



P o l i s h E n e r g y P a r t n e r s

Polish Energy Partners SA
A Renewable Energy Investment

January 2006
Warsaw



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Strategic Context



PEP's Vision and Goals

PEP will leverage its position in the energy outsourcing and wind power generation sectors to become the leading renewable energy company in Poland

PEP's management believe that by exploiting the growth and profitability of these markets it will generate highly attractive returns to its shareholders

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- ☒ Continue to grow Industrial Energy Outsourcing activities within Poland
 - × in a focused way,
 - × targeting sizeable opportunities
 - × where biomass expertise can be leveraged
- ☒ Develop existing pipeline and relationships to capitalise on opportunities in the wind energy market - capture over 10% of wind capacity in Poland from 2007 and grow share
- ☒ Leverage expertise and relationships in new businesses
 - × Renewable biomass fuels
 - × Energy and environmental certificate (green energy, carbon etc) trading

The Polish Renewable Opportunity



The Polish Renewables Opportunity

The outlook for the Polish renewables sector is highly favourable

Demand for energy

- × Growing demand for energy after stagnant period
 - Low starting base
 - Economic growth
 - Demand is starting to grow after stagnation

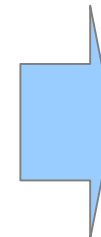
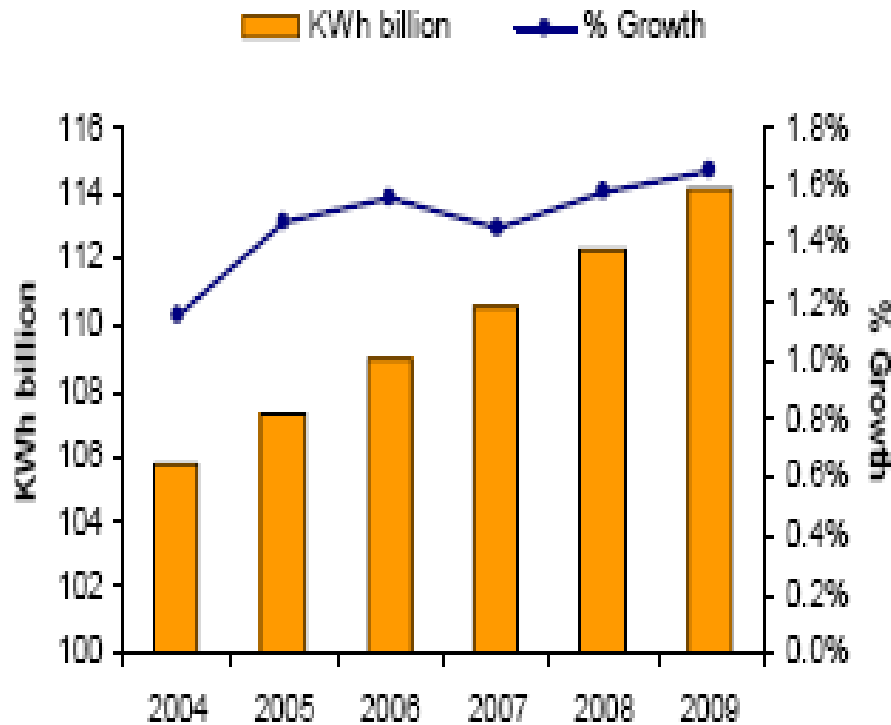
Energy pricing

- × Energy pricing in Poland is the lowest in the EU
- × Significant investment required in renewables to provide demand/capacity imbalance, which will push pricing upwards

Renewable energy targets

- × Need to meet demanding EU and Polish Government's targets
- × Low levels of renewable energy production capacity
- × Substantial gap forecast between targeted requirements and supply

