



Polish Energy Partners

Polish Energy Partners SA
Q3 2007 Performance

October 2007
Warsaw



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Business Review



Business Review

- ☒ Q3YTD 2007 Net Profit of 29.7 mil. 140 % up over 2006* (PLN 12.4 mil.);
Q3 2007 Net Profit of PLN 15.6 mil. 388 % up over 2006 (PLN 3.2 mil.);
- ☒ Q3YTD 2007 adjusted EBITDA of PLN 41.9 mil. 148 % up over 2006 (PLN 16.9 mil.);
Q3 adjusted EBITDA of PLN 18.5. mil. 230 % over 2006 (PLN 5.6 mil.)
- ☒ Improved result due to improved performance at existing businesses plus the contribution of three new projects: Puck, Jupiter, Mercury plus the sale of 70% stake of Suwałki wind farms which increased net profit by PLN 12.6 mil.
- ☒ Wind farm stake sale enabled PEP to raise profit forecast from PLN 17.2 mil. to PLN 29.8 mil. for 2007

** All the data for 2006 excluding impact of EC Wizów write-off*

Existing Businesses



Industrial Energy Outsourcing Business

- ☒ Strong Q3 and cumulative performance at EC Saturn:
 - × Improved Green Energy production and prices for 2007
 - × Successful Jupiter Project
 - × Saving settlement from 2006 favorable
 - × August 2007 record production of Green Energy from CFB

- ☒ EC Zakrzów on target

- ☒ EC Jeziorna ahead of last year but below target

- ☒ EC Mercury ahead of target



EC Wizów

- ☒ The receiver of the „Wizów” Chemical Plant is looking to conclude the sale of assets to a buyer
- ☒ Initial discussions with prospective buyer point to a sale of energy assets by PEP either to the new buyer or a 3rd party company.



Wind Farm Puck

- ☒ Above budget year to date performance at Puck
 - × Better wind conditions
 - × Above budget turbine availability

Projects in Progress



Suwałki & Tychowo Wind Farms

- ☒ In both farms 70% sold to RWE Power, our equity partner

- ☒ Suwałki Transaction closed in Q3 increasing the Net Profit projection by 74% from PLN 17.2 mil. to PLN 29.8 mil.
 - × Tender Process for Turbine Deliveries in progress - offers being evaluated
 - × Tender Process for Debt Financing in progress - offers being evaluated

- ☒ Tychowo Transaction will be closed when the building permit has been irrevocably granted and the grid connection secured; the value of the agreement* from the transaction is estimated at PLN 17.4 mil.:
 - × The draft grid connections terms issued
 - × Complex negotiations under way

* sales proceeds excluding VAT, not net profit impact

Projects in Development



Wind Development

- ❑ Apart from Tychowo project, we plan to complete development of 2 -4 new projects in 2008 (50 - 110 MW)
- ❑ In accordance with our strategy, to ensure growing EPS, we plan to sell stakes in selected projects and retain 100 % ownership in the others - decisions regarding specific projects will be made as they reach completion of development
- ❑ We added 3 new projects for development in Q3 2007
- ❑ Apart from our successful PEP/EPA alliance, we have been developing an in-house development team



Industrial Outsourcing Development

- Saturn Management (SM) extension - Project Tytan
 - × Provisional approval granted by Mondi, currently seeking financing options and binding offers from suppliers
 - × Conversion of redundant coal boiler to 105 tonne per hour BFB biomass boiler
 - × Capex in range of 70 to 100 million PLN
 - × Green Energy production for alliance partners increased by approximately 100,000 MWhs
 - × Project start up expected in Q4 2009

