



18 August 2011

TAURON Group results – 1H 2011

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Key events

3 January	Registration of two companies: TAURON Sprzedaż and TAURON Obsługa Klienta in the National Court Register
11 March	Signing a set of agreements concerning new steam and gas-fired unit at Stalowa Wola: agreement for operation of CHP Elektrociepłownia Stalowa Wola, agreement for gas supply and agreement for electricity supply
23 March	Sale by the State Treasury of 11.9% of the Company's shares at PLN 6.15 each – lowering the share of the State Treasury to 30%; increasing the share of Polish and international financial investors in the Company's share capital
13 April	Signing an agreement with KGHM Polska Miedź on choosing gas as fuel for the Elektrownia Blachownia project
28 April	The Management Board and the Supervisory Board of the Company adopted "The Corporate Strategy of the TAURON Group for 2011-2015 with a perspective until 2020", which is an update of the 2008 strategy
6 May	The Ordinary General Meeting approved financial statements and adopted a resolution concerning distribution of net profit for 2010. The OGM decided to pay dividends in the total sum of PLN 262.9 million (PLN 0.15 per share) which took place on 20 July
1 July	Fitch rating agency affirmed the rating for the Company in the domestic and foreign currency at BBB level with a stable outlook

Electric energy market price trends

Electric Energy						
Platforms: TGE, TFS, GFI, GPW-POEE	2010		2011		2011/2010	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
Forward BASE (Y+Q+M)	186.26	37 034	194.78	100 524	+4.6%	+171.4%
Forward PEAK (Y+Q+M)	208.22	4 432	218.70	14 230	+5.0%	+221.1%
Forward (weighted av.)	188.62	41 466	197.74	114 754	+4.8%	+176.7%
SPOT (TGE + GPW-POEE)	191.86	13 061	199.30	19 592	+3.9%	+50%
Total weighted average	189.40	54 527	197.97	134 346	+4.5%	+146.4%

CO ₂ emission allowances (EUR/t) :		Certificates (PLN/MWh)		
CO ₂ market analysts' survey	Price	December 2011	Estimated market price	Substitution fee for 2011
Average in 3Q – 2011	14.00			
Average in 4Q – 2011	15.00			
Average expected price EUA DEC-11 for the end of 2011	15.00			
		RES (green)	279.13	274.92
		Coal cogeneration (red)	21.04	29.58
		Gas cogeneration (yellow)	122.50	127.15
		Methane (violet)	55.35	59.16

Group restructuring – 1H 2011

Ownership structure rearrangement

Business model implementation

Finished

- Sale of fixed assets unrelated to the core operation for the total sum of PLN 6.2 million, including:
- leisure businesses (recreational facilities; dwellings)
- stock/shares of 8 companies with equity holding of the TAURON Group companies
- merger of 2 companies from the field of electric network renovation

- Registration of TAURON Sprzedaż (Supply) and TAURON Obsługa Klienta (Customer Service) in the National Company Register (KRS) which completed the process of restructuring the Group in the areas of supply and customer service

In progress

- Sale of assets unrelated to the core operation (recreational facilities); scheduled completion – 4Q 2011
- Sale of stock/shares of 13 companies from outside the TAURON Group's value chain; scheduled completion – 2012
- Coordination and integration of medical business in PŚiPZ ELVITA company; scheduled completion – 4Q 2011

- Process of integration of the Group's asset covering:
 - distribution companies
 - generation companies
 - heat generation companies
- Scheduled completion – 3Q 2011

Implementation of investment programme

ZEC Bielsko-Biała – new heating unit

- Capacity – 50 MW_e / 182 MW_t
- Scheduled completion – mid 2013

Status as of 30 June 2011:

- Investment carried out according to schedule – construction works under way. General contractor: Polimex-Mostostal
- 15 June – boiler drum installation completed

Jaworzno III – new fluidized bed boiler (biomass burning)

- Capacity – 50 MW_e / 45 MW_t
- Scheduled completion – 2012

Status as of 30 June 2011:

- Investment carried out according to schedule – construction works under way. General contractor: Rafako and Omis
- 2 June – boiler drum installation completed

Stalowa Wola – K-10 boiler modernisation (biomass burning)

- Capacity – 20 MW_e
- Scheduled completion – 2012

Status as of 30 June 2011:

- Investment carried out according to schedule – construction design completed, preparatory construction work in progress. General contractor: Rafako

Tychy – new CHP unit and fluidized bed boiler reconstruction (biomass burning)

- Capacity – 50 MW_e / 86 MW_t
- Scheduled completion – end of 2015 (new unit) and end of 2012 (boiler reconstruction)

Status as of 30 June 2011:

- 29 March – agreement signed with Metso Power for boiler reconstruction
- 16 May – agreement signed for construction of a biomass feeding unit with the consortium of: Mostostal Warszawa, P.M.U.E. Remak, P.R.B. Erbud
- 27 June – agreement signed with Energopomiar for engineering supervision for investments related to rebuilding and modernisation of generation units at EC Tychy S.A. (stage I)

Wind farm – Marszewo

- Capacity – 100 MW_e
- Scheduled completion – 2014

Status as of 30 June 2011:

- Preparation of documentation necessary for a tender for the general contractor

Implementation of investment programme (2)

Stalowa Wola – new gas and steam unit

- Capacity – 400 MW_e / 240 MW_t
- Project commencement – 2010; scheduled completion – 2014

Status as of 30 June 2011:

- General contractor selection in progress

Katowice – new gas and steam unit

- Capacity – 135 MW_e / 90 MW_t
- Scheduled completion – 2015

Status as of 30 June 2011:

- Preparation for contractor selection in progress

Wind Farm – Wicko

- Capacity – 40 MW_e
- Scheduled completion – 2012

Status as of 30 June 2011:

- Contractor selection in progress
- 20 June – first contractor selection procedure was cancelled
- 21 June – new contractor selection procedure was opened

Elektrownia Blachownia – new gas unit

- Capacity – about 850 MW_e
- Scheduled completion – 2016

Status as of 30 June 2011:

- Special purpose vehicle is being established

Implementation of investment programme (3)

Jaworzno III – modernization of boilers

- Scope – adaptation of six OP-650k type boilers to lower nitrogen oxides emission standards which will be binding from 2018
- Project commencement – July 2010, scheduled completion – January 2016

Status as of 30 June 2011:

- Modernization works and construction works connected with nitrogen removal system construction at unit No. 2 have been completed
- General contractor: consortium of Fortum Power and Heat (leader) and Zakłady Remontowe Energetyki Katowice (member)

Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled completion – 2016

Status as of 30 June 2011:

- Selection of the contractor and engineer in progress
- Application for construction permit has been submitted

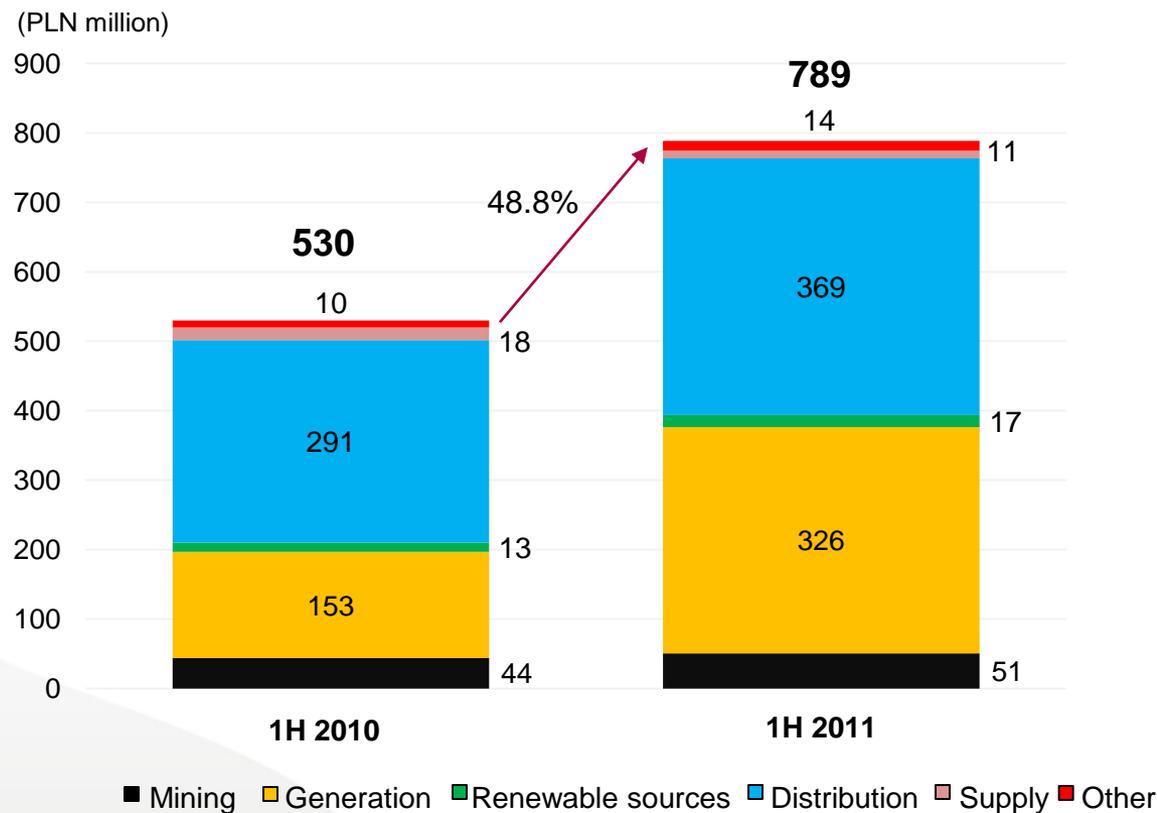
Łaziska – modernization of boilers

- Scope – adaptation of four OP-650k type boilers to lower nitrogen oxides emission standards which will be binding from 2018
- Project commencement – July 2010, scheduled completion – January 2015

