

Warsaw, February 20, 2018

Press release

Record energy production of Polenergia wind farms

Polenergia S.A. ('Polenergia'), the largest Polish private and vertically integrated energy group, presented a consolidated report for 2017. Sales revenues amounted to nearly PLN 2,762 million, adjusted EBITDA approximately PLN 182 million, and adjusted net profit over PLN 20 million.

- **PLN 2,762 million of sales revenues in 2017;**
- **PLN 181.6 million of adjusted EBITDA in 2017;**
- **PLN 20.1 million of adjusted net profit in 2017;**
- **31.4 percent of adjusted EBITDA margin in 2017 (trading segment excluded);**
- **35 percent productivity in wind farms in 2017;**
- **761 GWh record energy production in wind farms;**
- **very good results of trading segment;**
- **two final environmental decisions for the construction of offshore wind farms in the Baltic Sea with the capacity of 1,200 MW;**

In 2017 Polenergia Group maintained its revenues and margins at a relatively stable level. It was possible due to the optimization activities despite still very difficult market conditions and events beyond the Group's control, which affected the result of the wind energy segment (further decline in green certificate prices, uncertainty regarding property tax) and the conventional energy segment (lower compensation for stranded costs and higher gas costs). The described effect was obtained thanks to cost reduction and focus on optimization of operating business margins.

Excellent wind conditions, perfect location, as well as using the most advanced technologies by Polenergia allowed to achieve in 2017 a record level of 761 GWh of energy generated in wind farms. Puck, Łukaszów, Modlikowice, Gawłowice, Rajgród, Skurpie and Mycielin wind farms with the total installed capacity of 243 MW reached the productivity level of 35 percent, which increased by 18 percent compared to 2016 and once again proved to be significantly better than the average production in Poland. In the best months productivity of the Group's leading farms exceeded 55 percent. In addition, technical operating costs, unscheduled breakdowns excluded, are at optimally low levels.

In 2017 Polenergia Group achieved adjusted EBITDA at the level of PLN 181.6 million. It was mainly due to the results of wind energy (PLN 86.1 million), conventional energy (PLN 72.7 million), distribution segment (PLN 16.4 million), trading segment (PLN 13.1 million) and biomass segment (PLN 0.9 million). The adjusted EBITDA margin in 2017 was 6.6 percent and it was 1 percentage point lower than the margin achieved in 2016. A relatively small decrease in margins was possible due to continuation of the program of the Group's operating costs optimization, high productivity of wind farms and very good margins of the trading segment. The adjusted EBITDA margin, trading activity excluded (this segment is characterized by a relatively low unit margin at a very high volume of transactions), decreased in 2017 from 37.5 percent to 31.4 percent.

“Another year of Polenergia Group functioning in a harsh market and regulatory environment proves that the strategy based on stable foundations and consistent implementation of initiatives aimed at defending the value for our shareholders make up a proper response to external conditions. Our savings program enabled us to achieve significant savings at the level of operating costs. As a result of restructuring, the main office costs were lowered in 2017 by PLN 1.7 million compared to 2016, and, mind you, by PLN 9 million compared to 2015. Moreover, the operating costs of our wind farms are often substantially lower in comparison to other facilities of this kind in Poland. This year we are going to continue our efforts to improve the results of our asset portfolio, in particular by increasing the effectiveness of our assets and development of the distribution segment. The optimal cost situation will allow for the maximal use of the announced positive regulatory changes, such as the amendment of the RES Act and the implementation of the capacity market”, declares Jacek Głowacki, directing the works of the Management Board of Polenergia.

Parallel to its current operations, Polenergia carried out works on development of its new projects. In March 2017 the Baltic Sea II wind farm obtained the final environmental decision from the Regional Director for Environmental Protection in Gdańsk. It is the second legally binding environmental decision granted to the company over the last years, which makes offshore wind farms strategic projects implemented by Polenergia for the time being. Their capacity of 1,200 MW is 3 times higher than the capacity of the onshore wind farm projects, the realization of which was suspended due to the entry into force of regulations drastically changing the onshore operation of the RES sector. The development works in 2017 focused on the wind measurement campaign carried out by means of the LIDAR system and the preliminary geological research of the seabed. Furthermore, work is in progress on obtaining the environmental decision regarding the offshore transmission infrastructure.

As far as onshore wind farms are concerned, the company has in its portfolio projects with the total capacity of 185 MW, which are in the final stage of development and which have a building permit as well as a prequalification to participate in the auction process. For the part of portfolio projects with the capacity of 26 MW, which are at the earlier stage of development, there was a decision to substitute them with photovoltaic projects using the existing connection and lease agreements. These projects are awaiting auctions to be announced in 2018.

In the distribution segment, as per the plan, the investment program implemented in 2016 is realized. It assumes a target growth of the Regulatory Asset Base by 26 percent and an increase of the

number of customers permanently connected to the company's grid by 58 percent. In the area of the energy sales to customers who are not connected to the grid, in 2017 320 agreements for the sale of 19 GWh of energy were concluded. In addition, there are pilot initiatives in the field of photovoltaics for the existing customers as well as car charging stations as part of the company's distribution projects. Polenergia also continues its cooperation with Convergent Energy & Power in terms of energy storage.

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

PR contact:

Robert Stankiewicz
e-mail: rs@beableto.pl
tel. +48 601 811 087