



Polish Energy Partners

Polish Energy Partners SA
Q4 2009 and YTD 2009 Performance

February 2010
Warsaw



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Business Review



Business Review - Metrics

- ☒ YTD 2009 adjusted EBITDA of PLN 71.8 mil. above YTD 2008 level by PLN 16.7 mil.
- ☒ YTD 2009 Net Profit of PLN 46.9 mil. above YTD 2008 level by PLN 13.6 mil.
- ☒ YTD 2009 Net Profit excluding FX on balance sheet valuation amounted to PLN 44.7 mil. and was above YTD 2008 level by PLN 8.7 mil.



Business Review - Highlights

WIND

- ☒ Minority stakes in WF Suwałki, WF Tychowo and WF Jarogniew/Mottowo sold
- ☒ Wind Development Pipeline on track
- ☒ Implementation of WF Łukaszów and WF Modlikowice in progress - turbine contracts, power purchase agreements and green certificate purchase agreements signed
- ☒ WF Łukaszów and WF Modlikowice projects qualified for EU subsidy amounting to PLN 80 mil
- ☒ Sale process of WF Wartkowo commenced
- ☒ WF Puck performance below budget due to poor wind conditions in entire Northern Europe

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OUTSOURCING

- ☒ Tytan project implemented in October 2009 is operating above the assumptions
- ☒ SM ahead of last year, other IEO sites on budget

BIOMASS

- ☒ Biomass plant in GPBE Północ operating in line with designed capacity
- ☒ Implementation of GPBE Południe on track; start-up scheduled for September 2010
- ☒ Development of GPBE Wschód in progress; start-up scheduled for September 2011

Existing Businesses



Industrial Energy Outsourcing Business

- ☒ EC Saturn:
 - × Higher settlement for Green Energy for 2008
 - × Green Energy revenues higher due to higher green certificates prices and electricity production
 - × Tytan project completed

- ☒ EC Zakrzów at the level of last year and on budget

- ☒ EC Jeziorna at the level of last year and ahead of budget

- ☒ EC Mercury lower than last year as a result of lower gas supply from the Coke Plant compensated by sale of CO₂



Wind Farm Puck

- ❑ Lower production on last year and budget due to poorer wind conditions
- ❑ Poor wind conditions prevailing in all Northern Europe

Projects in Progress

Project in Progress - Wind Energy



Progress in Wind Farms Implementation – 1/2

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

- ☒ Turbine contracts (with Vestas) and power purchase and green certificate purchase agreements (with Polska Energia - PKH, Tauron Group) signed on favourable conditions in December 2009
- ☒ Possibility to expand the project up to 85 MW (maximum capacity provided for in the grid connection agreements) - expanding location under development
- ☒ Balance of Plant to be signed in Q1/Q2 2010
- ☒ Debt financing to be agreed in Q1 2010 - negotiations with banks
- ☒ Start of production end Q2 or Q3 2011



Progress in Wind Farms Implementation - 2/2

WF Modlikowice and WF Łukaszów - qualified for a total of PLN 80m subsidy from EU funds

- ☒ Grant represents 23% of project costs of WF Modlikowice and 17% of WF Łukaszów
- ☒ Lower equity requirement to be input by PEP to these projects increases its ability to finance other new renewable projects
- ☒ According to the procedure, after full documentation of the project has been presented to and accepted by an implementation institution, a subsidy agreement will be signed till Q2 2010.

Projects in Progress - Biomass Fuels



Projects in Progress in Biomass Fuels

□ GPBE Północ - pellets production facility for Dalkia Contract:

- ×The plant is operational and running with the capacity
- ×Full capacity of achieved in November 2009

□ GPBE Południe - pellets production facility for EDF Contract

- ×Negotiations with suppliers
- ×Straw purchasing in progress
- ×Debt Financing arranged
- ×Start up planned for September 2010



Biomass Fuels - New Contracts

- ☒ New contract for 60 000 tons was signed with Electrabel Połaniec S.A. Grupa GDF Suez
 - × New plant GPBE Wschód will be set up
 - × Development phase has begun - the local biomass market study is finished selection of location in progress
 - × Start up late 2011

