


May 11, 2006  
Toronto, Ontario



## Primary Energy Recycling Corporation

Annual General Meeting



## Agenda

- Defining Recycled Energy
- Societal Trends
- Benefits of Recycled Energy
- Growth of Distributable Cash
- Key Attributes
- Questions



## Forward Looking Statements

This presentation contains "forward looking statements". When used in this presentation, the words "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions pertaining to operating performance, regulatory parameters, weather and economic conditions. Reliance should not be placed on forward-looking statements.



## Value Proposition

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**Primary Energy Recycling Corporation Mission**

Create value by recycling waste energy into electricity and useful thermal energy

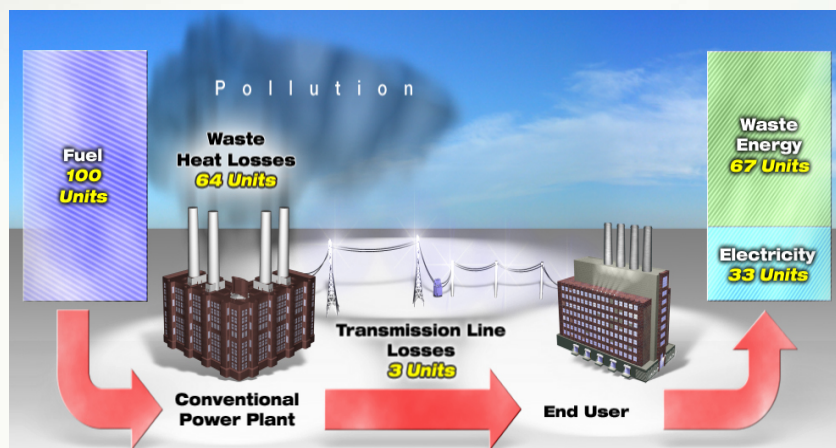


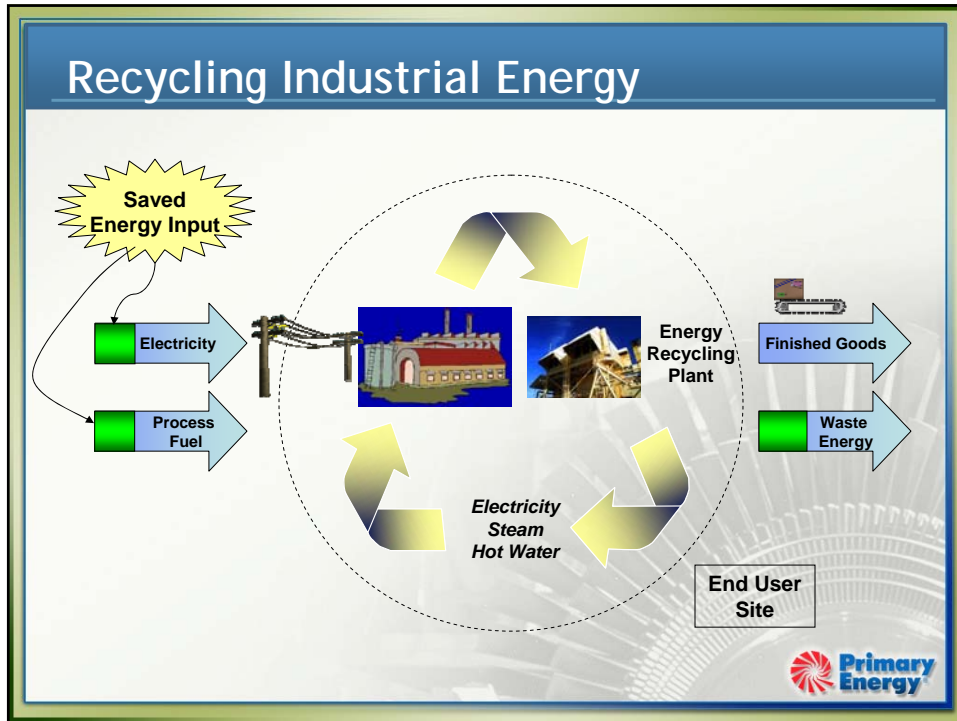
## Defining Recycled Energy

- Energy Recycling:
  - Converts waste industrial energy streams into heat and power
    - Hot exhaust, flare gases, steam and other gas pressure drop
  - Generates electricity near thermal users, recycle normally wasted heat to displace boiler fuel and/or chilling
- “Renewable energy from waste”
- Recycled energy is:
  - CLEAN: No fossil fuel or pollution - clean as hydro, wind, or solar
  - AFFORDABLE: With no fuel or transmission cost, PERC sells power for 50% of retail
  - SUSTAINABLE: no fuel price volatility, 24/7 production, 99.3% availability in 2005



