



Polish Energy Partners

**Polish Energy Partners SA  
Q2 & H1 2006 Performance**

August 2006  
Warsaw



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## **Business Review**



## Business Review

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- ❑ EC Wizów Plant written off creating an extraordinary loss of 9.1 million in Q2, year to date loss PLN 3.6 million
  
- ❑ Excluding extraordinary loss Q2 Net Profit 83 % ahead of 2005 and 24 % ahead of 2005 for the first half of 2006
  
- ❑ Q2 Adjusted EBITDA 52% ahead of 2005 due to:
  - × Higher GE volume and prices at EC Saturn
  - × Improved Jeziorna Performance
  - × Strong G&A savings

## Existing Businesses



## Existing Businesses

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### ☒ EC Saturn

- × Green Energy production higher in Q2 by 28% and in H1 by 19% than in 2005
- × Green Energy production higher than budget for 2006 Q2
- × Negotiating to fix the GE price for part of 2007-2009 production at a price above 200 PLN/Mwh
- × 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

### ☒ 2005 and part of 2006 CO2 credits sold for PLN 2.1 million in July/August

- × Further transactions for 2006 credits may be concluded by year end



## EC Wizów Discussion

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- ❌ Settlement plan for Z.Ch. Wizów has not been developed since June 4
- ❌ Motion for Z.Ch. Wizów bankructcy filed by PEP on August 4
- ❌ Z.Ch. Wizów claims it is still working on the restructuring plan; however no such plan has been presented to PEP as of today
- ❌ Therefore, PEP management decided to write the project off since it does not have any basis for Z.Ch. Wizów continuing as a going concern
- ❌ PEP will do all in its power to minimize the financial losses from this write off



## Mercury

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- ❑ Steam generation from waste coke gas passes into a condensing turbine
- ❑ Operating permit received and commercial operations commenced
- ❑ Performing according to expectations from a technical point of view
- ❑ Renegotiating commercial contract with coke plant to fit better with supply of gas available
- ❑ Finalizing electricity contract with local offtaker
- ❑ We expect to conclude the agreements by the end of this month





**Projects in Progress**



## Projects in Progress \_ Puck

- ☒ Puck: On schedule and budget; due for completion December 2006
  - × All foundation work has been completed.
  - × Cable trenching between turbines have started.
  - × Manufacturing of all turbines - nacelles, rotors and blades have been completed. The equipment will arrive at the Gdynia port in the second half of August.
  - × Manufacturing of towers has started.
  - × Main transformer has been completed and successfully passed the inspection tests.
  - × The erection of wind turbines is to start in the week commencing 4 September and is planned to take 5 weeks.



