



Polish Energy Partners

Polish Energy Partners SA
2007 Performance

February 2008
Warsaw



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Business Review



Business Review

- ☒ Q4YTD 2007 Net Profit of 33.1 mil. 147 % up over 2006* (PLN 13.4 mil.);
Q4 2007 Net Profit of PLN 3.5 mil. 250% up over 2006 (PLN 1.0 mil.);
- ☒ Q4YTD 2007 adjusted EBITDA of PLN 48.1 mil. 127 % up over 2006 (PLN 21.1 mil.);
Q4 2007 adjusted EBITDA of PLN 6.1 mil. 50 % over 2006 (PLN 4.1 mil.)
- ☒ Improved result due to improved performance at existing businesses plus the contribution of three new projects: Puck, Jupiter, Mercury plus the sale of 70% stake of Suwałki wind farms which increased net profit by PLN 12.6 mil.
- ☒ Wind farm stake sale enabled PEP to raise profit from PLN 20.5 mil. to PLN 33.1 mil. for 2007

** All the data for 2006 excluding impact of EC Wizów write-off*



2007 Business Highlights

INDUSTRIAL ENERGY OUTSOURCING

- ⊗ Successful start of **operations of two new projects**: Project Jupiter, Project Mercury
- ⊗ **Increase in renewable energy** (“green energy”) production in SM in 2007 by 14% in relation to 2006
- ⊗ **Operational results improvement** in 2007 in **EC Jeziorna** plant relating to the performance in 2006, however below the 2008 budget
- ⊗ **Completing** the conceptual stage of **Tytan Project**, based on BFB Boiler working on biomass which is aimed at extension of the capacity production of EW Saturn

WIND DEVELOPMENT

- ⊗ **Full year operations** in line with the budget **Wind Farm Puck**
- ⊗ **Development of wind projects pipeline** to develop remaining 649 MW to reach the goal of 700 MW by end 2012; extension of strategic alliance with EPA to buy 300 MW at the fixed attractive price, development of the own wind team within PEP
- ⊗ **Sale of 70% stake in 38 MW Wind Farm Suwałki** to RWE Power, which allowed to increase profits by 74% against previous forecast; conclusion of agreement for sale of 70% stake in 32MW Tychowo

BIOMASS SUPPLY BUSINESS

- ⊗ **Preliminary works** to commence the **first project of PEP Group Energy Biomass** supplying straw fuel to SM/MPPS and development of the straw pellets project for other customers

Existing Businesses



Industrial Energy Outsourcing Business

- ☒ Strong Q4 and cumulative performance at EC Saturn:
 - × Improved Green Energy production and prices for 2007
 - × Successful Jupiter Project
 - × Saving settlement from 2006 favorable

- ☒ EC Zakrzów on target

- ☒ EC Jeziorna ahead of last year but below target

- ☒ EC Mercury on target

- ☒ Limited progress in sale of EC Wizów by receiver, PEP plans to sell assets to purchaser or 3rd party buyer in 2008



Wind Farm Puck

- ☒ On budget year to date performance at Puck
 - × Better wind conditions till Q3, in Q4 worse than planned
 - × Above budget turbine availability

Projects in Development



Industrial Outsourcing Development

- Saturn Management (SM) extension - Project Tytan
 - × Provisional approval granted by Mondi, currently seeking financing options and negotiating agreements with suppliers; then annex to the Mondi contract will be signed
 - × Conversion of redundant coal boiler to 100 tonne per hour BFB biomass boiler
 - × Capex in range of 100 million PLN
 - × Green Energy production for alliance partners increased by approximately 100,000 MWhs
 - × Project start up expected in Q4 2009



Biomass Fuels Development

- Concluded supply agreement for 35,000 tonnes straw to SM in 2008/2009
 - × First project for Grupa PEP Biomasa Energetyczna
 - × Short term enables SM/MPPS to meet "agricultural biomass" legislation
 - × Long term provides new source of fuel for renewable energy production
 - × Will provide template for further projects in this business sector

- Straw pelletizing project completed and presented to potential customers; negotiations pending



Suwałki & Tychowo Wind Farms

Suwałki Wind Farm

- ☒ Negotiations with the turbine suppliers to be finished by mid-March
- ☒ Pending negotiations with the financing institutions
- ☒ Expected delivery time - 2nd/3rd quarter of 2009
- ☒ Start of operations - 4th quarter 2009