Status as of 30 June 2011:

- Design work related to the execution of the contract for supply of nitrogen removal system in progress
- General contractor: STRABAG

Investment expenditure



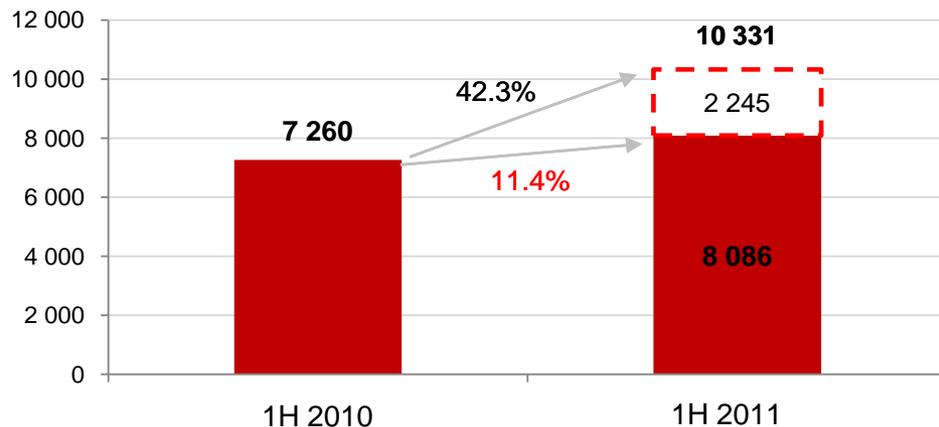
- In 1H 2011 the Group invested approx. PLN 789 million, of which almost 90% were Generation and Distribution expenditures
- A dynamic increase in expenditure on Generation results from an increase in expenditure on new generation units (from PLN 51 to 122 million) and other expenditures (including mainly NOx units and adaptation of the existing boilers to biomass burning)
- The increase of expenditures on Distribution resulted from the increase of expenditures on modernisation of network assets (approx. PLN 70 million). The increase in expenditure on new connections amounts to approx. PLN 8 million

Key operational data

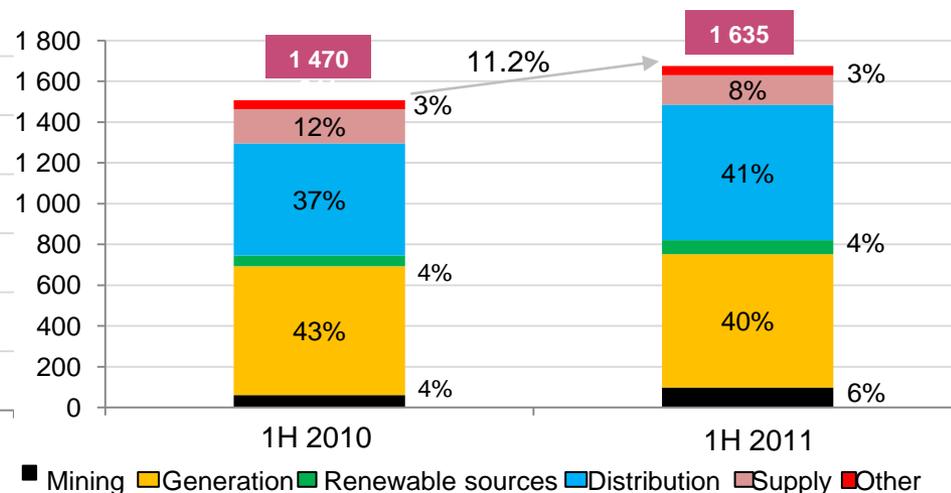
	2Q 2010	2Q 2011	Change (dynamics)	1H 2010	1H 2011	Change (dynamics)
Production of coal (million tons)	0.86	1.44	67.9%	2.22	2.60	17.0%
Electricity generation (net production) (TWh)	4.90	5.31	8.3%	10.21	11.21	9.8%
Including RES (TWh)	0.30	0.23	-23.2%	0.53	0.46	-13.1%
Heat Generation (PJ)	2.41	2.04	-15.4%	10.52	9.40	-10.6%
Distribution (TWh)	9.11	9.41	3.3%	18.76	19.42	3.5%
Supply (TWh)	8.27	9.34	12.8%	16.90	18.57	10.2%
Number of clients – Distribution (thousands)	4 118	4 128	0.3%	4 118	4 128	0.3%

Financial results for 1H 2011

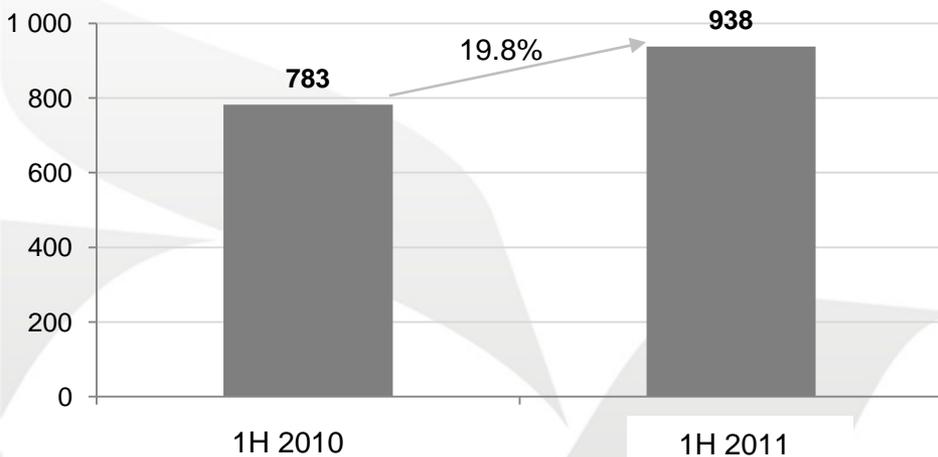
TAURON Group revenues (PLN million)



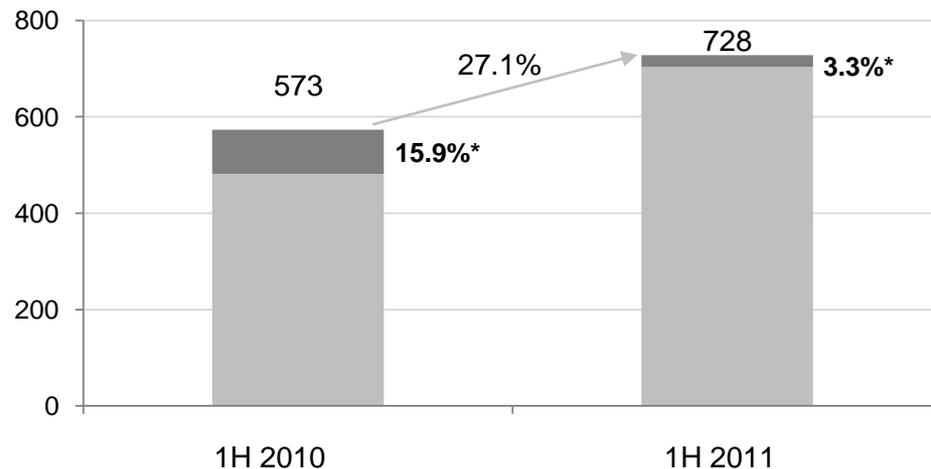
EBITDA by segments (PLN million); EBITDA structure



TAURON Group EBIT (PLN million)



TAURON Group net profit (PLN million)

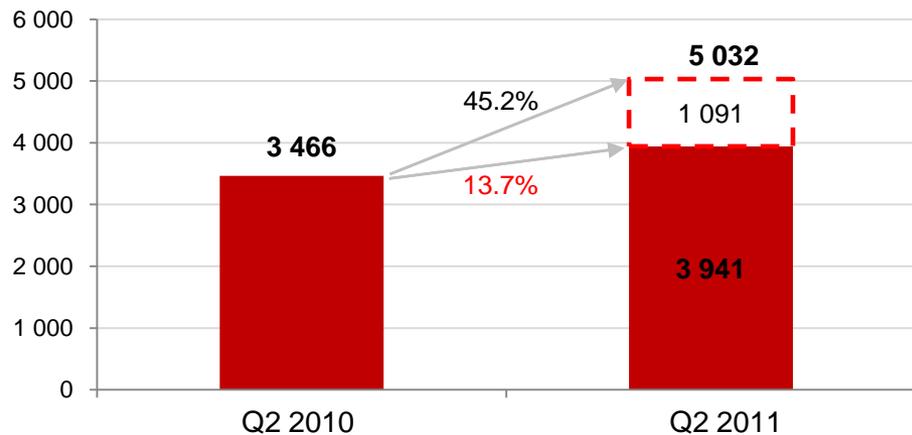


The above data is presented in a comparable form:

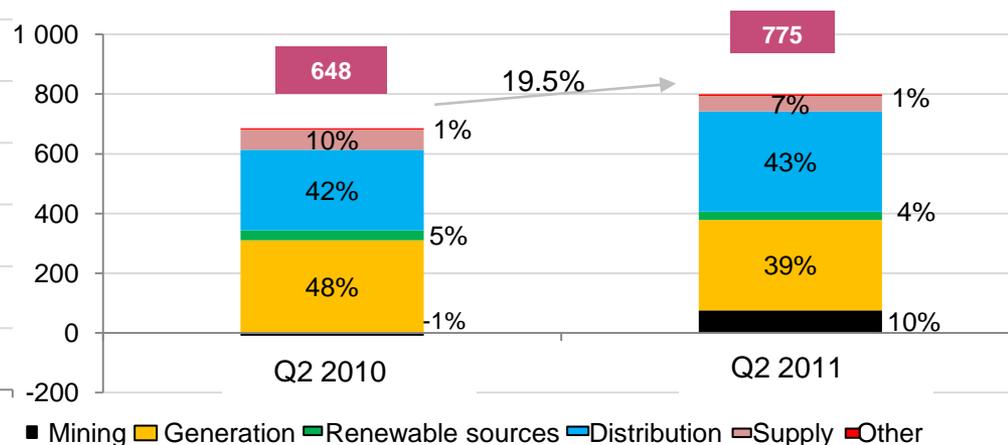
Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in 1H 2010 was treated as internal supply in the Group and was consolidated

