



Polish Energy Partners

## 1H and 2Q 2012 Performance

August 2012



Biomass Fuels



Wind Energy



Industrial Outsourcing



Polish Energy Partners

## Contents

- Business Review
  - ▶ Existing businesses
  - ▶ Projects in progress
  - ▶ Projects under development
  
- 1H and 2Q 2012 Financial Performance
- Summary

# Business Review





Polish Energy Partners

## Business Review - Metrics

Performance [PLN mil]	1H 2012	1H 2011	Difference	2Q 2012	2Q 2011	Difference
<b>Continued operations</b>						
Revenues	60,5	32,2	28,3	23,9	14,5	9,4
EBITDA	29,4	8,0	21,4	9,2	3,1	6,1
Net Profit	12,3	1,4	10,9	1,4	1,0	0,4
Net Profit excluding unrealized FX	10,4	1,6	8,8	2,5	0,5	2,0
<b>Discontinued operations</b>						
Revenues	-	-	-	-	-	-
EBITDA	-	-	-	-	-	-
Net Profit	76,2	22,2	54,0	61,6	8,4	53,2
Net Profit excluding unrealized FX	76,2	22,0	54,2	61,6	8,9	52,7
Net Profit from operations	19,1	22,2	(3,1)	4,5	8,4	(3,9)
Net Profit from operations excluding unrealized FX	19,1	22,0	(2,9)	4,5	8,9	(4,4)
Net Profit from sale transaction	57,1	-	57,1	57,1	-	57,1
Net Profit from sale transaction excluding unrealized FX	57,1	-	57,1	57,1	-	57,1
<b>Continued and discontinued operations</b>						
Revenues	60,5	32,2	28,3	23,9	14,5	9,4
EBITDA	29,4	8,0	21,4	9,2	3,1	6,1
Net Profit	88,5	23,6	64,9	63,0	9,5	53,5
Net Profit attributable to non-controlling interest	-	0,1	(0,1)	-	-	-
Net Profit allocated to owners of the Parent	88,5	23,5	65,0	63,0	9,5	53,5
Net Profit excluding unrealized FX	86,6	23,6	63,0	64,1	9,4	54,7



### 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 21.6 mil. in 2Q 2012); until the end of 2012 inflow of additional PLN 3.8 mil. is expected
- 1H 2012 WF Puck net profit excluding unrealized FX above 1H 2011 performance
- The process of raising of 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 with the PEP structure but in financial statement 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, preliminary term sheet agreed with banks

### Biomass Fuels

- Pellet production plant GBPE South ahead of 2011 performance
- Pellet production plants GBPE North below budget due to high prices of straw due to low supply, with simultaneously poor quality (high moisture)
- Commissioning procedures in final stage in GBPE 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 last year performance due to no income from JI (reached limit of the World Bank)
- **WF Puck:** EBITDA slightly below 2011 level and below budget due to poorer wind conditions
- **FW Amon:** Start of operation in January 2012
- **FW Talia:** Start of operation in January 2012
- **GBPE North:** EBITDA below 2011 and below budget, due to high prices of straw, with simultaneously its poor quality (high moisture) resulting in higher operating costs; additionally insufficient supply of straw on the market
- **GBPE South:** EBITDA above 2011 (due to higher sales and cost optimization)

# 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 raising financing for the construction of the above mentioned 106 MW (total capex ca. PLN 750 mil.) has begun