Tychowo Wind Farm

- ☒ Grid connection agreement issues to be resolved by URE - progress achieved
- ☒ Tychowo Transaction will be closed when the building permit has been irrevocably granted and the grid connection secured (expected in 2nd quarter)
- ☒ The value of the agreement* from the transaction is estimated at PLN 17.4 mil

* sales proceeds excluding VAT, not net profit impact



Wind farm development plan - summary

	2007	2008	2009	2010-2012
PER YEAR	60 MW*	112 MW**	132 MW	405 MW
CUMMULATIVE	60 MW	172 MW	304 MW	709 MW

25% of target MW

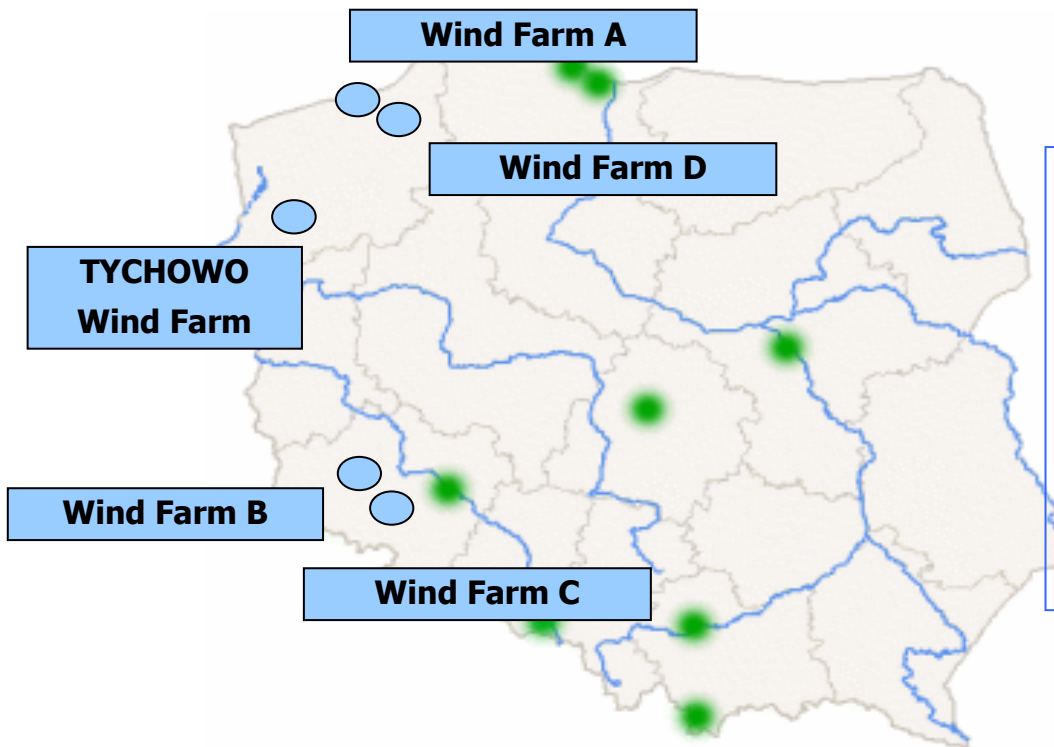
* includes Suwałki wind farm (38 MW) and Puck wind farm (22 MW)