Forecast electricity demand

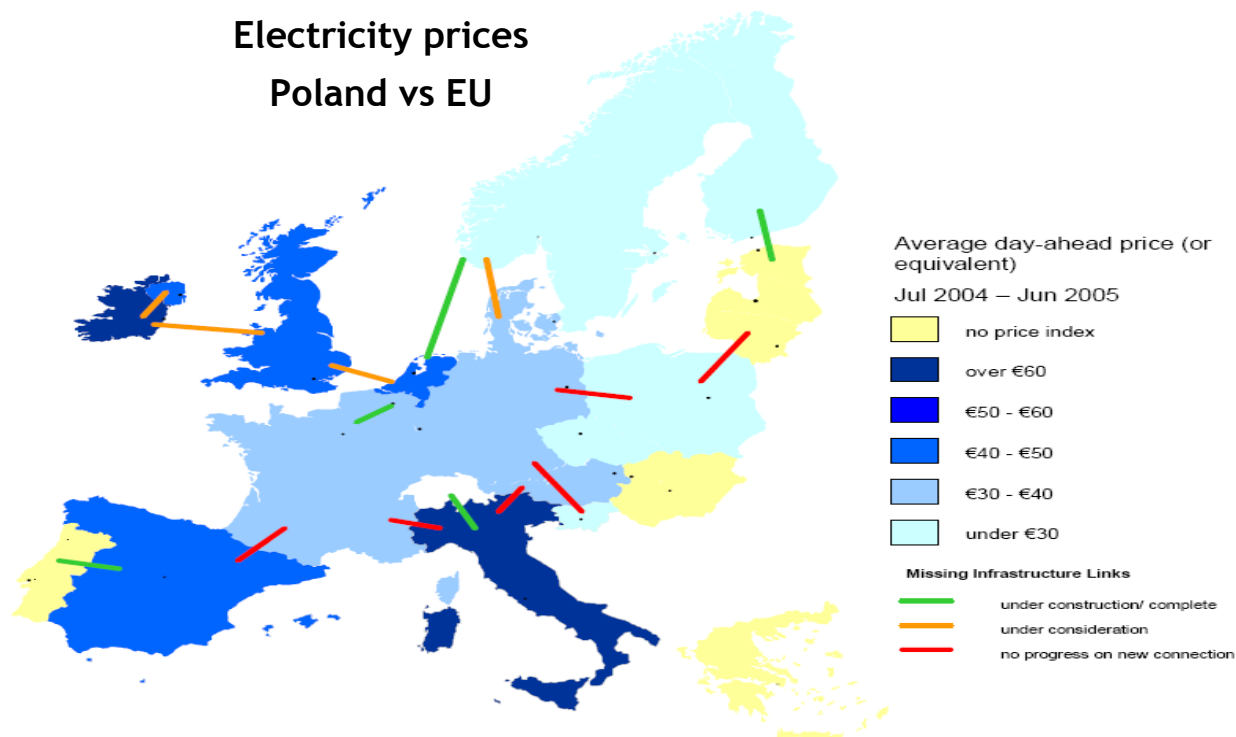


Moderate growth
forecast for the Polish
electricity market

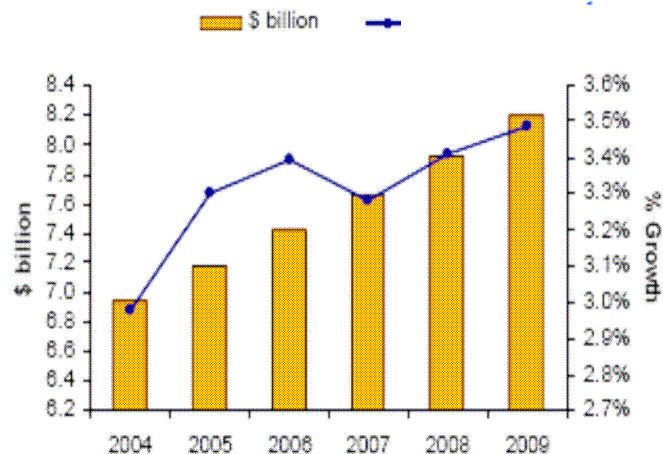


The Outlook for Polish Electricity Prices

Electricity prices
Poland vs EU



Forecast value of
electricity market



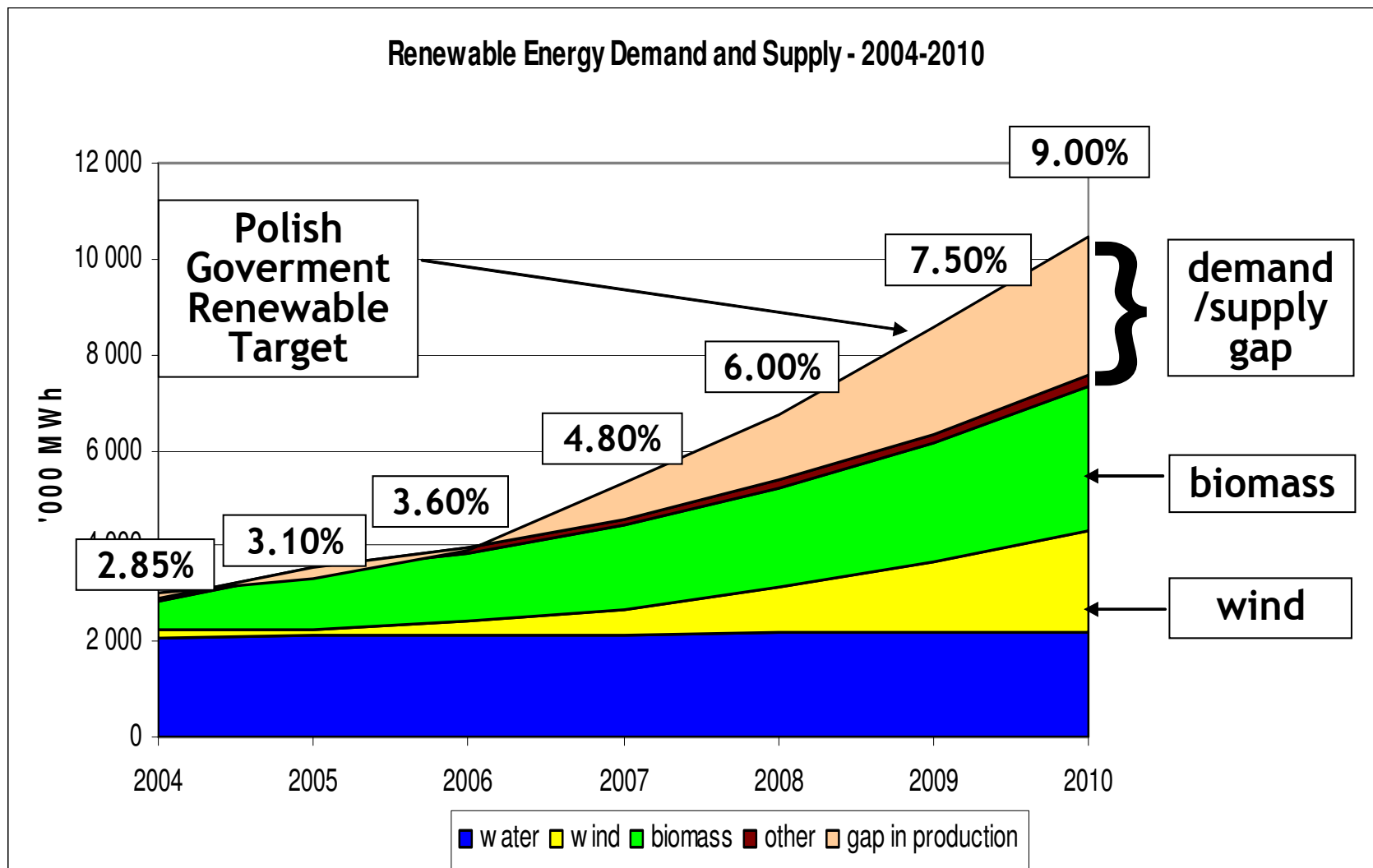
Source: Datamonitor, October 2005

Growth in Polish electricity prices is underpinned by

- ✗ Supply/demand imbalances
- ✗ Need to fund replacement of outdated generating plant
- ✗ Rising coal prices and increasing costs associated with cleaner coal fired plant

