

## **Polenergia unveils a new strategy and reports improved financial performance**

**Polenergia S.A. (“Polenergia”), the biggest Polish private, vertically integrated energy group, has unveiled its strategy for 2020-2024, which will reinforce its position among the leaders of the Polish renewable energy market. The Group has also summarised the first quarter of 2020, during which it once again saw improved financial performance. The adjusted net profit grew as much as 28 per cent y/y to over PLN 51m, whereas the adjusted EBITDA increased 17 per cent y/y, exceeding PLN 94m.**

- the new strategy will strengthen Polenergia as one of the leaders of the Polish renewable energy market;
- 821 MW of total projects’ capacity in operation by 2024;
- readiness to start the construction of a first wind farm on the Baltic Sea by 2023;
- development of gas technologies as an overture to the great hydrogen transformation;
- PLN 459m in sales revenue in Q1 2020;
- Adjusted EBITDA of PLN 94.1m in Q1 2020;
- Adjusted net profit of PLN 51.1m in Q1 2020;
- Adjusted EBITDA margin of 51.6 per cent in Q1 2020;
- the impact and scale of the impact of the COVID-19 epidemic difficult to assess at the present stage;
- the building of the 38 MW Szymankowo wind farm is progressing without any major disruptions.

### **New strategy of the Group**

Polenergia, similarly to its shareholders, not only strives to grow in the economic sense but is also driven by social responsibility for the current and future generations. That is why, at the outset of a huge transformation of the Polish energy market, it is the ambition and mission of the Group to support efforts related to the process of the Polish energy transformation and the development of a low-emission economy. The main goals which the Company will be pursuing in the coming five years include the generation of shareholder value as well as further organic growth by developing offshore, onshore wind farms and photovoltaic farms.

*“We are now stronger than ever before, and we are ready to shape the future of the energy market in Poland. After the full implementation of the strategy, we will strengthen our position among the leaders of the renewable energy market. We will not only be a group with an increased scale of business in terms of installed generation capacity and financial performance but first of all a group*

*with a huge growth potential arising from continued organic growth of the renewable project and assuming a position allowing for development based on generation and combustion of hydrogen,”* says Michał Michalski, Ph.D., CEO of Polenergia.

The Polish energy transformation cannot do without the commitment to the completion of the wind farm projects on the Baltic Sea. Therefore, Polenergia and Equinor, as the leaders of the Polish offshore wind farms market, are planning to grow further and to achieve readiness for the construction of 1,440MW on the Baltic Sea by the year 2023. A prerequisite for that is the enactment and entry into force of an appropriate regulatory scheme. Furthermore, the Company is planning to complete onshore wind farm and photovoltaic farm projects of the total capacity of 315 MW by 2024, of which 186 MW relates to onshore wind farm projects which have received support in the most recent auctions.

According to the new strategy, to effectively balance the generation portfolio, Polenergia will be developing advanced gas technologies, investing in co-generation units supplying power for industrial clients. Such investments will also constitute a foothold for the great hydrogen transformation, which the Group wishes to be fully prepared in the coming years. The existing combined heat and power plant in Nowa Sarzyna as well as the planned new gas units are to be ready to burn green hydrogen, which will contribute to the transition of the Group to a zero-emission energy group in the future.

The further growth of the housing market will enable the Group to increase its customer base, whom Polenergia will be providing distribution services and selling electrical energy originating from its own generation assets. Green energy will be delivered directly to business customers and retail customers based on a model closely tailored to their needs. The Group will also expand its product range by adding new services, such as photovoltaic installations for prosumers as well as electric car charging stations.

The implementation of the Group's strategy requires funding at a level of at least PLN 0.5bn. However, this amount does not include the outlays on the construction of the Baltic II Offshore Wind farm and Baltic III Offshore Wind Farm, now estimated at no less than PLN 2.6bn, involving debt financing. The decision regarding the extent and manner of involvement of Polenergia in the construction and operational phases of the offshore wind farms will be made at a later stage, considering the appraisal of the projects and the availability of funding sources. Group has already secured funding for the implementation of a part of the strategy. It originates from the profits generated by the operating assets and from a loan made by the leading shareholder.