# Projects in Progress - Biomass Fuels



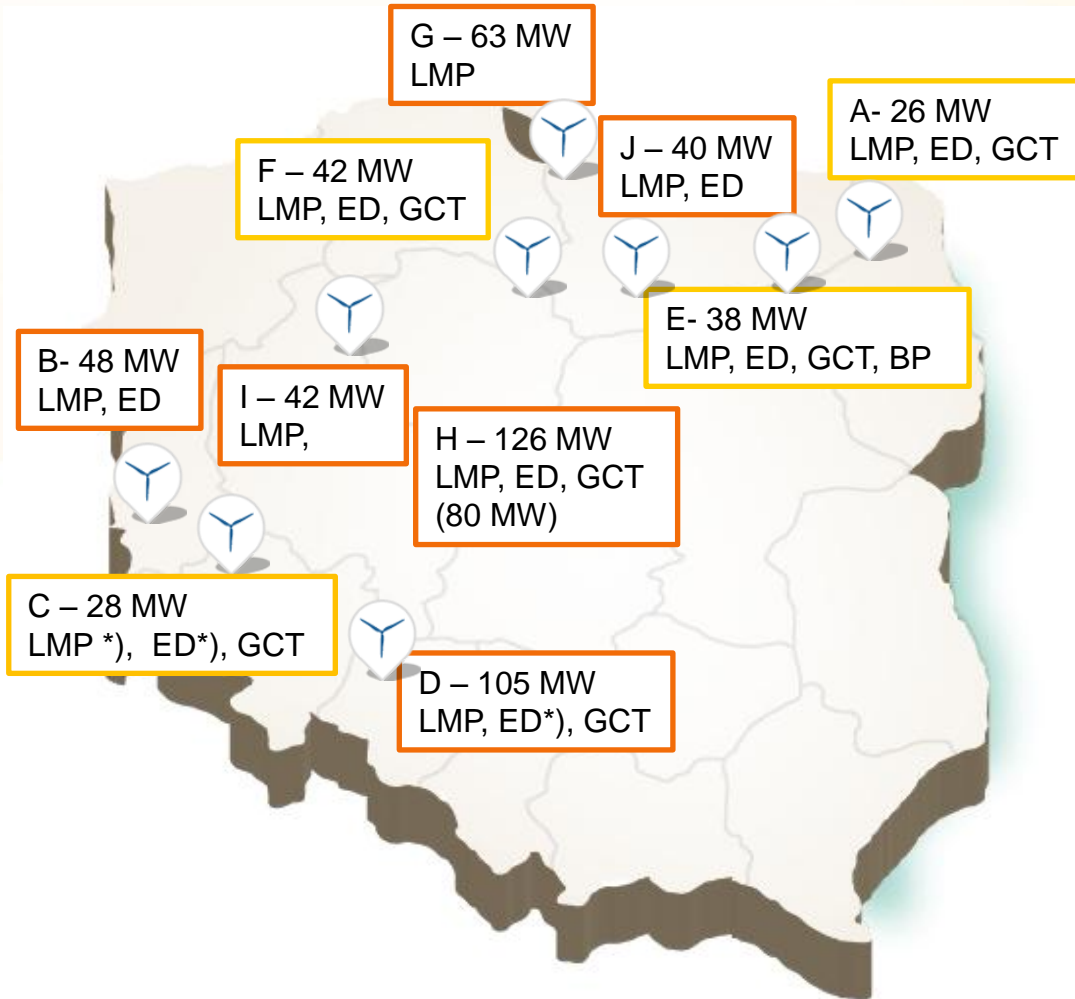
- **GBPE East** - pellets production facility servicing contract with GDF Suez Polska :
  - ▶ Operation permit obtained
  - ▶ Plant commissioning in progress
  - ▶ Plant expected to operate with full capacity since August 2012
  - ▶ Full planned pellet production already contracted
  - ▶ Contracting of straw for the season 2012/2013 in progress

# Projects under 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 MWe connected to 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, Building Permit acquired, Launch of operations scheduled for the end of 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.