## Central Generation Efficiency





- ## Societal Trends Favor Energy Recycling
- Growing societal problems from energy sector
    - Rising fuel and electric prices
    - Desire to preserve local manufacturing jobs
    - Search for clean energy production
  - Primary Energy recycling projects mitigate all of these concerns and save money
- Primary Energy

## Challenges to Meet Electrical Load Growth

- US Electric load grows 14,000 MW per year
- New conventional central generation is raising power costs, increasing emissions
- New renewable energy lowers emissions but is raising power costs even more



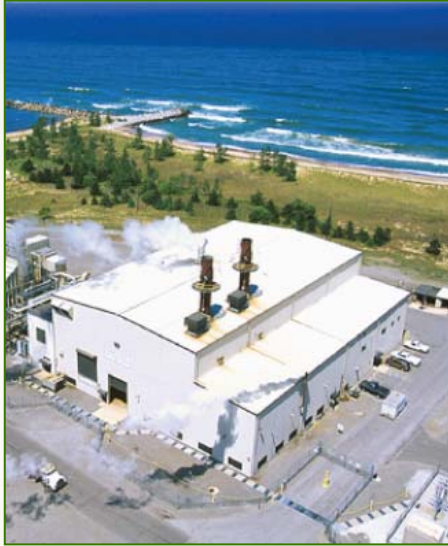
## Economics Favor Recycled Energy

Primary Energy's projects:

- reduce emissions
- reduce fossil fuel use
- lower energy costs
- earn competitive return on capital



## Recycled Energy is Clean



- Convert normally wasted energy to useful work
- Useful energy with no incremental fossil fuel, no incremental carbon dioxide
- PERC projects reduced carbon dioxide emissions by 1.8 million tons in 2005
- Equivalent to preserving 1.3 million acres of mature forest



## Recycled Energy is Affordable

- PERC customers pay under 2.7 cents per kWh on average, less than half of the retail price for large industrial companies
- PERC customers saved over \$40 million in 2005 versus conventional production of steam and use of grid power
- Energy recycling projects start with free energy, thus avoid the price volatility of natural gas and other fossil fuels



## Company at a Glance

Customer	Project Description
 <b>Ironsides</b> East Chicago, IN	Electric capacity: 50 MW Steam capacity: 460 Mlbs/hr steam Contract expiration: 2018 Host: ISG Indiana Harbor Inc. (owned by Mittal) Commercial operations: 2003
 <b>North Lake</b> East Chicago, IN	Electric capacity: 75 MW Steam capacity: N/A Contract expiration: 2011 Host: Mittal Steel USA Commercial operations: 1996
 <b>Cokenergy</b> East Chicago, IN	Electric capacity: 95 MW Steam capacity: 896 Mlbs/hr steam Contract expiration: 2013 Host: Mittal Steel USA Commercial operations: 1998
 <b>Portside</b> Portage, IN	Electric capacity: 64 MW Steam capacity: 495 Mlbs/hr steam (facility also produces softened water) Contract expiration: 2013 Host: US Steel Commercial operations: 1997
 <b>Harbor Coal</b> East Chicago, IN	Capacity: 110 tons per hour of dried, pulverized coal for blast furnaces Contract expiration: 2013 Host: Mittal Steel USA Commercial operations: 1993