- ☒ Other contract discussions ongoing with large utilities

Projects in Development



Amendment to Energy Law

Long-awaited amendment to Energy Law finally adopted

- ☒ Signed by the President on 20 January, expected to come into force early March 2010
- ☒ Introduction of advance payment for grid connection (paid on application) amounting to 30,000 PLN/MW and requirement to submit a relevant planning permit (change in a spatial planning plan)
- ☒ Transition period for existing applications - 6 months of the law's coming into force to make an advance payment and deliver a planning permit
- ☒ Although the new law is still not perfect, it goes a long way towards „clearing” the application pipeline - we expect that big part of the „virtual applications” will be removed from the pipeline in the next 6-9 months



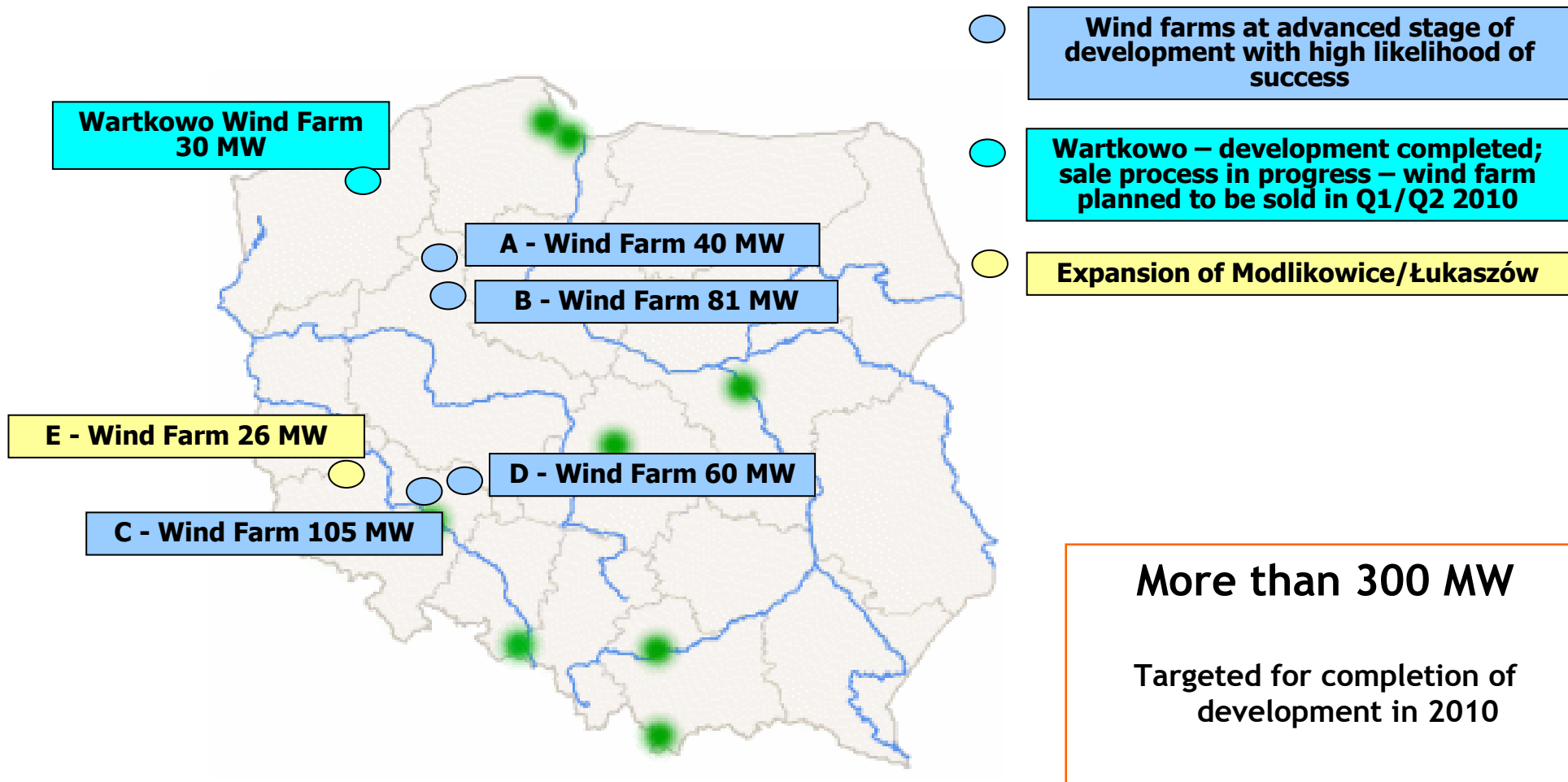
Wind Farm Business Targets

Specific installed capacity targets set

- ☒ 80 MW, 170 MW and 260 MW of PEP's own installed capacity by end 2011, 2012 and 2013, respectively
- ☒ 1000 MW of completed development in 2014
- ☒ Key objective for timing of development completion - ensuring ability to meet annual profit targets (projects for sale) and providing projects for PEP's own investment