Financial results for 2Q 2011

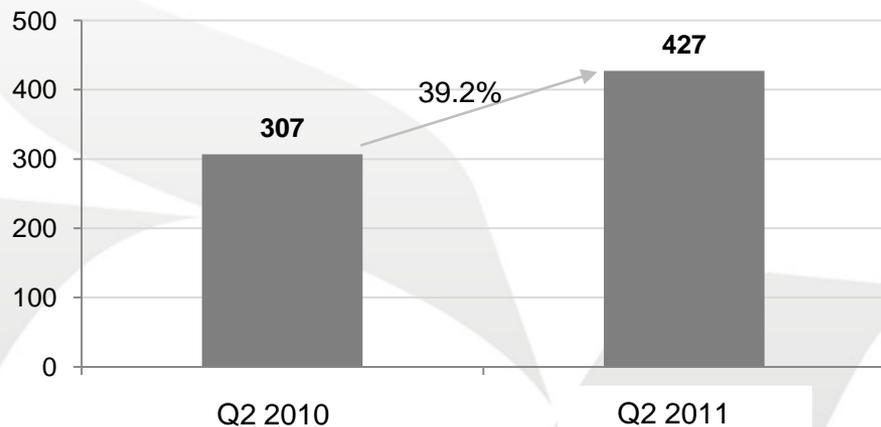
TAURON Group revenues (PLN million)



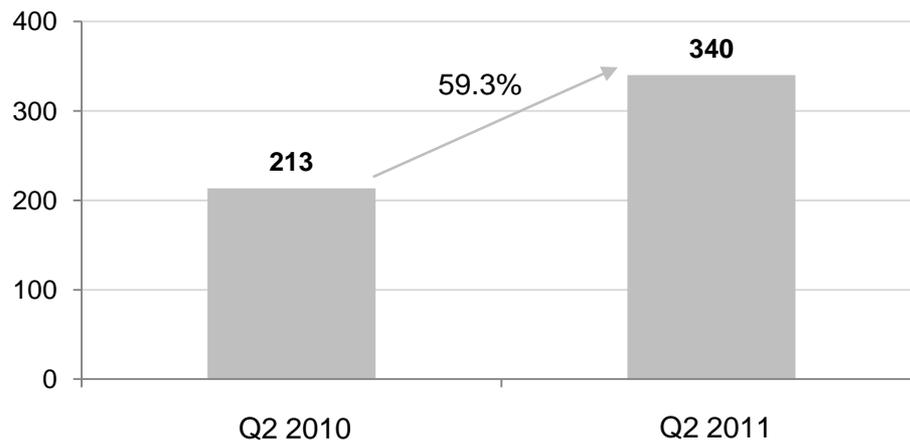
EBITDA by segments (PLN million); EBITDA structure



TAURON Group EBIT (PLN million)



TAURON Group net profit (PLN million)

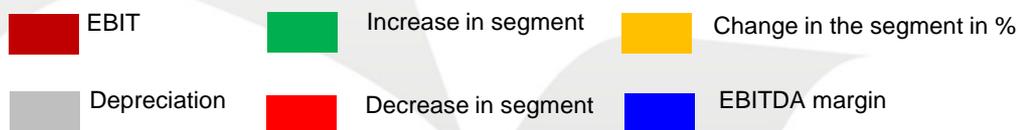
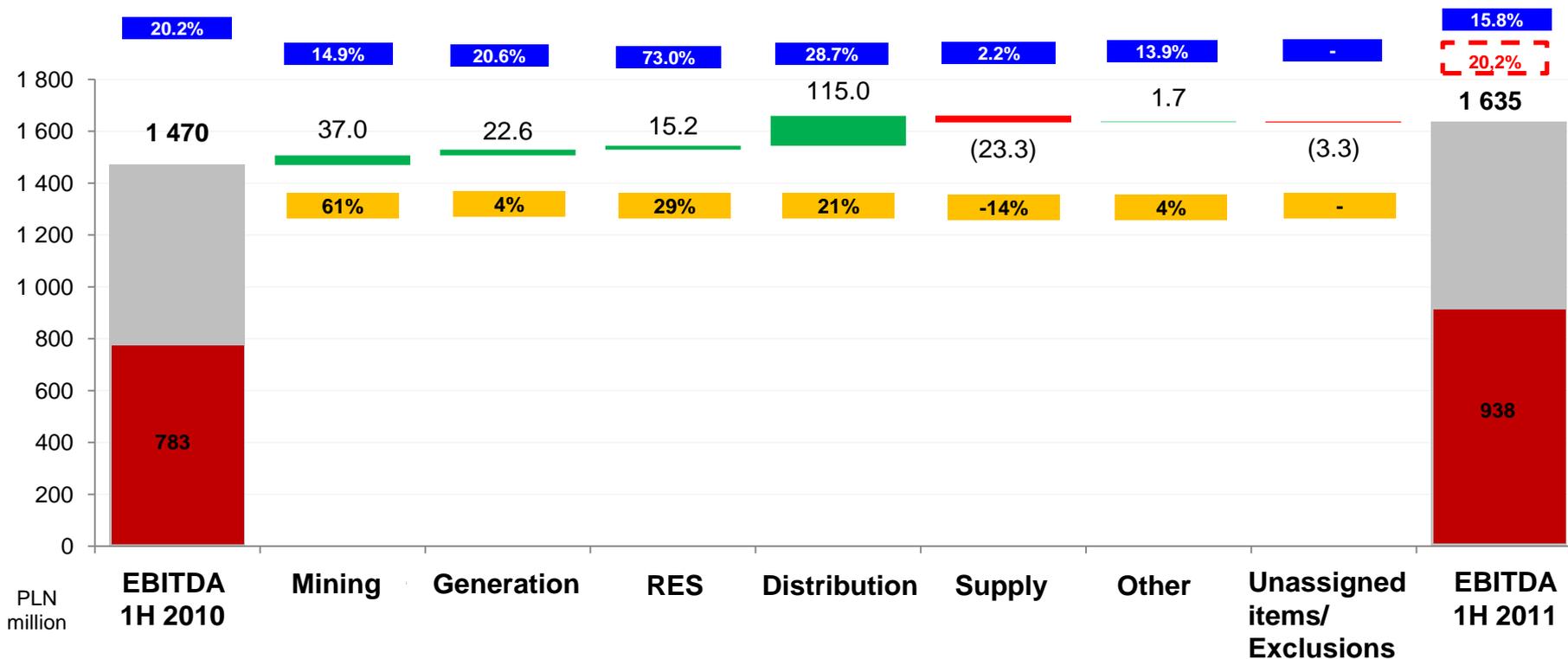


The above data is presented in a comparable form:

Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in 2Q 2010 was treated as internal supply in the Group and was consolidated

Financial results for 1H 2011 - EBITDA

Changes in EBITDA by segments (PLN million and %), EBITDA margin per segment (%)



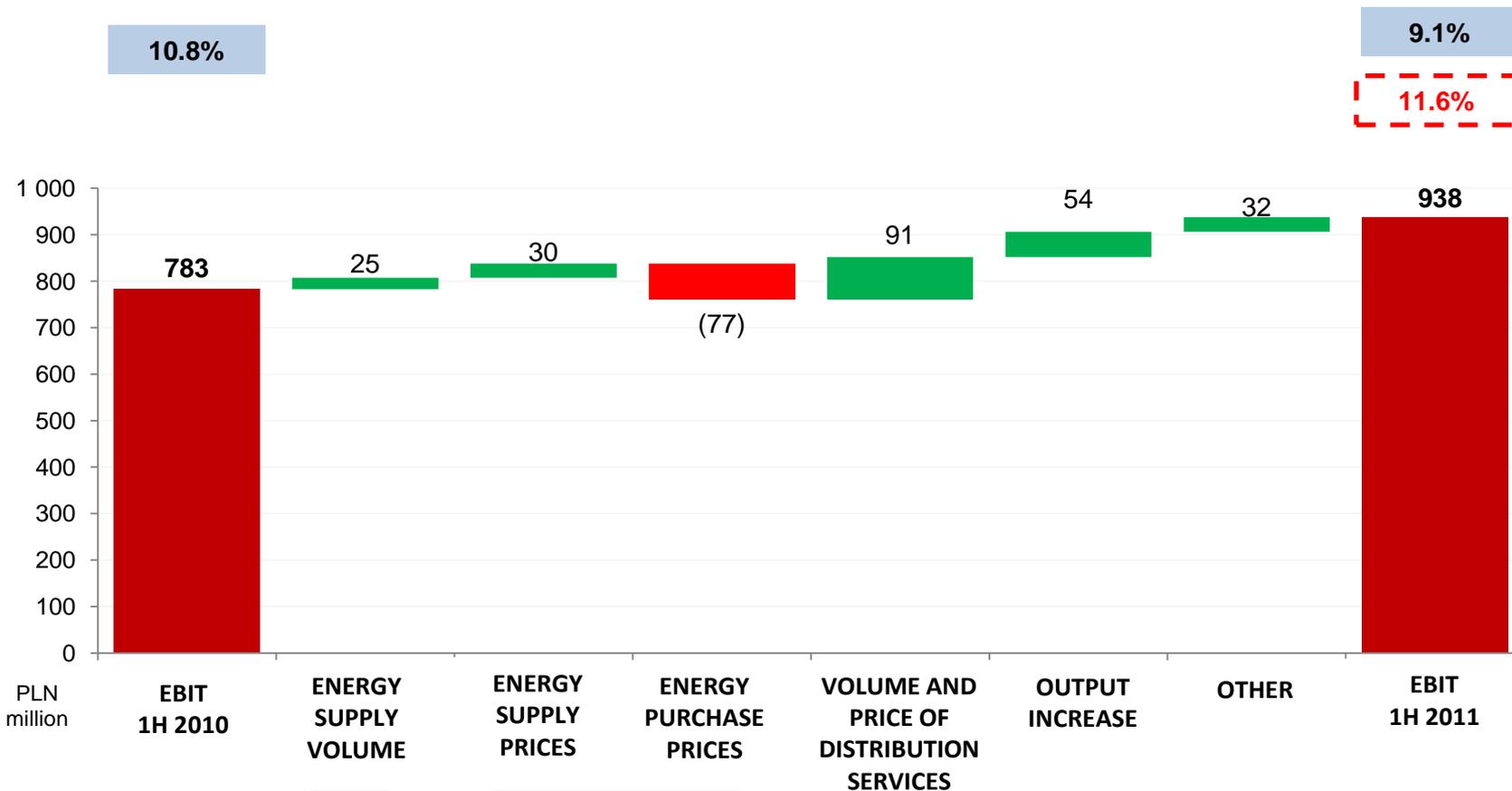
* In 1H 2010 in Supply segment the valuation of RES (green) energy certificates is recognized in the amount of approx. PLN 32.8 million. This did not occur in 1H 2011.