- Other - Two early stage renewable energy projects under evaluation



Biomass Fuels Development

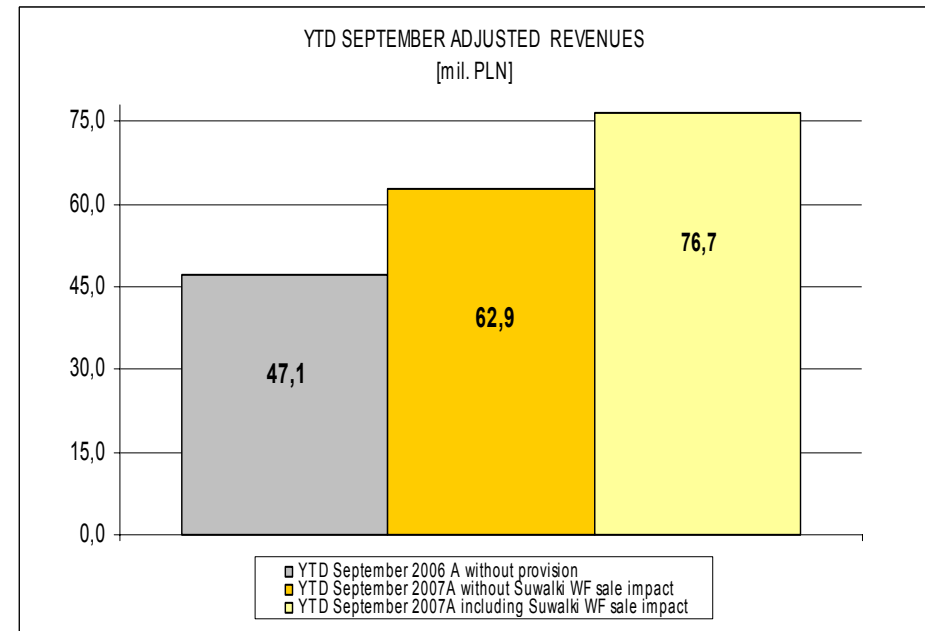
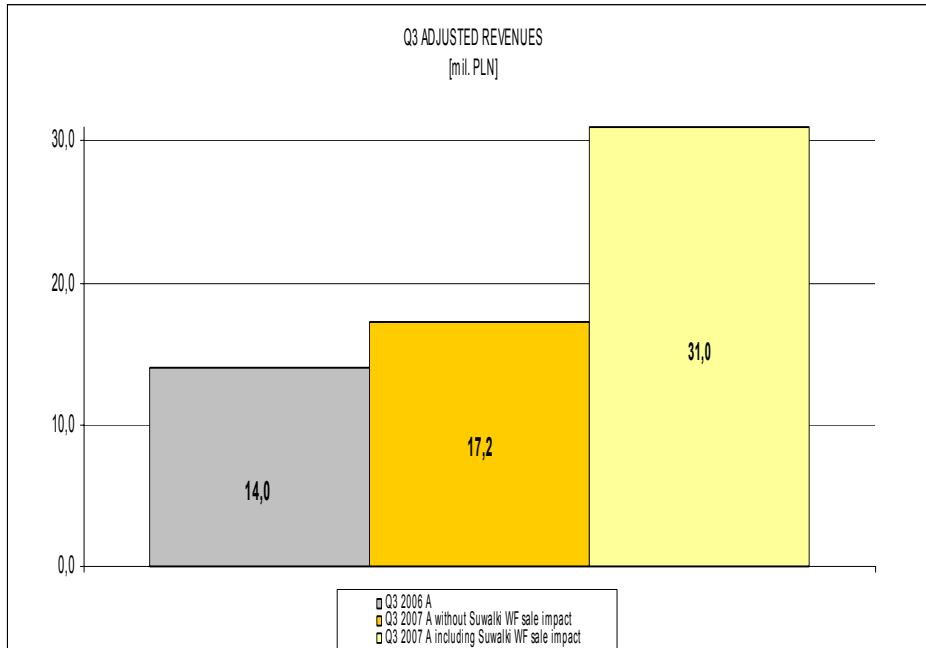
- Close to conclude supply agreement for 35,000 tonnes straw to SM in 2008/2009
 - × First project for Grupa PEP Biomasa Energetyczna
 - × Short term enables SM/MPPS to meet "agricultural biomass" legislation
 - × Long term provides new source of fuel for renewable energy production
 - × Will provide template for further projects in this business sector

- Detailed evaluation of straw pelletizing project complete
 - × Attractive business on paper
 - × Need to get partner/customer buy in before investing