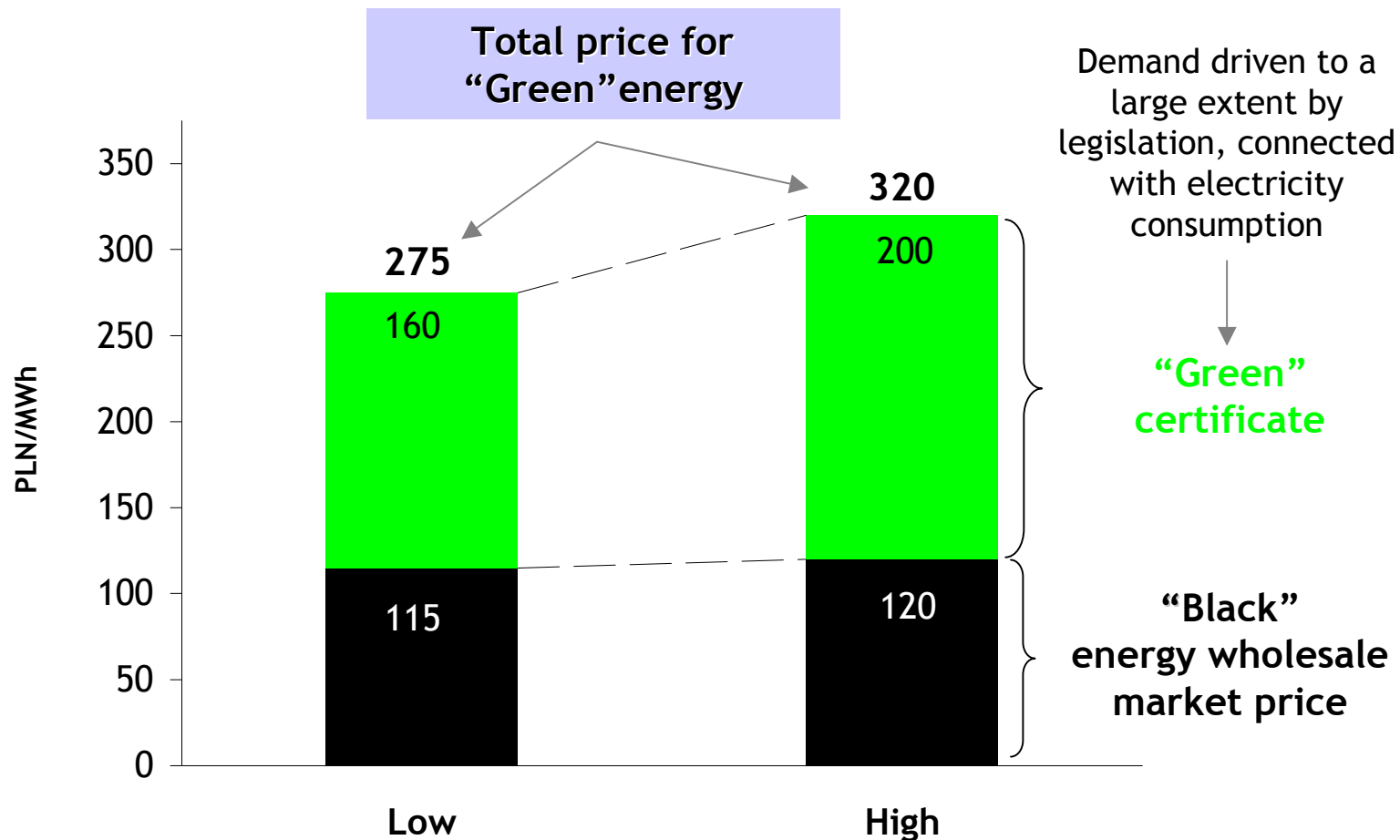


Potential Polish Renewable Energy Deficit

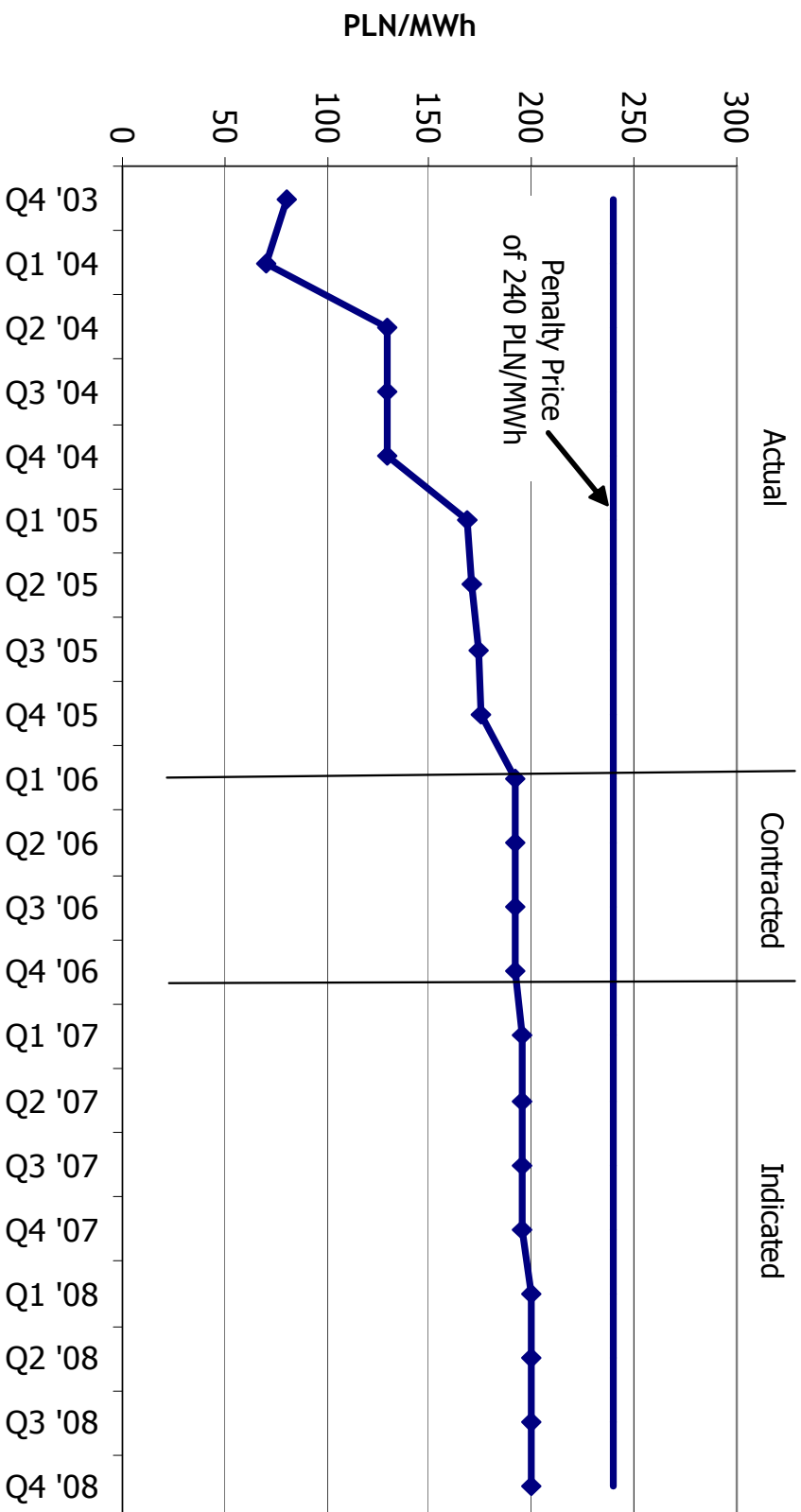




Limited Impact of Electricity Market Price on Attractiveness of Renewables



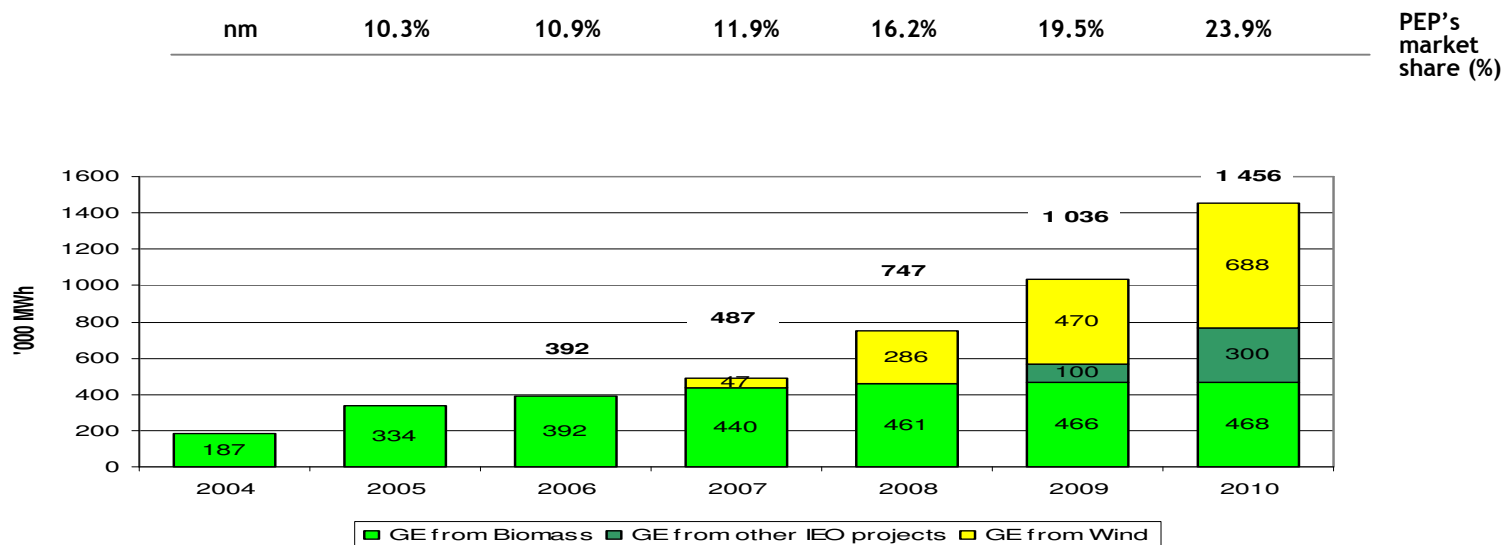
Saturn Green Energy Prices





PEP's Positioning in Poland's Renewables Market