The above data is presented in a comparable form:

Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in 1H 2010 was treated as internal supply in the Group and was consolidated.

Financial results for 1H 2011 - EBIT

EBIT change vs. operational factors (PLN million); EBIT margin (%)



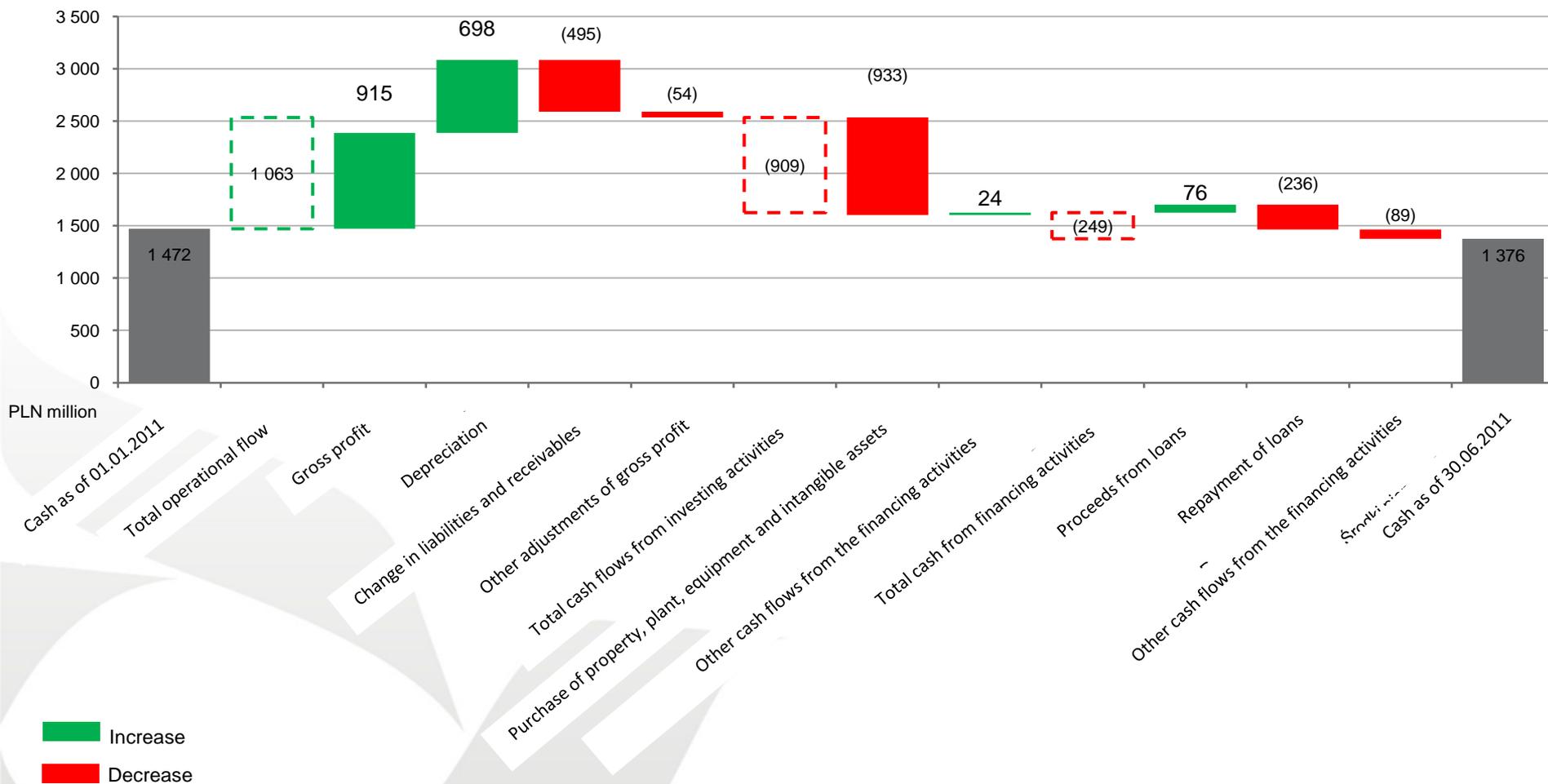
- EBIT
- Increase in segment
- EBIT margin
- Decrease in segment

The above data is presented in a comparable form:

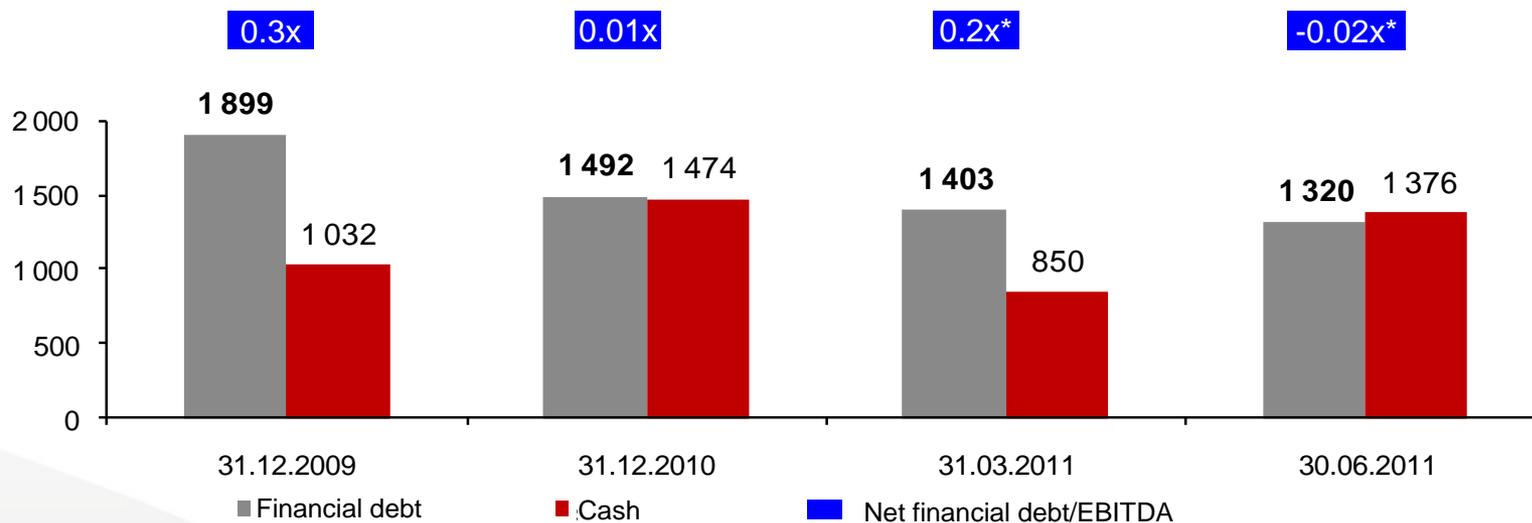
Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in 1H 2010 was treated as internal supply in the Group and was consolidated