Blades painted in accordance with Polish law

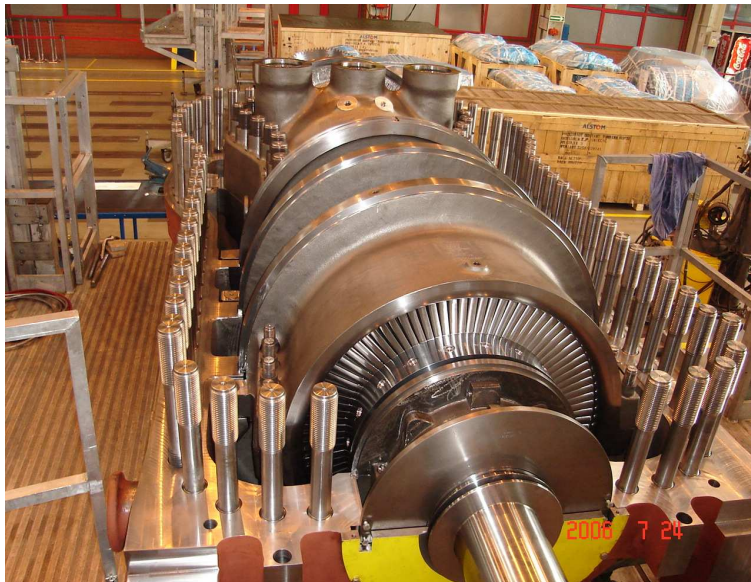


Laying concrete for the 8th turbine

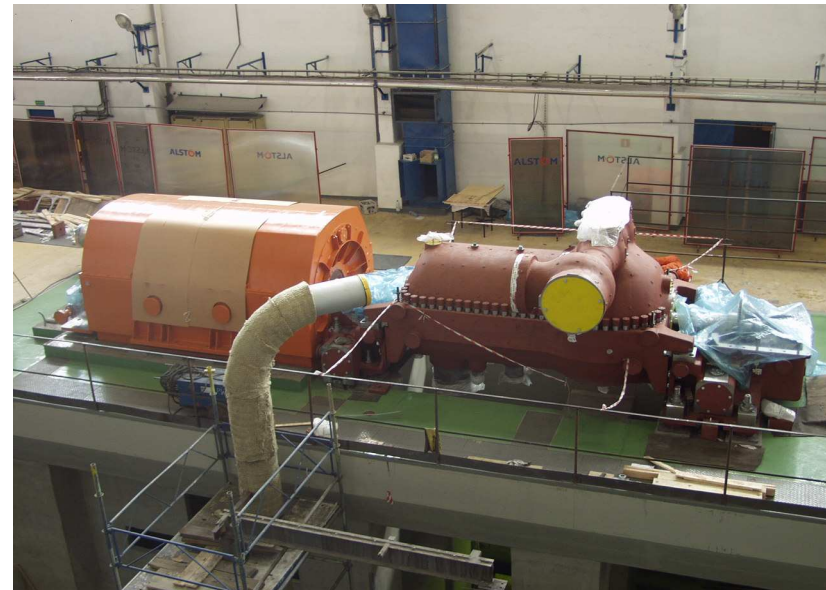


## Projects in Progress \_ Jupiter

- ☒ Jupiter: On schedule and budget; due for completion January 2007:
  - ✗ Upper foundation plate completed
  - ✗ Turbine installed on site in Saturn
  - ✗ Connection to CRB boiler made during August 2006 mill shut down
  - ✗ Turbine controller: system P 400 FAT completed



Turbine before outer casing installed



Turbine and Generator installed on site

## Projects in Development



## Wind Farms Development Plans

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- ☒ Very good progress in development of the targeted 300 MW portfolio
  
- ☒ The development of 3 wind farm projects of total 90 MW planned to be completed in 2007:
  - × Construction starting in 2007
  - × Operation starting in 2008
  
- ☒ Further development of 74 MW and 118 MW to be completed for 2008 and 2009, respectively
  
