



Polish Energy Partners

Q1 2011 Performance

May 2011



Biomass Fuels



Wind Energy



Industrial Energy Outsourcing



Polish Energy Partners

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Business Review





- YTD 2011 adjusted EBITDA excluding Wind Farms sale amounted to PLN 21.4 mil was above YTD 2010 level by PLN 3.6 mil.
- YTD 2011 Net Profit excluding FX on balance sheet valuation and Wind Farms sale amounted to PLN 14.3 mil and was above YTD 2010 level by PLN 3.1 mil.
- YTD 2011 Net Profit including FX on balance sheet valuation and Wind Farms sale amounted to PLN 14.1 mil and was above YTD 2010 level by PLN 3.6 mil.



■ Wind Energy

- ▶ Wind Development Pipeline on track
- ▶ Construction of WF Łukaszów and WF Modlikowice in progress - on time
- ▶ Application for first tranche of EU subsidy payment for WF Łukaszów and WF Modlikowice submitted
- ▶ YTD WF Puck performance above budget due to favourable wind conditions

■ Industrial Outsourcing

- ▶ EC Saturn and EL Mercury ahead of last year
- ▶ EC Zakrzów below budget due to lower demand for heat
- ▶ Development of biomass power plants in progress

■ Biomass Fuels

- ▶ GPBE North in line with business plan
- ▶ GPBE South performance below budget due to low quality of available straw
- ▶ Development of GPBE East in progress - on time

Existing Businesses



■ EC Saturn:

- ▶ Electricity production at the budget level and above last year
- ▶ Higher Equity Service Payment vs last year due to annual reconciliation with Mondi
- ▶ Higher RE on a current basis vs last year due to recognition of green-red certificates resulting from change in law

■ EC Zakrzów:

- ▶ EBITDA at the budget, despite lower revenues resulting from lower demand for heat

■ EL Mercury:

- ▶ Higher performance than last year and budget as a result of higher gas supply from the Coke Plant

■ WF Puck:

- ▶ Higher production than last year and budget due to better wind conditions

■ GPBE North:

- ▶ Above last year level, at budget

■ GPBE South:

- ▶ Production capacity in line with business plan, below budget due to low quality of available straw

Projects in Progress



Projects in Progress - Wind Energy



WF Modlikowice - [12 turbines; 24 MW] & **WF Łukaszów** - [17 turbines; 34 MW]

- Construction in progress on schedule and budget – foundations and roads completed, transport of turbines and assembly to commence in May 2011
- Application for first tranche of EU subsidy payment submitted (out of PLN 80 million granted)
- Start of production scheduled for end of 2011
- Expanding the project up to total of 86 MW under development

Projects in Progress - Biomass Fuels



- **GPBE South-** pellets production facility for EDF Polska:
 - ▶ Construction of both lines completed
 - ▶ 90% of straw supply for 2011 production contracted
 - ▶ 90% target production capacity already achieved
 - ▶ Full planned capacity contracted