Cash flow level changes

Cash – changes in 1H 2010 vs. 1H 2011



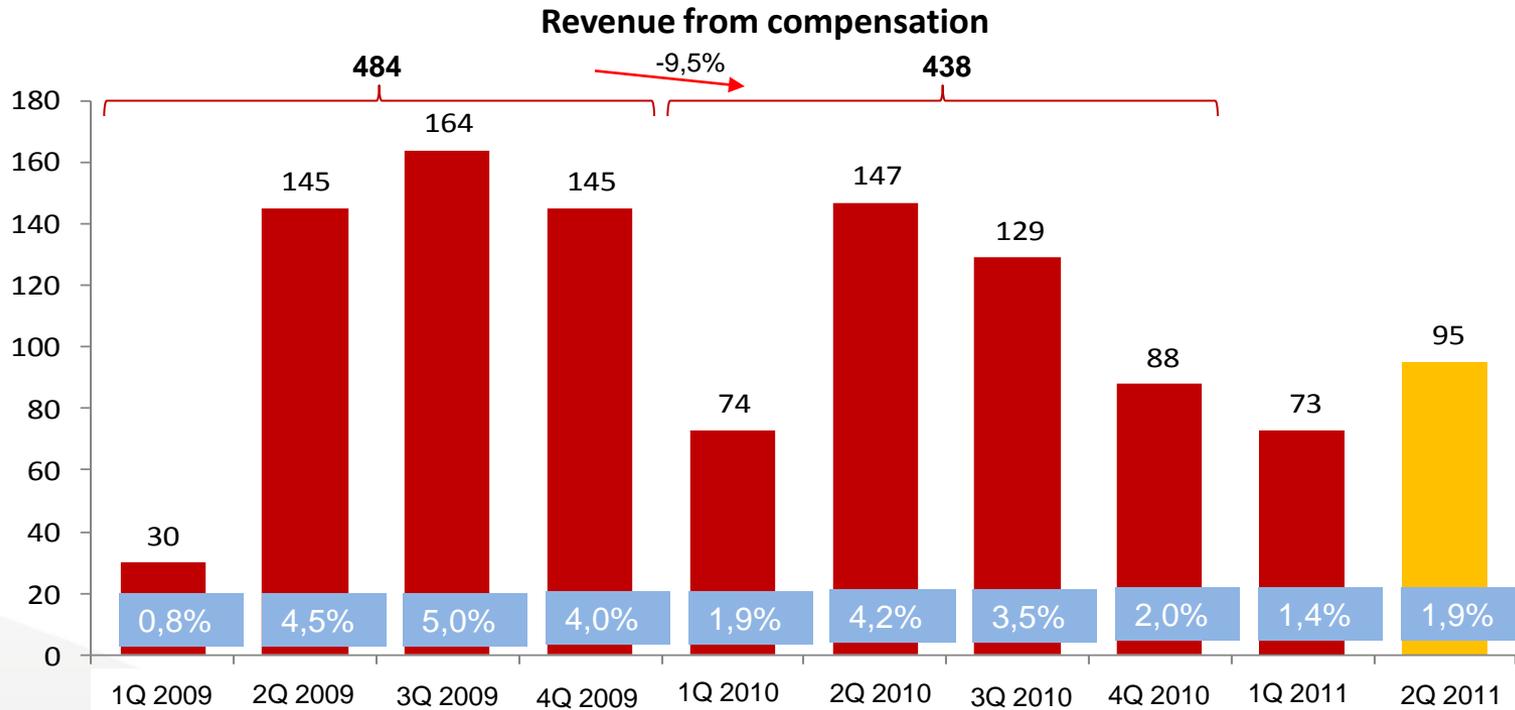
Net financial debt (PLN million), net financial debt/EBITDA (x)



* In relation to EBITDA for 2010

- A decrease in debt as of 30 June 2011 in relation to the introduction of central finance management in the Group, which reduced the need for external financing (cash surplus)

Compensation for termination of long-term agreements

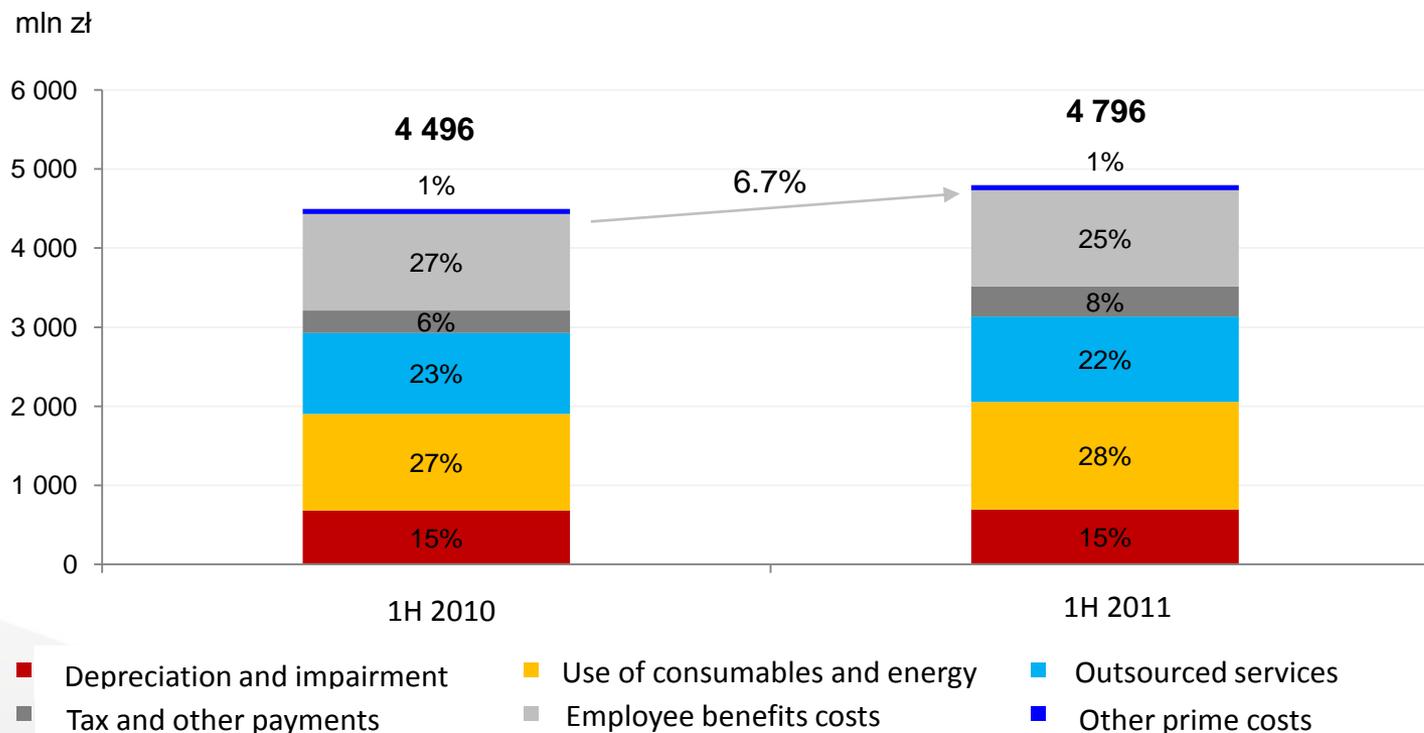


XX% PPA share in quarterly revenue

Revenue from compensation includes:

- Indexed advanced payments under PPA Termination Act
- Annual adjustments of these advance payments
- Part of the final adjustment

Prime costs structure



Cost increase in H1 2011 applies mainly to:

- use of consumables and energy, including mainly coal consumption caused by the increase in electricity generation
- increase of taxes and other charges, including environmental fees related to the increase in electricity generation

In 1H 2011 variable costs constituted 45% and fixed costs 55% of total costs. In 1H 2010 variable costs constituted 41% and fixed costs 59%

Efficiency improvement programme

TAURON Group implements cost efficiency improvement plan

**GENERATION – result in 2Q 2011: – PLN 61 million;
cumulated result since programme implementation – PLN 310 million**

Increased production efficiency
Increased by-product utilization
Reduced expenditure related to emission of pollution

**MINING – result in 2Q 2011: – PLN 4 million;
cumulated result since programme implementation – PLN 35 million**

Reduced energy purchase costs
Reduced lateral development costs

**RES + OTHER – result in 2Q 2011: – PLN 1 million;
cumulated result since programme implementation – PLN 8 million**

Reduced heat losses
Reduced employment costs

**DISTRIBUTION – result in 2Q 2011: – PLN 46 million;
cumulated result since programme implementation – PLN 133 million**

Purchase costs optimization
Improvement of management and operating processes
Optimization of balance sheet differences

**SUPPLY – result in 2Q 2011: – PLN 0 million;
cumulated result since programme implementation – PLN 8 million**

Change of consumers settlement system
Optimization of mail service costs

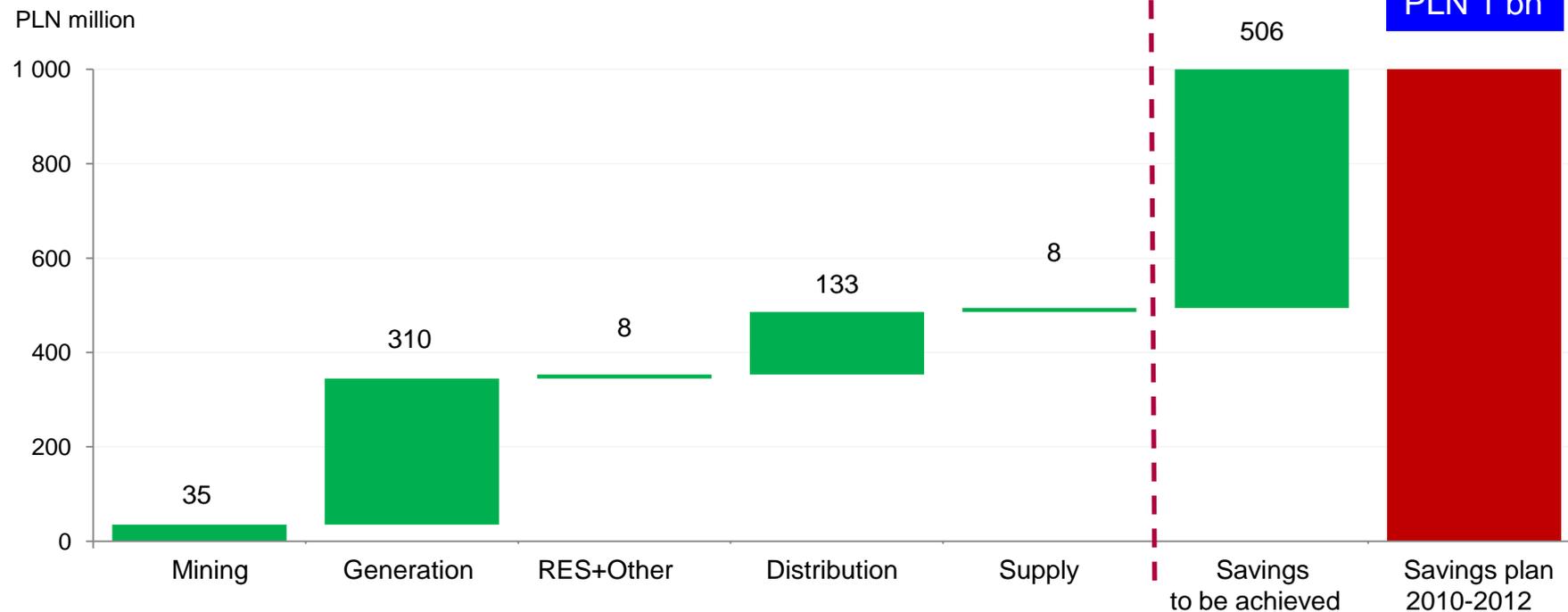
VOLUNTARY REDUNDANCY PROGRAMME

As of the end of 2Q 2011, 1172 persons participated in the programme (since its implementation), out of which 499 terminated their employment contracts in 2011 (total since the programme implementation: 1057 persons). Savings resulting from reduced employment have been included in the amounts shown for individual segments.

