



10 May 2012

TAURON Group Results for Q1 2012

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Key events

19 January	Concluding the agreement for the construction of a 82 MW wind farm in Marszewo with the consortium of companies: Iberdrola Engineering and Construction Poland (leader) and Iberdrola Ingenieria Y Construction
19 January	Concluding a PLN 40 million worth agreement for co-financing of the biomass-burning boiler at Elektrownia Jaworzno III – Elektrownia II with the Ministry of Economy (as the intermediary institution for the Operational Program Infrastructure and Environment 2007-2013)
4 April	Concluding a PLN 20 million worth agreement with NFOŚiGW (National Fund of Environmental Protection and Water Management) concerning co-financing of the project for modernisation of the heat generation unit at EC Tychy. After the modernisation, the unit will be adjusted to burn only biomass .
24 April	Decision of the Ordinary General Meeting on the dividend payout in the amount of PLN 543 million, i.e. PLN 0.31 per share
25 April	Decision of the Court of Appeal, in favour of TAURON, on the determination of annual adjustment of stranded costs for the year 2008
26 April	Concluding of agreement with the company Abener Energia as the general contractor of the CCGT unit's construction at Stalowa Wola. The PLN 1.57 billion net worth contract is for the construction of the largest gas fired co-generation plant in Poland

Electric energy market price trends

Electric energy

Platforms: TGE, TFS, GFI, GPW-POEE	2011		2012		2012/2011	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
Forward BASE (Y+Q+M)	195.36	106,812	201.71	123,400	+ 3.2%	+ 15.5%
Forward PEAK (Y+Q+M)	219.01	14,744	227.17	14,510	+ 3.7%	- 1.6%
Forward (weighted average)	198.23	121,555	204.39	137,911	+ 3.1%	+ 13.5%
SPOT (TGE + GPW-POEE)	199.08	18,905	190.22 (Forecast)	19,695 (Forecast)	- 4.4%	+ 4.2%
Total weighted average	198.34	140,460	202.62	157,606	+ 3.2%	+ 12.2%

CO₂ emission allowances (EUR/t)

Questionnaire of CO market analysts ₂ *	Price (EUR/t)
Average in 2012	6 – 8 EUR/t
Average in 2013	7 – 9 EUR/t
Average in 2014	9 – 11 EUR/t
Average EUA price forecast by TAURON in 2012	7 – 8 EUR/t

*Source: Deutsche Bank, Barclays Capital, Point Carbon

Certificates (PLN/MWh)

Type of certificate	Estimates of market prices for December 2012	Substitution fee for 2012
RES (green)	283.72	286.74
Coal co-generation (red)	7.92	29.30
Gas co-generation (yellow)	126.12	128.80
Methane (violet)	58.40	60.00

Restructuring of the Group – Q1 2012

Ownership structure rearrangement

Business model implementation

Completed

- Sale of non-core business assets for the total amount of PLN 4 million in Q1 2012:
 - shares/stocks - in the amount of PLN 4 million
- Mergers:
 - 2 companies in the Distribution Segment (registration of the merger in the National Court Register – January 2012)
- Outsourcing processes for cleaning and security services at ZEW Rożnów sp. z o.o. and TAURON Ciepło S.A.

- Redemption of minority shareholders of Górnośląski Zakład Elektroenergetyczny S.A.
- Completion of the process of assets integration in the Heat Segment. Acquisition of the following companies by TAURON Ciepło S.A.: EC Tychy S.A., EC Nowa sp. z o.o., Energetyka Ciepła w Kamiennej Górze sp. z o.o.

In progress

- Sale of non-core business assets:
 - 15 recreational facilities, planned completion – 2013
 - shares/stocks of 12 companies outside the value chain and 7 under trustee management; planned completion - 2013
- Consolidation of medical activity, streamlining of the Group's structure and preparation for sale of PŚZiPZ ELVITA, scheduled disposal of shares – 2012
- Analysis of legitimacy of separation, integration and supervision of the Group's non-core business operations
- Analysis of merger possibilities of companies of the same profile (dealing with repairs, transportation, measurements and metering), or disposal of shares/stocks of companies in these business lines
- Outsourcing processes for cleaning and security services in other companies of TAURON Group

- Consolidation of companies: ZEW Rożnów sp. z o.o. and TAURON Ekoenergia sp. z o.o.; scheduled completion – H1 2012
- Merger of companies: Lipniki sp. z o.o. and TAURON Ekoenergia sp. z o.o.; scheduled completion – 2012
- GZE Group companies' assets integration:
 - Incorporation of GZE S.A. by TAURON Polska Energia S.A.; scheduled completion – Q3 2012
 - Integration in the following segments: Distribution, Supply, Customer Service, RES; scheduled completion – Q3 2013

ZEC Bielsko Biala – new heating unit

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

Status as of 31 March 2012:

- Construction works in progress. General contractor: Polimex-Mostostal

Elektrownia Jaworzno III – new fluidized bed boiler (biomass burning)

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

Status as of 31 March 2012:

- Construction works in progress. General contractor: consortium Rafako and Omis
- On 19 January the agreement was signed with the Ministry of Economy (as intermediary institution for Operational Programme Infrastructure and Environment 2007-2013) concerning co-financing of the new unit in the amount of PLN 40 M

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

- Capacity – 20 MW_e
- Scheduled commissioning – 2012

Status as of 31 March 2012:

- Construction works in progress. General contractor: Rafako

Elektrociepłownia Tychy – new CHP unit

- Capacity – 50 MW_e / 86 MW_t
- Scheduled commissioning - end of 2015

Status as of 31 March 2012:

- Selection of the contractor of the new unit is underway

Elektrociepłownia Tychy – reconstruction of fluidized bed boiler (biomass burning)