- ☒ Financing options under development for review in September/October 2006



## Industrial Energy Outsourcing & Biomass Fuels

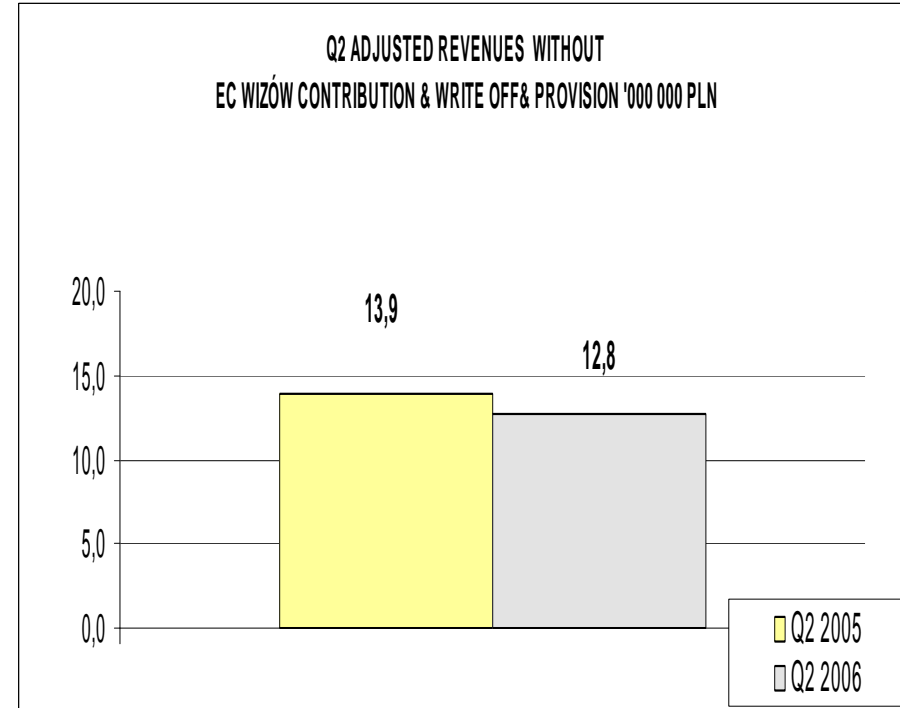
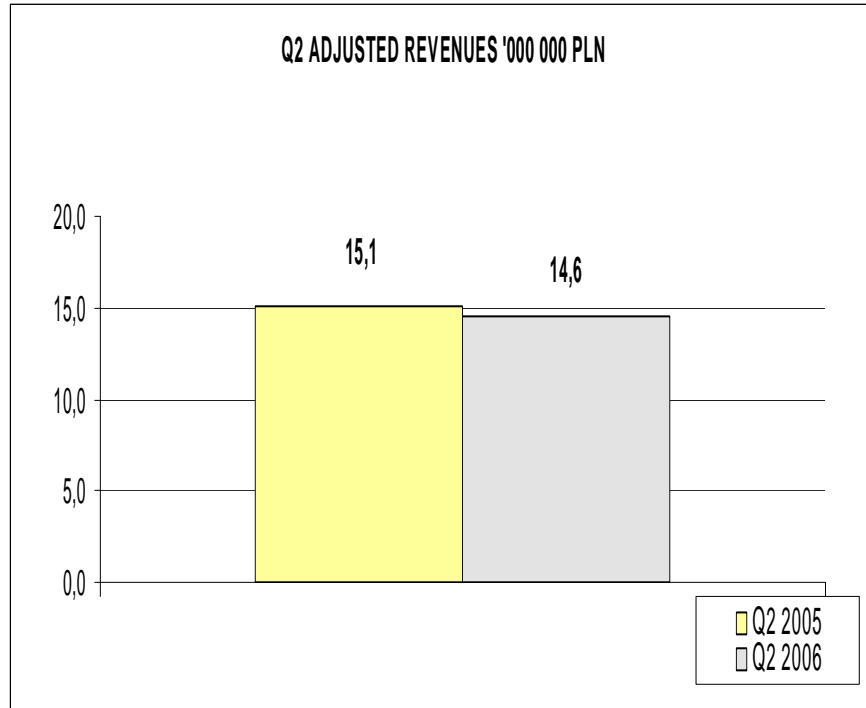
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- ☒ Green Energy Certificate prices rising considerably - hit high of over 210 PLN/MWh last week
- ☒ Currently high interest levels in Poland in biomass boilers for Green electricity production - all early stage
- ☒ Biomass fuels business Managing Director on board in July. Business Plan to be completed in Q4 2006

