



Polish Energy Partners

Polish Energy Partners SA
Q3 & YTDQ3 2006 Performance

October 2006
Warsaw



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Business Review



Business Review

- ❑ EC Wizow second quarter write-off dominates year to date performance

- ❑ Excluding extraordinary loss and EC Wizów profit contribution Q3 Net Profit 190% ahead of 2005 and 45% ahead of 2005 for the 3 quarters of 2006

- ❑ Q3 Adjusted EBITDA 51% ahead of 2005 and 16% ahead of 2005 for the 3 quarters of 2006 due to:
 - × Higher GE volume and prices at EC Saturn
 - × Improved EC Jeziorna Performance
 - × CO2 credits sold
 - × Strong G&A savings

Existing Businesses



Existing Businesses

☒ EC Saturn

- × Green Energy production higher in Q3 by 15% and for 3 quarters by 30% than in 2005
- × The GE price for a major part of production has been fixed at a price above 200 PLN/MWh in one year contract starting from April 2007; looking also to fix 2008 and 2009 prices
- × Continuous improvement savings

☒ EC Zakrzów

- × Operational performance in line with the budget

☒ EC Jeziorna

- × Operational performance well ahead of last year but down on budget

☒ CO2 credits

- × Almost all 2005 and 2006 CO2 credits were sold for:
 - PLN 2.1 million in July/August - booked in Q3
 - PLN 1.1 in October - booked in Q4



EC Wizów Discussion

- ☒ An agreement has been concluded with Z.Ch. Wizów and Rolmex S.A. regarding temporary supplies of heat to the plant; it is valid till December 31, 2006
- ☒ Rolmex will buy the heat provided by PEP up to a prepaid cost limit of the prepaid amount
- ☒ Rolmex has paid part of the Z.Ch. Wizów overdue receivables amounting to PLN 200 thousand; the repayment schedule of the remaining balance is to be agreed by December 15, 2006
- ☒ Motion for Z.Ch. Wizów bankruptcy filed by PEP has been withdrawn in support of Rolmex's attempts to revive Wizów
- ☒ PEP management feels the agreement with Rolmex does not constitute a firm basis to assume that Z.Ch. Wizów will continue as a going concern and whether the repayment schedule will be agreed



Mercury

- ❑ The completion of this project was delayed and ran overcost. However, coke gas fueled plant is operating with a valid operating permit and supplying electricity to the local distributor based on temporary gas supply agreement.
- ❑ Renegotiation of the commercial contract with ZKW to accommodate the technological changes introduced by ZKW has proved problematic as frequent ZKW management changes have delayed the decision making process.
- ❑ Current ZKW management demonstrates a strong will to conclude a new agreement by November 30, 2006.



Projects in Progress



Projects in Progress _ Puck

- ☒ Puck: On schedule and budget; due for completion December 2006
 - × 8 out of 11 turbines erected
 - × Substation: civil part - 97 % complete, electrical part - 80 % complete
 - × Commissioning of turbines to start on November 14