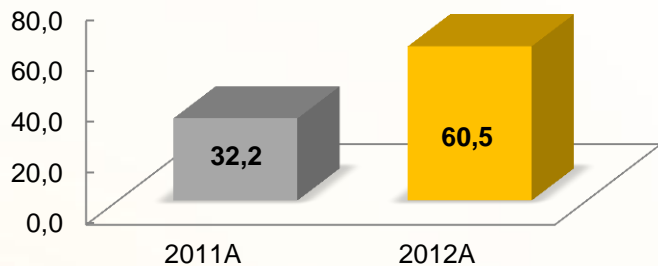
# 1H and 2Q 2012/2011 Financial Performance



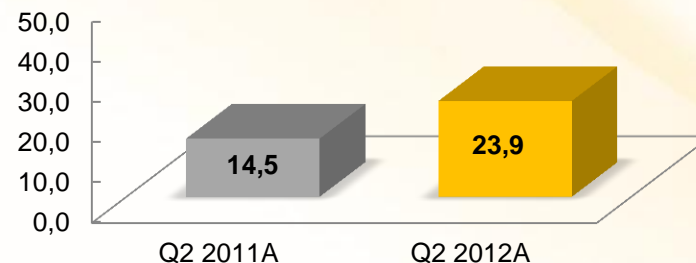


## 1H and 2Q 2012/2011 Performance - Revenues (continued operations)

CUMULATIVE REVENUES  
[PLN mil]



2Q REVENUES  
[PLN mil]



### 1H 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; impact of PLN 30.4 mil.
- ▶ WF Puck higher revenues due to good wind conditions in 1H 2012, compared to 2011
- ▶ EL Mercury – slightly 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 2011, no revenues due to limited Co2 emission in 1H 2012 compared to 2011, impact of PLN 0.1 mil.
- ▶ GBPE South – higher sales of pellets in 1H 2012
- ▶ GBPE North – lower sales of pellets in 1H 2012 due to low straw supply
- ▶ No revenues from wind farms sale in both compared periods

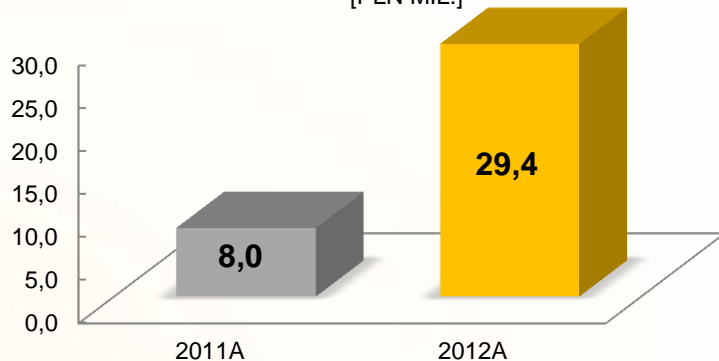
### 2Q 2012/2011:

- ▶ SM – no revenues from discontinued operations intended for sale (in both compared periods)
- ▶ WF Łukaszów and WF Modlikowice – start of operations in January 2012; impact of PLN 10.9 mil.
- ▶ WF Puck higher revenues due to good wind conditions in 2Q 2012, compared to 2011
- ▶ 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 2011, no revenues due to limited Co2 emission in 1H 2012 compared to 2011, impact of PLN 0.1 mil.
- ▶ GBPE South – higher sales of pellets in 2Q 2012
- ▶ GBPE North – lower sales of pellets in 2Q 2012 due to low straw supply
- ▶ No revenues from wind farms sale in both compared periods

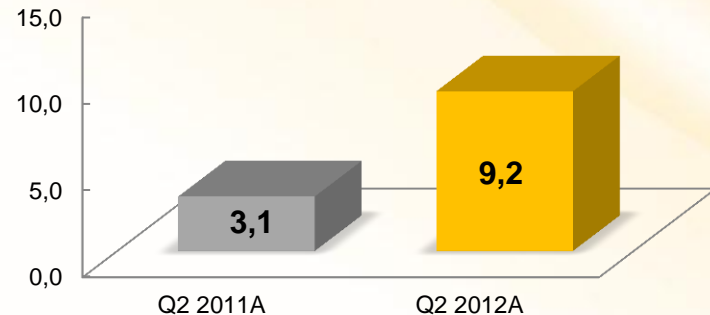


## 1H and 2Q 2012/2011 Performance - EBITDA (continued operations)

CUMULATIVE EBITDA (CONTINUED OPERATIONS)  
[PLN MIL.]