## Financial Performance



## 2006 Q2 Performance - Adjusted Revenues\*



### In comparison to 2005

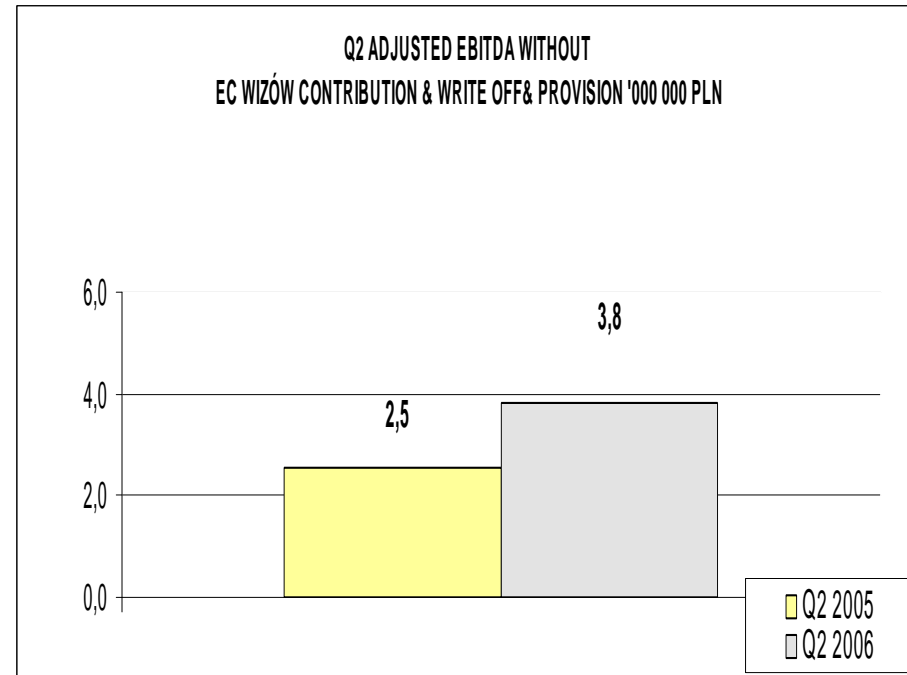
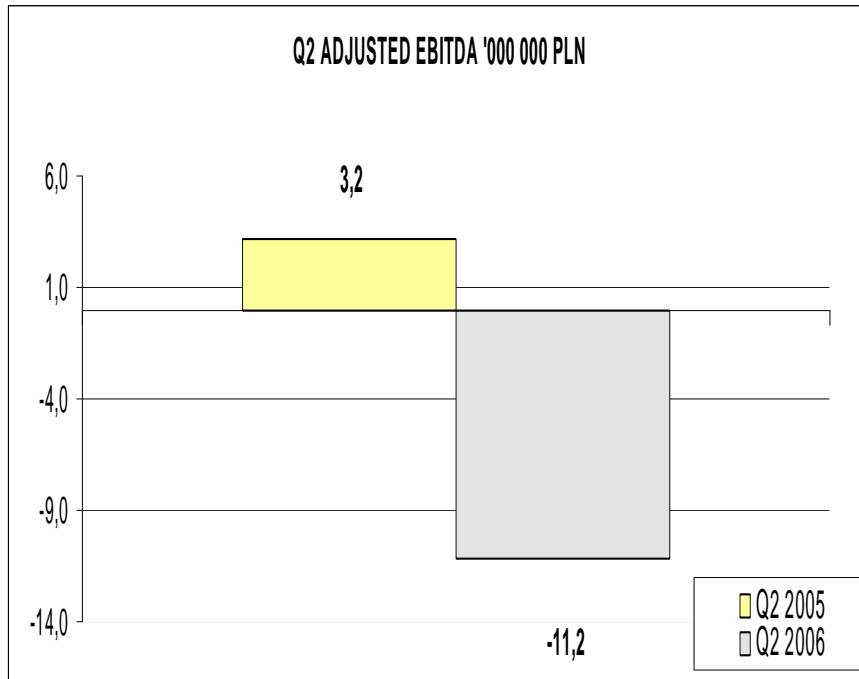
- ☒ Green Energy production considerably higher than in 2005
- ☒ In 2005 revenues include one off proceeds from the sale of the project to Arctic Paper