2010 Wind Farms Development Plan





2010 Industrial Energy Outsourcing Development Plan

☒ Greenfield Biomass Plants

☒ Biomass Plant for KGHM SA

- 35 MW greenfield biomass power plant for a key industrial player in Poland
- Construction to start in 2011, Start-Up in 2012
- Renewable energy: 240 000 MWh annually
- Total Capex - EUR 80 million
- Equity and Debt financing
- KGHM TFI S.A. as a joint venture partner

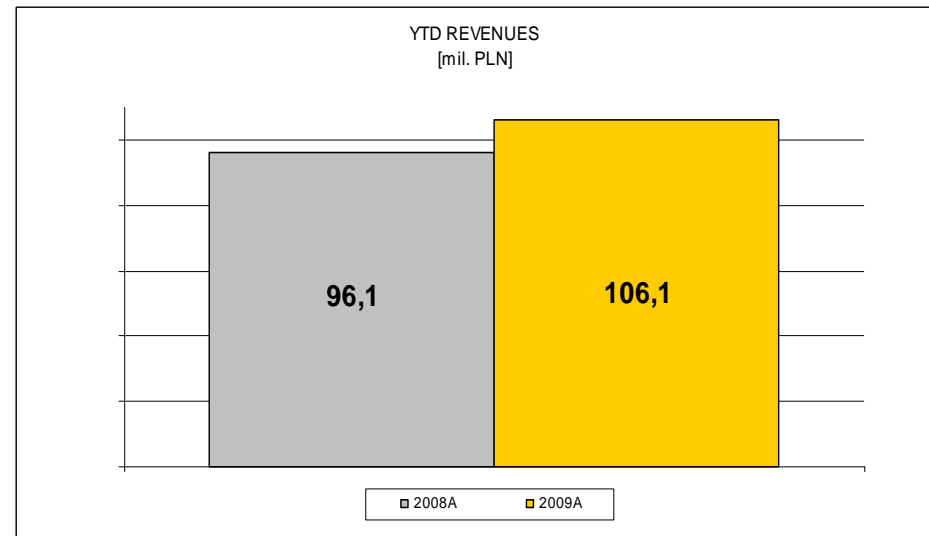
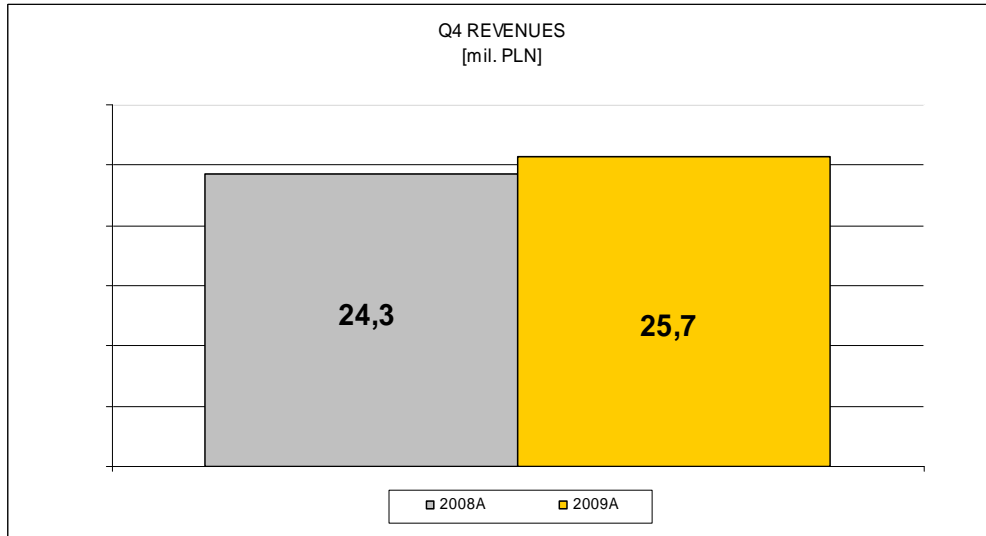
☒ Further investment in biomass plants