Assembling of Rotor

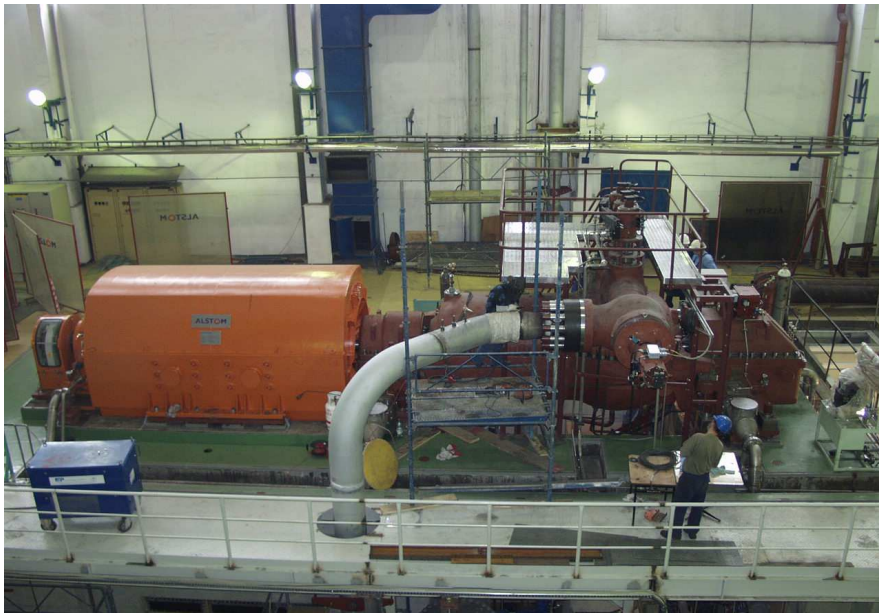


Puck Wind Farm



Projects in Progress _ Jupiter

- ☒ Jupiter: On schedule and budget; due for completion January 2007:
 - ✗ Cold commissioning in progress from 15th October
 - ✗ Hot start-up planned to begin on 8th November
 - ✗ Trial run during December
 - ✗ Handover in 1st half January 2007



Turbogenerator view from top



Turbogenerator

Projects in Development



Wind Farms Development Plans

- ☒ The development of 2 wind farm projects of total 70 MW planned to be completed in early 2007 with construction starting in 2007 and operation starting in 2008:
 - × rights to land secured
 - × wind productivity analyses completed
 - × local spatial planning plans established
 - × grid connection terms obtained or substantially agreed
 - × preparation of technical designs in progress
 - × building permit expected in Jan/Feb 2007

- ☒ 1 further wind farm project of 20MW scheduled for development completion at the end of 2007 with construction starting in 2008 and operations starting in 2009

- ☒ Further development of 74 MW and 118 MW to be completed for 2008 and 2009, respectively



Financing of Wind Development Plans

- ☒ The construction of further 282MW of wind farms would require approximately EUR 338 million to EUR 395 million of CAPEX;
- ☒ PEP needs to raise significant equity to finance its equity portion of the wind development plans;
- ☒ The strategy to finance this equity gap has been developed based on the analysis of market situation and discussion of investors' expectations;
- ☒ Three strategic routes have been analyzed:
 - × Public market offering
 - × Sale of minority stakes with premium in the developed* wind farms
 - × Sale of majority stakes with premium in the developed wind farms

* Developed Wind Farm - wind farm which has all the relevant permits, all operating and financing agreements, the construction and operations of which have not started



Financing of Wind Development Plans- cntd.

EQUITY ISSUE

- ❑ As a result of construction and turbine delivery timing and prepayment structures shareholders' participation in EPS increase would be delayed for 18-24 months following the equity issue;

SALE OF MINORITY STAKES IN WIND FARMS

- ❑ Equity and profits from the sale can be reinvested decreasing the future equity needs however not eliminating them resulting in partial dilution;
- ❑ Shareholders can immediately participate in the premium realized on the sale of developed wind farms

SALE OF MAJORITY STAKES IN WIND FARMS

- ❑ Equity and profits from the sale can be reinvested eliminating the future equity needs;
- ❑ Shareholders can immediately participate in the premium realized on the sale of developed wind farms higher than in case of the sale of minority stakes
- ❑ Debt of wind farms would not be consolidated



Selected Financing Strategy for Wind Developments Plans

- ☒ Sale of majority stakes

- ☒ Key elements in the transaction:
 - × Premium achieved
 - × Size of stakes sold
 - × PPA and CAPEX parameters

- ☒ The following Actions will take place in Q4 2006
 - × CAPEX and PPA negotiations
 - × Bank financing term sheets negotiations
 - × Equity financing process in progress to result in closure at the end of Q1 2007



