



Polish Energy Partners

## Q1 2012 Performance

May 2012



Biomass Fuels



Wind Energy



Industrial Outsourcing



Polish Energy Partners

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# Business Review





- Q1 2012 adjusted EBITDA from continued operations amounted to PLN 20.2 mil. and was above Q1 2011 level by PLN 15.4 mil.
- Q1 2012 Net Profit from continued operations excluding FX on balance sheet valuation amounted to PLN 4.1 mil. and was above Q1 2011 level by PLN 5.9 mil.
- Q1 2012 Net Profit from continued operations including FX on balance sheet valuation amounted to PLN 7.1 mil. and was above Q1 2011 level by PLN 9.6 mil.
- Q1 2012 Net Profit from continued and discontinued operations excluding FX on balance sheet valuation amounted to PLN 25.4 mil. and was above Q1 2011 level by PLN 11.1 mil.
- Q1 2012 Net Profit from continued and discontinued operations including FX on balance sheet valuation amounted to PLN 25.5 mil. and was above Q1 2011 level by PLN 11.4 mil.



### Wind Energy

- Wind Development Pipeline on track
- WF Łukaszów (34 MW) and WF Modlikowice (24 MW) operate with full capacity
- Until April 2012 WF Łukaszów and WF Modlikowice received PLN 75.6 mil. as the EU subsidy payment (of which PLN 28.6 mil. in Q1 2012); until the end of 2012 the payment of PLN 4.4 mil. is expected to be realized
- Q1 2012 WF Puck performance excluding unrealized FX above Q1 2011 performance
- The process of organizing financing for the construction of new wind farms with the total capacity of 106 MW in progress

### Industrial Outsourcing

- EC Saturn above budget; until April 2012 belonged to the structures of PEP, and now presented as discontinued operations
- Energy production of EL Mercury ahead of last year and budget, but lower performance than in 2011 due to no income from JI (reached World Bank limit)
- EC Zakrzów performance slightly below 2011 performance, but above budget
- Development of biomass power plants in progress

### Biomass Fuels

- Pellet production plant GPBE South ahead of 2011 performance (higher sales volume) but below budget (high prices of straw due to low supply)
- Pellet production plants GPBE North below budget due to high prices of straw due to low supply, with simultaneously poor quality (high moisture)
- Start-up procedures in final stage in GPBE East

# Existing Businesses



- **EC Zakrzów:** EBITDA above the budget, despite lower revenues resulting from lower demand for heat
- **EL Mercury:** Production significantly above budget (higher gas supply from the Coke Plant) and below budget due to no income from JI (reached limit of the World Bank)
- **WF Puck:** EBITDA on 2011 level and below budget due to poorer wind conditions
- **FW Amon:** Start of operation in January 2012, while budgeted from March 2012
- **FW Talia:** Start of operation in January 2012, while budgeted from March 2012
- **GPBE North:** EBITDA below 2011 and below budget, due to high prices of straw, with simultaneously poor quality (high moisture) which results in higher operating costs; additionally insufficient supply of straw on the market
- **GPBE South:** EBITDA above 2011 (higher sales and cost optimalization), but below below budget due to high prices of straw, with simultaneously poor quality (high moisture) which results in higher operating costs; additionally insufficient supply of straw on the market

# Projects in Progress





## Projects in Progress - Wind Energy



- Expansion of the projects WF Łukaszów (34 MW) and WF Modlikowice (24 MW) up to a total capacity of 86 MW under development
- Start of tender procedures for the appointment of suppliers and contractors for the construction of other wind farm projects with the total capacity of 106 MW; construction is planned for 2013 and 2014
- The process of organizing financing for the construction of the above mentioned 106 MW (total capex ca. PLN 740 mil.) has begun



