

Significant improvement of Polenergia's annual results in 2018

Polenergia S.A. ("Polenergia"), the biggest Polish private, vertically integrated energy group, presented a consolidated 2018 report. Revenue from sales reached a level of nearly PLN 3,449m, adjusted EBITDA - over PLN 188m, and adjusted net profit - nearly PLN 35m, which means a significant improvement of whole Group's annual results.

- **Increase in prices of green certificates and electricity;**
- **Reinstatement of advantageous principles for real estate tax assessment;**
- **Auctions won on the capacity market and the photovoltaic farm market;**
- **Experienced partner gained for constructing offshore wind farms;**
- **68 percent increase in Polenergia's capitalisation, up to PLN 932m;**

In 2018, Polenergia's revenue from sales increased by 25 percent year on year, reaching a level of PLN 3,449m. Such a significant improvement was possible due to higher revenue from the trading and conventional energy segments. Adjusted EBITDA in 2018 amounted to PLN 188.4m and was PLN 6.9m higher year on year. This was mainly due to a better result in the conventional energy and wind energy segments, partially offset by a worse result on electricity trading in the trading segment. Last year, the adjusted net profit increased by 72 percent, reaching the level of PLN 34.7m. In 2018, the EBITDA margin adjusted by excluding the trading segment (characterised by relatively low unit margin with very high transaction volume) increased from 31.4 to 33.8 percent. Special attention should be paid to the result generated in Q4 2018. Adjusted EBITDA increased year on year by 50 percent to PLN 68m, and adjusted net profit reached the level of PLN 27.5m.

Last year brought significant changes in the company and in the market environment, which had a positive effect on the whole Group. Polenergia concluded agreements with Equinor (former Statoil) in connection with joint implementation of three offshore wind farm projects on the Baltic Sea. The public party announced acceleration of work on the offshore bill and its enactment by mid 2019, which means an opportunity to obtain support and implementation of projects of an aggregate capacity of 3000 MW. The amended RES Act reinstated transparency in calculating the real estate tax base in 2018 and subsequent years. Three auctions on the capacity market ended successfully. Elektrociepłownia Nowa Sarzyna and Mercury Energia won auctions for the years 2021, 2022 and 2023. On the other hand, the photovoltaic auction won will enable constructing (already in 2019) Polenergia's first photovoltaic power plant with a capacity of 8 MW in Sulechów. Furthermore, the

over three fold increase in the prices of green certificates and the increase in electricity prices had a positive effect on the whole RES market in 2018. All these elements resulted in last year's price increase of Polenergia stock by as much as 68 percent. Thus, the Company's capitalisation increased from the level of PLN 552m to PLN 932m at 2018 year end.

“Last year we completed many actions initiated in previous years, such as debt reprofiling with respect to most of our wind farms, operating cost optimisation and gaining Equinor group as a partner in the development of offshore wind farm projects on the Baltic Sea. That is why today we can conclude that the demanding and challenging period of the last three years has made us stronger. As a result of taken optimisation measures and thanks to improved effectiveness, Polenergia is ready to grow and fully utilize the improving situation on the RES market” – said Michał Michalski, President of Polenergia’s Management Board.

Polenergia’s strategic project consisting in construction of wind farms on the Baltic Sea has already obtained connection conditions. This means there is a possibility to increase the total capacity of offshore wind farms developed by MFW Bałtyk II sp. z o.o., MFW Bałtyk III sp. z o.o. and Polenergia Bałtyk I S.A., up to 3000 MW. According to the new schedule of work, the first supply of electricity from an offshore wind farm will take place in 2025. The starting date of offshore wind farms construction depends on the entry into force of a relevant regulatory system.

The Group also continues work aimed at construction of wind farms with a capacity of 199 MW based on revenues from the energy market or long-term contracts. It does not rule out participation of these projects in an auction for wind farms in 2019. Polenergia has been preparing photovoltaic power plant projects with an aggregate capacity of 16 MW to take part in auctions expected this year. Further photovoltaic projects with a capacity of 30 MW are in an early development phase. The progress of 2016 investment programme implementation in the distribution segment is as planned. The new plan for the years 2019 - 2022 provides for investments of total value of PLN 51m, which will allow gaining over 20 thousand new end users. Within the next four years the value of regulated assets in the distribution segment will increase by 50 percent and the number of electricity end users will double.

Polenergia – a Polish private energy group which consists of vertically integrated companies that operate in the business of energy generation from renewable and conventional sources as well as electricity distribution and trading. More information available at: www.polenergia.pl

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