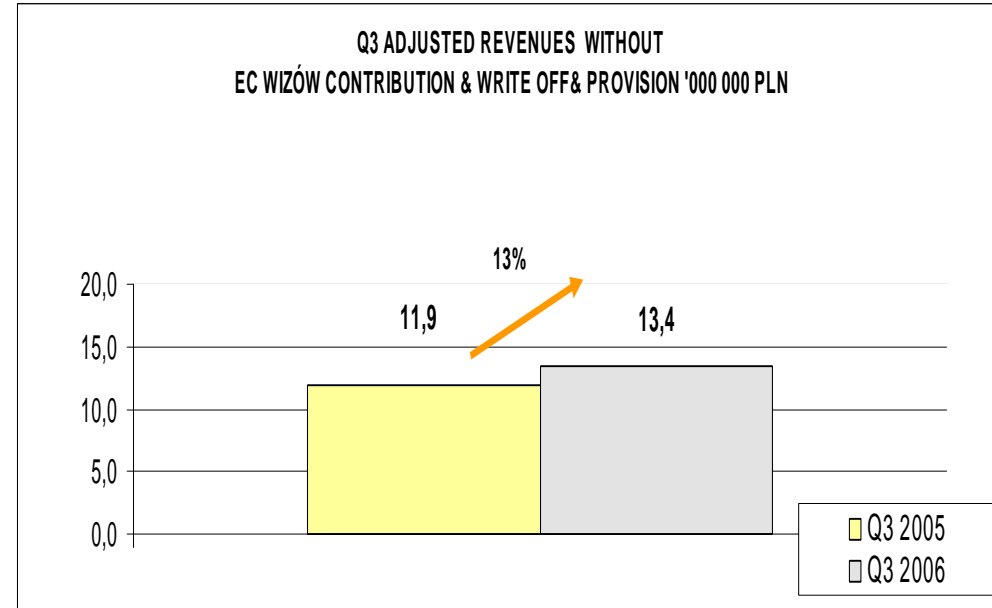
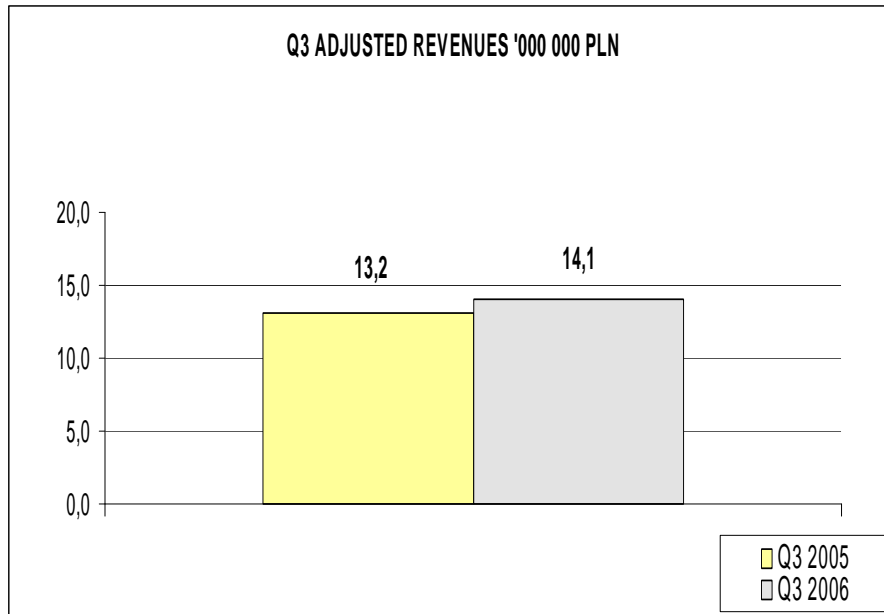
Industrial Energy Outsourcing & Biomass Fuels

- ☒ Good interest levels in biomass boilers for Green Electricity production
However, all early stage.
- ☒ Good progress in biomass fuels business. Business plan for completion this quarter.

