



Polish Energy Partners

Q4 2010 and YTD Performance

February 2011



Biomass Fuels



Wind Energy



Industrial Energy Outsourcing



Polish Energy Partners

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Business Review





- YTD 2010 adjusted EBITDA excluding Wind Farms sale amounted to PLN 53.3 mil was above YTD 2009 level by PLN 8.8 mil.
- YTD 2010 Net Profit excluding FX on balance sheet valuation and Wind Farms sale amounted to PLN 29.2 mil. and was above YTD 2009 level by PLN 6.8 mil.
- YTD 2010 Net Profit excluding FX on balance sheet valuation and including Wind Farms sale amounted to PLN 62.1 mil. and was above YTD 2009 level by PLN 17.3 mil.
- YTD 2010 Net Profit including FX on balance sheet valuation and Wind Farms sale amounted to PLN 61.6 mil. and was above YTD 2009 level by PLN 14.7 mil.



Wind Energy

- Wind Development Pipeline on track
- Construction of WF Łukaszów and WF Modlikowice in progress on time
- Subsidy Agreements for PLN 80 milion signed for WF Łukaszów and WF Modlikowice
- Sale process of 30 MW WF Wartkowo completed
- Sale process of 51 MW WF Pagów completed
- YTD WF Puck performance below budget due to unfavorable wind conditions

Industrial Outsourcing

- EC Saturn and EL Mercury ahead of last year
- Development of biomass power plants in progress

Biomass Fuels

- GPBE North in line with business plan
- GPBE South started as scheduled
- Development of GPBE East in progress; start-up scheduled for late 2011



Existing Businesses



- **EC Saturn:**
 - ▶ Higher MGLC settlement for 2009
 - ▶ Green Energy revenues higher due to higher electricity production
 - ▶ Higher Equity Payment due to Tytan Project
 - ▶ Red Certificates from 2008 and 2009 received

- **EC Zakrzów and EC Jeziorna** - at the level of last year and above budget

- **EL Mercury** - higher performance than last year as a result of higher gas supply from the Coke Plant, ahead of budget

- **WF Puck** - lower production than last year and budget due to poorer wind conditions but ahead of budget in August – December

- **GPBE North** – above last year level

- **GPBE South** – start up in line with business plan



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 – 29 foundations already concreted
- Debt agreements with bank consortium signed – financing of PLN 387 million for both projects secured
- Agreements for EU subsidy signed
- Start of production end 2011
- Expanding the project up to 86 MW in total under development



Projects in Progress - Biomass Fuels



- **GPBE South-** pellets production facility for EDF Polska:
 - ▶ Construction completed
 - ▶ Straw supply for production contracted
 - ▶ Start up commenced as planned in September 2010
 - ▶ Full planned capacity already contracted

- **GPBE East-** pellets production facility for GDF Suez Polska:
 - ▶ Land purchase for the plant already done
 - ▶ Start up in late 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 Plants

■ 30 MW Biomass Power Plant for KGHM S.A.

- ▶ Discussions of transaction term sheet in progress

■ Further investment in biomass power plants

- ▶ Advanced discussions of transaction term sheet ongoing with another large blue chip industrial company for construction of 30 MW Biomass Power Plant
- ▶ Early discussions with other industrial companies