** includes Tychowo wind farm (32 MW)

All data based on assumption of 2 MW turbines



2008 Wind Farms Development Plan



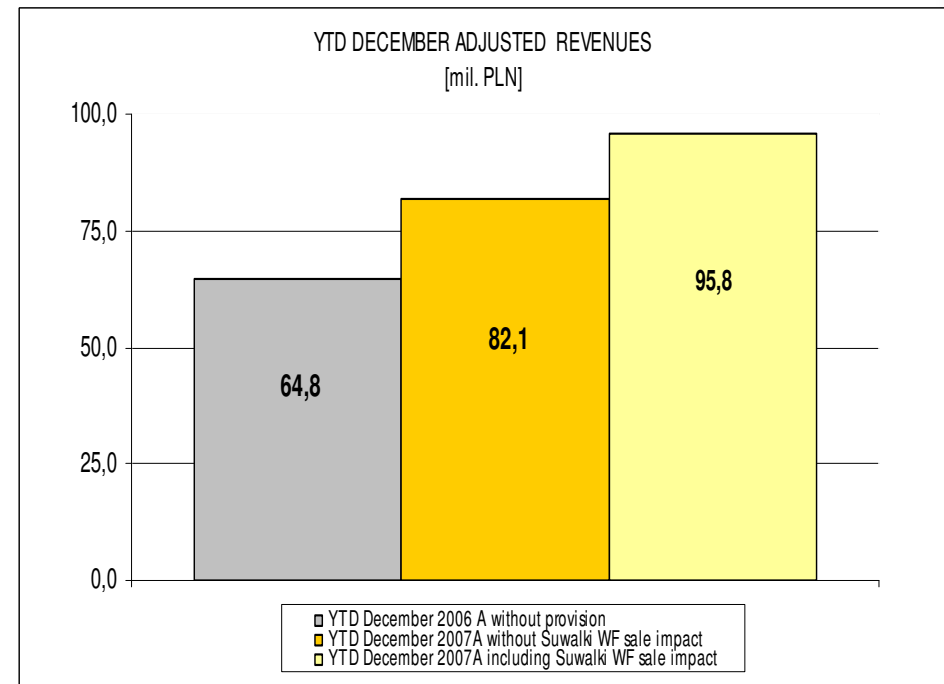
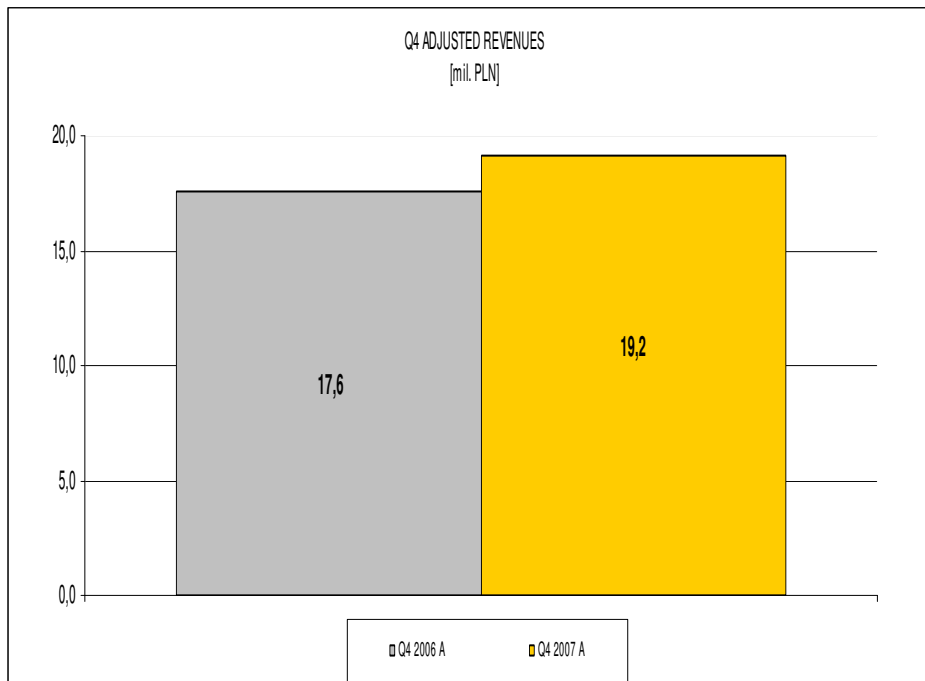
<u>2008</u>	
Q2	- Tychowo WF - [16 turbines; max* 35 MW]
Q3	- Wind Farm A - [10 turbines; max. 24 MW]
Q3	- Wind Farm B - [13 turbines; max. 40 MW]
Q3	- Wind Farm C - [17 turbines; max. 45 MW]
<u>2008/2009</u>	
Q4/Q1	- Wind Farm D - [15 turbines; max.30 MW]

