

Press release

## **Trigon issued a "buy" recommendation at a price of PLN 44 per share**

Analysts indicate possibility of significant, ca. **60 percent upside potential** for the share price of Polenergia. Trigon Dom Maklerski (DM Trigon) emphasizes improving pricing prospects for green certificates system, as well as the organization and conduct of first auctions. DM Trigon analysts also point the lack of significant risk of Polenergia share price drop due to the fact that current valuation of the company is not shaped by any of the above factors.

This is the fourth analytical report regarding Polenergia forecasting a significant share price upside. Recently Societe Generale raised the target price to PLN 44.8 per share.

DM Trigon analysts point out that reduction of oversupply of green certificates due to limited support for co-firing and hydroelectric power plants as well as increase in demand caused by higher green energy requirement could potentially lead to **an increase price of green certificates to 190 PLN/MWh** before 2019. In its recommendation DM Trigon notes the relationship between prices of green certificates and risk of failure to comply with EU requirements relating to share of production from renewables. The analyst points out that in order to meet challenging targets, dynamic growth in wind farms installed capacity and potentially partially restoring co-firing will be required. This could be potentially possible to achieve while maintaining a 0.5 certificate for co-firing and a resultant certificate priced at 240 PLN/MWh. However, analysts also point out that there is a probability that European Commission will stop accepting co-firing as a source of renewable energy.

Recommendation underlines the leading position of Polenergia as the company having **the greatest capacity of projects ready to participate in the first auction (279 MW)** and the second largest pipeline (730 MW). Analysts estimate that with a limited supply of projects from other investors the entire pool of projects offered by Polenergia should receive support and commence operations by 2017. DM Trigon also draws attention to other competitive advantages of Polenergia - the possibility of executing investment projects at lower capital expenditure, reducing operational costs due to internal O&M services, and potentially lower balancing costs thanks to its own trading company.

In its recommendation DM Trigon analysts forecast a rise in energy prices mainly due to the rising costs of CO<sub>2</sub>, and offer up a view on the potential future valuation upside effect of offshore wind projects (PLN19/share).

### **Polenergia**

**Polish private energy group with an international reach, which consists of vertically integrated companies operating in the area of energy production from conventional and renewable sources and the distribution and trading of electricity. It is one of the strategic assets of the international investment group Kulczyk Investments. More information: [www.polenergia.pl](http://www.polenergia.pl)**

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