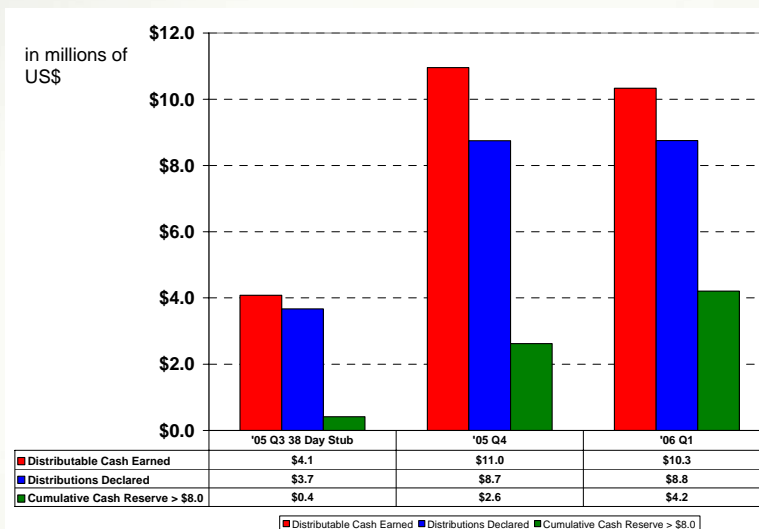
## Financial Highlights

(in thousands of US\$)	Aug 20 – Sept 30 2005	Q4 2005	Aug. 20 – Dec. 31 2005
Revenue	9,165	23,234	32,399
Expenses	7,997	19,701	27,698
Operating Income	1,168	3,533	4,701
EBITDA	5,285	13,821	19,106
<b>Distributable Cash Earned</b>	<b>4,081</b>	<b>10,957</b>	<b>15,038</b>
<b>Distributions Made</b>	<b>3,669</b>	<b>8,747</b>	<b>12,416</b>
<b>Payout Ratio</b>	<b>89.9%</b>	<b>79.8%</b>	<b>82.6%</b>
Total Assets	502,641	512,484	
Total Liabilities	271,919	292,807	
Non-controlling Interest	53,878	49,643	
Shareholder's Equity	176,844	170,034	

## Financial Highlights

(in thousands of US\$)	Q4 2005	Q1 2006
Revenue	23,234	25,718
Expenses	19,701	22,588
Operating Income	3,533	3,130
EBITDA	13,821	13,280
<b>Distributable Cash Earned</b>	<b>10,957</b>	<b>10,335</b>
<b>Distributions Made</b>	<b>8,747</b>	<b>8,752</b>
<b>Payout Ratio</b>	<b>79.8%</b>	<b>84.7%</b>
Total Assets	512,484	505,325
Total Liabilities	292,807	294,633
Non-controlling Interest	49,643	47,309
Shareholder's Equity	170,034	163,383

## Distributable Cash Earned and Cash Reserve



## Harbor Coal Dynamics Drive Cash Flow

- Revenue is a function of price spread, level of iron production, and carbon efficiency
  - Price increases have widened spread between the coal Harbor Coal supplies and the fuels it replaces in blast furnaces - coke, natural gas, and oil
  - Mittal has increased daily hot metal production from an average of under 10,000 tons in 2004-05 to an average of over 11,000 tons for 2006 year to date
  - Carbon efficiency has been sacrificed for production, but Mittal says they will reduce carbon use, once they begin to average 13,000 tons hot metal per day
- Net effect of various improvements can be seen in PERC results



## Notes on First Quarter 2006

- Scheduled 8-year Cokenergy overhaul cost was ~\$800,000, all expensed in the quarter (& under budget)
- North Lake took one boiler down for annual cleaning, installed soot blowers to keep production up in future
  - Q1 cash generation should have been down due to above two items
- Actual cash flows were \$1.6 million more than declared distributions, reflecting enhancements, increased production at Ironside and improvements at Blast Furnace #7
- Cash balances \$15.8 million vs. \$8.0 million target



## Further Enhancement Potential

- With Mittal's increased production, flare gas could support additional 40 megawatts of generation
  - We are proposing changes to capture more of this waste energy
- Ironside still has excess generating capacity of 25 megawatts
  - We are working with Mittal to increase generation



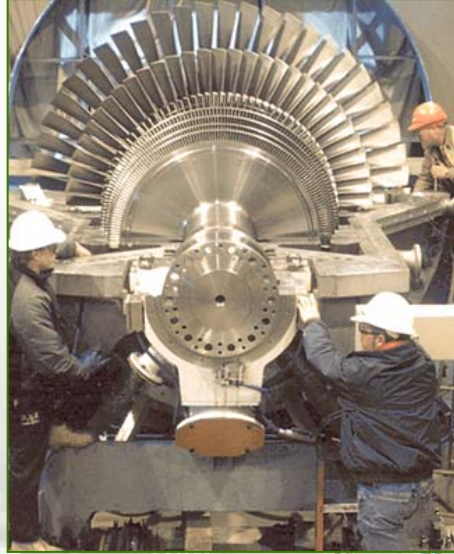
## Dividend Increase Approved

- PERC Board met yesterday, reviewed public results and detailed information
- Board approved a dividend increase of 5 cents Canadian per year per EIS unit, or 4.55%
- The annual distribution becomes Cdn \$1.15 per EIS (or \$0.0958 per EIS unit per month)
- The distribution increase will become effective beginning for the distribution to be declared in May which is payable in June



## Key Attributes

- Recycled energy is clean, affordable, and sustainable
- Societal trends help PERC and recycled energy
- PERC produces predictable and sustainable cash flows
- PERC customers have made operational changes, increasing PERC production and cash flow for the quarter



For More Information

Please visit us at

[www.primaryenergyrecycling.com](http://www.primaryenergyrecycling.com)