* Max Data based on assumptions of 2,2 MW - 3 MW turbines

2007 Q4 and 2007 YTD Q4 Performance



2007 Q4 Performance - Adjusted Revenues*



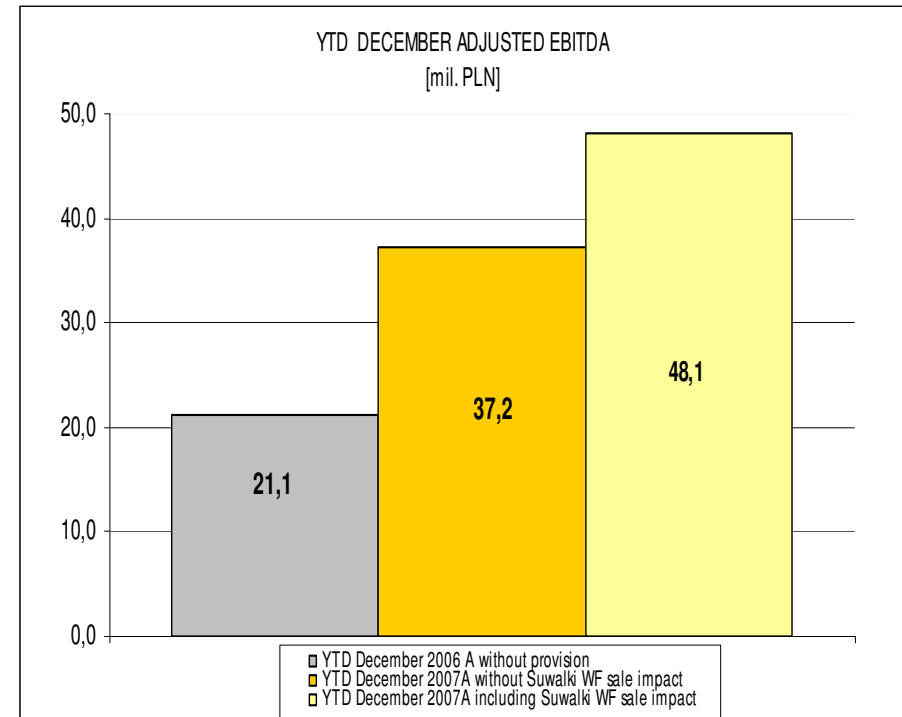
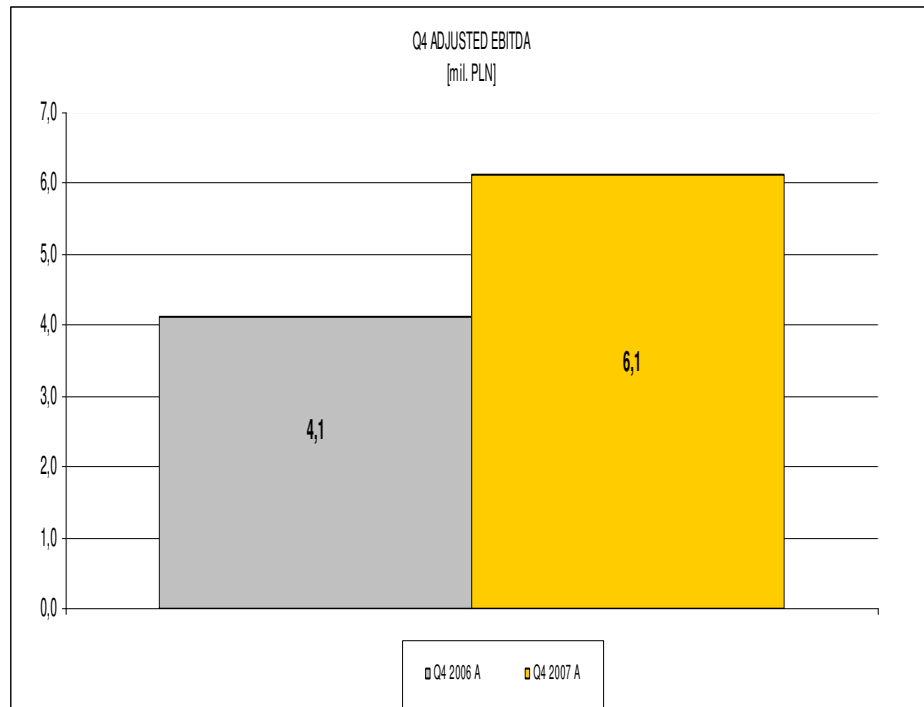
- ⊗ Contribution from three new projects
- ⊗ Revenues in WF Puck lower than forecast (poor wind conditions in Q4 & lack of JI revenues)
- ⊗ No revenues from CO2 in 2007 at the high level of 2006

- ⊗ Contribution from three new projects
- ⊗ Higher GE production than in 2006 at Saturn
- ⊗ Settlement of savings achieved for Mondi higher than 2006
- ⊗ Lower EC Wizów revenues
- ⊗ Significantly lower CO2 revenues

