (“Polenergia”) the largest Polish private energy group presented the combined income statement for the first quarter of 2021. Sales revenues approximated PLN 637 million, adjusted EBITDA neared PLN 76 million, whereas adjusted net profit exceeded PLN 34 million.

- **PLN 76 million of adjusted EBITDA in the first quarter of 2021;**
- **47% adjusted EBITDA margin in the first quarter of 2021 (excluding the trade segment);**
- **32% average productivity of wind farms in the first quarter of 2021;**
- **173 GWh production of electricity from wind farms in the first quarter of 2021;**
- **1440 MW total capacity of offshore projects which received the right to the contract for difference;**

The major event in the last few weeks that opens a new chapter in the history of Polenergia is the decision of the President of Energy Regulatory Office granting, to the MFW Bałtyk II and MFW Bałtyk III projects (the total capacity of 1440 MW), the right to cover the negative difference for electricity generated and fed into the network. The awarded aid entails inclusion of both projects in the first stage of development of the offshore wind power segment in Poland. At a further stage, granting of aid will be subject to the approval of the European Commission. After receiving the Commission’s standpoint, the ERO President will determine, in the administrative decision, the individual price which will be the basis for settling the negative balance for every special purpose vehicle. The estimated capital expenditure related to the preparation of the MFW Bałtyk II and MFW Bałtyk III projects will range from PLN 307 to 385 million, whereas construction expenses will be between PLN 16.1 to 18.2 billion. After receiving the required permits, entering into the necessary contracts and on the condition of adopting the final investment decision, the construction work could start at the end of 2023 and the beginning of 2024, so that at the latest in 2027 the first offshore project of Polenergia implemented jointly with Equinor is commissioned.

Performance of the Szymankowo Wind Farm project with the capacity of 38 MW is nearing completion. All turbines have been installed and their energetisation has started. Work related to the construction of roads, assembly yards and foundations was also completed. Documents are compiled for the application for the occupancy permit. The estimated annual production of

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the new wind farm of Polenergia will approximate 120 GWh, which corresponds to the annual demand for clean green electric energy of 60,000 households. This will allow for avoiding emission of even 104,000 tons of greenhouse gases annually. Construction of the Dębsk Wind Farm with a capacity of 121 MW - the largest onshore wind farm in the history of Polenergia - is progressing in line with the plan. Construction and electrical work is carried out.

The Group has sourced financing for three photovoltaic projects with a capacity of approx. 28 MWp for the total amount of PLN 61 million. Construction of Sulechów II Photovoltaic Farm, Sulechów III Photovoltaic Farm and Buk Photovoltaic Farm will last 12 months and after the completion thereof, the total capacity of the photovoltaic segment of Polenergia will grow by as much as 350%.

On the other hand, as of April this year, Polenergia Obrót has been performing the Demand Side Response service for the needs of Polskie Sieci Elektroenergetyczne. This new market service allows the transmission system operator to level the balance of power in the National Power System - in particular at times of peak demand for electricity. The Demand Side Response consists in voluntary and temporary reduction of power consumption by active recipients of electricity at the request of PSE in exchange for remuneration. Performance of this service apart from the already performed system services of reconstruction of the National Power System confirms that Polenergia is a key participant of the National Power System supporting its safety.

The Group is actively involved in the implementation of the governmental hydrogen strategy. It is a signatory of the "Letter of Intent on the Creation of the Podkarpackie Hydrogen Valley" signed today in Rzeszów which, thanks to the cooperation of numerous stakeholders, will be a modern eco-system allowing for integration of individual sectors of economy with a view to optimising processes and costs. It will also allow for building a chain value of hydrogen economy, including its production, transmission, transport, storage and application of hydrogen in energy, transport and industry.

"We are consistently implementing Polenergia's strategy which is already offering effects and increasing the value of the whole Group. Our activities are not only related to the development in the economic dimension, but also to social responsibility for the present and future generations. They provide the term "the New Energy Sector" with an actual shape. We are the first entity of the Polish energy sector that delivers "energy from the future" to its clients, in the exceptional Energy 2051 standard. We have a complete, modern and innovative eco-system of solutions, relying exclusively on our own resources that is meeting the global challenges and changing needs of recipients half way," stresses Michał Michalski, Ph.D., President of the Management Board of Polenergia.

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When analysing the result of Polenergia in the first quarter of 2021, it becomes clear that the Group is manifesting high resistance to the unfavourable macro-economic environment caused by the COVID-19 pandemic and in spite of the fact that the distribution segment recorded a drop in the volume of sale of electricity by 16% in the first quarter. High financial results generated in the first quarter of 2021 show that the renewed partial freezing of the Polish economy did not affect the functioning of the Group's companies so much. Furthermore, the wind power sector remains - in this and in the next year - highly resistant to the ongoing changes in prices of electricity due to the fact that for a greater portion of the portfolio, the sale prices of energy and green certificates were secured on the derivatives market. Additionally, the level of hedge from the risk of interest rate growth was increased up to 75% of the total debt value.

The beginning of 2021 was marked by a significant growth in the sales revenues of the Polenergia Group. The result on the level of PLN 636.9 million accomplished in the first quarter is lower by PLN 177.9 million from the last year's result. This is a consequence of the revenues in the segment of trade and sale that were higher by PLN 207.9 million; they were partially compensated by revenues in the segment of onshore wind farms that were lower by PLN 26.6 million and the segment of gas and clean fuels. The lower result in the segment on onshore wind farms is primarily the consequence of lower windiness in this period and thus lower production volume, along with slightly higher operating expenses of wind farms. However, it must be remembered that the productivity of Polenergia's wind farms in the first quarter of 2020 was at the record level of 49% and in case of the Mycielín Wind Farm it reached 60%.

Adjusted EBITDA from January to March this year was at PLN 75.7 million and was lower by PLN 18.4 million as compared to the analogous period of the previous year. The onshore wind farm segment recorded the EBITDA result lower by PLN 31.5 million, which mainly resulted from lower windiness. The gas and clean fuel segment recorded a growth by PLN 10.6 million as compared to the result from the previous year, primarily in effect of higher margin on sale of electricity and revenues from the power market. Additionally, EBITDA of the trade and sale segment was higher by PLN 3.2 million thanks to a better result on the Group's generation assets and partial implementation of the new Strategy. The adjusted net profit turned out to be lower by PLN 16.8 million as compared to the previous year and amounted to PLN 34.3 million. The adjusted EBITDA, excluding the segment of trade and sale, was at 47.3% and was 4.4 p.p. lower than recorded in the analogous period of the previous year.

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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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