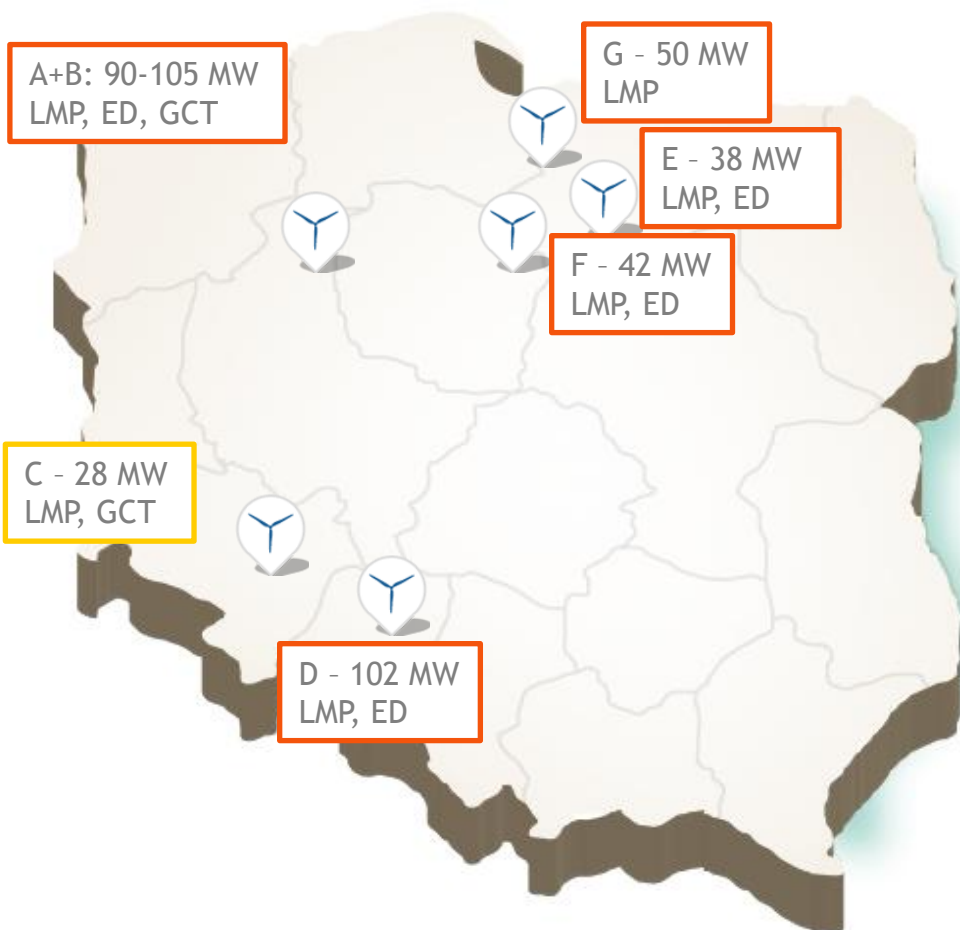
- **GPBE East-** pellets production facility for GDF Suez Polska:
 - ▶ Land for the plant purchased, building permit granted, tendering process for machinery delivery and construction in progress
 - ▶ Construction to commence in June 2011
 - ▶ Start up scheduled for end of 2011
 - ▶ Full planned capacity already contracted

- **Other contract discussions ongoing with large utilities**

Projects in Development



Wind Farms Development Status



Wind farm projects at advanced stages of development

Extension of Modlikowice/Łukaszów wind farms

Milestone reached:

- LMP – Local master plan
- ED – Environmental decision
- GCT – Grid connection terms
- BP – Building permit

- **Biomass Power Plant South: decision on the development of an independent 30 MW power plant**
 - ▶ discussions with a local community in South West Poland concerning land purchase and securing utilities supply
 - ▶ Construction design in development
 - ▶ Preparations for tender process in progress
 - ▶ Preliminary proceedings to apply for the Environmental Decision
 - ▶ Preliminary proceedings to apply for Grid Connection Terms
 - ▶ Start of negotiations for long- term supply contracts
 - ▶ Start of negotiations with creditors to obtain financing
 - ▶ Construction start scheduled for Q2 2012
 - ▶ Launch of operations scheduled for Q2 2014

- **Further investment in biomass power plants**
 - ▶ Ongoing discussions with other large industrial companies for the construction of 30 MW Biomass Power Plant

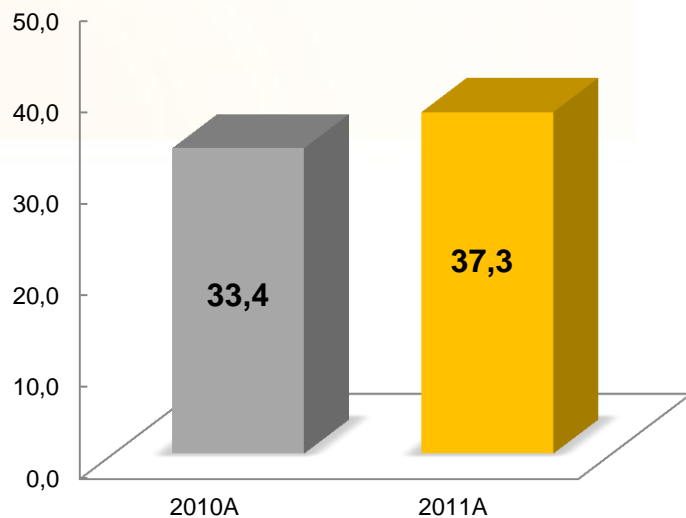
- **Development of two independent locations for 30MW power plants supplying to the grid**