The savings programme for the years 2010-2012 which assumes operational costs reduction by approx. PLN 1 billion has been implemented according to the plan

Implementation of the efficiency improvement programme

Efficiency improvement programme 2010-2012 cumulated savings OPEX



Increased Group's value

- Continuation of costs efficiency improvement programme
- Achieving synergies from integration of areas
- Implementing liquidity management policy in the Group

Acquisition opportunities

- Participation in the sale of Zespół Elektrowni Wodnych Niedzica by the Minister of State Treasury

Obtaining financing

- Obtaining financing from the European Investment Bank for execution of the projects of construction of the new co-generation unit at ZEC Bielsko-Biała and biomass burning boiler in Jaworzno and projects in the distribution area
- Obtaining financing for potential acquisition opportunities
- Obtaining preferential financing/subsidies from EU funds and environmental funds (NFOŚiGW and WFOŚiGW)

Thank you – Q&A

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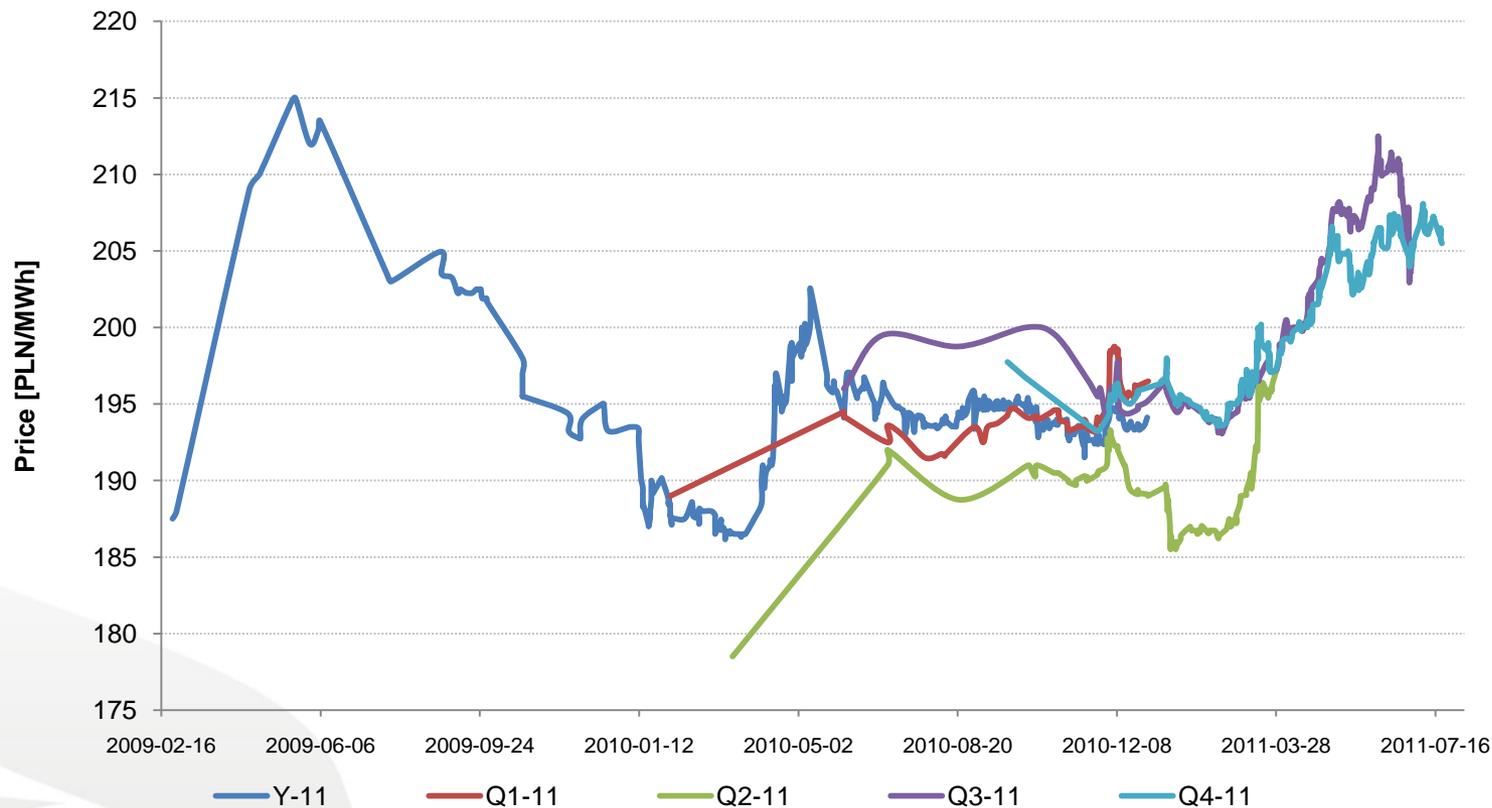
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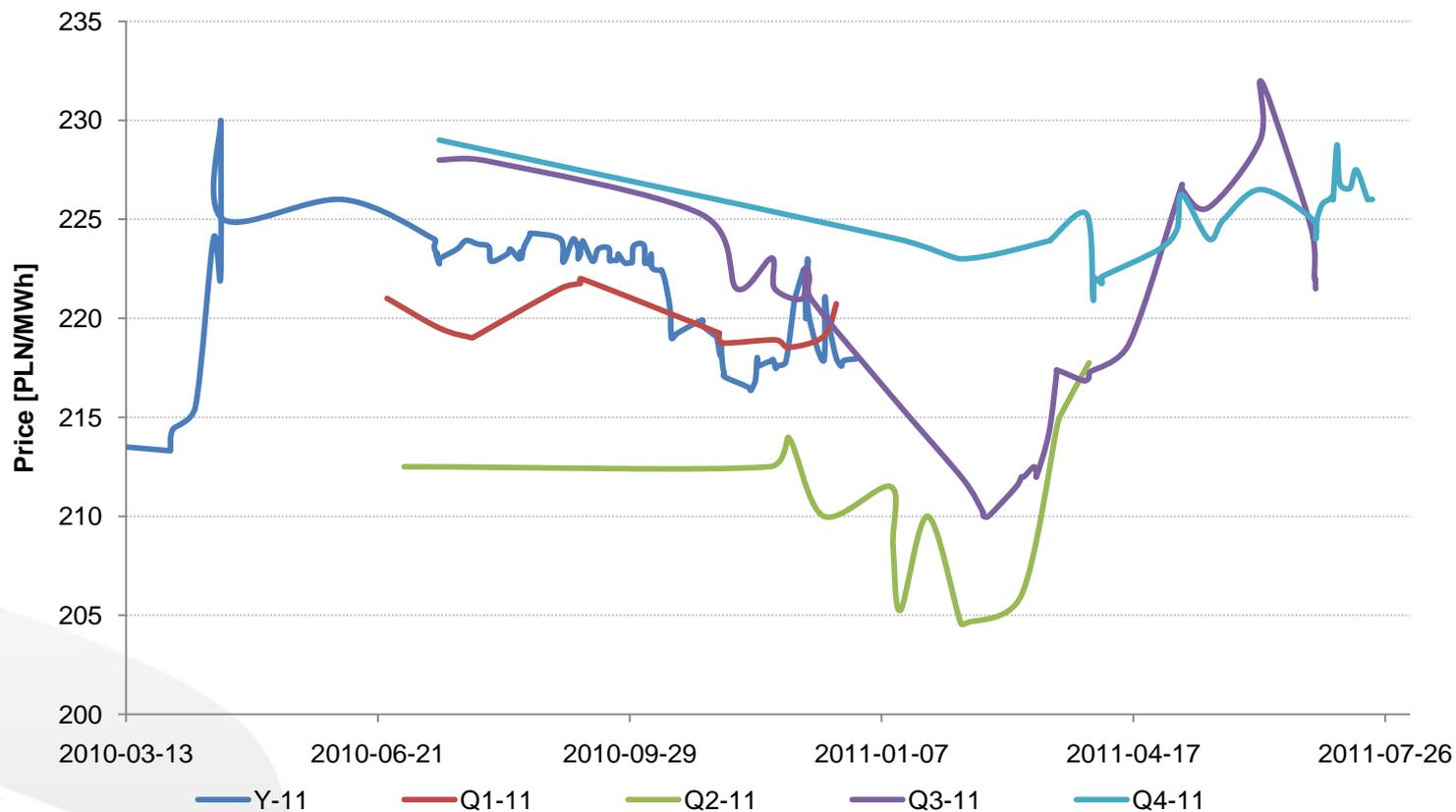
Additional information

Base 2011 contract prices



Transaction average price [PLN/MWh]:		Volume [GWh]
Yearly	193.48	75 914
Quarterly	198.76	17 327
Monthly	198.82	7 283
TOTAL	194.78	100 524