2Q EBITDA (CONTINUED OPERATIONS)  
[PLN MIL.]



### 1H 2012/2011:

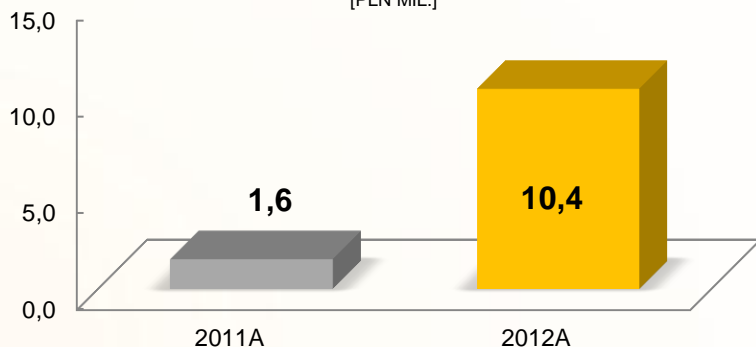
- ▶ Impact of revenues
- ▶ EC Zakrzów and WF Puck – at the level of prior year
- ▶ Management option costs at the same level in both periods, amounting up to PLN 1.2 mil .
- ▶ Collection of PLN 0.7 mil. written-off receivables by EC Jeziorna in 2012
- ▶ Collection of PLN 4.3 mil. written-off receivables by EC Wizów in 2011
- ▶ EBITDA in GBPE 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 GBPE South i.a. due to cost optimization, mainly in 2Q 2012
- ▶ No impact on EBITDA on wind farm sale in both periods

### 2Q 2012/2011:

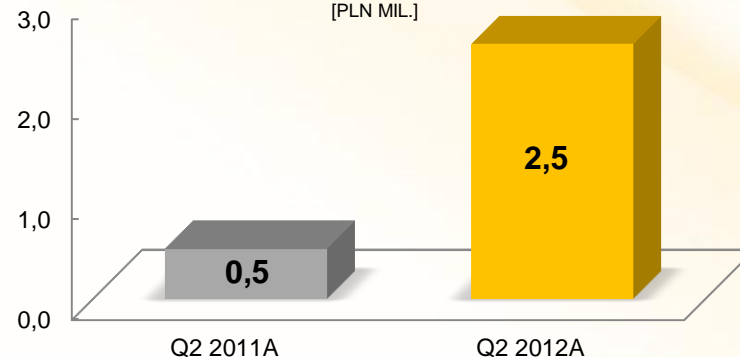
- ▶ Impact of revenues
- ▶ WF Puck – at the level of prior year
- ▶ EC Zakrzów slightly below prior year
- ▶ Management option costs at the same level in both periods, amounting up to PLN 0.6 mil .
- ▶ Collection of PLN 0.5 mil. written-off receivables by EC Jeziorna in 2012
- ▶ Collection of PLN 2.7 mil. written-off receivables by EC Wizów in 2011
- ▶ EBITDA in GBPE North and GPBE South lower due to higher prices of straw and higher production costs due to poor straw quality (high moisture and difficulties with straw supply)
- ▶ No impact on EBITDA on wind farm sale in both periods

## 1H and 2Q 2012/2011 Performance -Adjusted Net Profit\* from continued operations

CUMULATIVE CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS EXCLUDING TAX ON DISCONTINUED OPERATIONS AND EXCLUDING UNREALIZED FX [PLN MIL.]



2Q CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS EXCLUDING TAX ON DISCONTINUED OPERATIONS AND EXCLUDING UNREALIZED FX [PLN MIL.]