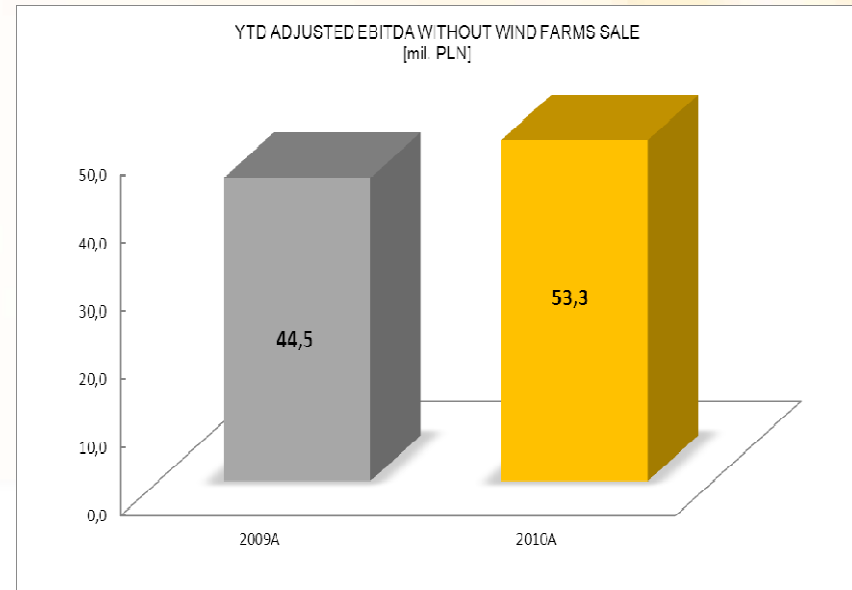
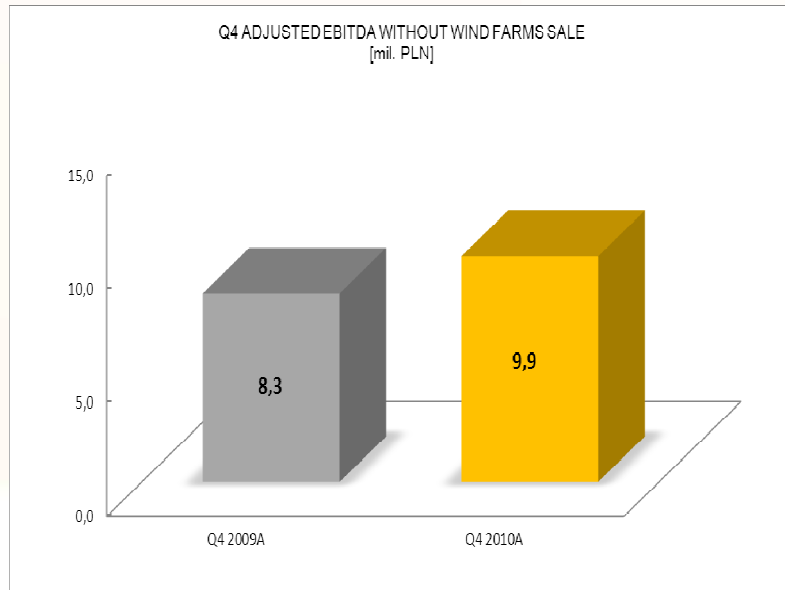
■ Development of two independent locations for 30MW power plants supplying to the grid