Financial Performance



2006 Q3 Performance - Adjusted Revenues*



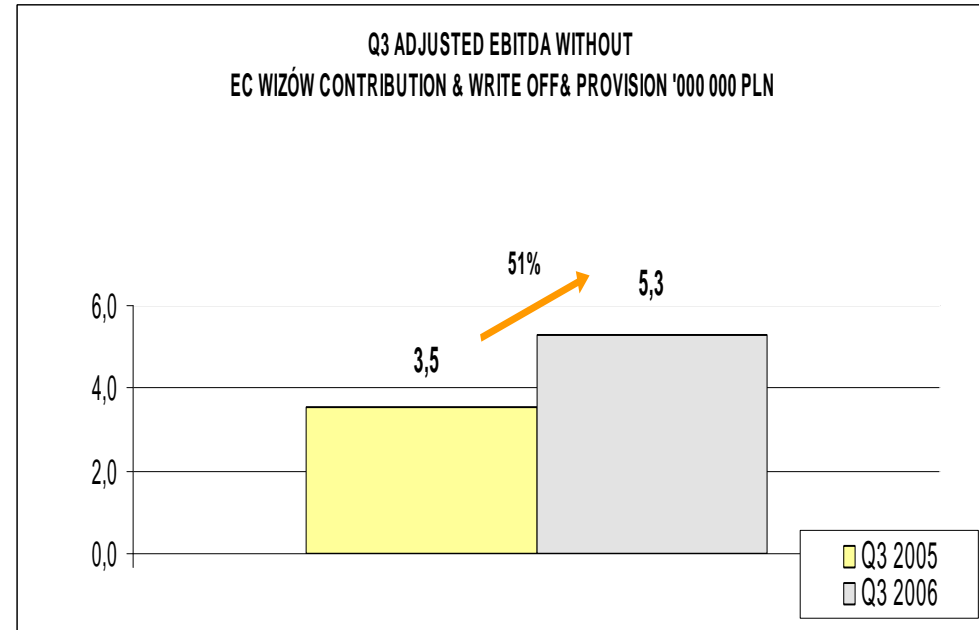
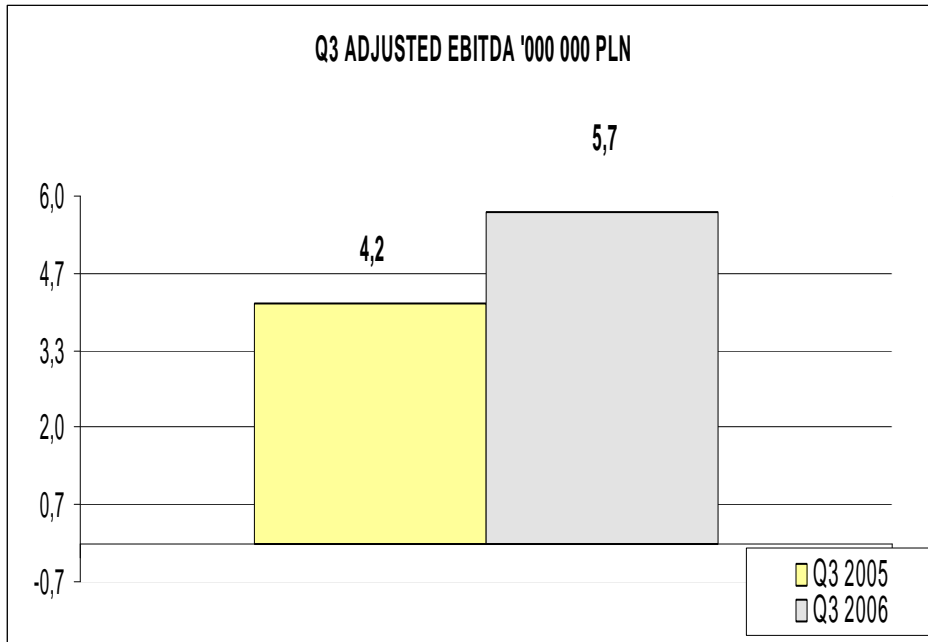
In comparison to 2005

- ☒ Green Energy production higher than in 2005
- ☒ CO2 sold in 2006
- ☒ In 2005 extraordinary revenues from AP