Q1 2011/2010 Financial Performance



Q1 2011/2010 Performance - Revenues

Q1 2011/2010 REVENUES
[mil. PLN]



■ Higher revenues:

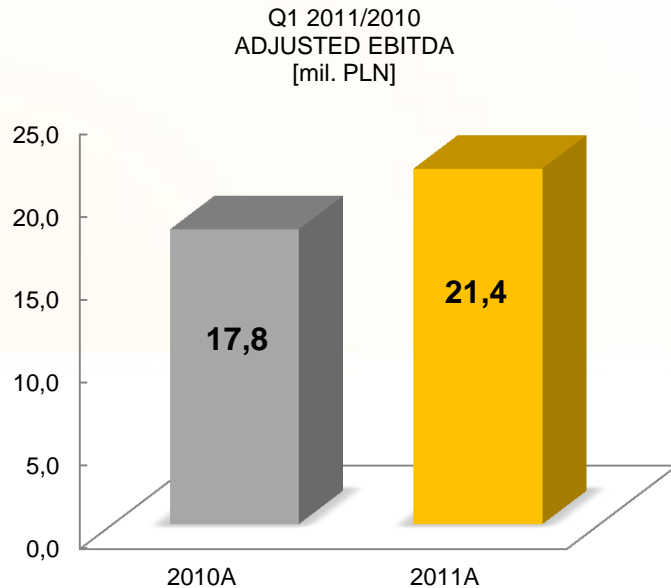
- ▶ SM - higher current GE and RE revenues
- ▶ SM - higher Equity Service Payment due to prior year reconciliation
- ▶ GPBE North and GPBE South - higher revenues from pellet sold
- ▶ EL Mercury - higher electricity sales
- ▶ WF Puck - more energy sold due to much better wind conditions

■ Lower revenues:

- ▶ No revenues from EC Jeziorna (sold in December 2010)



Q1 2011/2010 Performance - Adjusted EBITDA*



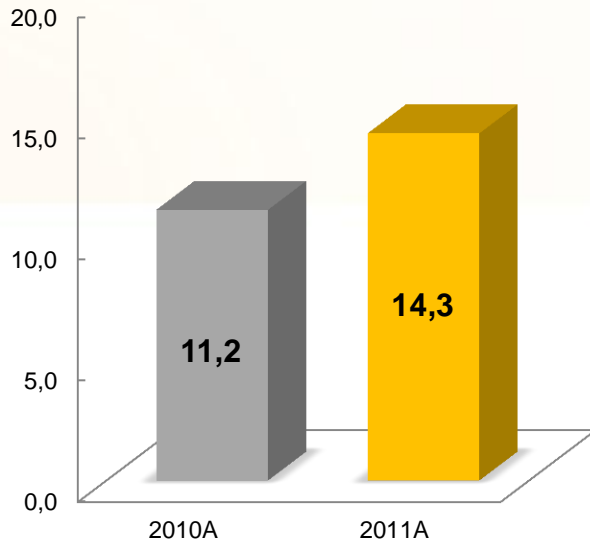
- Impact of revenues
- EL Mercury and WF Puck - better efficiency
- Interest on equity in SM (prior year reconciliation)
- Lower options costs by over PLN 0.3 mil.
- Sale of land by the receiver and collection of PLN 1.5 mil. receivables by EC Wizów

* Adjusted for reclassification of lease interest and profits on WF business from financial income