PEP's Market Share and Volume of Renewable Energy Production 2004-2010, excluding hydro



Source: PEP Management estimates and forecasts

✘ Industrial Energy Outsourcing Competitive Environment

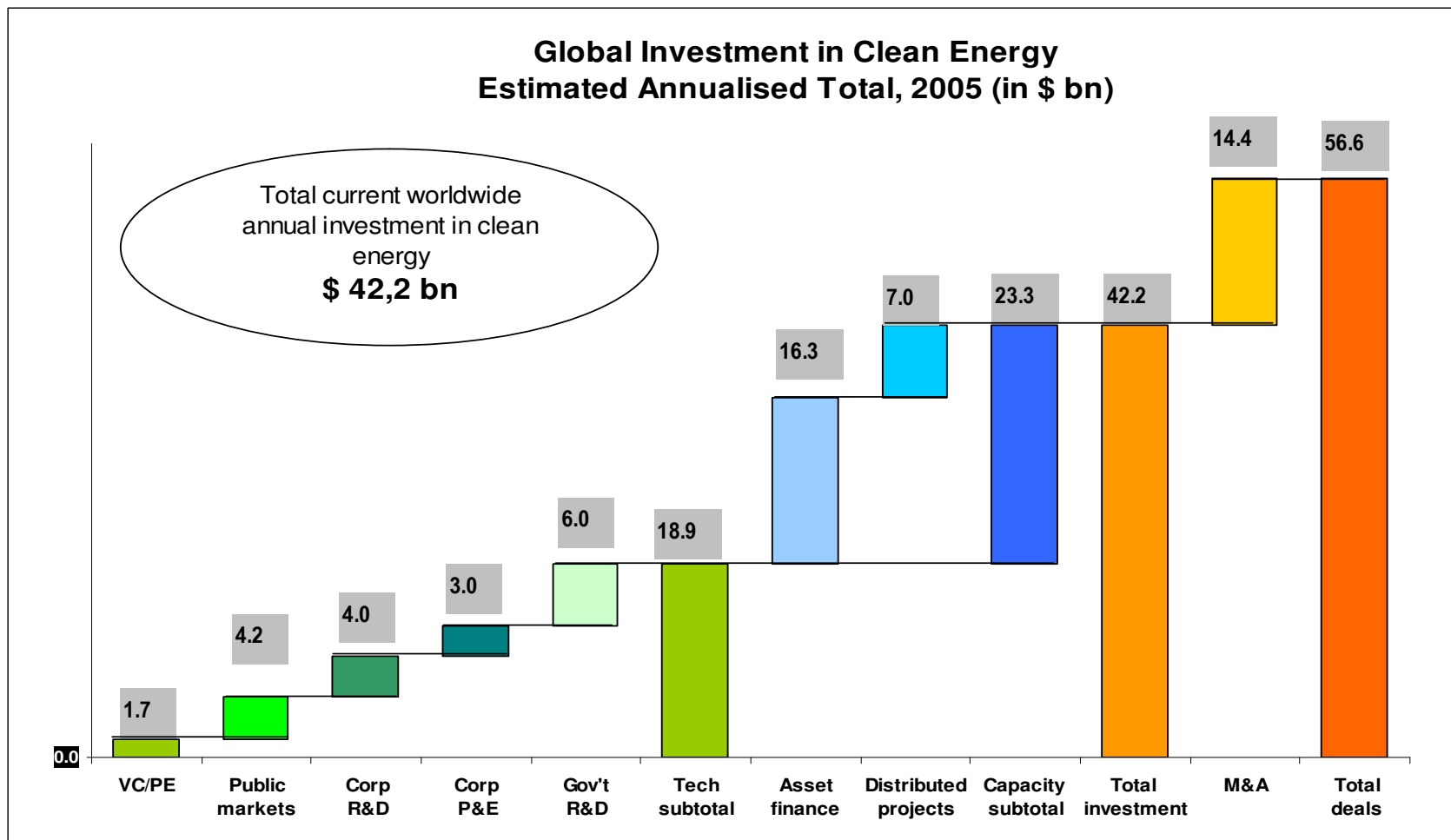
- RWE, Electrabel, Fondelec
- Few serious focused players, high barriers to entry