PEAK 2011 contract prices



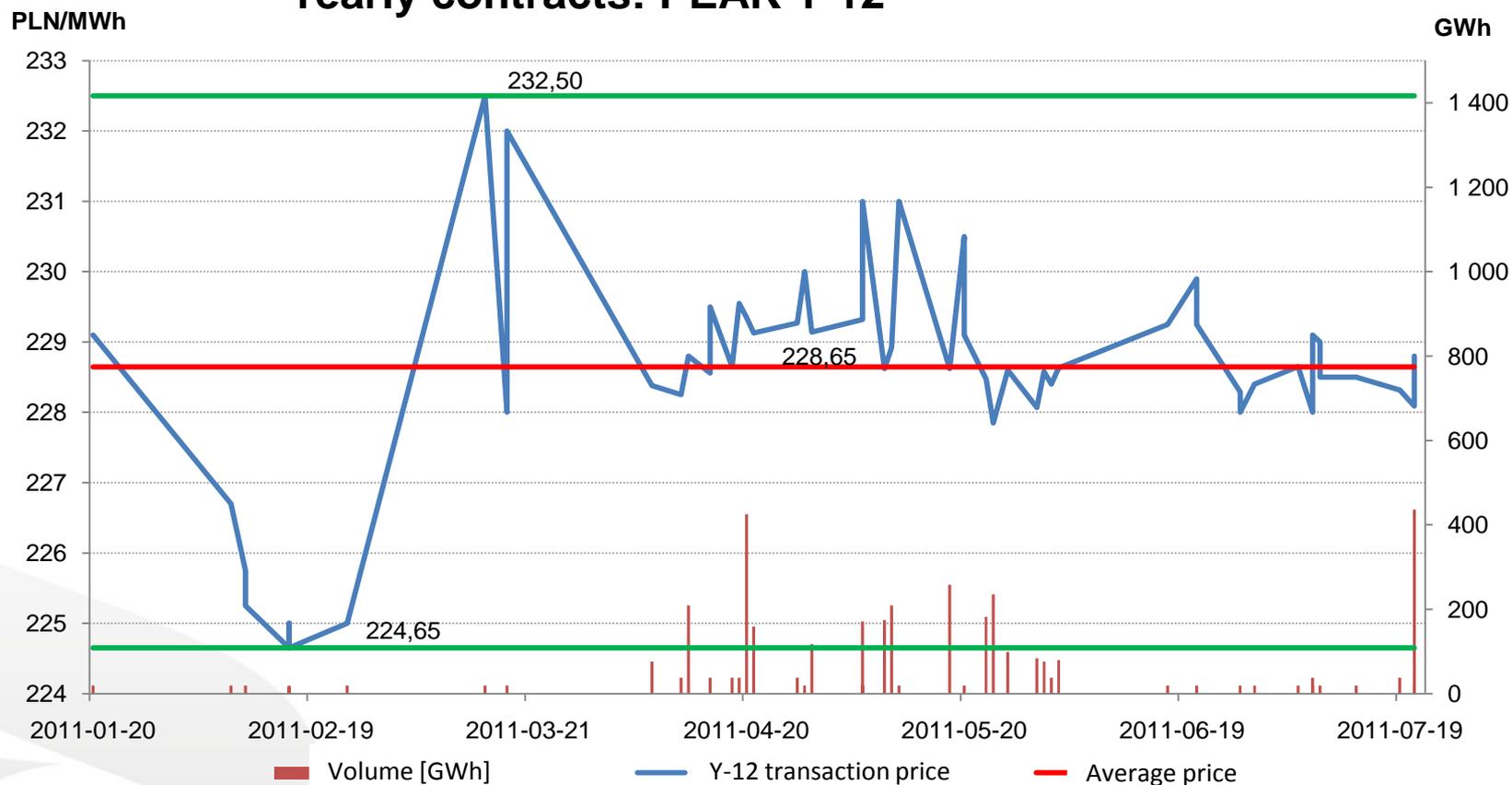
Transaction average price [PLN/MWh]:		Volume [GWh]
Yearly	218.94	12 172
Quarterly	219.54	1 063
Monthly	214.82	995
TOTAL	218.70	14 230

Yearly contracts: BASE Y-12



Average price [PLN/MWh]	202.74	Contracts [MW]	6 185
Prices min-max [PLN/MWh]	192 – 210	Volume [GWh]	54 329
Last price [PLN/MWh]	203.35		

Yearly contracts: PEAK Y-12



Average price [PLN/MWh]

228.65

Contracts [MW]

1 047

Prices min-max [PLN/MWh]

224.65 – 232.50

Volume [GWh]

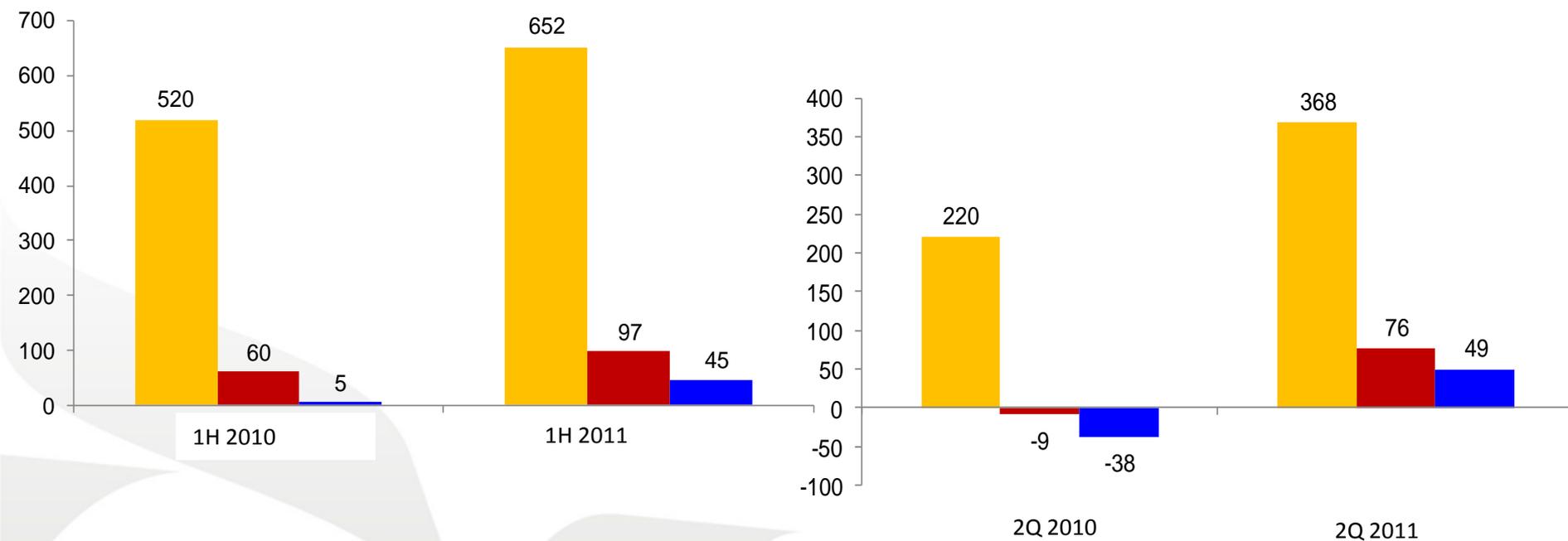
3 973

Last price [PLN/MWh]

228.80

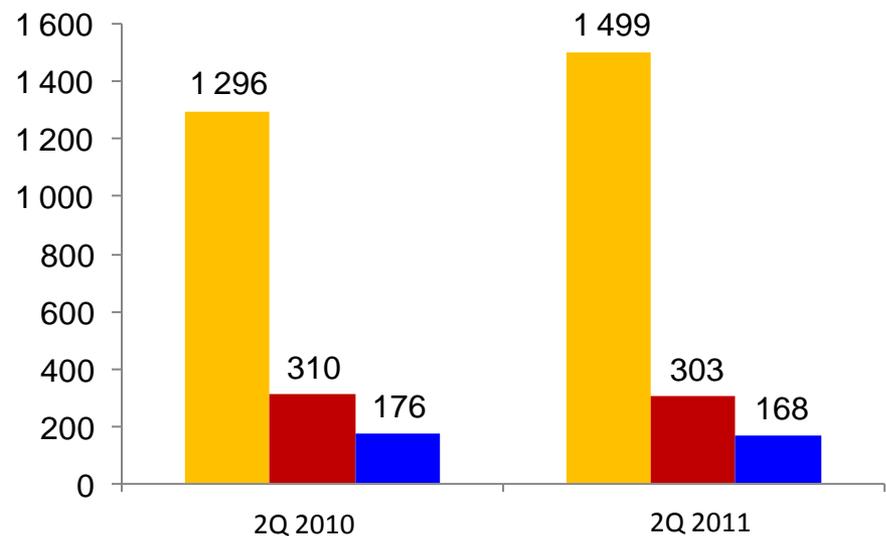
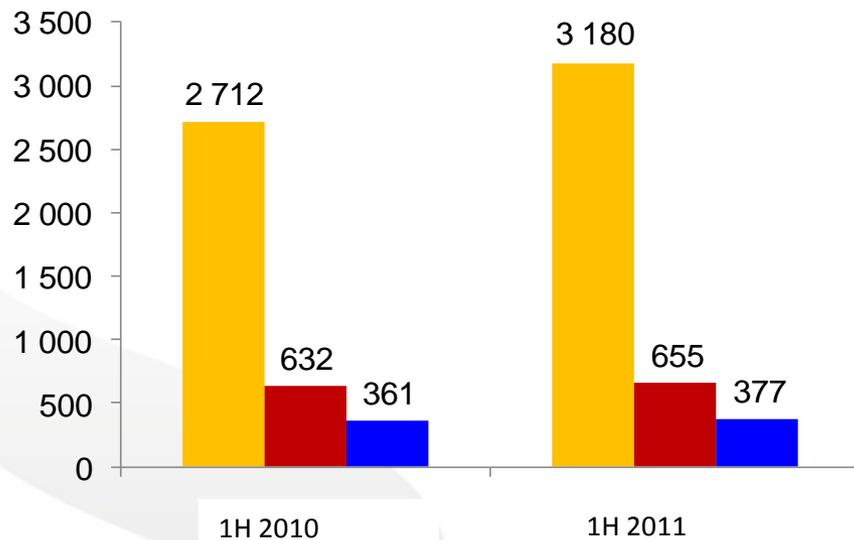
Mining – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million)