Q4 and YTD 2010/2009 Financial Performance

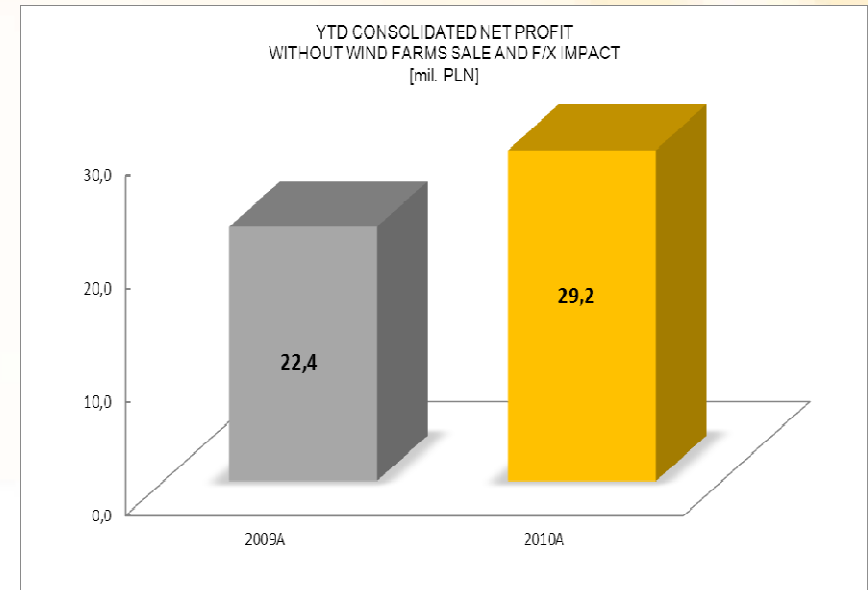
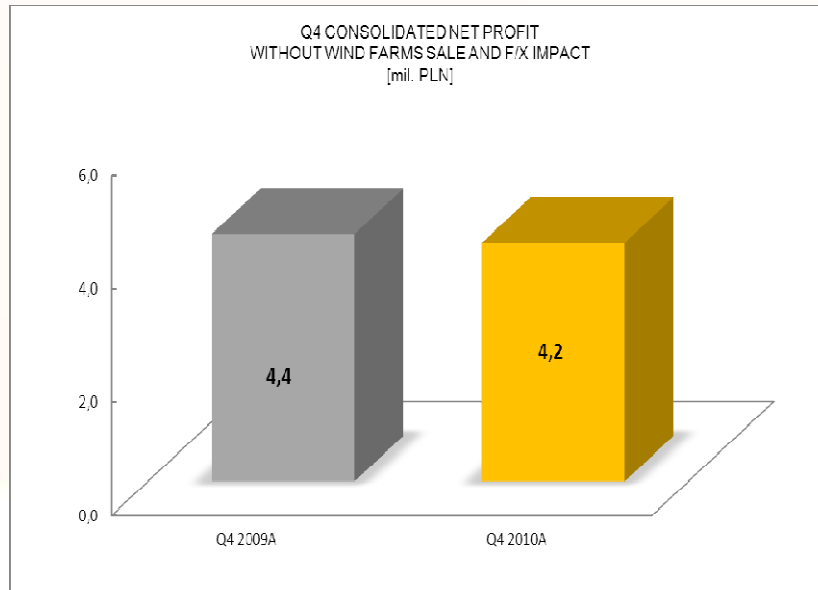


Q4 and YTD 2010/2009 Performance - Adjusted EBITDA without WF sale impact



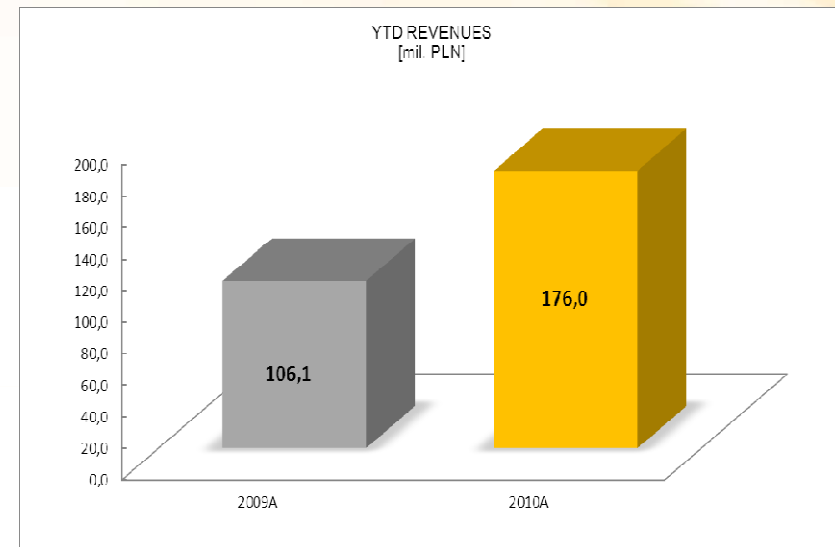
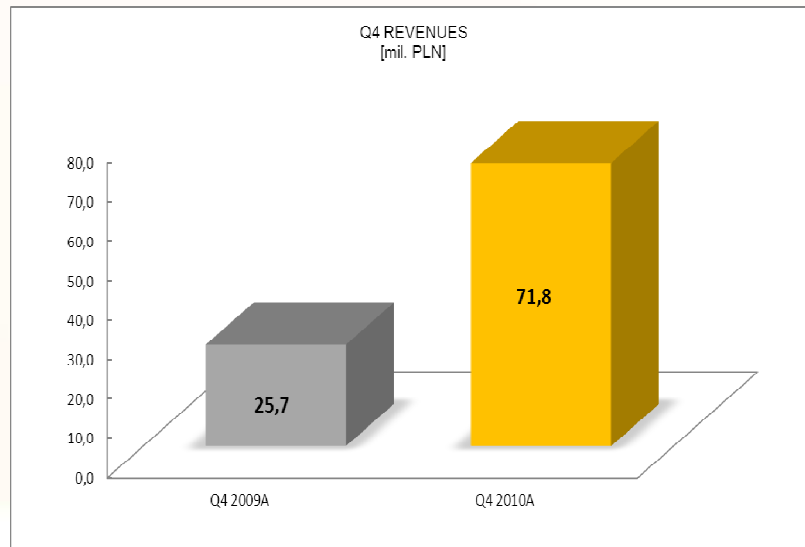
- **Q4**
 - ▶ In 2010 better performance of Mercury and EC Saturn but higher option costs PLN 0.8 mil.
- **YTD**
 - ▶ Higher EC Saturn performance
 - ▶ Revenues from Tytan Project
 - ▶ Revenues from GPBE
 - ▶ Revenues from Mercury
 - ▶ Higher option costs PLN 3.2 mil.