* reclassification of interest from leased assets from financial income



2007 Q4 Performance - Adjusted EBITDA *



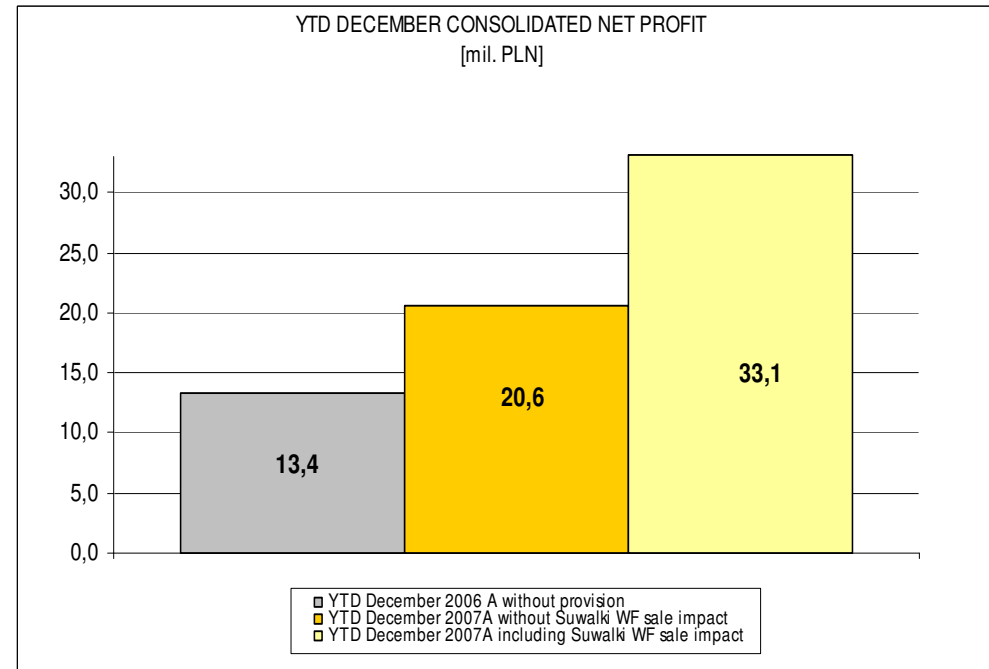
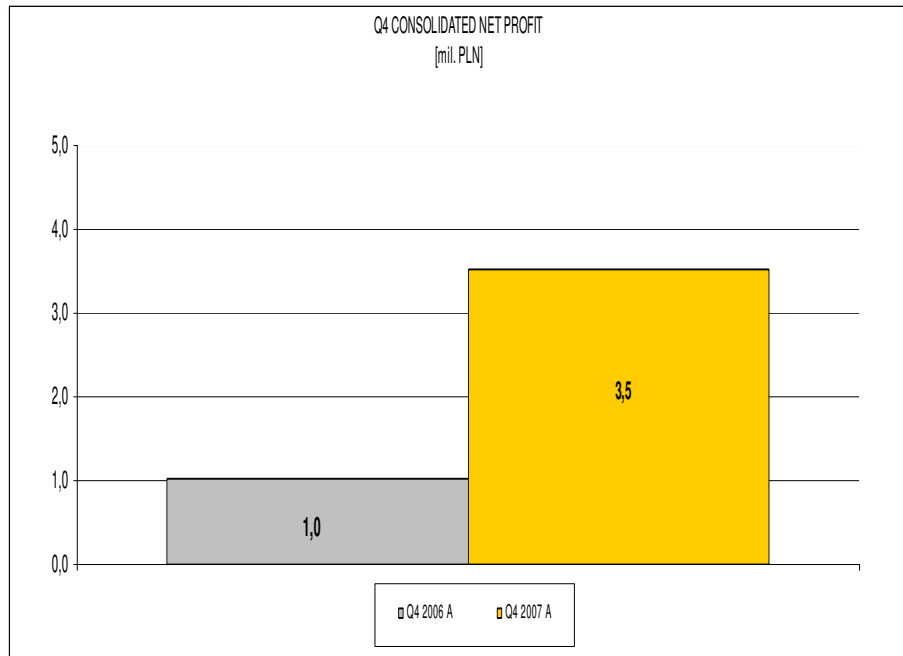
- ☒ Impact of revenues
- ☒ High Wind Farm Puck EBITDA (no significant costs of operations)
- ☒ Lower G&A costs
- ☒ Higher option program valuation costs offset gains

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2007 Q4 Performance - Net Profit



- ⊗ Positive impact of EBITDA but:
 - ⊗ Seasonality impact of WFPuck
 - ⊗ No EC Wizów contribution (operations)
 - ⊗ CO2 revenues at lower level than in 2006
- ⊗ Higher debt costs due to new projects
- ⊗ Higher depreciation due to new projects
- ⊗ Positive FX

- ⊗ Positive impact of EBITDA
- ⊗ Higher debt costs due to new projects
- ⊗ Higher depreciation due to new projects
- ⊗ Positive FX
- ⊗ Higher tax