* reclassification of interest from leased assets from financial income



2006 Q3 Performance - Adjusted EBITDA *



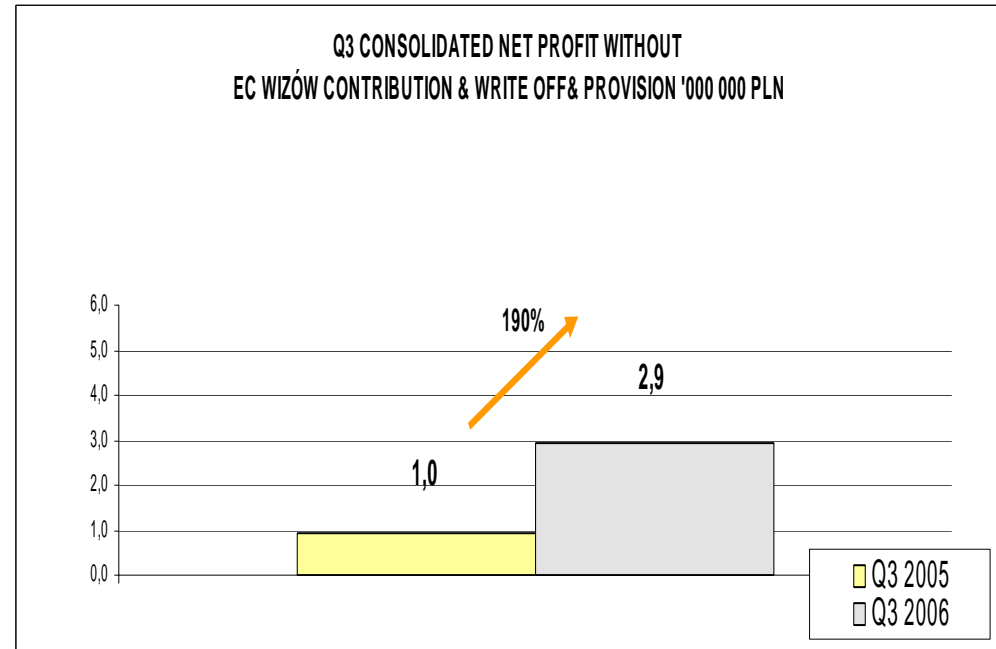
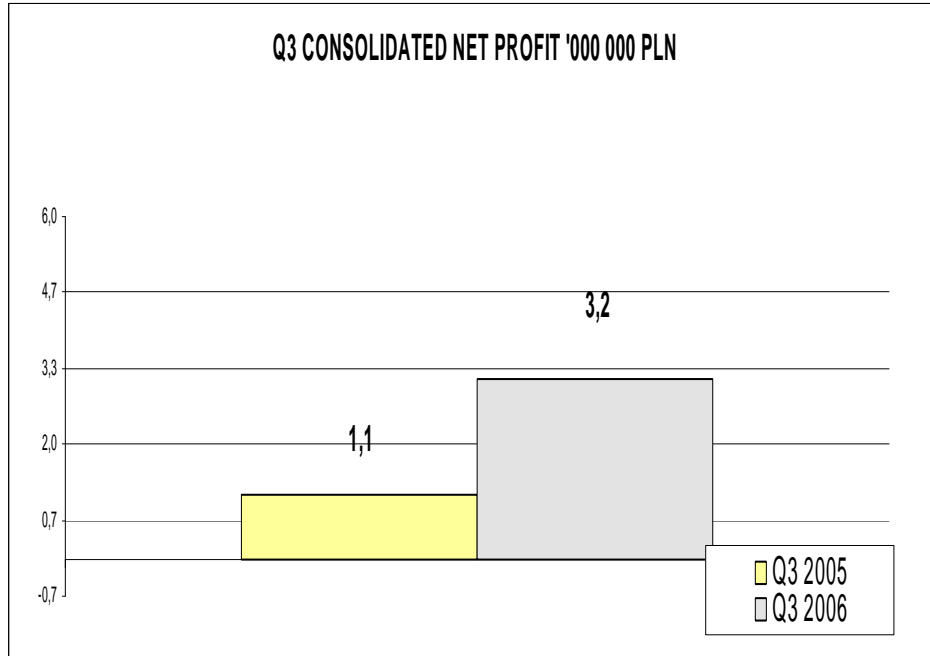
In comparison to 2005