### ■ 1H 2012/ 2011

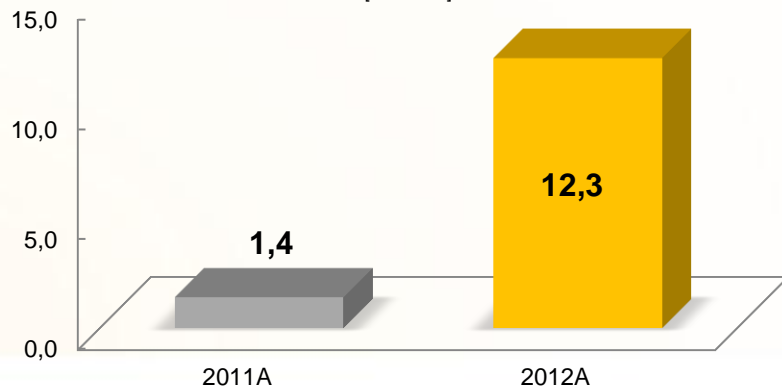
- ▶ Impact of EBITDA
- ▶ Higher interests from cash deposits (net impact after tax amounts to PLN 2.1 mil.)
- ▶ In 2012 higher financial revenues due to reversal of discount on delayed payments from wind farms sold in prior years (impact of PLN 1.9 mil. net after tax)
- ▶ Impact of bank loan costs of WF Łukaszów and WF Modlikowice (net impact PLN 9.1 mil.)
- ▶ Lower income tax by PLN 2.4 mil.
- ▶ Total impact of realized positive F/X in 1H and 2Q 2012 lower than in 1H and 2Q 2011 by PLN 0.05 mil.

### ■ 2Q 2012/ 2011

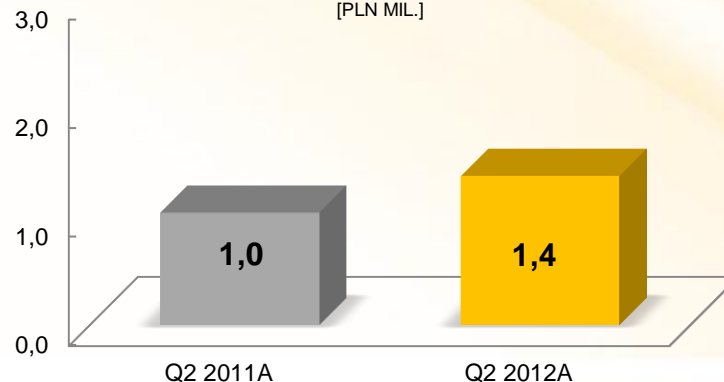
- ▶ Impact of EBITDA
- ▶ Higher interests from cash deposits (net impact after tax amounts to PLN 1.0 mil.)
- ▶ In 2012 higher financial revenues due to reversal of discount on delayed payments from wind farms sold in prior years (impact of PLN 1.0 mil. net after tax)
- ▶ Impact of bank loan costs of WF Łukaszów and WF Modlikowice (net impact PLN 6.6 mil.)
- ▶ Lower income tax by PLN 4.3 mil.
- ▶ Total impact of realized positive F/X in 2Q 2012 lower than in 2011 by PLN 0.1 mil.

## 1H and 2Q 2012/2011 Performance - Net Profit from continued operations

CUMULATIVE CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS  
EXCLUDING TAX ON DISCONTINUED OPERATIONS AND INCLUDING  
UNREALIZED FX  
[PLN MIL.]



2Q 2012 CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS  
EXCLUDING TAX ON DISCONTINUED OPERATIONS AND INCLUDING  
UNREALIZED FX  
[PLN MIL.]



### ■ 1H 2012/2011

- ▶ Impact of Adjusted Net Profit \*
- ▶ Total impact of unrealized positive FX (after income tax) in 1H 2012 higher in comparison to 1H 2011 by PLN 2.1 mil.

### ■ 1H 2012/2011

- ▶ Impact of Adjusted Net Profit\*
- ▶ Total impact of unrealized positive FX (after income tax) in 2Q H 2012 higher in comparison to 2Q 2011 by PLN 1.7 mil.