2007 Q3 and 2007 YTD Q3 Performance



2007 Q3 Performance - Adjusted Revenues*



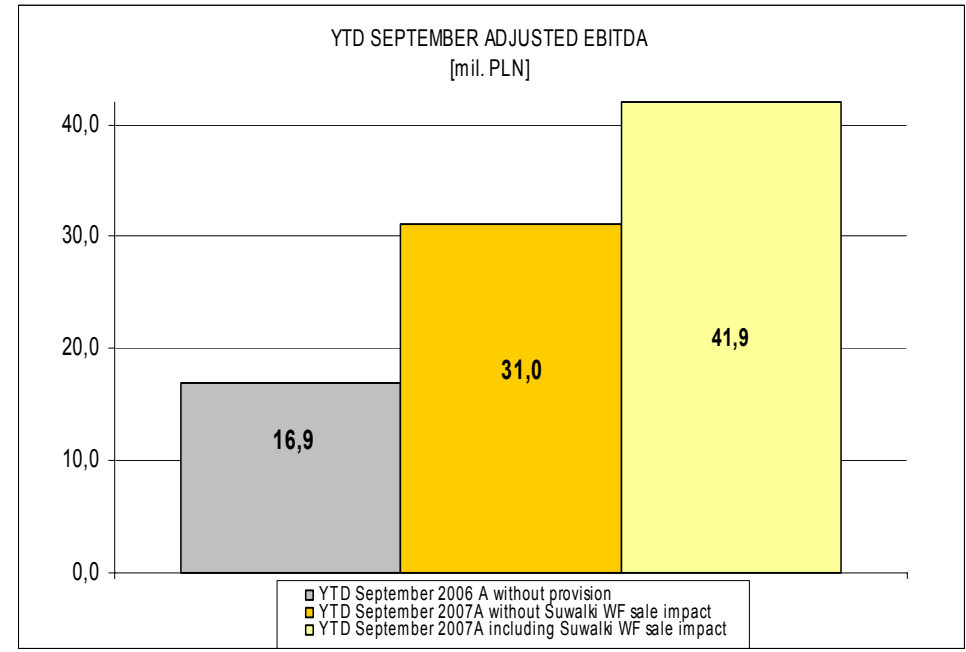
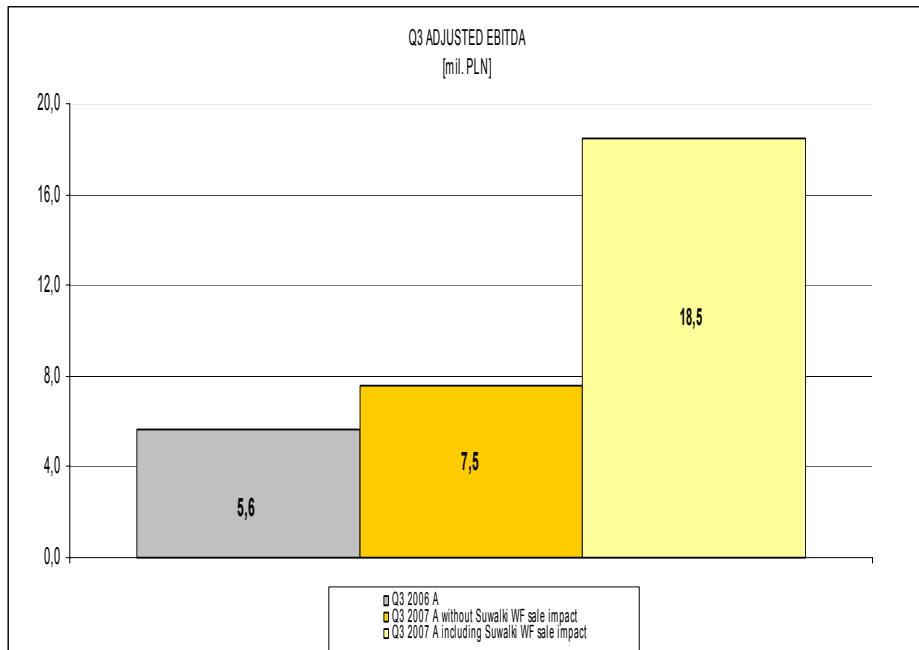
- ✘ Contribution from three new projects
- ✘ Higher GE production due to timing routine maintenance shut of CFB at Saturn
- ✘ No EC Wizów contribution and CO2 sale

- ✘ Contribution from three new projects
- ✘ Higher GE production than in 2006 at Saturn
- ✘ Settlement of savings achieved for Mondi higher than 2006
- ✘ Lower EC Wizów revenues