✘ Wind Energy Competitive Environment

- Numerous, fragmented individual developers
- Selected major players - eg Elsam, Gamesa, REG



Global Investment in Clean Energy



Core Business: Industrial Energy Outsourcing



Projects in Progress

PEP currently has two IEO projects under construction:

- ☒ Jupiter: 33MWe extension to the Saturn business. New steam back pressure turbine producing green electricity from biomass.
 - On schedule for completion January 2007
- ☒ Mercury: 8MWe Coke-gas fired boiler producing steam for a condensing turbine. Offtaker will be local power distributor.
 - Project completion delayed and over budget: Complete construction/testing by June 2006



Growth Prospects

- ☒ Growth prospects are improving
 - ✗ Rising fossil fuel prices
 - ✗ High Green energy certificates/Carbon credits value combining with new emissions legislation provide economic/environmental incentives to invest in energy assets

- ☒ Strategy to focus on selective high quality prospects based on clear criteria:
 - ✗ Financially sound off-takers with excellent business prospects
 - ✗ Clear ownership structure and clear motivation to outsource
 - ✗ Large scale: Profit enhancement for PEP of pln5m/a plus
 - ✗ Preferably with biomass/renewables component

- ☒ Result: New IEO projects completed in next 5 years
 - ✗ Tytan: Biomass boiler extension at Saturn
 - ✗ Opportunities in forest product sector in Poland
 - ✗ Longer term opportunities in privatized chemical and petrochemical industries

Core Business: Wind Energy



Wind Energy - "hot" market

PEP uniquely positioned to take advantage of the market opportunity

- ☒ 2005 was a “breakthrough” year for renewable energy in Poland
- ☒ Prospects for wind energy are excellent
- ☒ EBRD commissioned report (2002) stated:
 - ✗ 30% of land surface in Poland is suitable for Wind energy
 - ✗ Particular emphasis on Southern and Baltic coastal territories
- ☒ European Wind Atlas ⁽¹⁾ stated that various regions in Poland have similar wind profile to Denmark, Netherlands and Germany
- ☒ Wind Force 12 Report ⁽²⁾ stated:
 - ✗ Poland being among the top 13 key countries that can play a leading role to unlock major market development
 - ✗ Poland is potentially the most promising country in Central Europe

(1) Prepared by Risoe National Laboratory (Denmark)

(2) Prepared by Global Wind Energy & Greenpeace



Wind Energy - Strong Growth Potential in Poland

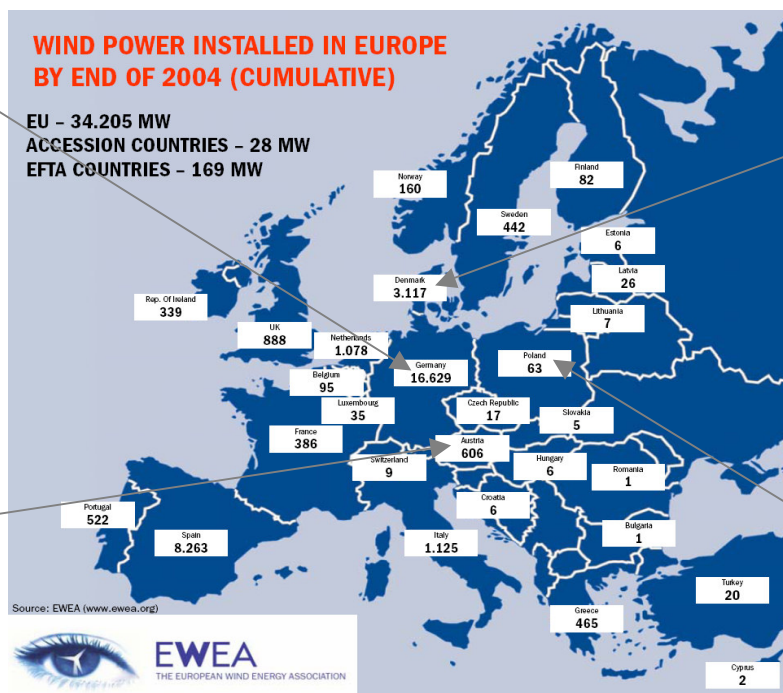
- ☒ Politics, geography and economics combine, creating the growth opportunity in Poland (already realised in many EU countries):
 - ✗ PEP estimates that there is a potential to have installed capacity of 1,000 MW in Poland by end 2010.
 - ✗ European Markets set the Benchmark - targets for renewable energy are demanding and individually allocated
 - ✗ Establishment of the support system (either feed-in tariff or obligation) has been key to success of renewable energy in EU countries

Germany

2002 actual renewables share: 8.1 %
2010 renewables target: 12.5 %
Required growth: 54 %

Austria

2002 actual renewables share: 68.0 %
2010 renewables target: 78.0 %
Required growth: 15 %



Denmark

2002 actual renewables share: 20.0 %
2010 renewables target: 29.0 %
Required growth: 45 %

