

The Company's development prospects

The development prospects of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. and its subsidiary – EC Zielona Góra S.A. are closely linked to the implementation of the **Strategy of PGE Group until 2030 with prospects to 2050**, in which the Group declares reducing the impact on natural environment and reaching climate neutrality until 2050. Reducing the emissions during production will be achieved through technological change and enabling Group's clients to participate in this transformation and become engaged in actions promoting circular economy.

The strategic project for KOGENERACJA S.A. remains the **construction of heat and power plant Nowa EC Czechnica**, which will replace the existing power plant, located in Siechnice. According to the recommendation of the Investment Committee of the PGE Capital Groups, in 2020 a tender procedure for choosing the general contractor of the investment started. In the first quarter of 2021 final decision in this matter will be made. Launching the combined cycle gas and steam unit in the new heat and power plant is scheduled for the turn of the year 2023 and 2024. Implementation of this project aligns with the Strategy of PGE Capital Group, which promotes energy security and the improvement of air quality in Polish cities.

In the same time conceptual work concerning the use of group of facilities of the current heat and power plant Czechnica after launching the new heat and power plant in Siechnice is done.

An important element of stabilizing future revenues of the Company in the coming years will be **support mechanism** stemming from the **Power Market**. KOGENERACJA S.A. submitted its production units to tender procedure and was given a qualification for multiannual agreements for three production units in EC Wrocław and annual agreements for the years 2021-2022 for EC Czechnica. In December 2020, a tender procedure for supplies in the Power Market until 2025 was made, in which capacity duty was contracted by the subsidiary EC Zielona Góra S.A.

An important objective for the Capital Groupa will remain increase of efficiency, **high profitability and stable operating results** (EBITDA). This objective will be achieved by further optimization of production in both companies, minimization of variable costs, control of fixed costs and optimal asset management.

The consistent **upgrade of assets** has a positive impact on the efficiency of production. As a result, in the following years, high reliability of production assets will be maintained to guarantee energy security for customers, as well as competitiveness of the Group's products: heat and electricity.

The KOGENERACJA S.A. Capital Group has started the stage of modernization of its production facilities and environmental protection equipment by **implementing the best available techniques (BAT/BREF)**. Restrictive environmental standards will be effective from August 2021.

Taking into account further tightening of requirements concerning air and water quality and most of all limitation of greenhouse gas emission, a program was launched to prepare a **vision for the operation** of KOGENERACJA S.A. **in the prospects of 2030**

and the following years..

Both KOGENERACJA S.A. and EC Zielona Góra S.A. are leaders in local heat markets and intend to remain the first choice heating companies for heat consumers, also in the future. Thanks to the efficient flue gas desulphurisation and denitrification installations in Wrocław and the production of energy from RES in the biomass combustion installation in Elektrociepłownia Czechnica, KOGENERACJA S.A. will remain an ecological producer of heat for the residents of Wrocław and the surrounding area.

Both KOGENERACJA S.A. and EC Zielona Góra S.A. implement investments in the area of **new connections to the urban heat network**. Owing to the implemented projects of developing heat network, in 2020 in Siechnice and also, in cooperation with the distributor, in Wrocław 113 facilities with total capacity of 55 MW were connected and in Zielona Góra 46 facilities and 32 modules for preparing hot usable water, getting record-breaking 13.2 MW of heat capacity. It is worth mentioning that by the end of that year another stage of developing the network powered by the gas unit in Zawidawie (Wrocław) was completed.

In the past year KOGENERACJA S.A. received **support from Operational Program Infrastructure and Environment** 2014-2020 in a contest organized by the National Fund for Environmental Protection and Water Management. The project *Connecting recipients to the heat system by building district heat networks and connections in Siechnice and Święta Katarzyna* will enable to **develop local heat networks in the following years by nearly 3 km**.

Within the strategy of PGE Capital Group, which aims to 70% share of heat generation from low-emission sources until 2030, work on a program of preparing a vision for KOGENERACJA S.A.'s functioning in the period of next ten years is continued. Its aim is to **define the strategy for developing heat sources in Wrocław metropolitan area** in medium- and long-term perspective providing energy security, improvement of air quality and reducing climate impact.

The safety of employees and contractors will remain a priority for the Capital Group. Therefore, activities will continue to improve safety and increase the involvement of employees in building a safe work culture.

The companies of the Capital Group will continue to conduct **a partnership dialogue with local communities** and support sustainable development based on corporate social responsibility and values applicable in the entire PGE S.A. Capital Group.