

Press release

When preparing this release and the total financial information, the assumptions were made as follows:

A combined profit and loss account for the 1st half of 2015 is presented below. The comparable data for the 1st half-year of 2014 were prepared in order to present the Group's results on the assumption that Polish Energy Partners S.A. and Neutron Sp. z o.o. asset merger transaction occurred on 1st January 2014.

This information is based on the combined profit and loss account that was drawn up in order to present the Group's results on the assumption that Polish Energy Partners S.A. and Polenergia Holding S.a.r.l. asset merger ('Transaction') occurred on 1st January 2013. The revealed results enable a full analysis of economic effects of the Transaction and reflect the full scale of operations of the merged entities together with comparable data.

Polenergia maintains strong growth rate

Polenergia S.A. ('Polenergia'), the largest Polish private energy group, has significantly improved all its key financial ratios in the 1st half of 2015. Polenergia net profit in the first six months of 2015 has increased by 58 percent y/y and amounted to PLN 15.8 million. In the same period, the EBITDA result improved by 36 percent. This is yet another, fourth quarter of intensive improvement of the Group's results.

- **PLN 43.1 million net profit in the 1st half of 2015, an increase by 58 percent y/y;**
- **PLN 110 million of the adjusted EBITDA result, an increase by 36 percent y/y;**
- **31 percent of the EBITDA margin on the adjusted results (trading activity excluded);**
- **99 MW of wind farms under construction; to be launched in 2015 (of which 38 MW in the test phase);**
- **336 MW ready to participate in the first auction in 2016;**
- **maintaining forecasts for 2015.**

Once again Polenergia Group records a clear growth of its all key financial parameters. The net profit of PLN 43.1 million generated in the 1st half of 2015 was 58 percent higher than in the corresponding period last year. The EBITDA margin on adjusted results (trading activity excluded) increased during the period under consideration by over 5 pp, from 25.1 percent up to 30.6 percent.

Analysing the Group's results at the EBITDA level, a rapid boost of the wind energy segment (by PLN 32.3 million) can be observed. It is a derivative of the launch of the new farms in the second half of 2014 (Gawłowice and Rajgród Wind Farms) and better results of the wind sector caused by favourable wind conditions.

In the 1st half of 2015 Polenergia also noted a significant improvement in the trading segment, the EBITDA of which increased by PLN 4 million y/y. This was primarily due to an increase of optimisation of energy trading within the Group as well as focus on the most profitable segments of the energy and gas market.

*'Very good results of Polenergia once again prove that the Group's development strategy is based on strong foundations ensuring the optimal use of the company's potential. Our plans for the coming quarters are dynamic development and further increase in profit. Our portfolio of onshore wind projects which is under development will improve the next year's EBITDA result by PLN 70 million,' says **Zbigniew Prokopowicz**, President of the Management Board of Polenergia.*

At the end of the 1st half of 2015 Polenergia had the total installed capacity at the level of 271 MW, including 146.7 MW from the wind farms. The next wind farms of 98.6 MW, the launching of which is planned by the end of 2015, are under construction (Skurpie Wind Farm, Mycielin Wind Farm as well as an extension of Gawłowice Wind Farm). Currently, Skurpie Wind Farm (36.8 MW) is in the test phase. The estimated target volume of production from the above-mentioned farms amounts to approximately 280 GWh yearly. In total, by the end of 2015 Polenergia will have the wind farm capacity at the level of approximately 250 MW, which will make the Group the leading producer of electricity from RES.

Moreover, Polenergia has a portfolio of wind farms in the development phase accounting for 730 MW, 336 MW of which will be prepared to participate in the first auction expected in 2016, and 395 MW will participate in the forthcoming auctions in the years 2017–2019.

The company will be one of the first beneficiaries of the RES Act passed in February this year, which allows the existing projects or the ones launched by the end of 2015 to stay in the improved system of certificates or turn by means of auction to the system of fixed prices guaranteeing the stability of revenues for 15 years.

'The company's potential is noticed by market analysts, as evidenced by three recommendations to buy issued by leading brokerage offices. All of them show that at present the company is clearly undervalued. In July Dom Maklerski PKO BP set the target price of PLN 36.9, which means an over 40 percent potential of growth,' emphasises **Zbigniew Prokopowicz**, President of the Management Board of Polenergia.

One of the key projects implemented by Polenergia, which will have a significant impact on the Group's value growth, is a project of offshore wind farms in the Baltic Sea with a total capacity of 1.2 GW. The environmental decision issue for the first 600 MW is expected at the beginning of 2016, and for the next 600 MW – in the second half of 2016.

The Management Board of Polenergia sustains its forecasts for 2015. In the 1st half-year the Group realised the forecasts in 54 percent at the EBITDA level and 60 percent at the net profit level.

* On 27th August 2014 the transaction provided for in the investment agreement ('Agreement') of 18th July 2014 between the Company and Capedia Holdings Limited with its seat in Nicosia, Cyprus ('Investor') was finalised ('Finalisation').

As a part of Finalisation:

1) the Investor took up 7 266 122 new issue shares of the Company, at the issue price of PLN 33.03 per share, and paid for them in cash in the total amount of PLN 240 000 009.66.

2) Elektron Spółka z o.o. with its seat in Warsaw took up 16 863 458 new issue shares of the Company, at the issue price of PLN 33.03 per share, for non-cash contributions in the form of 100% shares in Neutron Sp. z o.o. with its seat in Warsaw (a subsidiary of Polenergia Holding S.a.r.l. with its seat in Luxembourg, which in turn is controlled by Kulczyk Investments S.A.) worth PLN 557 000 017.74 ('Contribution in Kind');

The Contribution in Kind brought in exchange for Shares for in Kind Contributions ('Contribution in Kind') makes up 100 percent of shares in Neutron Sp. z o.o. that is a holding company having stocks or shares in the following companies:

- 100% of shares in Elektrociepłownia Nowa Sarzyna Sp. z o.o. – a company operating a gas-fired power plant called Nowa Sarzyna with 116 MWe of electrical power and 70 MWT of heat power;
- 100% of shares in Polenergia Kogeneracja Sp. z o.o. – a company active in natural gas distribution and trading, and historically cogeneration;
- 100% of shares in Elektrownia Północ Sp. z o.o. – a company implementing the development of a systemic coal power plant with a target capacity of about 1600 (2*800) MWe;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o. – a company dealing with electricity distribution and sale;
- 100% of shares in Polenergia Obrót S.A. – a company active in electricity, gas and certificate trading;
- 100% of shares in Natural Power Association Sp. z o.o., which is the sole shareholder or stockholder of the companies: Bałtyk Północny S.A., Bałtyk Środkowy II Sp. z o.o., Bałtyk Środkowy III Sp. z o.o. – companies dealing with the development of the project of offshore wind farms with the total capacity of up to 1200 MWe, including 600 MWe by 2022, ('Green Group');
- 100% of shares in PPG Pipeline Projektgesellschaft mbH;
- 100% of shares in PPG Polska Sp. z o.o. – companies carrying out the development of the project of construction of a pipeline linking the Polish and German gas pipelines;
- 20% of shares in GEO Kletnia Sp. z o.o. – a company dealing with the development of the project of an approximately 40 MW wind farm.

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

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