- ☒ CO2 sold in 2006
- ☒ Savings in G&A
- ☒ No margin on AP project sale in 2006

* reclassification of interest from leased assets from financial income



2006 Q3 Performance - Net Profit

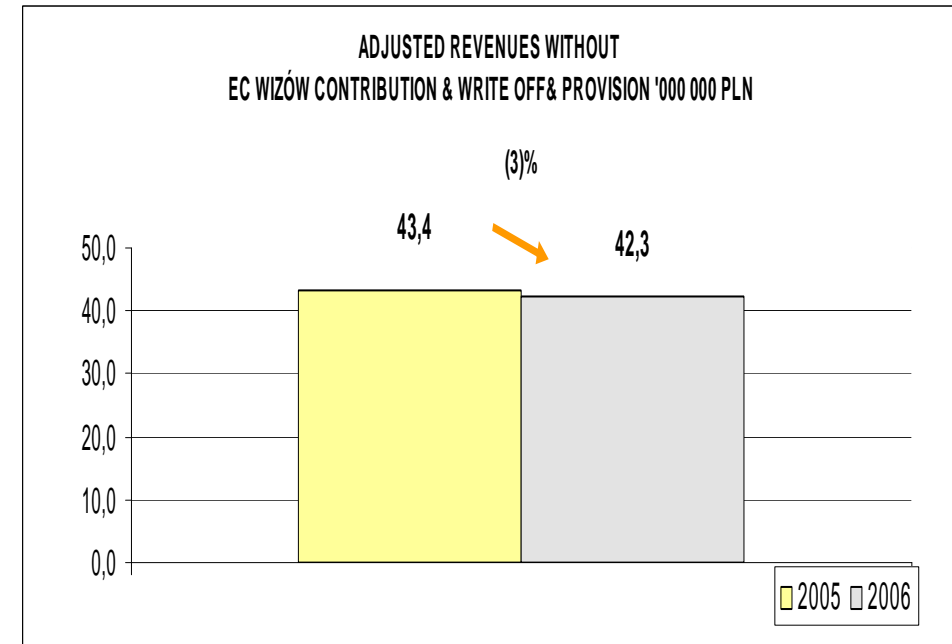
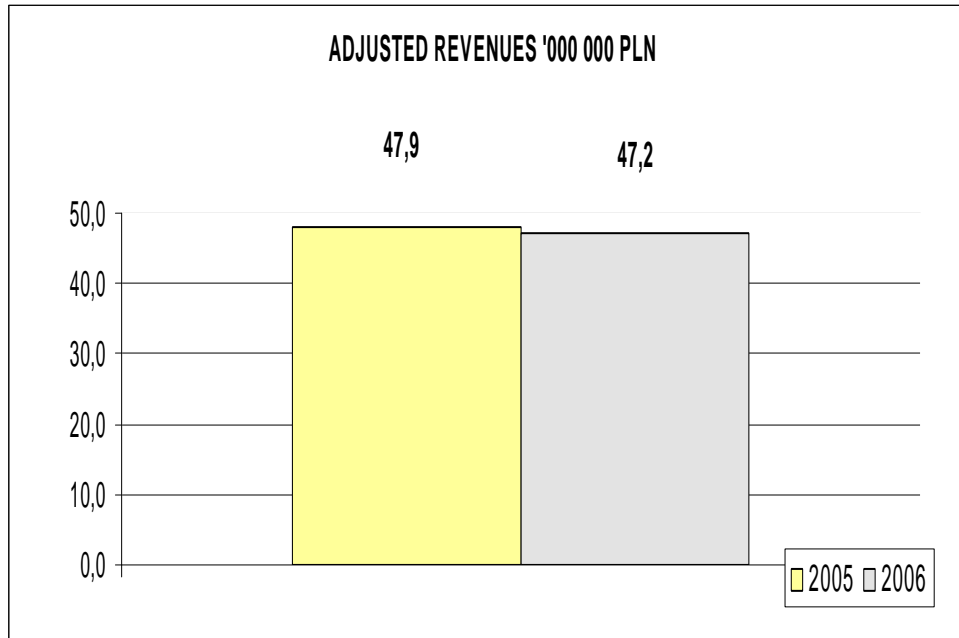