- Discussions ongoing with another large blue chip industrial company for start up of one power plant in 2012
- Discussions ongoing with two other potential partners

YTD and 2009/2008 Financial Performance



Q4 and YTD 2009/2008 Performance – Revenues



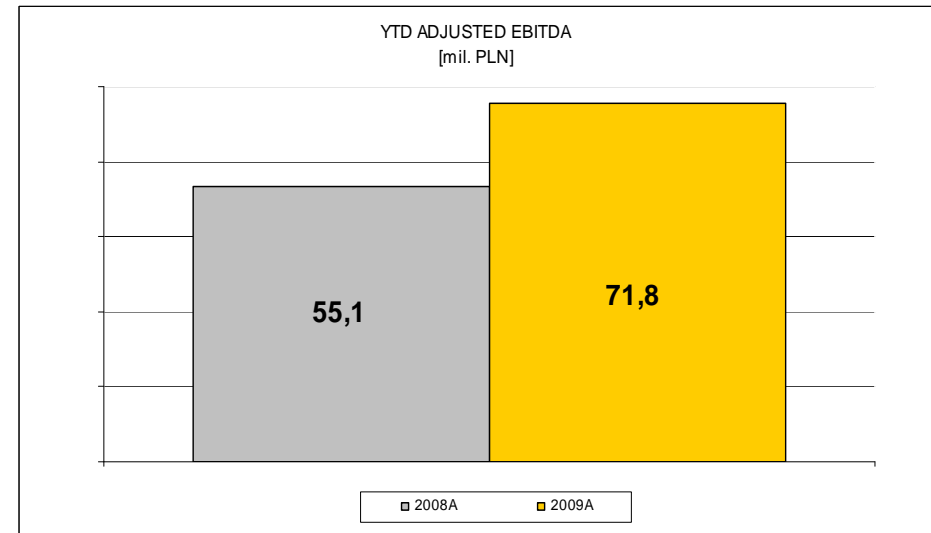
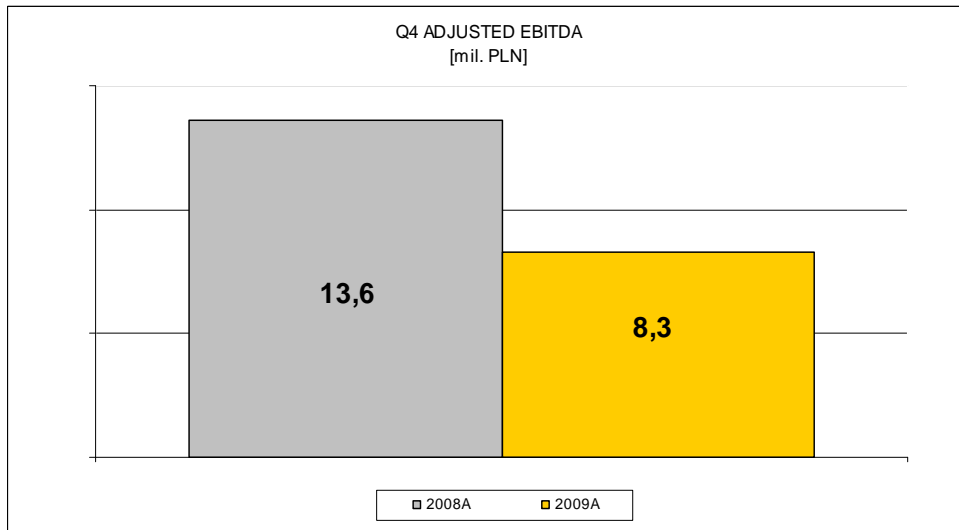
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- ⊗ Higher revenues :
 - ⊗ Higher GE revenues (production & price)
 - ⊗ ESP due to Tytan Project and FX rate
 - ⊗ Revenues from biomass project GPBE Pótnoc
- ⊗ Lower revenues:
 - ⊗ Worse WF Puck performance
 - ⊗ In 2008 higher balance of JI was revalued at the higher exchange rate

