

Warsaw, May 16, 2018

Press release

First Quarter of 2018 as Time of Polenergia Growing Revenues

Polenergia S.A. ('Polenergia'), the largest Polish private and vertically integrated energy group, presented its consolidated profit and loss account for the first quarter of 2018. Its sales revenues amounted to PLN 747 million, adjusted EBITDA – PLN 39 million, and adjusted net profit – PLN 2.5 million.

- **PLN 747 million in sales revenues in the first quarter of 2018;**
- **PLN 39 million of adjusted EBITDA in the first quarter of 2018;**
- **PLN 2.5 million of adjusted net profit in the first quarter of 2018;**
- **28.1 percent of adjusted EBITDA margin in the first quarter of 2018 (trading activity excluded);**
- **31.4 percent of wind farm productivity in the first quarter of 2018;**
- **Acquiring a strategic partner for offshore wind farm projects in the Baltic Sea.**

An event in the first quarter of 2018 which positively affected the entire renewable energy sources market in Poland was signing by Polenergia of an agreement with Equinor (the former Statoil) regarding the sale of 50 percent of shares in the offshore wind farms, Polenergia Bałtyk II and Polenergia Bałtyk III, with the total capacity of 1,200 MW. In less than two months after starting the cooperation, two conditions precedent were satisfied: an increase of the share capital was registered and a consent of the Office of Competition and Consumer Protection to the transaction was obtained. The fulfillment of these conditions enables the final investment agreement with Equinor to be signed as early as on May 22, 2018.

„We started a new chapter in the history of the Polish energy system. Gaining by Polenergia of such reputable partner as Equinor turned out to be a much needed impulse for the whole renewable energy market. The activity of Polenergia, as well as of other key players in this market, make the chances for the implementation of offshore wind projects grow. Moreover, the actions taken by the legislator aimed at restoring the old order from before the adoption of the Act of 2016 on Wind Energy Investments, as well as announcing auctions for new wind farms and approval of the Power Market Regulation by the Energy Regulatory Office provide opportunities for a further stable development of the Group within the coming years”, says Jacek Głowacki, President of the Management Board of Polenergia.

Polenergia is preparing for auction the onshore wind farms in Dębask, Szymankowo, Kostomłoty and Piekło with the total capacity of 185 MW. These are projects at the final stage of development and they have a construction permit. The company has also acquired the land rights and is preparing for auction the photovoltaic projects with the total capacity of 40 MW. Furthermore, it is arranging the construction and operation of a biomass power plant with the total capacity of 31 MW, connected to the grid. In 2017 the project received a final construction permit, along with a line bringing power to Tauron grid. In the second quarter of 2018 it is planned to obtain the ERO decision on the project's admission to auction (prequalification). The company allows for the possibility of gaining an investor interested in purchasing this project prior to the auction or after winning the auction. In the distribution segment the realization of the investment program implemented in 2016 is proceeding in accordance with the schedule. The Group is developing a new investment plan for the years 2019–2022.

At the beginning this year was marked with worse windiness. The wind farm segment generated nearly 169 GWh of energy. It was less than the year before by 4 percent. The average efficiency for the entire sector in Poland in the first quarter of 2018 was 27.4 percent. Yet, Polenergia significantly exceeded the whole wind industry productivity, reaching 31.4 percent.

„Although the production of the wind farms proved to be lower than the year before, the adjusted EBITDA result of this segment turned out better in comparison with the first quarter of 2017. We maintain high productivity of our wind farms. It is the result of modern technologies applied, a very good location of the projects, and the work of an experienced technical team. That is why we keep on achieving higher levels of production than the market average”, adds Jacek Głowacki, directing the works of the Management Board of Polenergia.

In the first quarter the upward trend in the green certificate market continued. From the price decline recorded in mid-2017, their valuation increased by 200 percent. The average value of green certificates in the first quarter of 2018 reached the level of PLN 63 per MWh, whereas in the first quarter of 2017 it was PLN 35 per MWh. However, it is far from the levels recorded two years ago. In the first quarter of 2016 the average price of green certificates reached the level of PLN 114.5 per MWh.

When analyzing the results of Polenergia achieved in the first three months of 2018, a 5-percent increase in sales revenues, compared to the first quarter of 2017, is worth noting. The result at the level of PLN 747 million is brought about by higher sales revenues in the trading, wind and conventional energy segment. The adjusted EBITDA result in the discussed period amounted to PLN 38.9 million and it was lower by PLN 3.6 million as compared to the previous year, mainly due to a lower margin on energy trading in the trading segment caused by negative valuation of agreements in the trading portfolio, partially offset by a higher result in the wind energy segment. This segment recorded an increase in EBITDA by PLN 2.7 million to PLN 23.3 million, which was a result of higher prices for the sale of green certificates and lower operating costs, partially offset by lower production. The EBITDA result of the conventional energy segment reached the level of PLN 17.1 million and is lower than in the first quarter of 2017, mainly due to a rise in prices of gas and

CO2 emission allowances, as well as a lower projected gas compensation. The EBITDA of the distribution segment in the first quarter of this year amounted to PLN 3.7 million. Its decrease was evoked by a lower level of connection fees and a lower margin on distribution activity resulting from a delay in an entry into force of the tariff update.

As a result of the events described above, the adjusted EBITDA margin for the first quarter of 2018 amounted to 5.2 percent, whereas the adjusted EBITDA margin, trading activity excluded (this segment is characterised by a relatively low unit margin at a very high volume of transactions), fell in the discussed period to 28.1 percent.

Polenergia – a Polish private group in the power industry with an international reach, which is made up of vertically integrated companies functioning in the area of generation of energy from conventional and renewable sources, as well as electricity distribution and trade. It is one of the strategic assets of an international investment group Kulczyk Investments. Read more: www.polenergia.pl

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