In comparison to 2005

- ☒ Impact of EBITDA
- ☒ Positive foreign exchange gains



30-09-2006 Performance - Adjusted Revenues*



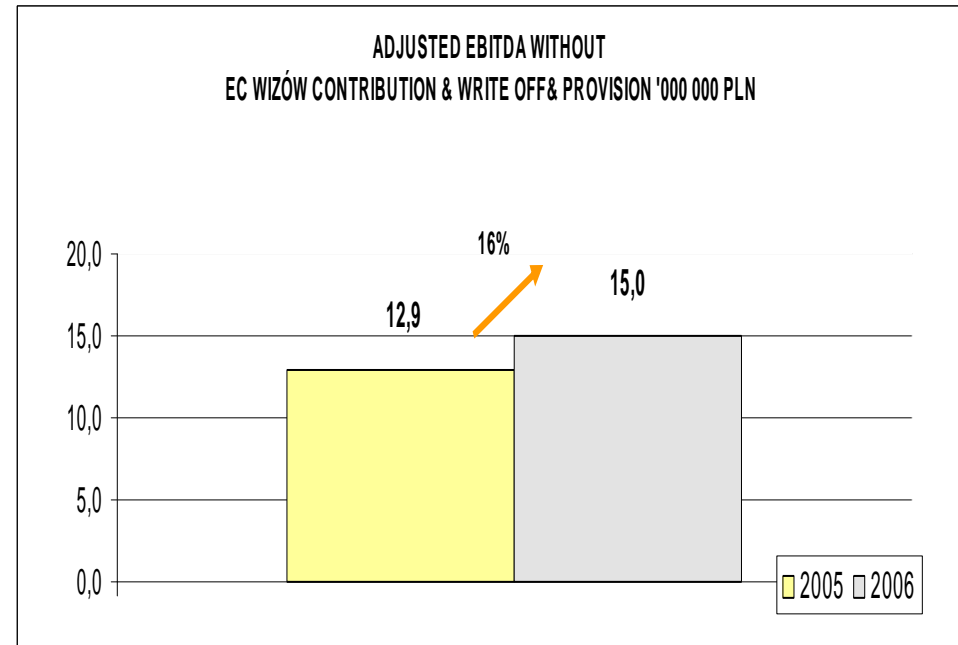
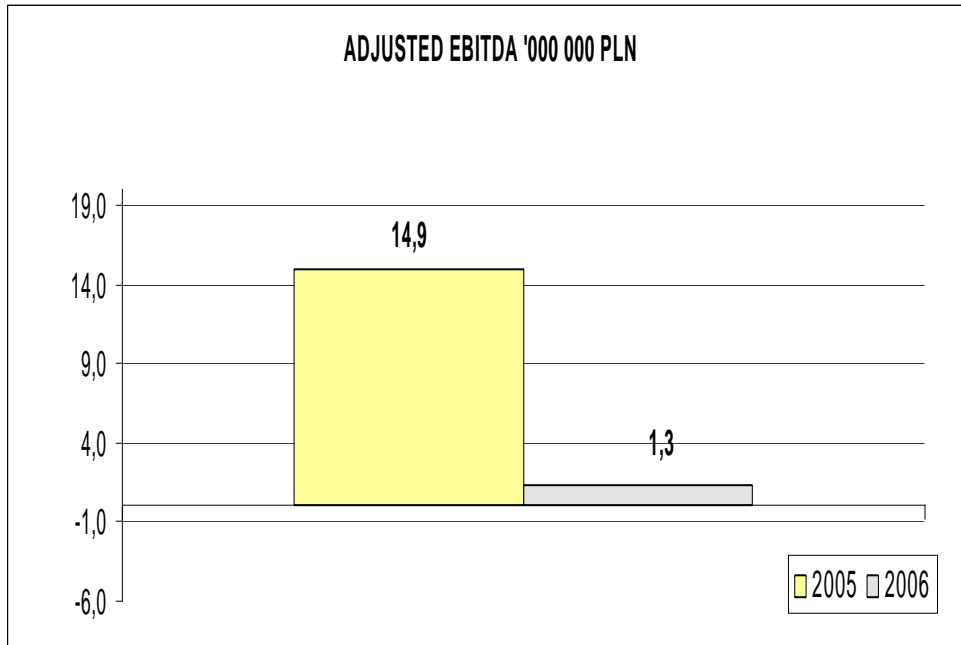
In comparison to 2005