Q4 and YTD 2010/2009 Performance - Net Profit without FX and WF sale impact



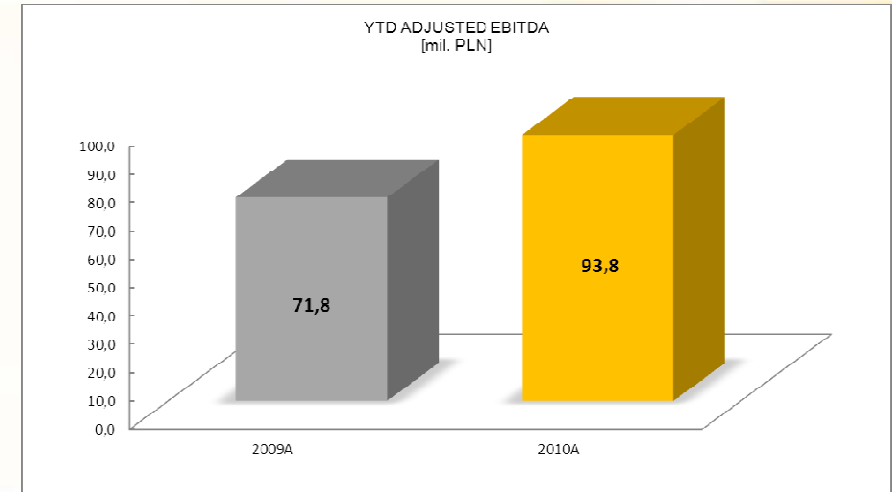
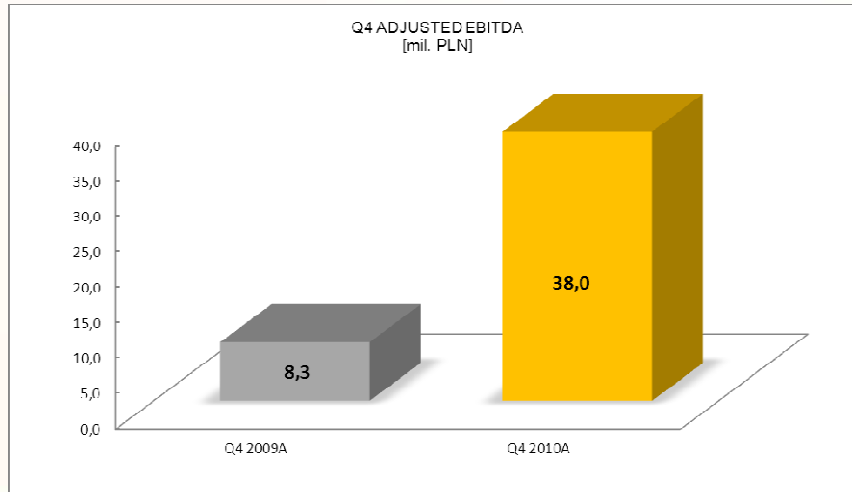
- **Q4**
 - ▶ Impact of EBITDA
 - ▶ Lower realized FX – in 2010 gains of PLN 0.4 mil. and in 2009 gains of PLN 0.7 mil.
 - ▶ Higher depreciation and tax charges of PLN 1.2 mil.