- ⊗ Higher revenues:
 - ⊗ MGLC settlement with Mondi
 - ⊗ Higher GE revenues (production & price)
 - ⊗ Tytan Project success fee
 - ⊗ Higher ESP due to Tytan Project and FX rate
 - ⊗ Revenues from biomass project
 - ⊗ Better performance of plants
- ⊗ Lower revenues:
 - ⊗ Lack of 2006-2007 JI recognition (PLN 3.2 mil) booked in 2008
 - ⊗ Due to WF minority stakes sold in 2009 => no presentation in top line



Q4 and YTD 2009/2008 Performance – Adjusted EBITDA *



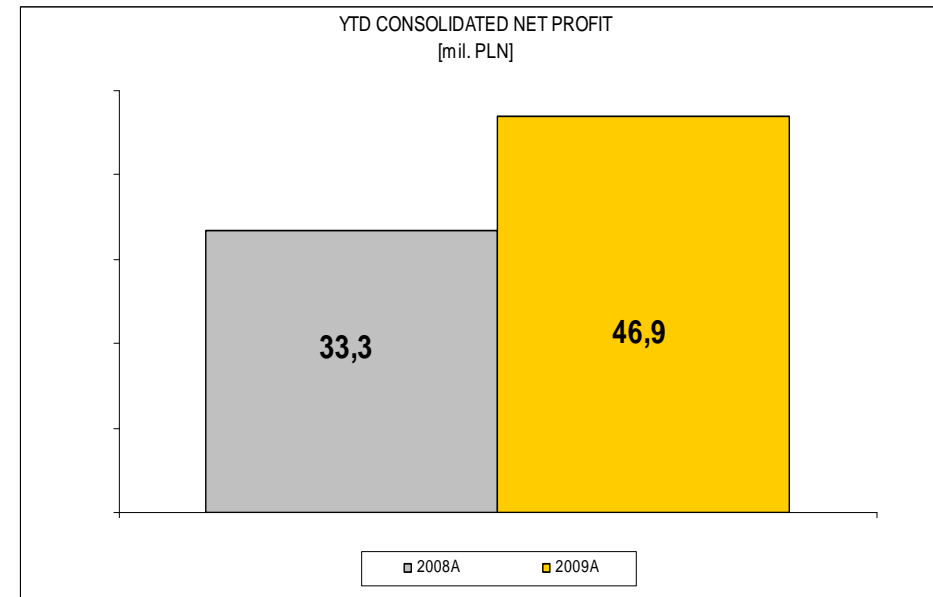
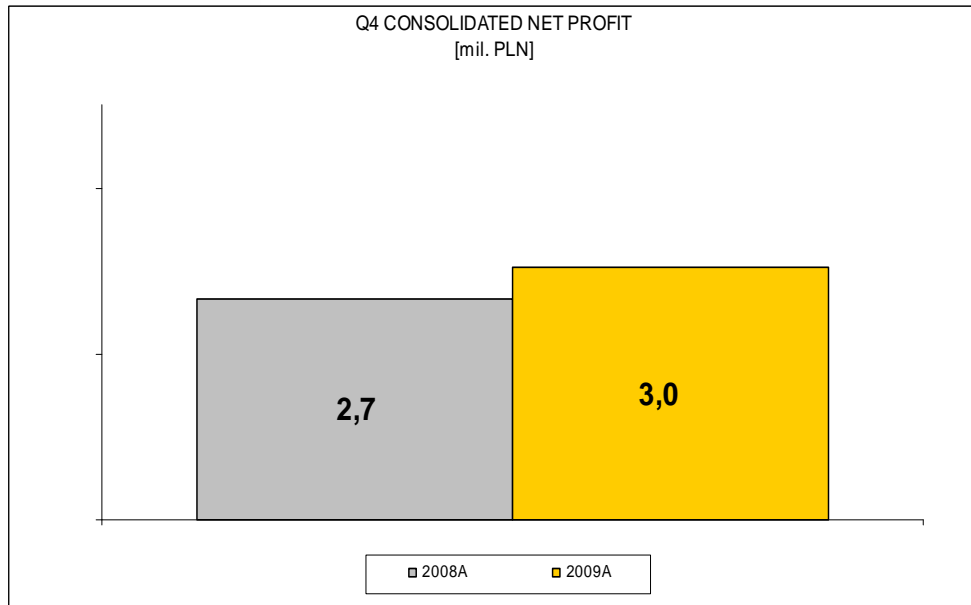
- ⊗ Impact of revenues
- ⊗ Lack of result EC Wizów asset sale & provisions release (PLN 2.7)
- ⊗ EC Saturn maintenance shut