- ☒ 2006 Green Energy production considerably higher than in 2005
- ☒ CO2 sold in 2006
- ☒ In 2005 revenues include one off proceeds from the sale of the project to Artic Paper
- ☒ 2006 Green Energy revenues are not comparable to 2005 due to the change in settlement structure in Mondi agreed in 2005

* reclassification of interest from leased assets from financial income



30-09-2006 Performance - Adjusted EBITDA *



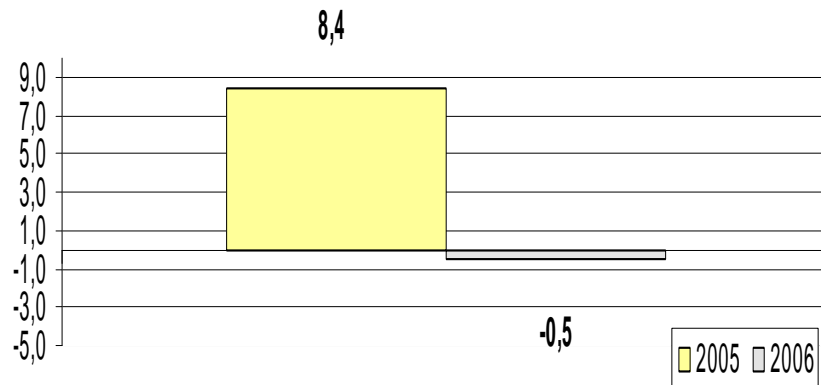
In comparison to 2005

- ☒ 2006 Green Energy production higher than in 2005
- ☒ CO2 sold in 2006
- ☒ Improved performance of EC Jeziorna
- ☒ Savings in G&A
- ☒ Lower development costs
- ☒ In 2005 EBITDA includes one off result on the sale of the project to Artic Paper

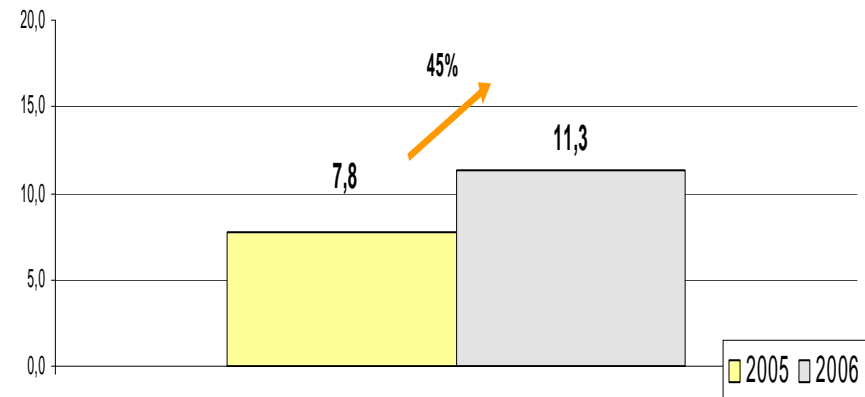


30-09-2006 Performance - Net Profit

CONSOLIDATED NET PROFIT '000 000 PLN



CONSOLIDATED NET PROFIT WITHOUT
EC WIZÓW CONTRIBUTION & WRITE OFF & PROVISION '000 000 PLN



In comparison to 2005

- ☒ Impact of EBITDA
- ☒ Positive foreign exchange gains

Summary



Summary

- × Underlying performance (excluding write-off) up on last year in Q3 and year to date and we expect to hit forecast for 2006
- × Major projects - Puck and Jupiter - on track
- × Need to reach positive outcome in negotiations at Mercury
- × Some progress at Wizów
- × Wind farm development plan progressing well
- × Wind farm financing strategy agreed and in progress