

Press release

Profit of Polenergia up strongly again

In the 3rd quarter this year Polenergia S.A. ('Polenergia'), the largest Polish private energy group, maintained its previous growth of all key financial indicators. Polenergia's net profit in the reported period increased from PLN 7.6 million up to PLN 20.7 million, compared to the 3rd quarter of 2014. The adjusted net profit for three quarters of 2015 amounted to PLN 63.8 million (an increase by 83 percent y/y), and the adjusted EBITDA reached the level of PLN 163.5 million (43 percent y/y). After the 3rd quarter the Company maintains its profit forecast for 2015.

- PLN 20.7 million net profit in the 3rd quarter 2015, an increase by 172 percent y/y;
- the adjusted EBITDA equal to PLN 53.2 million – an increase by 59 percent y/y;
- PLN 63.8 million net profit for the period 1st–3rd quarter 2015 – an increase by 83 percent y/y;
- 31.2 percent of the EBITDA margin on the adjusted results (trading activity excluded) for the 3rd quarter;
- 36.8 MW Skurpie Wind Farm put into operation before the planned date;
- 61.8 MW of wind farms under construction, to be completed in 2015;
- approx. 280 MW projected to participate in the first auction in 2016;
- maintaining the forecasts for 2015; after the 3rd quarter the Company realised the forecasts in 80 percent at the EBITDA level (PLN 163.5 million) and in 88 percent at the net profit level (PLN 63.8 million).

This is the fifth subsequent quarter when Polenergia Group records a clear growth of its all key financial parameters. In the 3rd quarter 2015 the net profit was higher than the one in the corresponding period last year by 172 percent and amounted to PLN 20.7 million. The adjusted EBITDA result also recorded a significant improvement from PLN 33.4 million in the 3rd quarter last year to PLN 53.2 million in the 3rd quarter 2015. The EBITDA margin on adjusted results (trading activity excluded) increased during the period under consideration from 31.2 percent up to 20.8 percent y/y.

During three quarters of 2015 the net profit increased by 83 percent (y/y) and amounted to PLN 63.8 million. PLN 163.5 million of the adjusted EBITDA result in turn (an increase by 43 percent y/y) means 30.8 percent of the EBITDA margin on the adjusted results (trading activity excluded), in comparison to 23.7 percent in the same period in 2014.

Analysing the Group's results for the 3rd quarter at the EBITDA level, **an essential boost of the wind energy segment** (by PLN 12.2 million y/y) can be observed. It is a derivative of Polenergia launching of the new wind farms (Gawłowice Wind Farm, Rajgród Wind Farm – the second half of 2014, Skurpie Wind Farm – the 3rd quarter 2015) and favourable wind conditions. Similarly, for the first three quarters there is an increase of the wind energy segment by PLN 44.5 million.

– *We positively evaluate the perspectives of the renewable energy market in Poland and it is our intention to become a beneficiary of the new RES Act. We are really well prepared for the first auction and we plan to put 280 MW. This is the most from among the market players, says **Zbigniew Prokopowicz**, President of the Management Board of Polenergia.*

Moreover, for the three quarters Polenergia noted **a significant improvement in the trading segment**, the EBITDA of which increased by PLN 3.2 million y/y. This was primarily due to an increase of optimisation of energy trading within the Group as well as the focus on the most profitable segments of the energy and gas market. **The stable results were achieved by the conventional energy (gas cogeneration) and distribution segments, along with the improved biomass performance.**

In August this year Nowa Sarzyna Heat and Power Plant (Elektrociepłownia Nowa Sarzyna, ENS) conducted the first in Poland systemic commissioning of the coal block of Połaniec Power Plant by means of a direct line supply from ENS and creation of an island from the Polish Power System (Krajowy System Energetyczny, KSE). The successful pilot commissioning of Połaniec block shows the potential role of ENS in ensuring energy security in the southern Poland, which is of great importance in the context of the recent energy supply and consumption restrictions throughout the country.

At the end of the 3rd quarter this year Polenergia had the total installed capacity at the level of 308 MW, including 183.5 MW from the wind farms and 124 MW from the gas cogeneration (**a 15 percent share in the domestic market of generation of energy from natural gas**). The next 61.8 MW of wind farms are being implemented – an extension of Skurpie Wind Farm by 6.9 MW and Gawłowice Wind Farm by 6.9 MW as well as a construction of Mycielin Wind Farm, with the total capacity of 48 MW. By the end of 2015 Polenergia wind project portfolio will be approx. 245 MW, which will place the Company **at the 2nd position in the operational wind farm market in Poland**. According to Polenergia's estimates, the volume of production from the wind projects put into operation in 2015 will reach 280 GWh.

– *The newest farm from the Group's portfolio, the one in Skurpie (36.8 MW), was implemented in the record time of 13 months, counting from the financing closure in July 2014 till obtaining the operation permit in September this year. It is another project of ours – after Rajgród and Gawłowice Wind Farms – that was delivered to the market before the planned date. This proves the highest competence of Polenergia project teams, adds **Zbigniew Prokopowicz**.*

In addition, Polenergia has **a portfolio of wind farms in the development phase accounting for 730 MW (2nd position in Poland)**, 6 projects of which, with the total capacity of 280 MW, will be prepared to participate in the first auction expected in the first half of 2016, and approx. 450 MW will participate in the forthcoming auctions in the years 2017–2019.

The key asset of Polenergia's portfolio, having a significant impact on a long-term growth of the Group's value, is **a project of offshore wind farms in the Baltic Sea** with the total capacity of 1.2 GW. The environmental decision issue for the first 600 MW is expected in the 1st quarter of 2016, and for the next 600 MW – in the second half of the coming year. According to experts, offshore wind energy investments will have an extremely good influence on the domestic economy (the estimated value: PLN 60 billion). They will also contribute to the creation of approx. 70 thousand new jobs, not only in Pomerania, but also in regions which will suffer the consequences of the mining sector restructurization.

– *Obtaining the environmental decision for the wind farms and the support system dedicated to such projects represent a value of hundreds of millions, and today this value is in no way seen in the Company valuation, emphasises **Zbigniew Prokopowicz**.*

The Management Board of Polenergia sustains its forecasts for 2015. After the three quarters the Company realised the forecasts in 80 percent at the EBITDA level and in 88 percent at the net profit level.

Polenergia SA is the first Polish private energy group, listed on the Warsaw Stock Exchange. The Company is one of the leaders in the renewable energy market in Poland. It also deals with production of energy from conventional sources as well as electricity distribution and trading.

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