2007 Performance with WF Suwałki Sale vs Revised Forecast

	2007A	2007F	Change [PLN]	Change [%]	Comments
Revenues	92,8	90,4	2,4	2,7%	Green Energy, Savings for Mondi, lower CO2 than forecast, no JI received
Adjusted Revenues	95,8	93,3	2,5	2,7%	Green Energy, Savings for Mondi, lower CO2 than forecast, no JI received; higher interest on lease due to Jupiter
EBITDA	45,1	45,0	0,1	0,2%	Higher revenues compensate higher option valuation and lower EC Jeziorna performance; higher interest on lease due to Jupiter
Adjusted EBITDA	48,1	47,9	0,2	0,4%	Higher revenues compensate higher option valuation and lower EC Jeziorna performance
Net Profit	33,1	29,8	3,3	11,1%	EBITDA influencing factors; positive FX on receivables/debt valuation
Net Profit net of FX	29,7	29,8	-0,1	-0,4%	In line with the forecast



2007 Performance without WF Suwałki Sale Original Forecast

	2007A	2007F	Change [PLN]	Change [%]	Comments
Revenues	79,1	76,7	2,4	3,2%	Green Energy, Savings for Mondi, lower CO2 than forecast, no JI received
Adjusted Revenues	82,1	79,6	2,5	3,2%	Green Energy, Savings for Mondi, lower CO2 than forecast, no JI received; higher interest on lease due to Jupiter
EBITDA	34,2	34,1	0,1	0,3%	Higher revenues compensate higher option valuation and lower EC Jeziorna performance; higher interest on lease due to Jupiter
Adjusted EBITDA	37,2	37,0	0,2	0,5%	Higher revenues compensate higher option valuation and lower EC Jeziorna performance
Net Profit	20,5	17,2	3,3	19,2%	EBITDA influencing factors; positive FX on receivables/debt valuation
Net Profit net of FX	17,1	17,2	-0,1	-0,6%	In line with the forecast



Dividend for 2007

- ☒ PEP management will put the motion to the Supervisory Board not to distribute the profit gained in year 2007 but transfer it the reserve capital
- ☒ Cash will be reinvested into wind farm development, particularly in wind and capital projects

2008 Forecast Performance



2008 Forecast Assumptions

- ☒ The profits generated by EC Saturn will be lower due to the planned interim 10-week downtime of CFB boiler:
 - × The boiler downtime is planned and necessary due to a standard technical maintenance of the boiler conducted every 5 years in the whole operating period of CFB boiler
 - × The long-term impact on financial results will be minimized by coinciding the boiler downtime with the interim technical shut of the main turbine for CFB boiler.

- ☒ The operating income of similar to the FY07 level due to the expected sales of assets related to the production in CHP Wizów.

- ☒ The forecast includes disposals of shares in wind farms:
 - × in Tychowo wind farm to RWE Renewables Polska Sp. z o.o., and
 - × the disposal of shares in another wind farm.

- ☒ In accordance with the rules adopted, a fixed PLN/EUR exchange rate has been assumed for the forecast period, and the forecast does not include the exchange differences following the balance sheet valuation of assets, liability and shareholders' equity.



2008 Forecast vs 2005-2007 Underlying Performance

	2005	2006*	Growth	2007	Growth	2008F**	Growth
Revenues	61,1	62,7	2,6%	92,8	48,0%	101,3	9,2%
Adjusted Revenues	63,2	64,8	2,5%	95,8	47,8%	104,6	9,2%
EBITDA	16,0	19,1	20,6%	45,1	136,1%	49,9	10,6%
Adjusted EBITDA	18,1	21,1	18,2%	48,1	128,0%	53,2	10,6%
Net Profit	9,3	13,4	46,2%	33,1	147,0%	35,6	7,6%

* 2006A without impact od EC Wizów Write Off

**All forecast data without FX impact

Summary



Summary

- × Underlying Forecast for 2007 reached;
- × New projects Puck and Jupiter completed on schedule and budget
- × Excellent operational performance in EC Saturn
- × EC Jeziorna better performance compared to 2006 but lower than budget
- × Wind farm development plan progressing well and secured further 150 MW at the attractive fixed price
- × Wind farm financing strategy assuming partial wind farm stakes implemented and proved viable
- × Biomass Fuel Business on track for implementation
- × Underlying Forecast for 2008 (with elimination of FX effect) brings 20% Net Profit improvement