\* reclassification of interest from leased assets from financial income





## 2006 Q2 Performance - Adjusted EBITDA \*



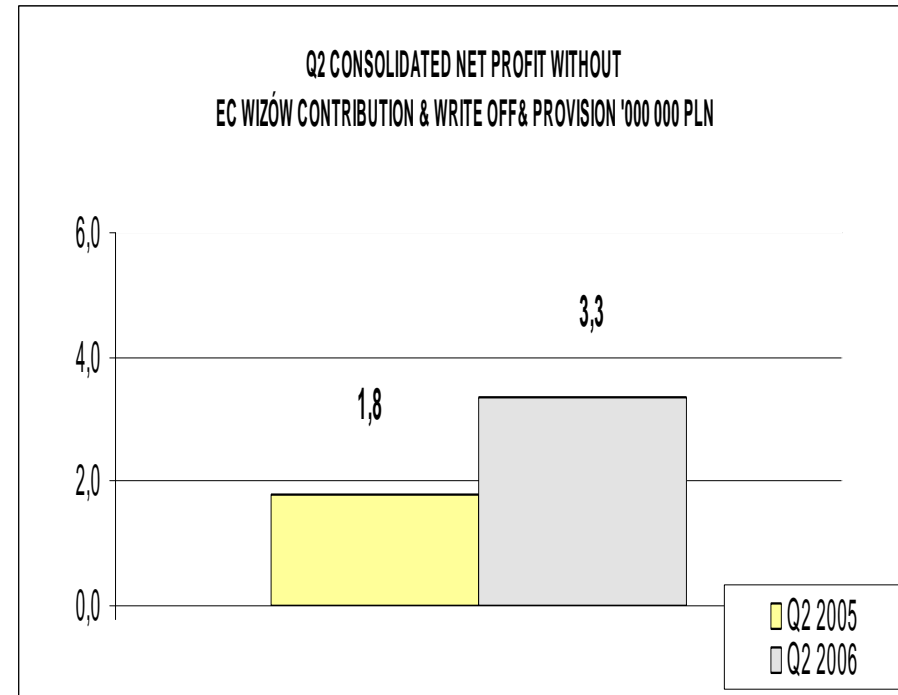
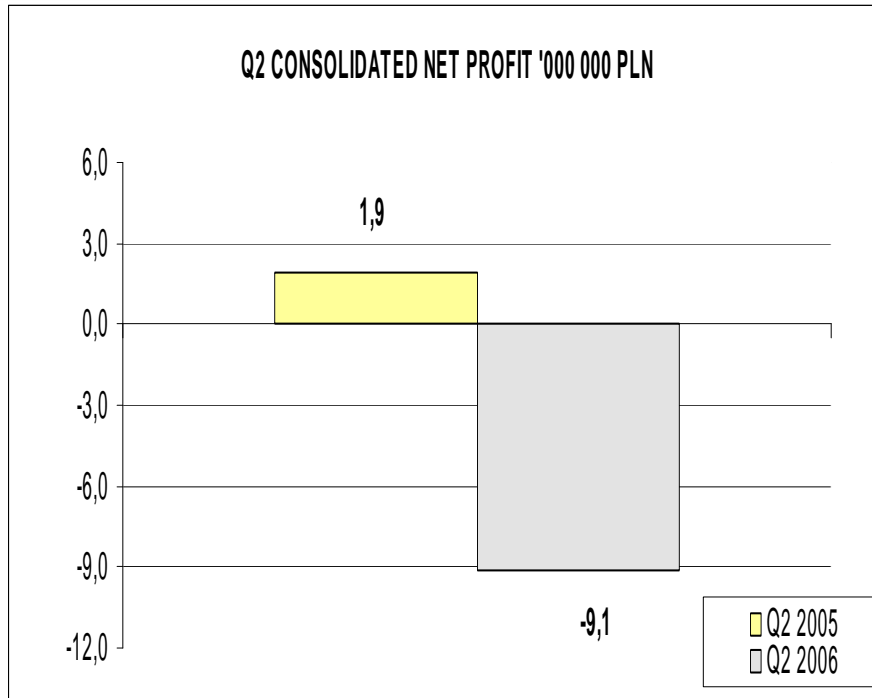
### In comparison to 2005

- ☒ Green Energy production considerably higher than in 2005
- ☒ Improved performance of EC Jeziorna resulting from modernization program
- ☒ Savings in G&A
- ☒ In 2005 EBITDA includes one off result on the sale of the project to Arctic Paper