# Projects in Progress - Biomass Fuels





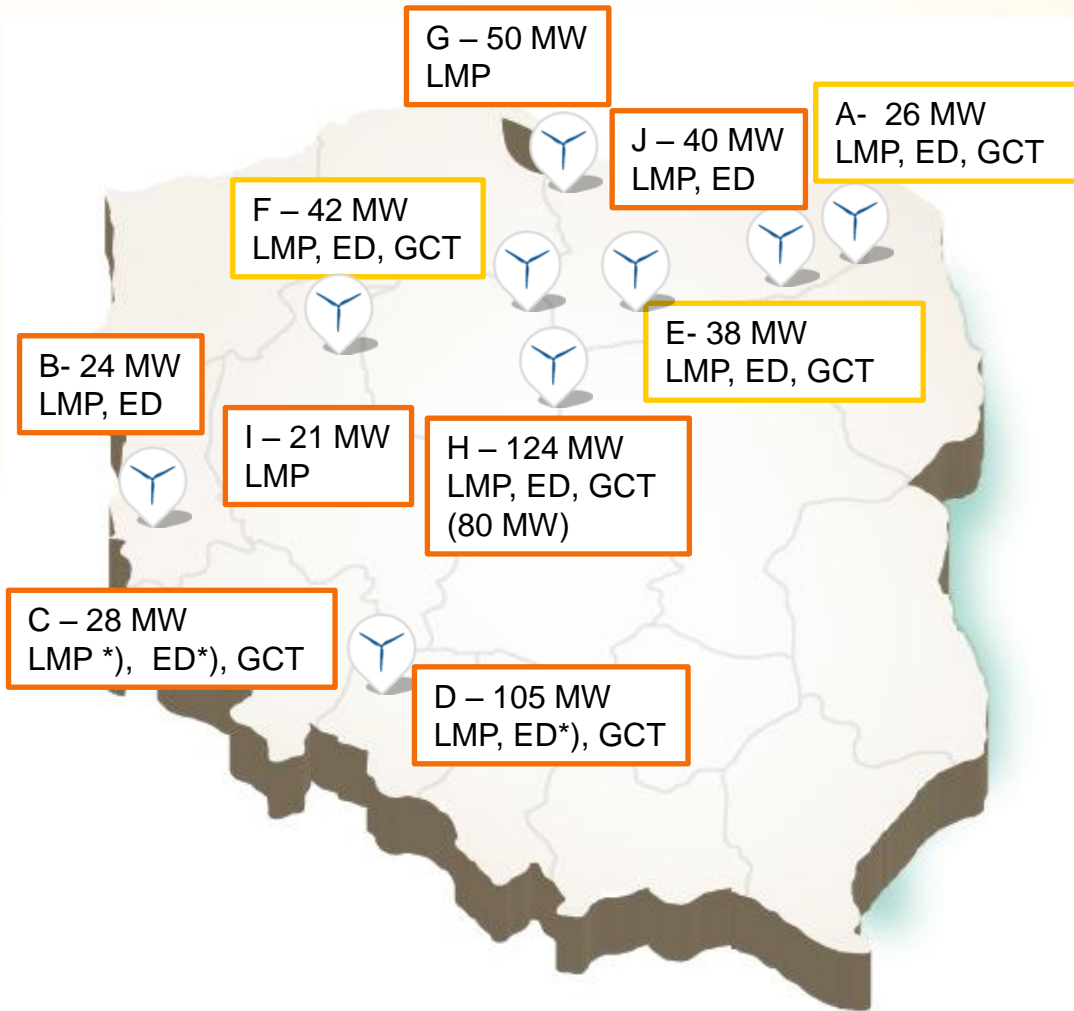
- **GPBE East** - pellets production facility servicing contract with GDF Suez Polska :
  - ▶ Land for the plant purchased, building permit granted
  - ▶ Operation permit obtained
  - ▶ Construction completed, processing lines purchased and assembled
  - ▶ Plant commissioning in progress
  - ▶ Plant expected to operate with full capacity since June 2012
  - ▶ Full planned pellet production already contracted