### **Improved Financial Performance**

In the first quarter of 2020, the Polenergia Group maintained the upward trend, reporting an adjusted EBITDA of PLN 94.1m and an adjusted net profit of PLN 51.1m, which means an increase on the first quarter of 2019 by PLN 13.8m and PLN 11.1m respectively. What contributed to the improvement in Polenergia's ratios in the reporting period were very good results of the wind energy segment brought about by a higher production volume as well as higher selling prices of the green certificates and of electric energy. The distribution and the trading segments also reported improved results, which made it possible to compensate for the underperformance of the conventional energy

segment. For the first the Group has reported a new photovoltaic segment in its financial statements, as the result of the commencement of the operational phase of eight projects known as Sulechów I of the total installed capacity of 8 MW, which achieved a 15-year support guarantee within the auctioning system.

The beginning of the year was dominated by the favourable wind conditions. The Storm Sabine, which hit Poland in February, spun Polenergia's wind turbines to record levels. On February 11, generation by the Group's wind segment reached the power of 220 MW, accounting for more than 88 per cent of the total capacity of Polenergia's wind farms. The average productivity of the whole sector in Poland reached a record 43 per cent in the first quarter of 2020. In the case of the Group, the ratio once again significantly exceeded the wind sector average, amounting to 49 per cent. The Mycielin Wind Farm was the leader as its productivity in the reporting period amounted to as much as 60 per cent. Not far behind was the Gawłowice Wind Farm, with 56 per cent.

Polenergia's revenue for the period from January to March 2020 amounted to PLN 459m, 36 per cent down on previous year. This was due to the lower revenues generated by the trading segment and the conventional energy segment, only partly compensated by the higher revenue in the wind farm segment. The adjusted EBITDA margin of the Group for the first quarter of 2020 grew to 20.5 per cent whereas the EBITDA margin on the adjusted profit, excluding the trading business (the segment is characterised by a relatively low unit margin on a very high volume of transactions) increased to 51.6 per cent.

### **The impact of the pandemic on the operations of the Group**

The current market situation influenced by the COVID-19 epidemic does not affect the current operations of Polenergia. The Company had taken steps to protect its employees before the Polish government implemented official measures. The Group employees the nature of whose work allows this are working from home. All the critical operational processes are progressing according to the relevant schedules whereas the key governance processes are also being conducted remotely.

*"In connection with the COVID-19 pandemic, risk factors which may potentially affect the operations and financial performance of the Group are being identified and monitored. The management team is implementing measures to mitigate any adverse consequences of the coronavirus, yet the influence and scale of those are difficult to assess at this stage. The changes in the market environment brought about by the epidemic are manifesting themselves in high volatility of the prices of financial instruments and commodities, including changes in the prices of electric energy, gas as well as CO<sub>2</sub> emission certificates, which in the long run may adversely affect the economic growth in Poland and the situation on the energy market. In addition, as far as the financial factors of importance for the Group are concerned, one should note a decrease in the interest rate and the weakening of the zloty to the euro,"* Dr Michał Michalski, Ph.D., CEO of Polenergia.

The Szymankowo Wind Farm project is progressing without any major disruption caused by the coronavirus epidemic. So far, no risk of delay of the completion of the construction has been noted. As regards the other wind farm projects which gained support in the renewable energy sources auction in December last year, the relevant implementation contracts are being prepared without any obstacles. The contractors doing the construction and electric works as well as the turbine

suppliers have reported no problems in the performance of their works. The Group is not ruling out entering another project in this year's auction for renewable energy sources, namely the Piekło wind farm of 13 MW, which has received the construction permit. The portfolio of the wind farm projects in development consists of, apart from four projects of the total capacity of 199 MW which have received construction permits, also two projects with the planned capacity of 82 MW the implementation of which depends on receiving the relevant permits.

The Polenergia Group is aiming to achieve readiness for entering in the forthcoming auction with photovoltaic projects with the total power of 27 MW whereas development of other photovoltaic projects with the capacity of 108 MW is at initial stages. Regarding the wind and photovoltaic projects at the early stages of development, restrictions concerning site visits and meetings with the local authorities as well as delays in the completion of some administrative procedures have prolonged the project development processes. The impact of the COVID-19 epidemic on the implementation of the offshore wind farm projects has not been evaluated yet.

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Polenergia - a Polish private energy group comprised of vertically integrated companies operating in the area of generation of energy from renewable and conventional gas sources as well as dealing in the distribution of and trading in electric energy. The Group is implementing a strategic project consisting of the construction of wind farms on the Baltic Sea. The total power of the wind farms is 3,000 MW. The investors' and stock exchange newspaper titled "Parkiet" awarded Polenergia the "Bull and Bear" prize for the best company of the sWIG80 index in 2018. For more information, go to [www.polenergia.pl](http://www.polenergia.pl)

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