- **YTD**
 - ▶ Impact of EBITDA
 - ▶ Higher realized FX – in 2010 gains of PLN 1.9 mil. and in 2009 losses of PLN 0.9 mil.
 - ▶ Higher depreciation and tax charges of PLN 4.1 mil.



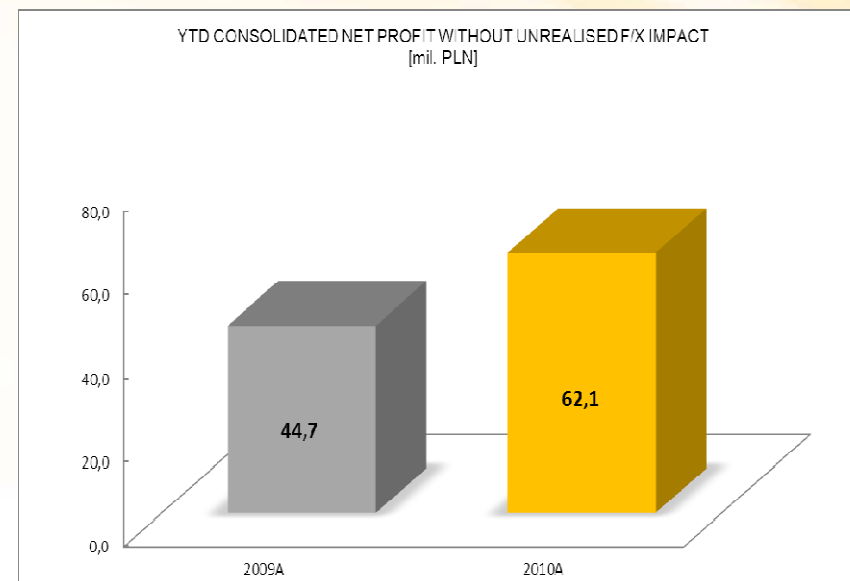
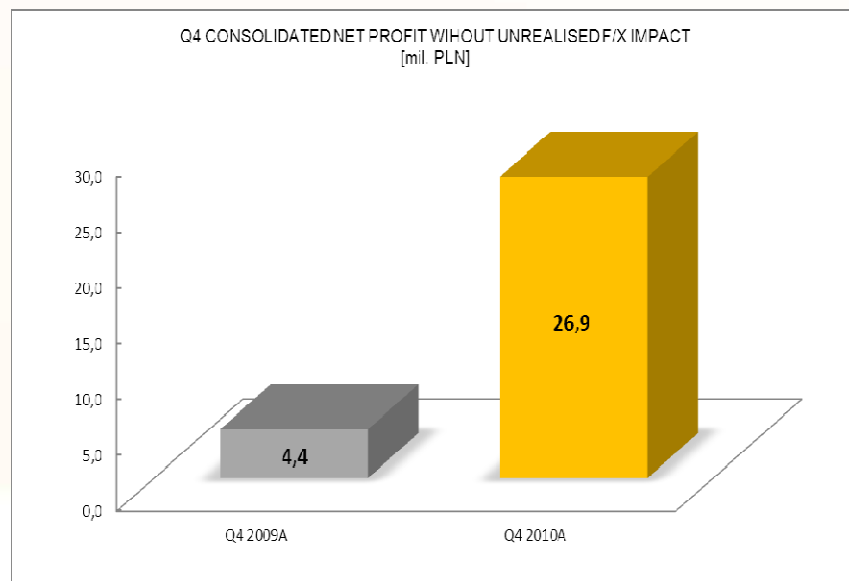
- **Higher revenues :**
 - ▶ SM higher both current GE revenues and also final YE settlement
 - ▶ SM higher MGLC from savings and Red Energy
 - ▶ SM higher Equity Service Payment due to Tytan and Modernizations Projects
 - ▶ Revenues from biomass project GPBE and Mercury project
 - ▶ WF Wartkowo and Pałów sold in 2010
 - ▶ In YTD 2010 100% WF sale recorded in top revenue line (PLN 60.3 mil.); in YTD 2009 WF sale of 70% recorded in top revenue (PLN 10.2 mil.) and 30% stakes sale recorded in financial revenue (PLN 19.2 mil)