- ⊗ Impact of revenues
- ⊗ Lower Option Costs
- ⊗ Lack of EC Wizów provision release (PLN 2.7)
- ⊗ Cumulative higher result on wind farms sold (PLN 16.1 mil)

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



Q4 and YTD 2009/2008 Performance - Net Profit

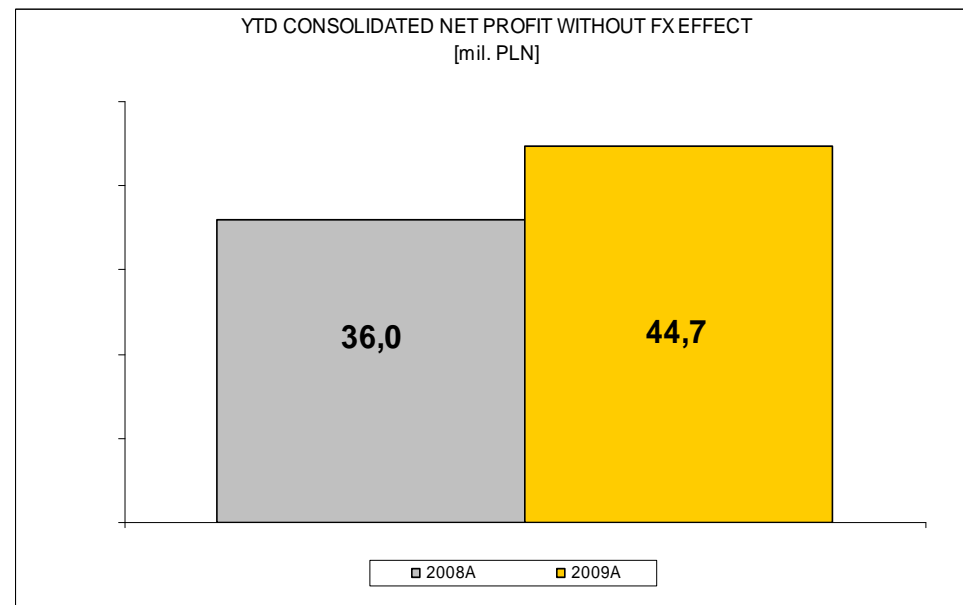
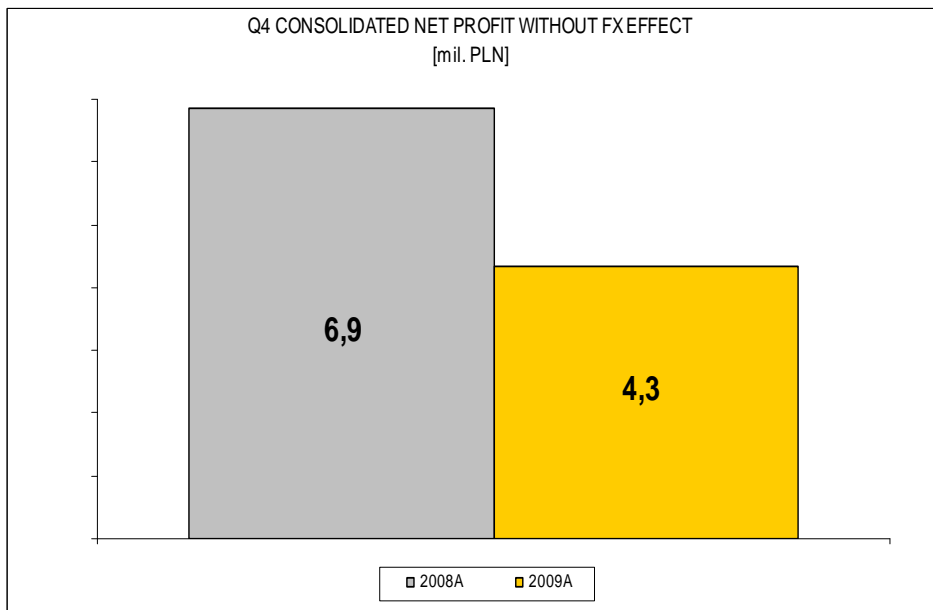