\* reclassification of interest from leased assets from financial income



## 2006 Q2 Performance - Net Profit

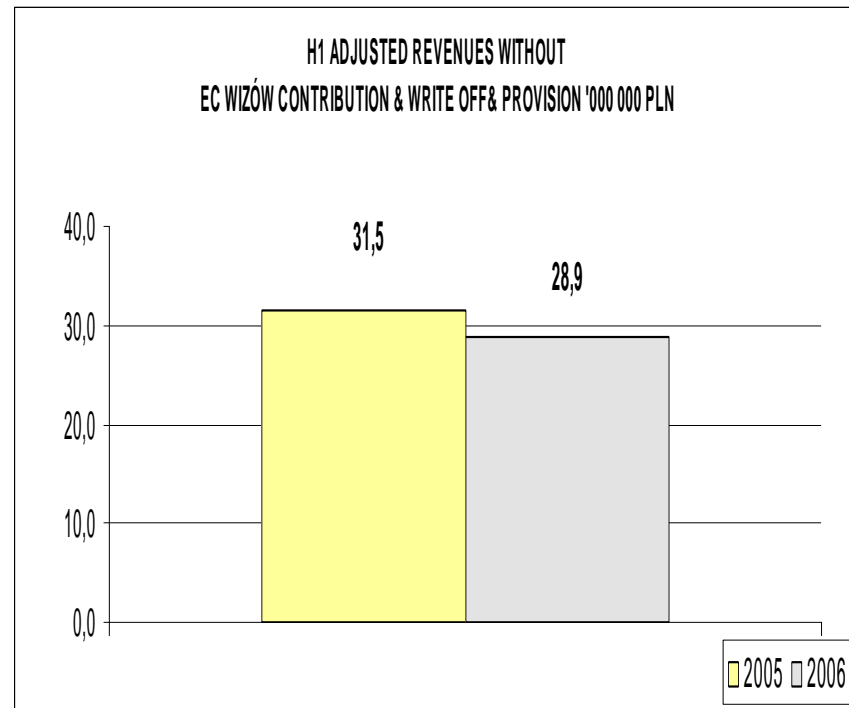
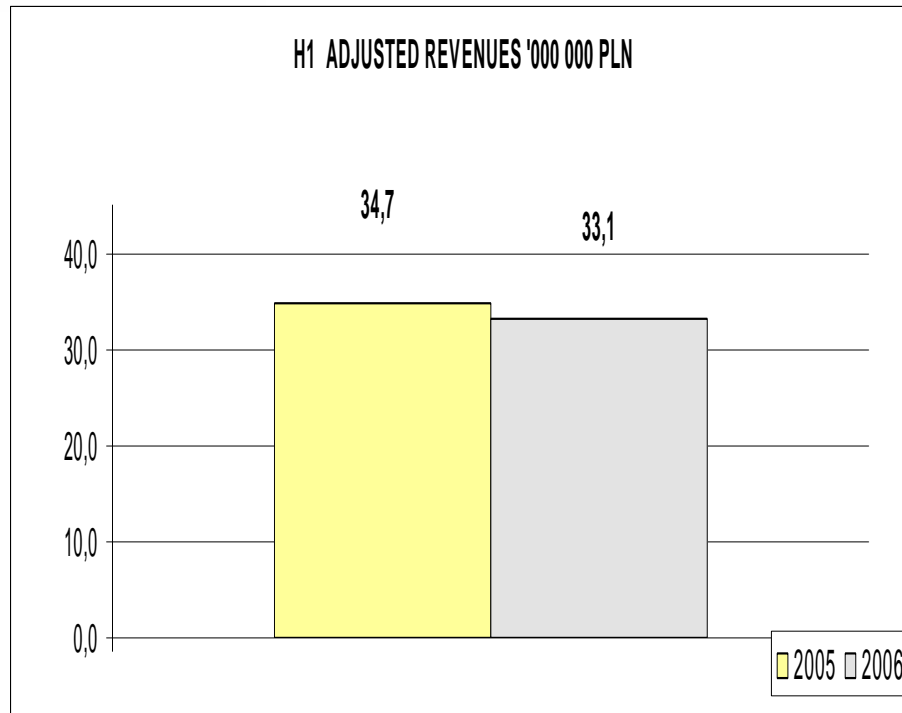