Poland

2002 actual renewables share: 2.0 %
2010 renewables target: 7.5 %
Required growth: 375 %



PEP's plans

- ☒ **22 MW** - Puck wind farm already owned by PEP - complete construction (Dec 2006)
- ☒ **150 MW** - secure rights and invest in this capacity of projects to be fully developed until end 2009, at pre-defined price in EUR/MW (Mar 2006)
 - × approximately 90 MW in already identified projects
- ☒ Make profits from sale of fully developed "excess" projects on the market
- ☒ Potential purchase of completed Wind Farms to secure **additional 150 MW** in Poland

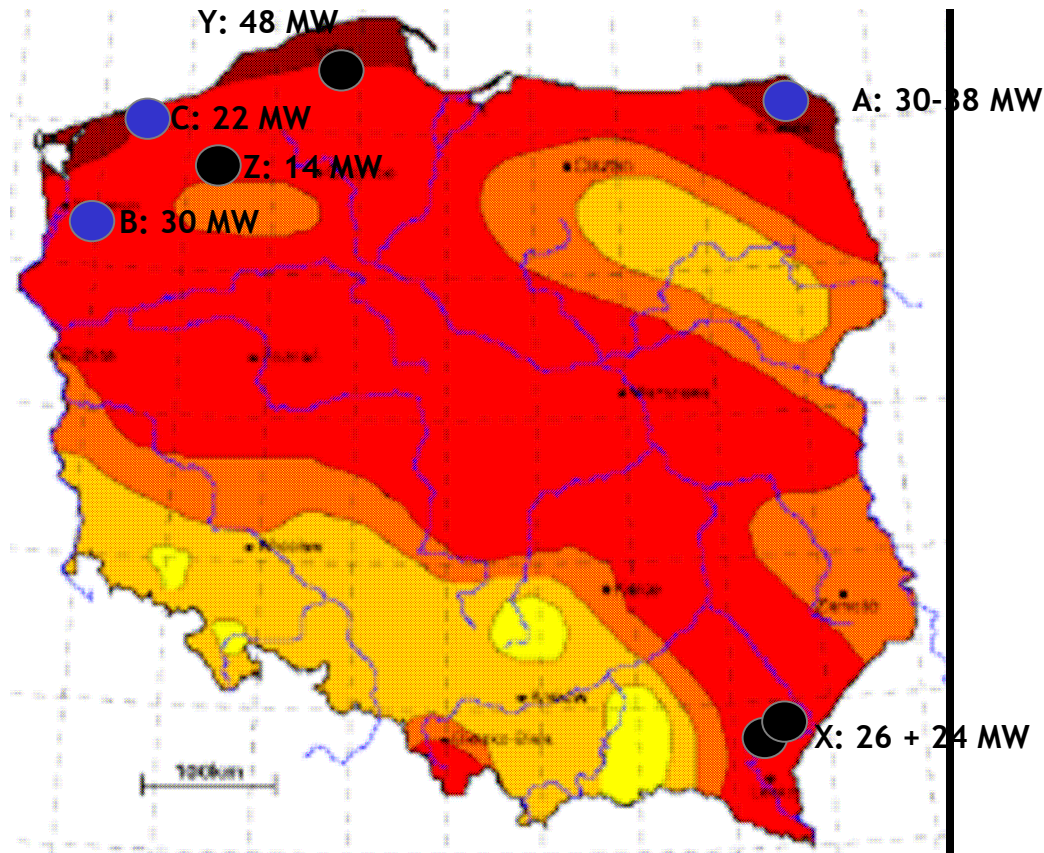


Project Economics - Key Facts and Parameters

- ☒ Long-term PPAs are available to secure finance (10-15 years; eurozone inflation-indexation)
- ☒ Current price levels (270 - 310 PLN/MWh in total black and green energy) make it possible to earn 16 to more than 20 % IRR to equity. New turbine technologies improving productivity
- ☒ Benchmark investment outlays - 1.2 - 1.3 EUR million per MW of installed capacity
- ☒ Operating costs (excluding depreciation, including O&M) - 12 - 21 EUR/MWh
- ☒ Typical leverage 20 % equity / 80 % debt
- ☒ Returns improved through soft financing available from NFOŚ, Ekofund and JI projects; grants from EU and Polish Government funds may be available, although are much less likely to be obtained (innovation and employment)



Selected Pipeline Projects



- Identified Projects
- Other potential projects under review *

**Exact sites not disclosed, yet*

- ☒ Up to 204 MW in already identified projects
- ☒ Target for 2010 - from 250 to 300 MW



Wind Projects - Indicative Dates

PEP Alliance with a leading wind developer in Poland

Project	Planned completion of development (building permit)	Planned commencement of operations
A (30-38 MW)	January 2007	July 2008
B (30MW)	July 2007	January 2009
C (22 MW)	November 2007	June 2009

Other potential projects under review

Project	Planned completion of development (building permit)	Planned commencement of operations
X (26 MW)	October 2006	March 2008
X-extension (24 MW)	To be determined	To be determined
Y (48 MW)	December 2006	May 2008
Z (14 MW)	December 2006	May 2008

New Business: Biomass Fuels



Biomass Fuels: Outline Business Plan

PEP to act as a supplier of biomass to power plants in Poland allowing substitution of fossil fuels

☒ December 2005: Appointed Managing Director for new PEP Company

☒ Straw:

- × March - Jun 2006: Enter straw pellet supply contract to Saturn
- × Apr - Jun 2006: Develop straw business plan for supply to Polish market. Include pelletizing investment
- × Jul 2006 on: Implement business plan

☒ Biomass :

- × Apr - Jun 2006: Develop biomass crops trialling plan
- × Apr - Jun 2006: Plant trial crops of most promising species
- × Jun - Sep 2006: Develop biomass crops business plan
- × Oct 2006 on: Implement business plan
- × Spring 2007: First commercial plantings (assuming successful trials)