- ⊗ Positive impact of EBITDA
- ⊗ Total unrealized negative FX in Q4 2009 lower than in 2008 by PLN 2.9 mil
- ⊗ In 2009 no CIT adjustment booked (in 2008 PLN 4.2 mil)

- ⊗ Positive impact of EBITDA
- ⊗ Higher result on wind farms sold by PLN 13.2 mil
- ⊗ Total YTD positive unrealized FX higher than in 2008 by PLN 4.9 mil
- ⊗ In 2009 no CIT adjustment booked (in 2008 PLN 4.2 mil)
- ⊗ Higher taxable base



Q4 and YTD 2009/2008 Performance - Net Profit without unrealised F/X impact





2009 Performance vs 2009 Forecast

Item	2009 Forecast	2009 Actual	Difference	Comments
Sales Revenues	123,7	106,1	-17,6	In the forecast, sale of majority stakes only in wind farm projects was assumed which is presented in sales revenues. In 2009 however, both majority and minority stakes were sold which was presented in both sales revenues and financial revenues. As a result sales revenues are lower but financial revenues are higher than forecasted. Moreover, the revenues generated were higher due to higher operational efficiency of projects and higher GE price.
EBITDA	58,8	50,3	-8,5	In the forecast, sale of majority stakes only in wind farm projects only was assumed which is presented in sales revenues. In 2009 however, both majority and minority stakes were sold which was presented in both sales revenues/costs and financial revenues/costs. As a result sales revenues are lower but financial revenues are higher than forecasted and consequently EBITDA is lower than forecasted. In total however, the result on sale of stakes in wind farm projects was at the forecast level. Moreover, EBITDA is impacted by higher revenues generated due to higher operational efficiency of projects and higher GE price.
Adjusted EBITDA	70,3	71,8	1,5	At Adjusted EBITDA level the effect of presentation of revenues from sales of majority or minority stakes in different P&L lines is eliminated. The sale of stakes in wind farm projects was at the forecast level. Operational efficiency of projects and price of GE was higher.
Net Profit	44,0	46,9	2,9	EBITDA impact ; positive impact of net non cash FX
Net Profit adjusted for balance sheet non cash FX valuation	44,0	44,7	0,7	EBITDA impact