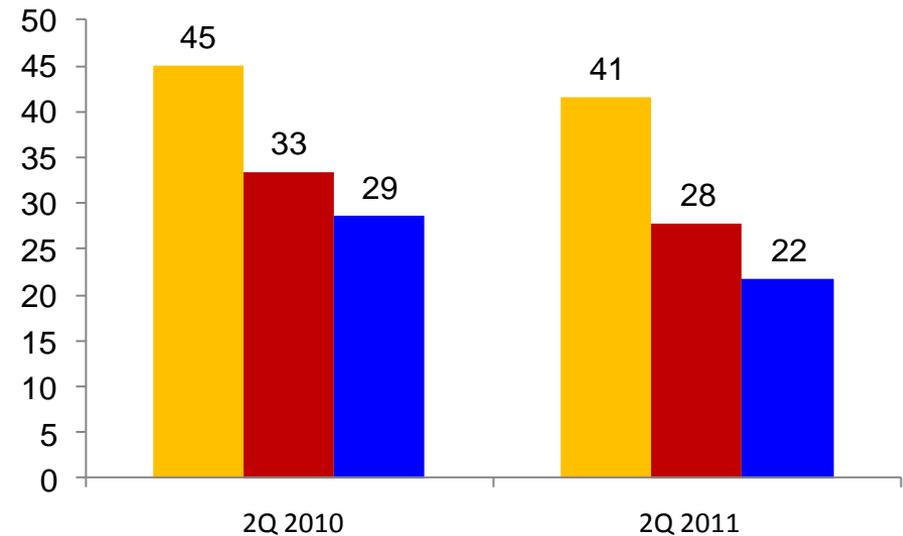
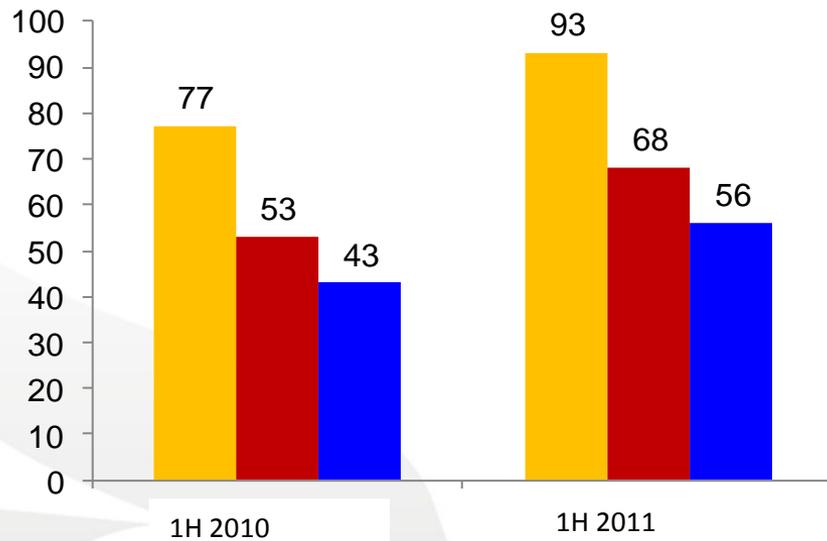
Generation from conventional sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million)



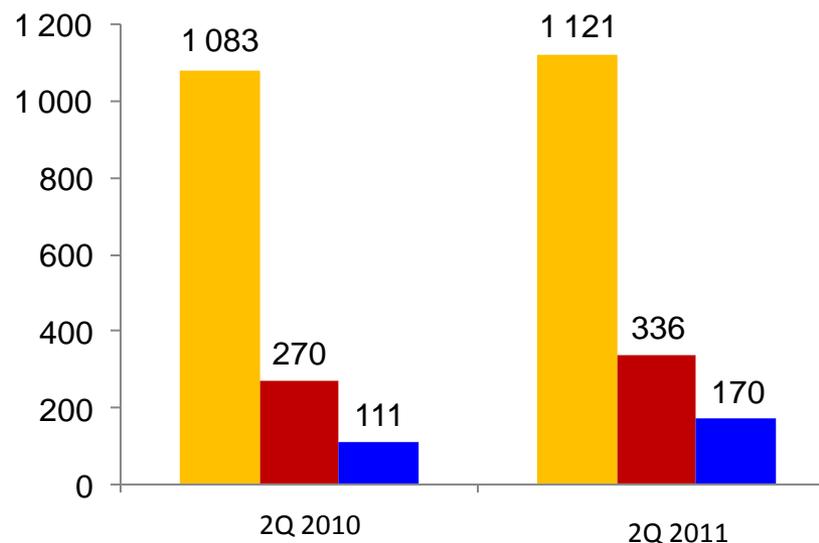
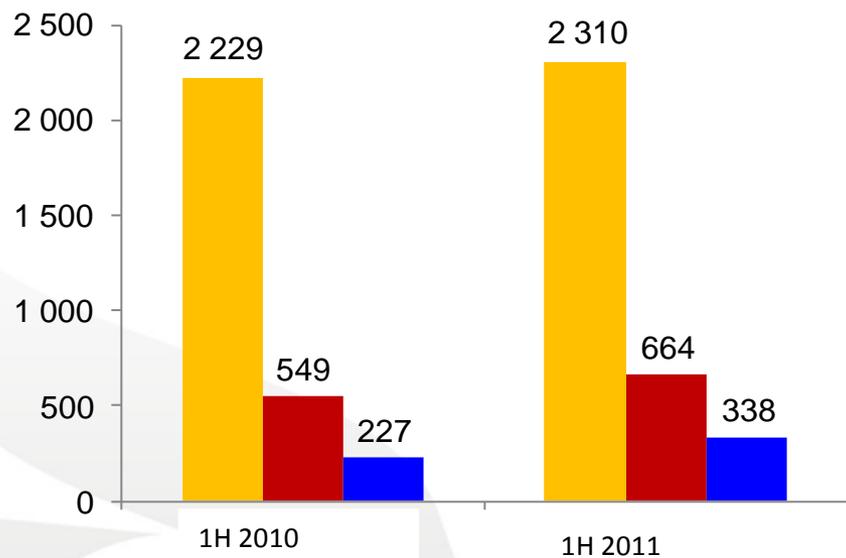
Generation from renewable sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million)



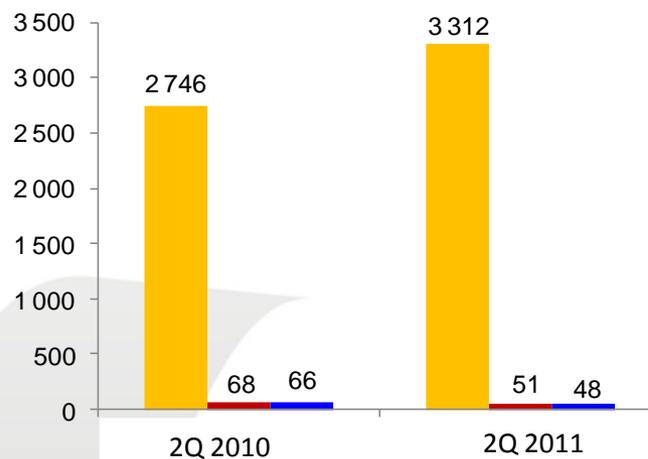
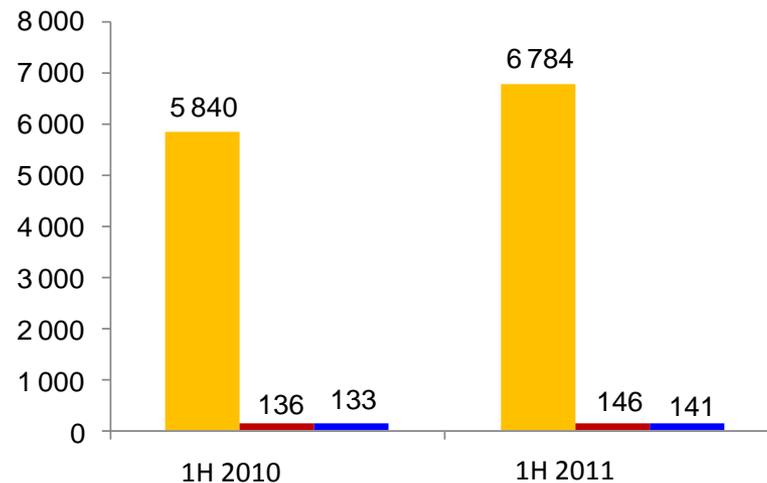
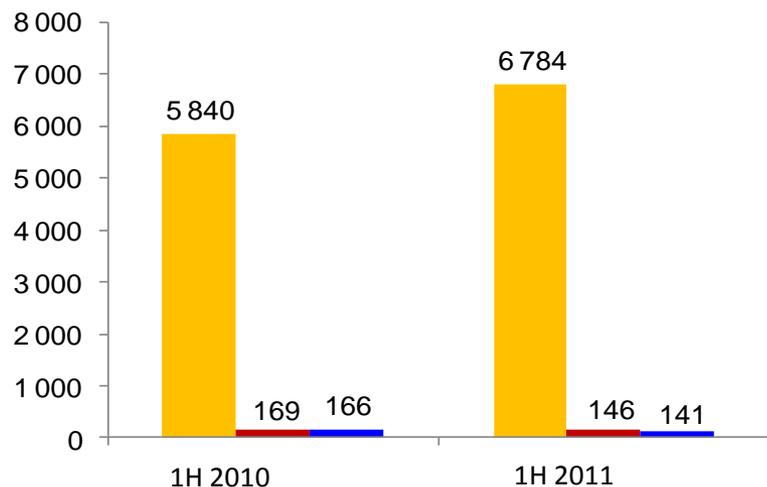
Distribution – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million)



Supply – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million) **EBIT and EBITDA – comparable data***



* Made to make comparable, taking into account EBIT for 1H 2010, evaluation of ownership rights from RES (PLN -32,8 million)

Other – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLN million)