Financial Performance & Projections 2006



Financial Performance & Projections

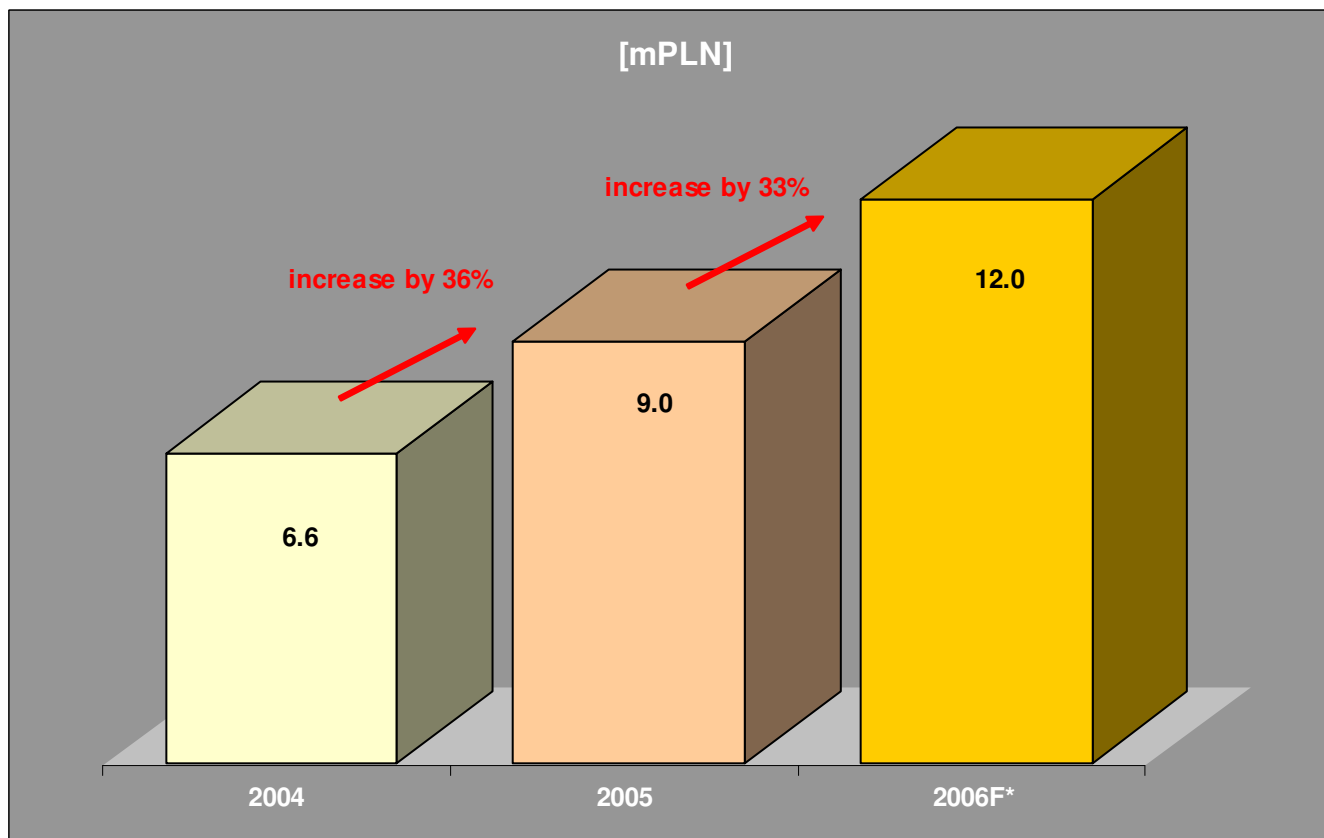
- ☒ Strong net profit growth from 2004 to 2007 due to:
 - ✗ Increased value from green energy production
 - ✗ Value from sales of carbon credits starting in 2006
 - ✗ Improved plant efficiencies
 - ✗ Major new projects: Jupiter and Puck in 2007
 - ✗ Development of new projects without additional fixed costs

- ☒ Further profit growth from new projects from 2008 on starting mainly in Wind Energy

- ☒ Strong cash flow from operations funds new projects and dividend payments



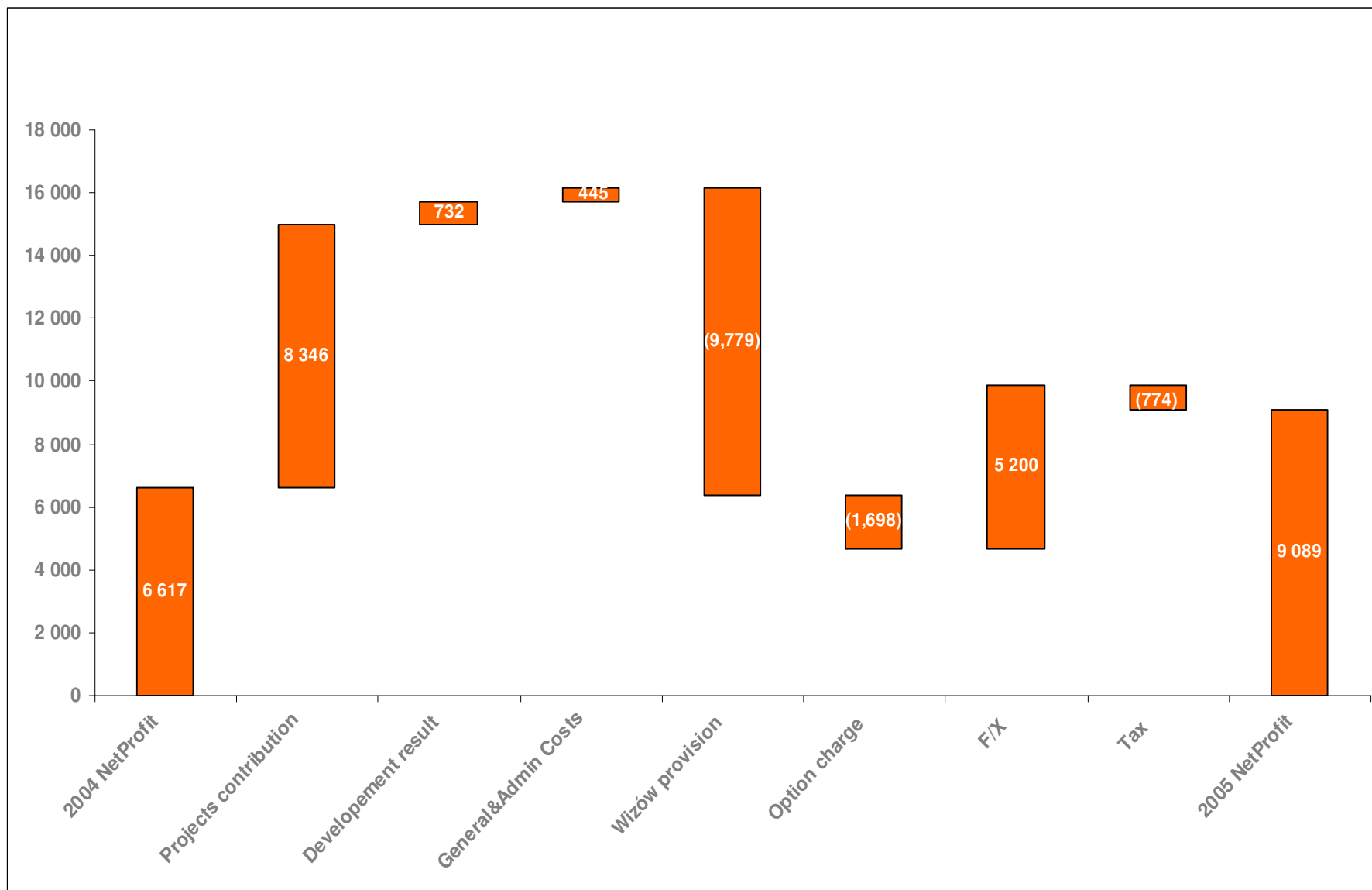
Short Term Forecast of Consolidated Net Profit (IFRS)