- **Lower revenues:**
 - ▶ Worse WF Puck performance and EC Jeziorna performance



- **Q4**
 - ▶ Impact of revenues
 - ▶ WF Pałów sale - impact on Adjusted EBITDA by PLN 31.9 mil.
 - ▶ Three WF Projects write off PLN 3.9 mil and higher option costs PLN 0.8 mil.
- **YTD**
 - ▶ Impact of revenues
 - ▶ Better efficiency in Mercury Project
 - ▶ YTD 2010 WF Wartkowo and Pałów sale impact of PLN 44.4 mil. vs PLN 27.3 mil in YTD 2009
 - ▶ Interest on equity for Tytan and Modernization Projects
 - ▶ Higher options costs PLN 3.2 mil.
 - ▶ Three WF Projects write off PLN 3.9 mil

Q4 and YTD 2010/2009 Performance - Adjusted Net Profit*

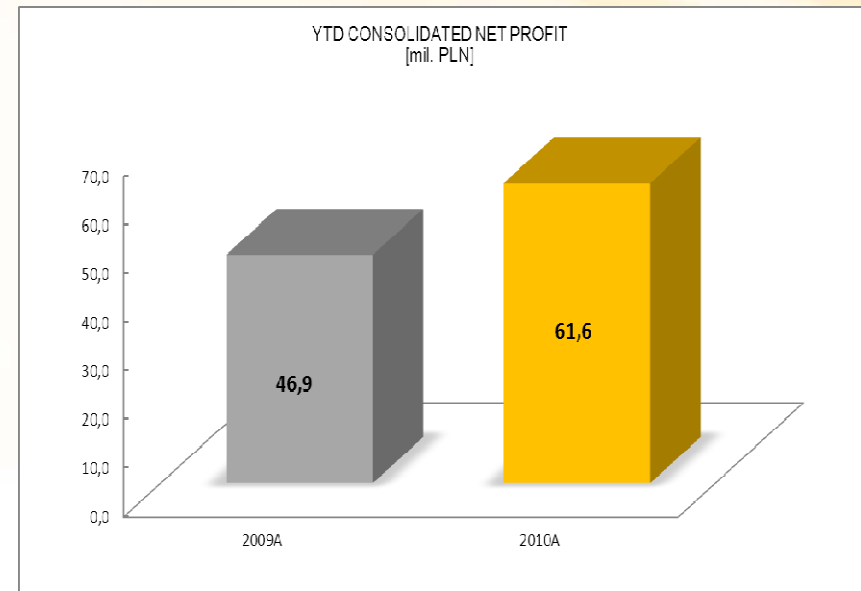
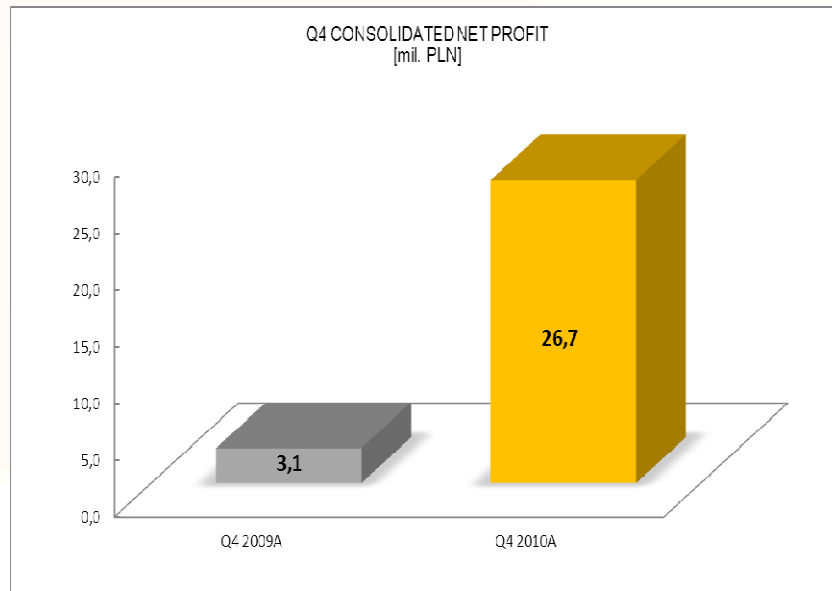


