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Press release

Third quarter of 2018 as time of significant improvement of Polenergia results

Polenergia S.A. ('Polenergia'), the largest Polish private and vertically integrated energy group, after three quarters of 2018 reached nearly PLN 2.6 billion of sales revenues. The adjusted EBITDA amounted to nearly PLN 122 million, and the adjusted net profit – PLN 8.5 million.

- **A significant growth in sales revenues both in the third quarter and increasingly after three quarters of 2018 in comparison to the corresponding periods of the previous year;**
- **A much higher adjusted EBITDA in the third quarter of 2018 in comparison to the third quarter of 2017;**
- **Higher selling prices of green certificates and lower operating costs of the wind energy segment;**
- **An improvement of results in the trading segment in the third quarter of 2018;**
- **Auctions for new wind farms as a chance for new investments.**

The third quarter of 2018 brought a decisive improvement in Polenergia's results. The Group recorded an increase in sales revenues by as much as 48 percent, compared to the third quarter of last year, to the level of nearly PLN 1 billion. The adjusted EBITDA result at that time amounted to PLN 64.4 million and it was higher compared to the previous year by 16 percent. In the third quarter Polenergia showed the net profit of PLN 24 million, whereas a year ago the net loss was PLN 85.5 million. The adjusted net profit amounted to PLN 20.6 million, which means an increase by PLN 4.7 million. In the third quarter of 2018 the adjusted EBITDA margin, the trading segment excluded, was 38.4 percent and it was higher by 2.2 pp than that recognized in the corresponding period of the previous year. The greatest impact on the improvement of the results in the third quarter of this year must be attached to higher sales revenues of the trading and conventional energy segments.

After three quarters of 2018 Polenergia recorded an increase in sales revenues by 27 percent to the level of nearly PLN 2.6 billion. The adjusted EBITDA at that time reached PLN 121.7 million and it was lower than last year by 11 percent. The reason is a worse result of electricity trading that comes from closing this position due to an exceptional growth of prices in the first half of 2018, which was partially offset by a higher result of the wind and conventional energy segments. As a consequence

of the events described above, the adjusted EBITDA margin, the trading segment excluded, was 32.1 percent at that time and it was lower by 0.3 pp than the one recognized in the previous year.

“A consistent transforming Polenergia into a modern, effective energy company brings tangible results. This is particularly evident with respect to the results of the conventional and wind energy segments. The most important events of this year, which will determine the Group’s investments, are still to come. We are awaiting the results of the November auction of onshore wind farm projects, in which Polenergia indicated its readiness to realize four investments with the total capacity of 199 MW. Another auction, in which we will declare 8 MW in photovoltaic power plant projects, is to be held later in November. Furthermore, in the conventional energy segment we are preparing to participate in three this year’s auctions in the capacity market with delivery periods falling on 2021, 2022 and 2023. What is also important, the prices of green certificates have been the biggest for almost four years, and the upward trend in electricity prices allows us to look optimistically at the prospect of a significant improvement in profitability of the generation assets. Due to the adopted by the Group policy of securing the selling prices of electricity and green certificates in good time before the planned production dates, the results of the Group do not reflect the full effect of the improvement in prices on the market at this point. However, it will be observed in the future, especially if the high level of market prices is to be of a lasting nature”, indicates Jacek Głowacki, President of the Management Board of Polenergia.

A strategic project currently implemented by Polenergia is a construction of two offshore wind farms in the Baltic Sea (MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.) with the total capacity of 1200 MWe. According to the new work schedule, the first electricity supply from the offshore wind farm will be not later than in 2025, i.e. not more than 120 months after the entry into force of the RES Act, which took place on May 4, 2015. The date of commencement of the offshore wind farms’ construction depends on the entry into force of the relevant regulatory system.

Moreover, Polenergia continues restructuring of its biomass projects. It has already completed the process of selling the assets of Biomasa Południe and Biomasa Północ. In the distribution segment, the realization of the investment program implemented in 2016 is proceeding in accordance with the schedule. The Supervisory Board has already approved a new plan for the years 2019–2022. It assumes the investment in the development of the distribution infrastructure amounting to PLN 50 million, which will enable to win over 20 thousand new recipients. As a result of the new investment plan, the value of the regulated assets of the distribution segment in the next five years will grow by 50 percent, and the number of electricity consumers will be doubled.

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. Read more: www.polenergia.pl

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