Polish Energy Partners

## 1H and 2Q 2012/2011- Performance discontinued operations

Performance on discontinued operations	Period ending on 30.06.2012	Period ending on 30.06.2011*)
Revenues	36 017	48 672
Costs	(12 431)	(21 564)
EBITDA	26 144	26 037
Adjusted EBITDA	27 451	28 124
<b>Net Profit for given period on discontinued operations of Limited partnership, excluding tax costs of dominant entity</b>	<b>23 586</b>	<b>27 108</b>
Income tax paid by dominant entity	(4 468)	(4 888)
<b>Net Profit</b>	<b>19 118</b>	<b>22 220</b>
<b>Profit assigned to shareholders of dominant entity from discontinued operations adjusted for FX</b>	<b>19 118</b>	<b>22 039</b>
Gross Profit on sale of discontinued operations	70 430	-
Income tax on profit on the sale of discontinued operations	(13 309)	-
<b>Net Profit from sale of discontinued operations</b>	<b>57 121</b>	<b>-</b>
<b>Net Profit for reported period</b>	<b>76 239</b>	<b>22 220</b>

\*) adjusted data

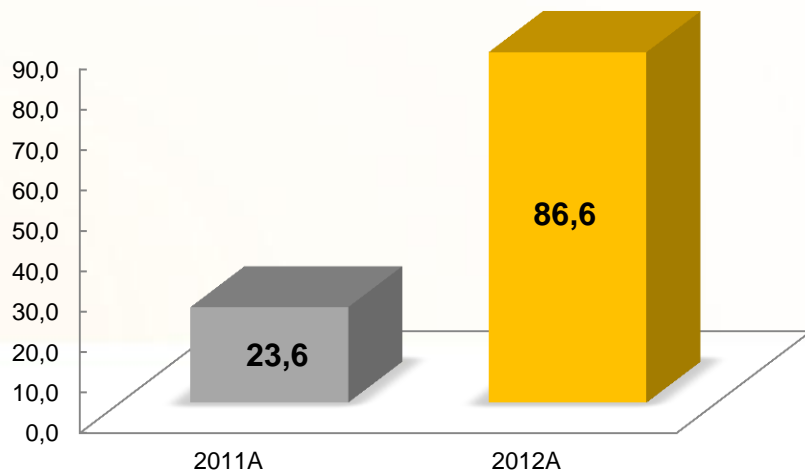


## 1H and 2Q 2012 Performance- Impact of sale on Cash Flow

<b>Cash flow on reconciliation and sale of rights and obligations of SM</b>	<b>Inflow/(Outflow)</b>	<b>Presentation in Cash Flow</b>	
Payment due to the sale of rights and obligations on 02.05.2012	172 441		
Revenue from the sale of rights and obligations of Limited Partnership		137 000	B.1.3.a) financial assets sold
Refund from Bills of Exchange		17 029	B.1.3.c) other inflows from financial assets
Reconciliation of SM net profit for 2011		18 868	B.1.3.b) dividend and share of profit and A.II.10 change in liabilities
Reconciliation of SM net profit for 2012		(3 347)	B.1.3.b) dividend and share of profit, A.II.10 change in liabilities and A.II.4 interest and share of profit (dividend)
Refund to Mondi Świecie S.A. on 20.07.2012	(2 891)		A.II.10.change of liabilities
<b>Net Cash flow on reconciliation and sale of right and obligations of SM</b>	<b>169 550</b>	<b>169 550</b>	