### In comparison to 2005

- ☒ Impact of EBITDA
- ☒ Positive foreign exchange gains



## 2006 H1 Performance - Adjusted Revenues\*



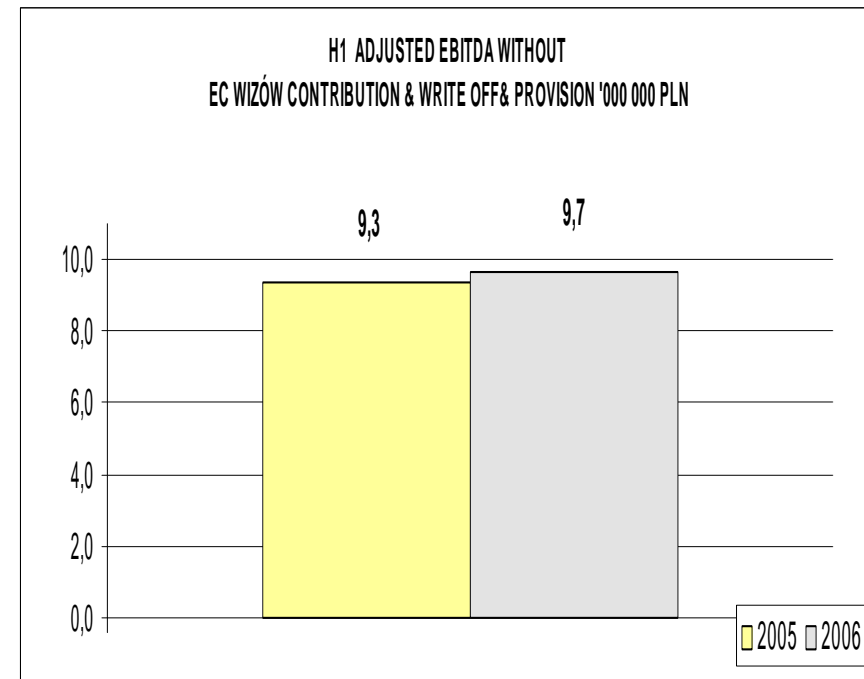
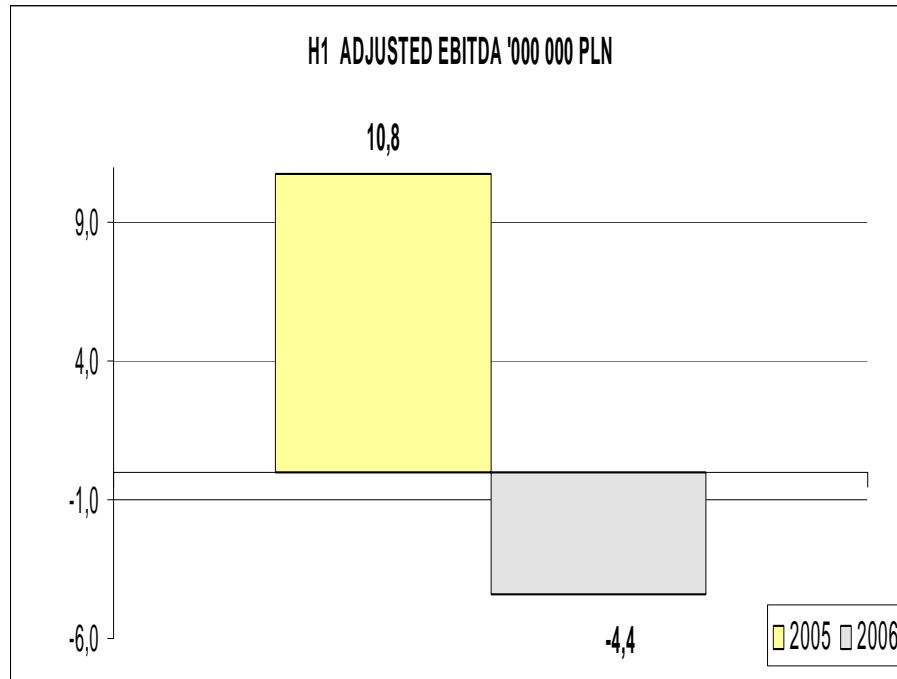
### In comparison to 2005