# Projects in Development





# Wind Farms Development Status



Wind farm projects at advanced stages of development

Projects for construction

### Milestone reached:

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

\* - Appeal procedure

### Biomass Power Plants

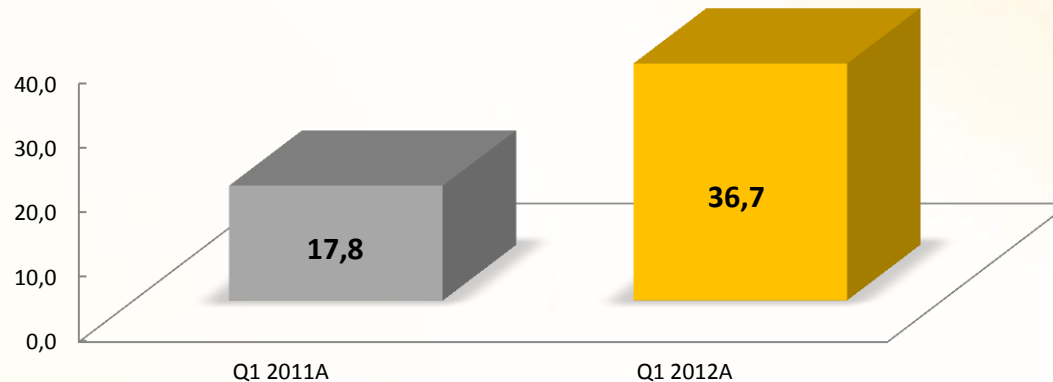
- **Biomass Power Plant South:** power plant with a capacity of 30 MW connected to the the electricity grid
  - ▶ Location of the plant selected; in Mid August 2011 the tender process for land purchase commenced; Environmental Decision and Grid Connection Terms have been acquired; Negotiations concerning Grid Connection Contract in progress; Technical Construction design in progress, application for building permit submitted. Launch of operations scheduled for H2 2014.
  
- **Further investments in biomass power plants**
  - ▶ Negotiations with three other industry players to launch further biomass power or heat plants of 85MWt/30MWe in progress.

# Q1 2012/2011 Financial Performance





Q1 2012/2011 – REVENUES (CONTINUED OPERATION)  
[PLN mil.]



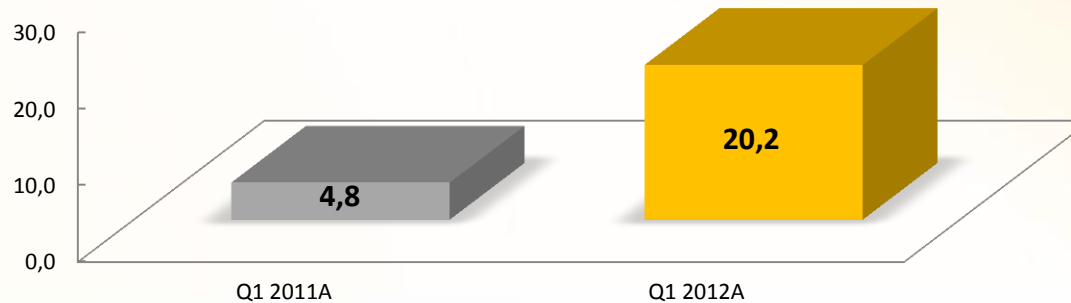
■ **Q1 2012/ 2011:**

- ▶ SM – no revenues from discontinued operations intended for sale (in both compared periods)
- ▶ WF Łukaszów and WF Modlikowice – start of operations in January 2012; very good wind conditions, impact of PLN 19.5 mil.
- ▶ EL Mercury – higher revenues from electricity sale, but evened up due to no more revenues from JI certificates (limit of the World Bank reached)
- ▶ EC Zakrzów – heat sales slightly below Q1 2011
- ▶ GPBE South – higher sales of pellets in Q1 2012
- ▶ GPBE North – lower sales of pellets in Q1 2012
- ▶ No revenues from wind farms sale in both compared periods



## Q1 2012/2011 Performance - EBITDA

Q1 2012/2011 – EBITDA (CONTINUED OPERATION)  
[PLN mil.]