* Management Forecast



2004 to 2005 Net Profit Growth (IFRS)





Revenues and Net Profit (IFRS)

[mPLN]	2004	2005	2006F
Revenues	50.0	61.3	63.5
Net Profit	6.6	9.1	12.0
<i>Net Profit Margin</i>	13.2%	14.8%	18.9%



Revenues and Net Profit (IFRS) (cont'd)

[kPLN]	2004	2005
Contribution from projects	15 369	23 903
General and Administration Costs	(9 766)	(9 317)
Development result	(918)	(186)
Release of provision for project Wizow	9 779	
Reported EBIT	14 464	14 400
EBITDA Reported	17 386	17 291
Net Profit	6 612	9 089

NOTES

Depreciation	(2 922)	(2 891)
Result on financial operation (without option and F/X valuation impact)	(557)	(180)
Option charge in accordance with IFRS 2	0	(1 698)
Balance Sheet F/X valuation of assets and liabilities held in foreign currencies	(7 876)	(2 580)
Tax	(2 188)	(2 961)
Other	(49)	6
Saturn revenues reclassification from financial to operational revenues	2 823	2 102
Release of provision for project Wizow	9 779	



EBITDA reclassifications (IFRS)

[kPLN]	2004	2005	2006F
EBITDA (reported)	17 386	17 291	19 664
Saturn revenues reclassification from financial to operational revenues	2 823	2 102	1 716
Release of provision for project Wizow- remove	(9 779)		
EBITDA (reclassified)	10 430	19 393	21 380



Net Debt Reclassification

[kPLN]	2004	2005
Saturn Management debt	208 326	229 382
Other projects debt	18 823	20 804
Wind Farm Puck debt	0	
Cash	36 602	42 948
Net Debt	190 547	207 238
Saturn Management receivables to offset debt	(208 326)	(229 382)
Adjusted Net Debt	(17 779)	(22 144)

NOTES

SM debt is a pass through debt

SM project is a non recourse project finance for PEP



Enterprise Value and P/E multiple

[mPLN]

Market Cap @31 Dec. 2005	168.6
Net Debt @31 Dec. 2005	-22.1
Enterprise Value	146.4

	2005	2006F
EBITDA reclassified	19.4	21.4
Net Profit	9.1	12.0

[multiple]

EV/EBITDA	7.5	6.8
P/E	18.5	14.0

Summary



Summary

- ☒ Strong and predictable profit and cash flow performance
- ☒ Significant market share in two growth segments of renewables
 - Biomass
 - Wind Energy
- ☒ Excellent growth opportunities in core markets plus additional upside in biomass fuels business
- ☒ Strong management team
- ☒ Track record of success

Appendices



Simplified Balance Sheet (IFRS)

[kPLN]	2004	2005
A Fixed assets	282 758	294 589
B Current assets	54 506	80 904
I Inventories	1 891	1 985
II Receivables and claims	16 013	35 970
III Cash and equivalents	36 602	42 949
C Accruals	3 419	3 885
TOTAL ASSETS	340 683	379 378
A Equity	101 512	112 423
B Reserves	3 678	5 125
C Long-term loans	210 906	231 951
D Short-term loans	16 244	20 409
E Trade liabilities	2 690	4 122
F Other liabilities	2 080	1 806
G Deferrals	3 573	3 542
TOTAL EQUITY AND LIABILITIES	340 683	379 378



Simplified Profit & Loss (IFRS)

[kPLN]	2004	2005
Sales Revenue	49 955	61 321
Gross profit/loss on sales	17 990	26 280
General and Administration Expense	(11 958)	(12 154)
Profit/loss on sales	6 032	14 126
Other operating income/expense	8 432	274
Operating profit/loss	14 464	14 400
Financial Income	13 530	11 959
Financial Expense	(19 140)	(14 315)
Gross Profit	8 854	12 044
Tax	(2 237)	(2 955)
Net Profit	6 617	9 089



Simplified Cash Flows (IFRS)

[kPLN]	2004	2005
Net Profit	6 617	9 089
changes in Working Capital*	19 834	16 719
CashFlow from Operations	26 451	25 808
CAPEX	(40 325)	(46 455)
CashFlow from Investing	(40 325)	(46 455)
Investment Debt Draw	40 389	52 794
Investment Debt Repayment	(11 901)	(15 569)
Interest paid	(11 330)	(10 232)
Dividend paid		
CashFlow from Financing**	17 158	26 993
Cash Flow	3 284	6 346
Opening Balance of Cash	33 318	36 602
Cash Flow	3 284	6 346
Closing Balance of Cash	36 602	42 948

NOTE

*Changes in Working Capital were adjusted for changes in CAPEX related VAT which is reimbursable from Tax Authorities

	2 004	2 005
<i>incl. VAT receivable</i>	<i>[kPLN]</i>	
	6 217	(12)

** Cash Flow from financing was adjusted for changes in VAT loan facility

<i>Change in VAT bridge financing</i>	<i>[kPLN]</i>	
	(6 217)	12