# 1H and 2Q 2012/2011 Performance -Adjusted Net Profit\* from continued and discontinued operations

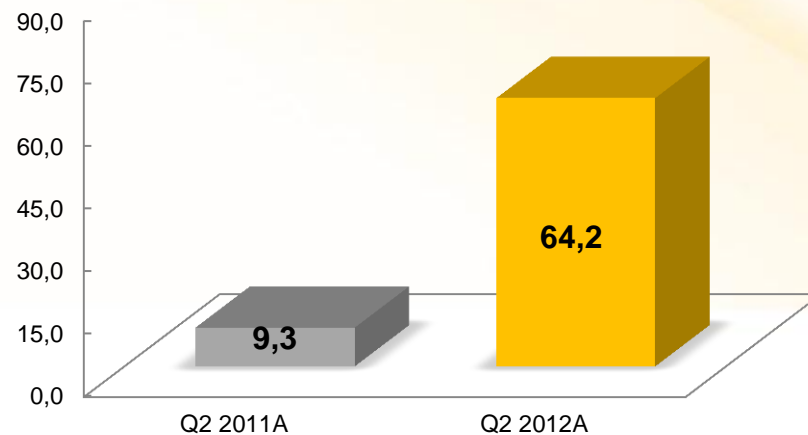
CUMULATIVE CONSOLIDATED NET PROFIT FROM CONTINUED AND DISCONTINUED OPERATIONS EXCLUDING UNREALIZED FX [PLN MIL.]



## 1H 2012/2011

- ▶ Impact of Adjusted Net Profit \* from continued operations
- ▶ Net impact from sale and current operations of SM in 1H 2012 of a total amount of PLN 76.2 mil.

2Q CONSOLIDATED NET PROFIT FROM CONTINUED OPERATIONS AND DISCONTINUED OPERATIONS AND EXCLUDING UNREALIZED FX [PLN MIL.]

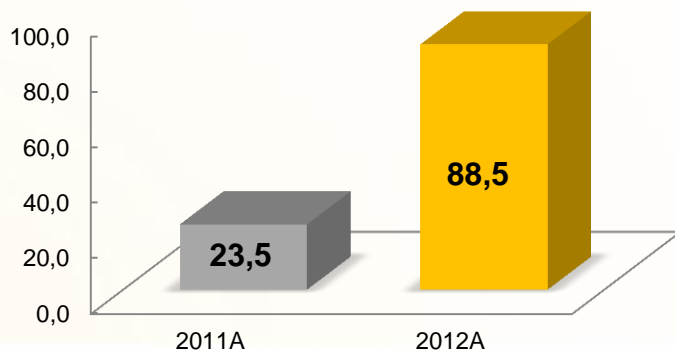


## 2Q 2012/2011

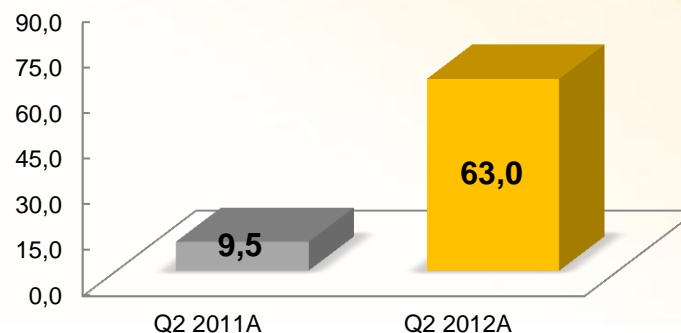
- ▶ Impact of Adjusted Net Profit \* from continued operations
- ▶ Net impact from sale and current operations of SM in 2Q 2012 of a total amount of PLN 61.6 mil.

## 1H and 2Q 2012/2011 Performance - Net Profit from continued and discontinued operations

CUMULATIVE CONSOLIDATED NET PROFIT FROM CONTINUED AND DISCONTINUED OPERATIONS [PLN MIL.]



2Q CONSOLIDATED NET PROFIT FROM CONTINUED AND DISCONTINUED OPERATIONS [PLN MIL.]



### ■ 1H 2012/2011

- ▶ Impact of Adjusted Net Profit \* from continued and discontinued operations
- ▶ Total impact of unrealized positive F/X in 1H 2012 higher than in 1H 2011 by PLN 1.9 mil.

### ■ 2Q 2012/2011

- ▶ Impact of Adjusted Net Profit \* from continued and discontinued operations
- ▶ Total impact of unrealized negative F/X in 2Q 2012 higher than in 2Q 2011 by PLN 1.4 mil.



# Summary





- Adjusted Net Profit from continued operations and 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
- Start of operations in GPBE East in August 2012
- Start of tender process and raising 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