2010 Forecast Performance

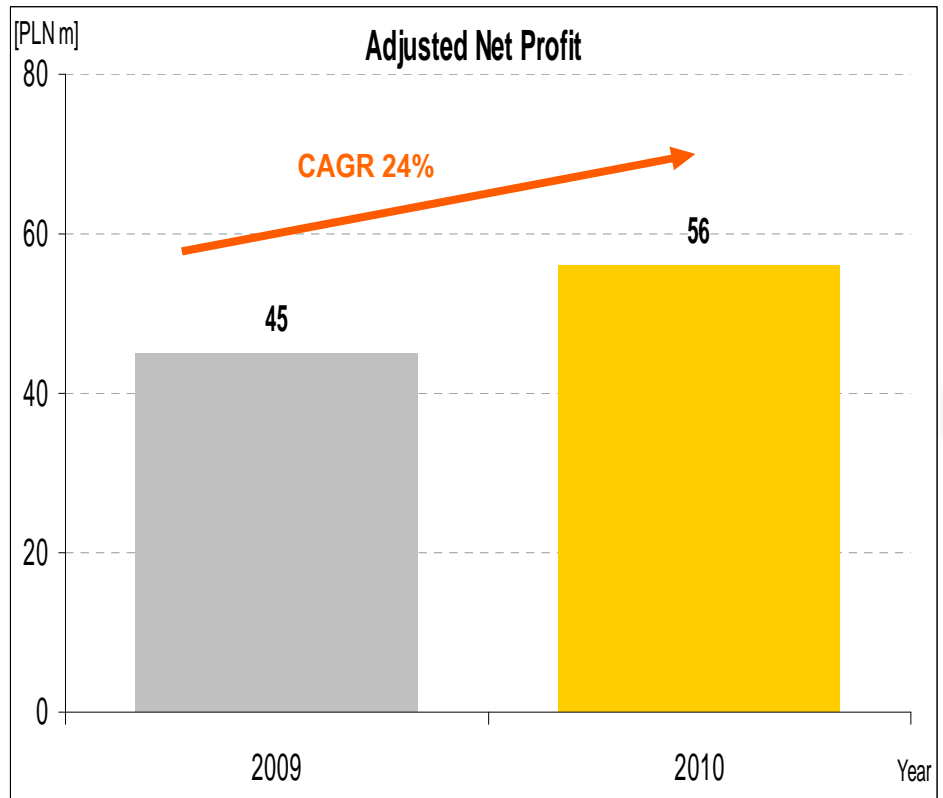
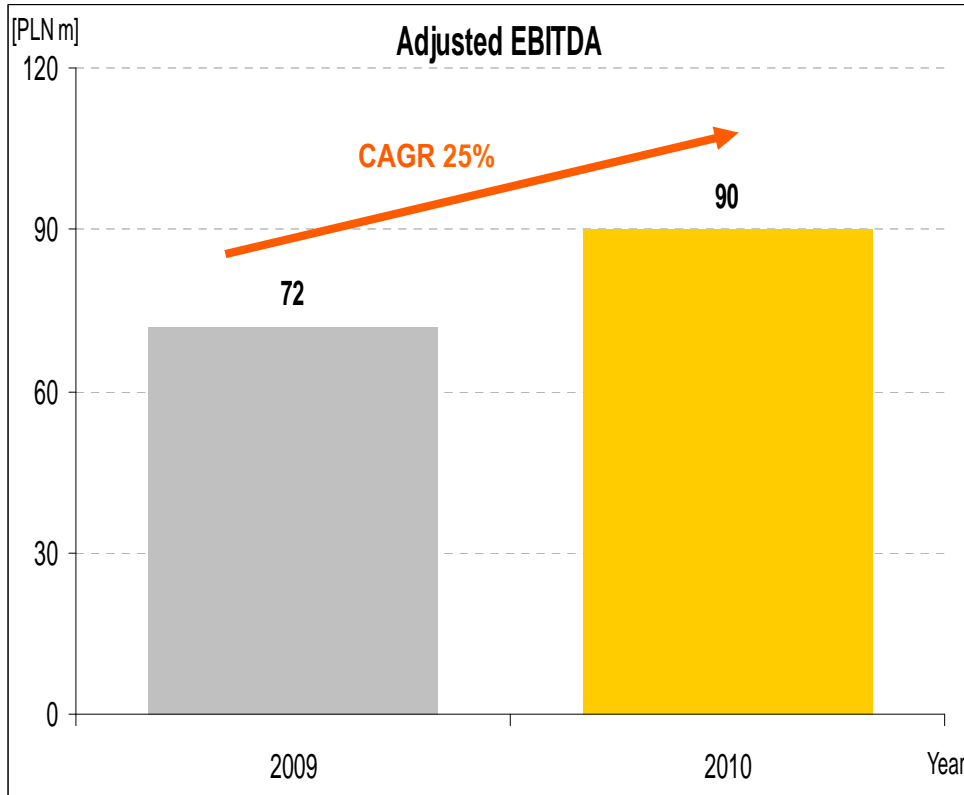


2010 Forecast Assumptions

- × EBITDA will be higher due to the full year of Project Tytan and Biomass Pellet Plant operations at the full level of efficiency
- × Forecast includes revenues from sale of stakes in wind farm projects
- × FX rate is assumed at the fixed level throughout the forecast, therefore forecast does not include FX on balance sheet valuation
- × Start of construction in FW Łukaszów i FW Modlikowice (58MW)
- × Till 2010 completion of 300 MW is planned



2010 Forecast



Summary



Summary

- × PLN 44.7 mil Forecast Adjusted Net Profit; PLN 0.7 mil above forecast
- × PLN 71.8 mil PLN of Adjusted EBITDA achieved; PLN 1.5 mil above forecast
- × PLN 80 mil EU funding for wind farm projects obtained
- × Tytan Project on time and budget
- × New Straw Pellets contracts concluded
- × Good progress in wind development
- × Wind projects sold at favorable prices in line with strategy