* reclassification of interest from leased assets from financial income



2007 Q3 Performance - Adjusted EBITDA *

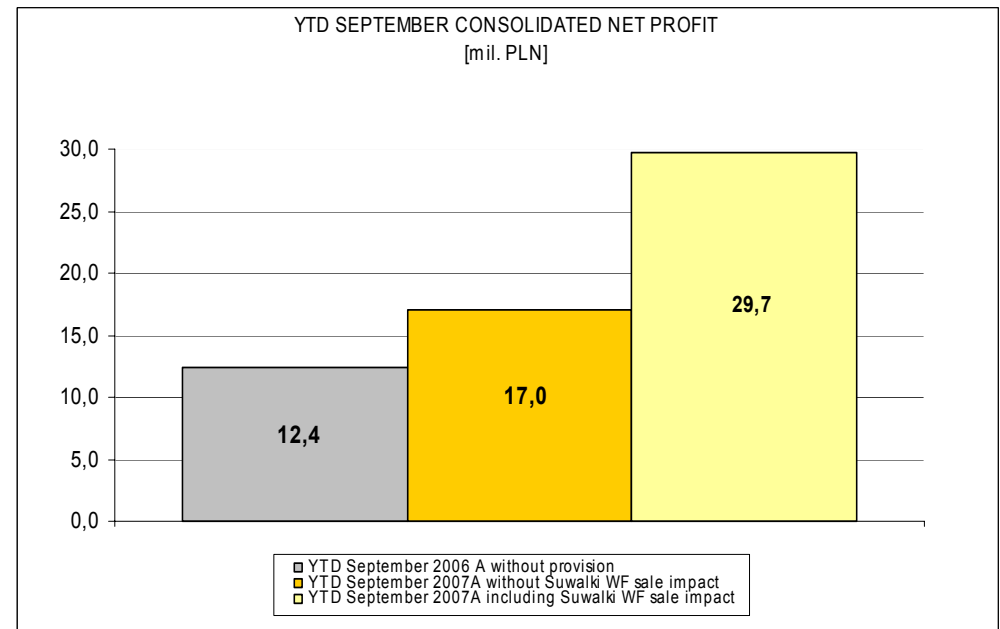
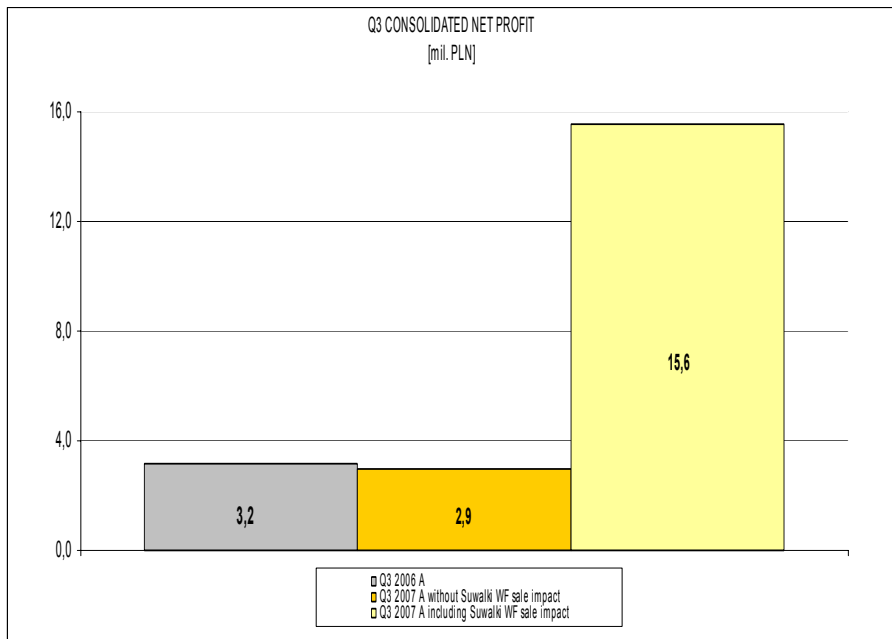


- ⊗ Positive impact of revenues
- ⊗ Impact of high Wind Farm Puck EBITDA (no significant costs of operations)
- ⊗ Lower G&A costs
- ⊗ Higher option program valuation costs offset gains

* reclassification of interest from leased assets from financial income



2007 Q3 Performance - Net Profit



- ☒ Positive impact of EBITDA but:
 - ☒ Seasonality impact of WFPuck
 - ☒ No EC Wizów contribution (operations and CO2)
- ☒ Higher debt costs due to new projects
- ☒ Higher depreciation due to new projects

- ☒ Positive impact of EBITDA
- ☒ Higher debt costs due to new projects
- ☒ Higher depreciation due to new projects
- ☒ Higher tax

Summary



Summary

- ❑ Good 3 quarters to 2007 well ahead of last year and above expectations
- ❑ All three new projects delivering at or above budget levels
- ❑ Deal for sale of 70% stake in Suwałki/Tychowo signed resulting in exceptional 74% increase of Net Profit projection for 2007 (reflecting only Suwałki transaction)
- ❑ Suwałki transaction recognized in Q3 2007 increasing profit by PLN 12.6 mil.
- ❑ Progress with Tychowo, though complex negotiations
- ❑ Good progress in general wind farm development program
- ❑ Good progress in IEO and biomass fuels development