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

\* reclassification of interest from leased assets from financial income



## 2006 H1 Performance - Adjusted EBITDA \*



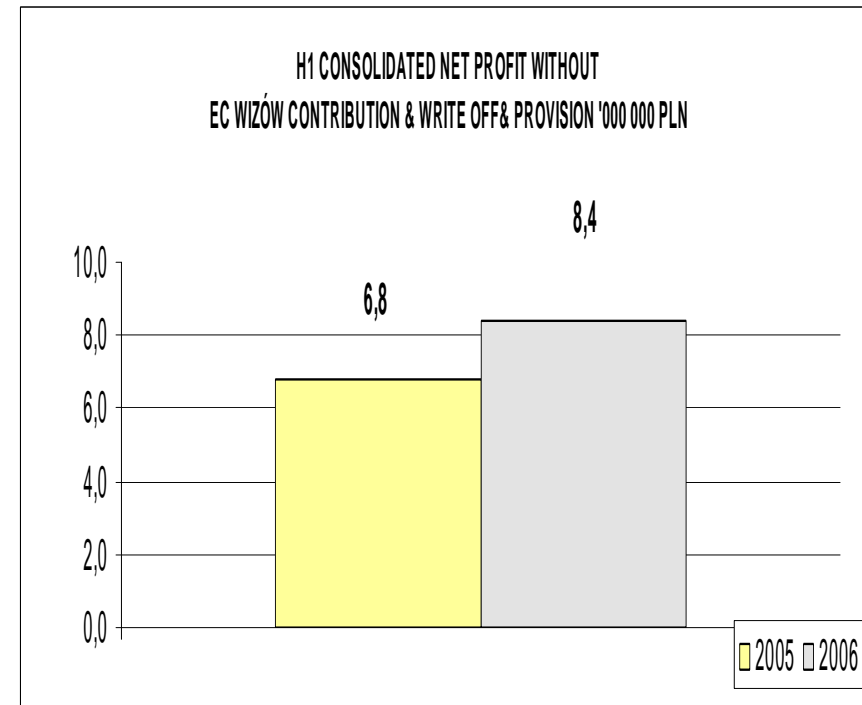
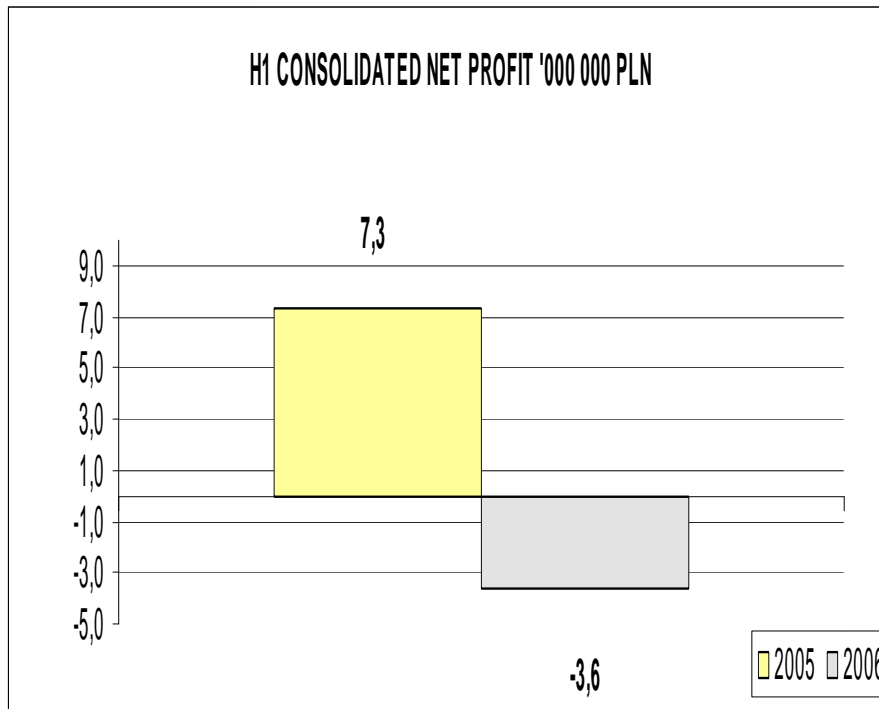
### In comparison to 2005

- ☒ 2006 Green Energy production higher than in 2005
- ☒ 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 Arctic Paper

\* reclassification of interest from leased assets from financial income



## 2006 H1 Performance - Net Profit



### In comparison to 2005

- ☒ Impact of EBITDA
- ☒ Positive foreign exchange gains



## EC Wizów Write Off Analysis

Description	Unit	As booked in the FS for the 6 month period ended June 30, 2006
Assets NBV	['000 PLN]	(9 979,0)
Receivables @30.06.2006	['000 PLN]	(4 650,3)
Other Costs	['000 PLN]	(1 062,0)
<b>WIZÓW GROSS WRITE OFF (EBITDA LEVEL)</b>	<b>['000 PLN]</b>	<b>(15 691,3)</b>
<b>DEFERRED TAX ASSET</b>	<b>['000 PLN]</b>	<b>2 813,4</b>
<b>WIZÓW NET WRITE OFF (NET PROFIT LEVEL)</b>	<b>['000 PLN]</b>	<b>(12 878,9)</b>



## 2006 Adjusted Forecast

	Original Forecast	EC Wizów write off & provision	EC Wizów lost contribution	Adjusted Forecast	Comment
<b>Revenues</b>	63,0		(3,7)	59,3	(3.7) of lost revenues from EC Wizów for 7 months;
<b>Adjusted Revenues</b>	65,0		(3,7)	61,3	
<b>EBITDA</b>	19,0	(15,7)	(1,4)	1,9	(15,7) total impact of EC Wizów project gross write off; (1.4) loss of EC Wizów profit for 7 months;
<b>Adjusted EBITDA</b>	21,0	(15,7)	(1,4)	3,9	
<b>Net Profit</b>	12,0	(12,9)	(0,7)	(1,6)	

## Summary





## Summary

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- × EC Wizów write - off a major disappointment for the Company
- × Underlying performance (excluding write-off) well up on last year in Q2 and on track to hit forecast for 2006
- × Green Energy certificate pricing positive for current business and bodes well for wind farm development
- × Major projects - Puck and Jupiter - on track
- × Wind farm development plan progressing well