▪ Q4

- ▶ Impact of EBITDA
- ▶ Higher due to sale of WF Pağów project by PLN 25.9 mil. vs result of no WF sale in Q4 2009

▪ YTD

- ▶ Impact of EBITDA
- ▶ Result of Wind Farms project sale in YTD 2010 amounted to PLN 36.0 mil and was higher than in YTD 2009 by PLN 13.7 mil. due to higher capacity of projects sold



- **Q4**
 - ▶ Impact of EBITDA
 - ▶ Total impact of unrealized negative FX in Q4 2010 (PLN- 0.2 mil) lower than in Q4 2009 (PLN- 1.3 mil.) by PLN 1.1 mil.
- **YTD**
 - ▶ Impact of EBITDA
 - ▶ Total impact of unrealized negative FX in YTD 2010 (PLN -0.5 mil) than in YTD 2009 (PLN 2.1 mil.) by PLN 2.6 mil.



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2010 Performance vs 2010 Forecast

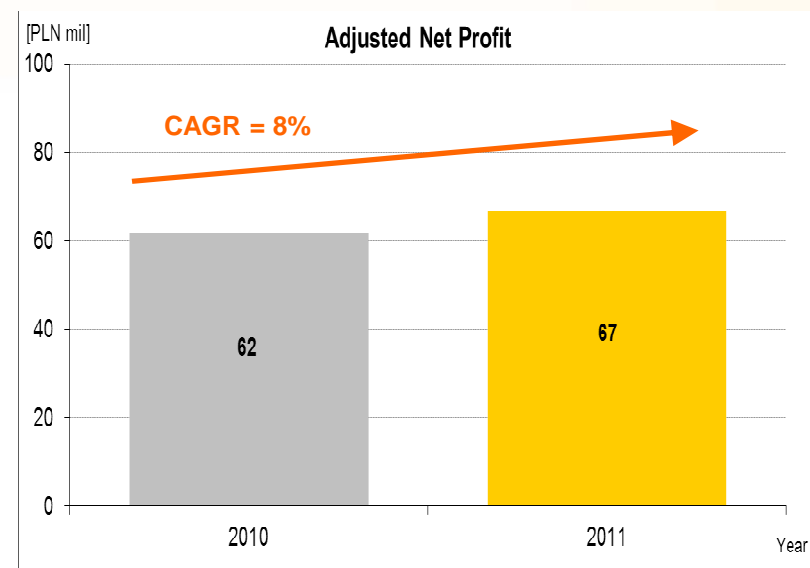
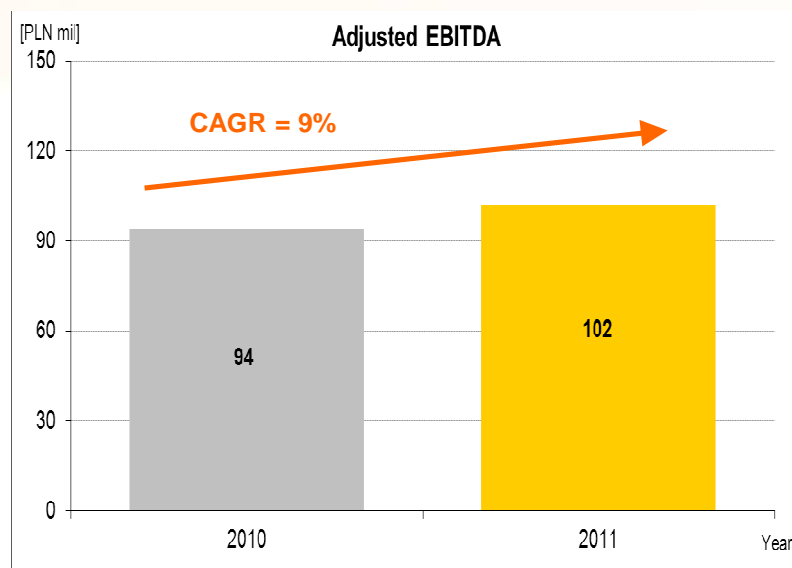
Item	2010 Forecast	2010 Actual	Difference	Comments
EBITDA	86,0	89,9	3,9	EBITDA was impacted by higher revenues from operating activity generated by operating activity thanks to higher efficiency of plants and higher price of green energy, mainly at EC Saturn
Adjusted EBITDA	90,0	93,8	3,8	Adjusted EBITDA was impacted by higher revenues from operating activity generated by operating activity thanks to higher efficiency of plants and higher price of green energy, mainly at EC Saturn and including reclassification of lease interest from EC Saturn
Net profit	56,0	61,6	5,6	Items impact EBITDA; financial costs lower than assumed in the forecast, effect of foreign exchange differences (unrealised) on year end valuation
Net profit excluding unrealised foreign exchange differences	56,0	62,1	6,1	Items impact EBITDA; financial costs lower than assumed in the forecast



2011 Forecast Performance



Items PLN mil.	Forecast 2011	Actual 2010	Change
EBITDA	98	89,9	8,1
Adjusted EBITDA including reclassification of lease interest	102	93,8	8,2
Net profit	67	61,6	5,4
Net profit excluding unrealised foreign exchange	67	62,1	4,9





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 over 1000 MW in wind power

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

- To secure the financing for the investment plans PEP has decided to propose at the Extraordinary Shareholders Meeting an equity issue for the amount of PLN 40 - 50 mil.

- No prospectus requirement
- New shares issue with pre-emptive rights waived, however, with the granting of priority rights to existing shareholders based on the number of shares held by them
- There are no legal possibilities to carry out a new shares rights issue with pre-emptive rights without a prospectus being registered by the SEC
- The Extraordinary Shareholders Meeting resolution on the offering terms and conditions will determine a minimum share issue price

- The above mentioned equity issue will be sufficient for the realization of the presented investment plans for the following reasons:
 - ▶ PEP has currently collected more cash than previously planned
 - ▶ The current conditions on the investment debt market make it possible to achieve a higher share of debt in project financing
 - ▶ PEP assumes to acquire minority shareholders for one WF project of 42 MW capacity and also for one 30 MW Biomass power plant project



Summary



- Forecast Adjusted Net Profit and EBITDA ahead of forecast
- Sale of WF Wartkowo 30 MW in Q2 2010 and WF Pagów 51MW in Q4 2010 as planned
- Good progress in wind development, implementation of Modlikowice and Łukaszów project on time and budget; subsidy agreements for PLN 80 million signed
- Progress in development of biomass power plants