Q1 2011/2010 Performance - Adjusted Net Profit*

Q1 2011/2010
CONSOLIDATED NET PROFIT WITHOUT
UNREALISED F/X IMPACT
[mil. PLN]



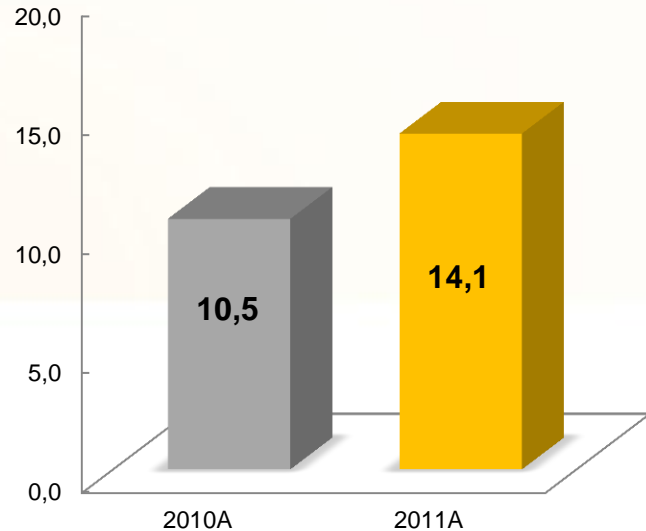
- Impact of EBITDA
- Total impact of realized positive FX in Q1 2011 (PLN 0.2 mil.) lower than in Q1 2010 (PLN 0.3 mil.) by PLN 0.1 mil.
- Higher tax charges by PLN 0.8 mil.

* Adjusted for elimination of FX on balance sheet valuation



Q1 2011/2010 Performance - Net Profit

Q1 2011/2010
CONSOLIDATED NET PROFIT
[mil. PLN]



- Impact of EBITDA
- Impact of realized F/X by PLN 0.1 mil.
- Impact of higher tax charges by PLN 0.8 mil.
- Total impact of unrealized negative FX in Q1 2011 (PLN - 0.2 mil) lower than in Q1 2010 (PLN - 0.7 mil.) by PLN 0.5 mil.

2011 Financing of investment plans



- In the next few years the investments plans of PEP include:
 - ▶ construction of two WF with a total capacity of 70 MW
 - ▶ construction of a 30 MW biomass power plant
 - ▶ continuation of the development of the WF portfolio comprising in total approx. 1,000 MW in wind power

- PEP management believes that realization of full scope of investment plans is the most favourable path for the company as well as for the Shareholders

- To secure the financing for the investment plans in March 2011 PEP has gathered PLN 45 mil. gross from an equity issue



Equity issue - investments planned for 2011-2012

- Total capex of investments to be realised by PEP in 2011-2012 would amount to approx. PLN 880 mil.
- PEP equity injection to 3 key investments to reach approx. PLN 126 mil.
- IRR of new projects expected to exceed 15% after tax

Investment	Wind Farm 1	Wind Farm 2	Biomass East	Bio Power Plant South	Wind Farm Development	TOTAL	GPW Equity Issue	Own sources
Target capacity	28 MWe	42 MWe	n/a	30 MWe	326 MWe	n/a	n/a	n/a
Ownership structure	100% PEP	100% PEP	100% PEP	51% PEP, 49% external investor	100% PEP	n/a	n/a	n/a
Launch of operations	2013	2013	2011	2014	-	n/a	n/a	n/a
Capex (PLN mil.)	167	259	19	332	102	879	n/a	n/a
PEP equity injection (PLN mil.)	36	56	7	34	102	235	41	194
External investor equity injection (PLN mil.)	n/a	n/a	n/a	33	n/a	33	0	33
Debt (PLN mil.)	131	203	12	265	0	611	n/a	n/a

Summary





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Summary

- Adjusted Net Profit and EBITDA ahead of budget and last year
- Good progress in wind development, implementation of WF Modlikowice and WF Łukaszów project on time and budget
- Progress in development of biomass power plants