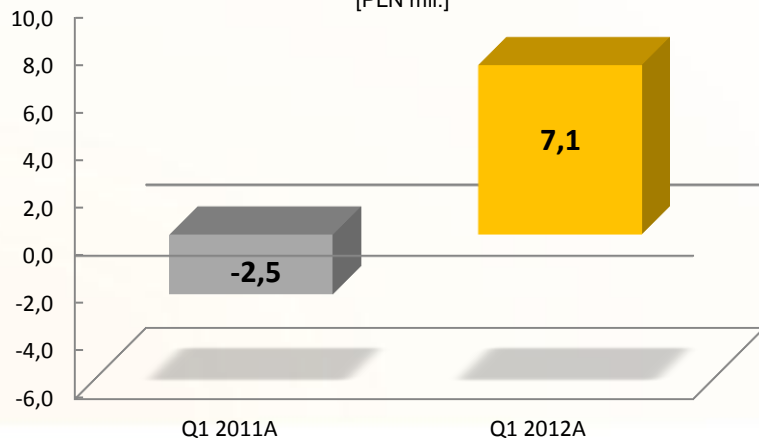


### ■ Q1 2012/2011:

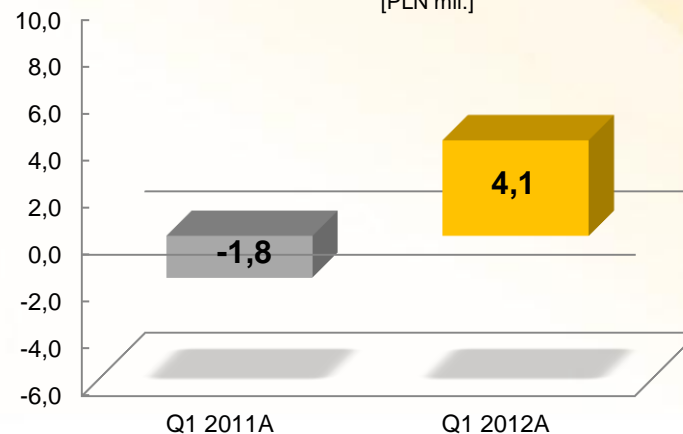
- ▶ Impact of revenues
- ▶ SM – no revenues from discontinued operations intended for sale (in both compared periods)
- ▶ EC Zakrzów and WF Puck – at the level of prior year
- ▶ Management option costs at the same level in both periods, amounting up to PLN 0.6 mil .
- ▶ Collection of PLN 0.2 mil. written-off receivables by EC Jeziorna in 2012
- ▶ Collection of PLN 1.5 mil. written-off receivables by EC Wizów in 2011
- ▶ EBITDA in GPBE North lower due to higher prices of straw and higher production costs due to poor straw quality (high moisture and difficulties with straw supply)
- ▶ Higher EBITDA in GPBE South i.a. due to cost optimization
- ▶ No impact on EBITDA of wind farm sale in both periods

## Q1 2012/2011 Performance - Net Profit and Adjusted Net Profit\* from continued operations

Q1 2012/ 2011 CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS [PLN mil.]



Q1 2012/ 2011 CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS EXCLUDING UNREALIZED F/X [PLN mil.]



### ■ Q1 2012/ 2011

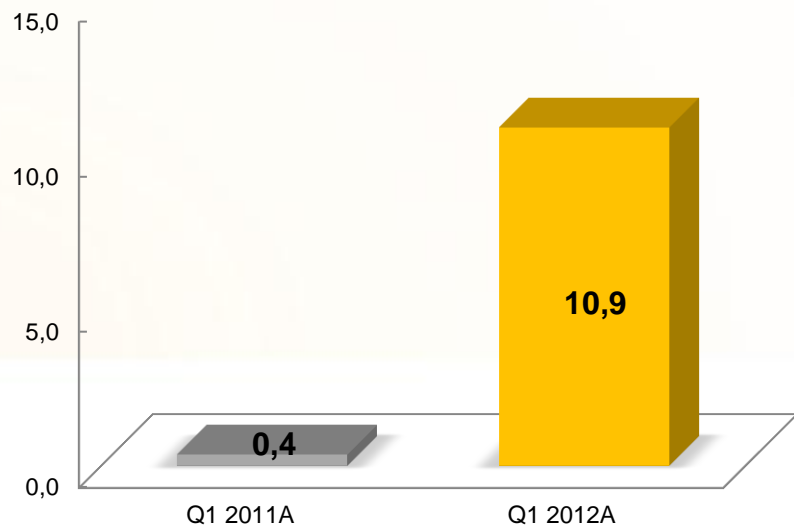
- ▶ Impact of EBITDA
- ▶ Higher interest rate from cash deposits by PLN 1.6 mil.
- ▶ In 2012 higher financial revenues due to reversal of discount on delayed payments from wind farms sold in prior years (impact of PLN 1.0 mil.)
- ▶ Impact of bank loan costs of WF Łukaszów and WF Modlikowice by PLN 4.6 mil.
- ▶ Higher income tax by PLN 2.8 mil.
- ▶ Total impact of realized positive F/X in Q1 2012 lower than in Q1 2011 by PLN 0.05 mil.
- ▶ Total impact of unrealized positive F/X in Q1 2012 higher than in Q1 2011 by PLN 3.8 mil.

### ■ Q1 2012/ 2011

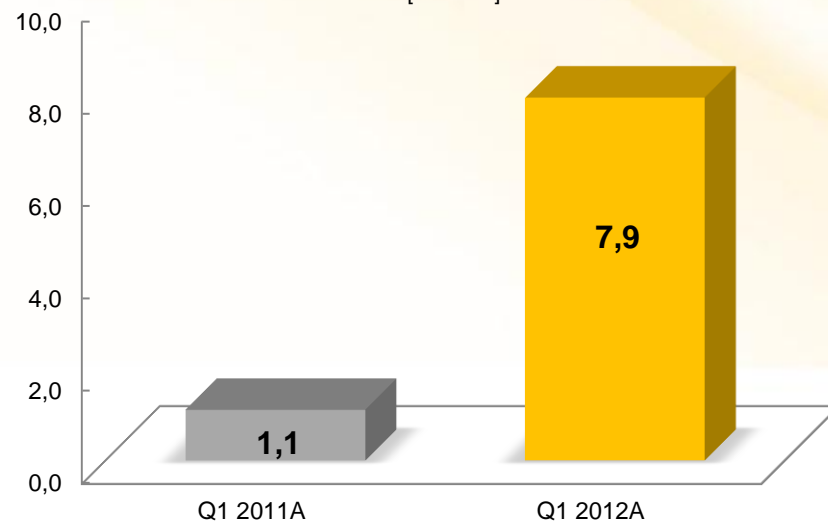
- ▶ Impact of EBITDA
- ▶ Impact of realized F/X
- ▶ Impact of income tax
- ▶ Impact of interest rate from cash deposits and loans
- ▶ Impact of discount on Wind farms sale

## Q1 2012/2011 Performance - Net Profit and Adjusted Net Profit\* from continued operations excluding tax impact from discontinued operations

Q1 2012/2011  
CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS  
[PLN mil.]



Q1 2012/2011  
CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS  
EXCLUDING TAXES FROM DISCONTINUED OPERATIONS WITHOUT  
UNREALISED F/X IMPACT  
[PLN mil.]

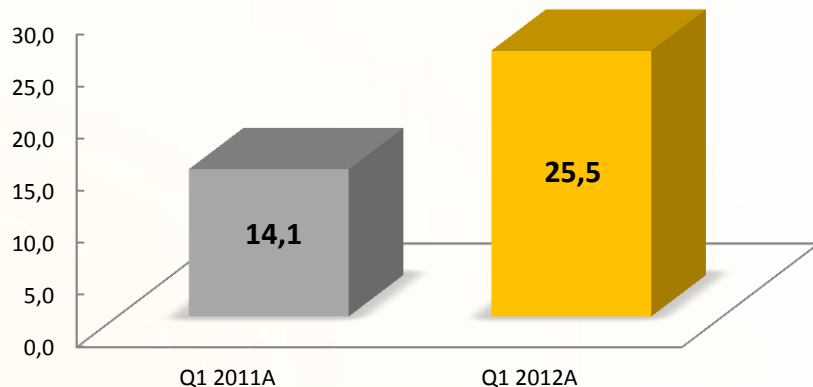


### ■ Q1 2012/2011

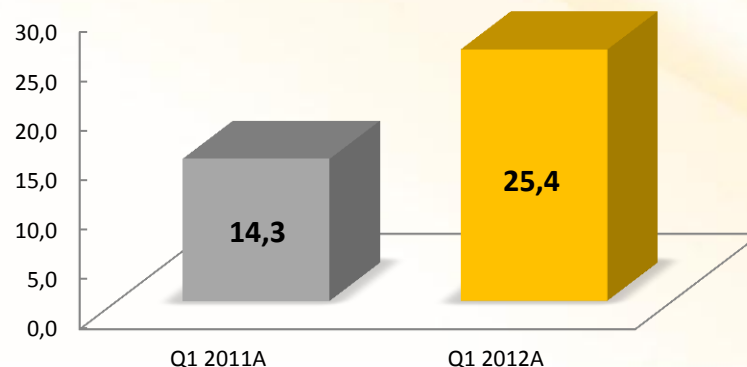
- ▶ Impact of Net Profit from continued operations
- ▶ Impact of tax costs from discontinued operations in Q1 2011 amounted to PLN 2.1 mil, whereas impact of tax costs from discontinued operations in Q1 2012 amounted to PLN 3.8 mil.

## Q1 2012/2011 Performance - Net Profit and Adjusted Net Profit\* from continued and discontinued operations

Q1 2012/2012  
CONSOLIDATED NET PROFIT FROM CONTINUED AND  
DISCONTINUED OPERATIONS  
[PLN mil.]



Q1 2012/2011  
CONSOLIDATED NET PROFIT FROM CONTINUED AND  
DISCONTINUED OPERATIONS WITHOUT UNREALISED F/X  
IMPACT  
[PLN mil.]



- ▶ Impact of EBITDA from continued operations
- ▶ Impact of EBITDA from discontinued operations in Q1 2012 amounted to PLN 21.1 mil., whereas impact of EBITDA from discontinued operations in Q1 2011 amounted to PLN 15.6 mil.
- ▶ Higher interest rate from cash deposits by PLN 1.6 mil.
- ▶ No difference in impact of discount reversal on continued and discontinued operations
- ▶ No difference in impact of WF Łukaszów and WF Modlikowice bank loans costs on continued and discontinued operations
- ▶ No difference in impact of tax costs on continued and discontinued operations
- ▶ Total impact of realized F/X in Q1 2012 higher than in Q1 2011 by PLN 0.1 mil.
- ▶ Total impact of unrealized F/X in Q1 2012 higher than in Q1 2011 by PLN 0.3 mil.

- ▶ Impact of EBITDA from continued and discontinued operations
- ▶ Impact of realized positive F/X
- ▶ Impact of income tax
- ▶ Impact of interest rate from cash deposits and loans
- ▶ Impact of discount of Wind Farms sale



Polish Energy Partners

## Impact of sale of SM on 2012 P&L of PEP and the Capital Group

Impact on Consolidated Financial Performance of PEP Group		Impact on Unit Financial Performance of PEP	
	PLN mil.		PLN mil.
<b>Sale of SM on May 2nd 2012</b>		<b>Sale of SM on May 2nd 2012</b>	
<b>Financial Revenues</b>	172	<b>Financial Revenues</b>	172
Revenues from disposal of discontinued operations		Revenues from disposal of discontinued operations	
<b>Financial Costs</b>		<b>Financial Costs</b>	
SM Net Assets on day of sale	(70)	Cost of SM shares	(47)
Subordinated loan write-off	(17)	Subordinated loan write-off	(17)
<b>Gross Profit</b>	<b>85</b>	<b>Gross Profit</b>	<b>108</b>
Deferred Tax	13	Deferred Tax	13
Current Tax	(30)	Current Tax	(29)
<b>Net Profit</b>	<b>68</b>	<b>Net Profit</b>	<b>92</b>
Provision for Mondi claim (price difference adjusted for subordinate loan and CIT)	(21)	Provision for Mondi claim (price difference adjusted for subordinate loan and CIT)	(21)
Deferred tax asset on provision for Mondi Claim	4	Deferred tax asset on provision for Mondi Claim	4
<b>Net profit adjusted for provision</b>	<b>51</b>	<b>Net profit adjusted for provision</b>	<b>75</b>



## 2012 Results Forecast in detail

2012 Forecast	Operations without SM	Saturn Management			Forecast Total
		I-XII	I-IV	V-XII	
PLN (mil)	I-XII	I-IV	V-XII	I-XII	I-XII
EBITDA	84,6	21,9	24,6	46,4	131,0
Adjusted EBITDA	84,6	23,5	27,9	51,4	136,0
Consolidated Net Profit	34,3	18,3	21,4	39,7	74,0



## Cancellation of 2012 Results Forecast

- On 15, May 2012 Polish Energy Partners S.A. published Current Report No 24/12, informing about the cancellation of the forecast of PEP results for 2012 which have been made public by Current Report No. 40/2011.
- The reason for cancellation of the forecast by PEP is the acquisition ('Transaction') by Mondi Świecie S.A. ('Mondi') of all the rights and obligations of the limited partner Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy, Spółka Komandytowa and all the shares in Saturn Management Spółka z ograniczoną odpowiedzialnością ('Rights')
- Due to the fact that Mondi questioned a part of the price paid for the Rights and it cannot be excluded that resolution of this issue will be made in the course of legal proceedings, the outcome of which is currently difficult to foresee, PEP cannot unequivocally determine the amount of the items presented in the forecast. Consequently, PEP will also not publish a new forecast for 2012



# Summary





## Summary

- Adjusted Net Profit from continued operations and Adjusted EBITDA from continued operations above budget and higher than last year
- Launch of production and achievement of full capacity in WF Modlikowice and WF Łukaszów
- Commissioning of plant in GPBE East commenced in May 2012
- Start of tender process and organization of financing for the construction of new wind farms with a total capacity of 106 MW
- Good progress in Wind Farms development
- Progress in development of biomass power plants