- Capacity – 40 MW_e
- Scheduled commissioning – end of 2012

Status as of 31 March 2012:

- construction of biomass type boiler:
 - construction and assembly works in progress, contractor: Metso Power Oy
- construction of biomass feeding installation:
 - design and construction-building works are in progress, contractor: Mostostal Warszawa
- construction of WR 40 boiler
 - design works are in progress, contractor: SEFAKO

Implementation of investment program (2)

Elektrownia Stalowa Wola – new CCGT unit

- Capacity – 400 MW_e / 240 MW_t
- Project launch – 2010; scheduled commissioning – H1 2015

Status as of 31 March 2012:

- General contractor selected – Abener Energia
Update: On 26 April the agreement with the general contractor of the unit - Abener Energia - was signed

Elektrociepłownia Katowice – new CCGT unit

- Capacity – 135 MW_e / 90 MW_t
- Scheduled commissioning – H2 2015

Status as of 31 March 2012:

- Contractor selection is ongoing

Elektrownia Blachownia – new gas unit

- Capacity – approx. 850 MW_e
- Scheduled commissioning – 2016

Status as of 31 March 2012:

- Activities are underway aimed at the establishment of a special purpose vehicle and obtaining a permit for concentration (approval of the European Commission on the establishment of the joint undertaking)

Wind Farm – Wicko

- Capacity – 40 MW_e
- Scheduled commissioning – 2013

Status as of 31 March 2012:

- The process of selection of the contractor is underway.
Update: on 7 May the best offer was selected, submitted by consortium of companies: Aldesa Nowa Energia and Aldesa Construcciones

Wind Farm – Marszewo

- Capacity – 100 MW_e
- Scheduled commissioning – 2014

Status as of 31 March 2012:

- On 19 January agreement with general contractor was signed – consortium of companies: Iberdrola Engineering and Construction Poland (leader) and Iberdrola Ingeniería Y Construction, on the construction of Marszewo I and II wind farm of 82 MW capacity
- Organizational and legal procedures aimed at takeover of the construction site by the contractor and commencement of the construction works are underway

Implementation of investment program (3)

Elektrownia Jaworzno III – modernisation of boilers

- Scope – adjustment of six OP-650k type boilers to the standards of lower emission of nitrogen oxides which will be binding in Poland starting from 2018
- Commencement of the works – July 2010; scheduled completion – January 2016

Status as of 31 March 2012:

- Optimisation works at unit No. 2 are completed. Works at unit No. 4 are in progress.
- General contractor: consortium Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

Elektrownia Łaziska – modernisation of boilers

- Scope – adjustment of four OP-650k type boilers to the standards of lower emission of nitrogen oxides which will be binding in Poland starting from 2018
- Commencement of the works – July 2010; scheduled completion – January 2015

Status as of 31 March 2012:

- Completion of the modernisation works and the works connected with the construction of combustion gases denitrification installation at Unit No. 12 – adjustment operation is in progress
- General contractor: STRABAG

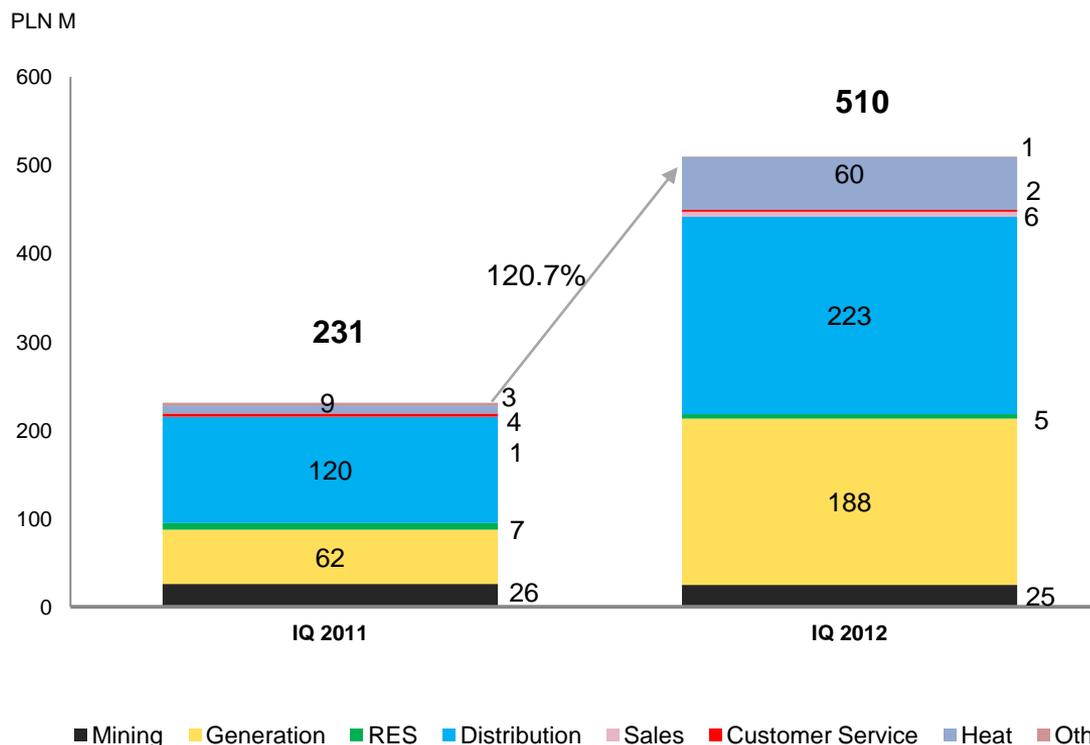
Elektrownia Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled commissioning – 2016

Status as of 31 March 2012:

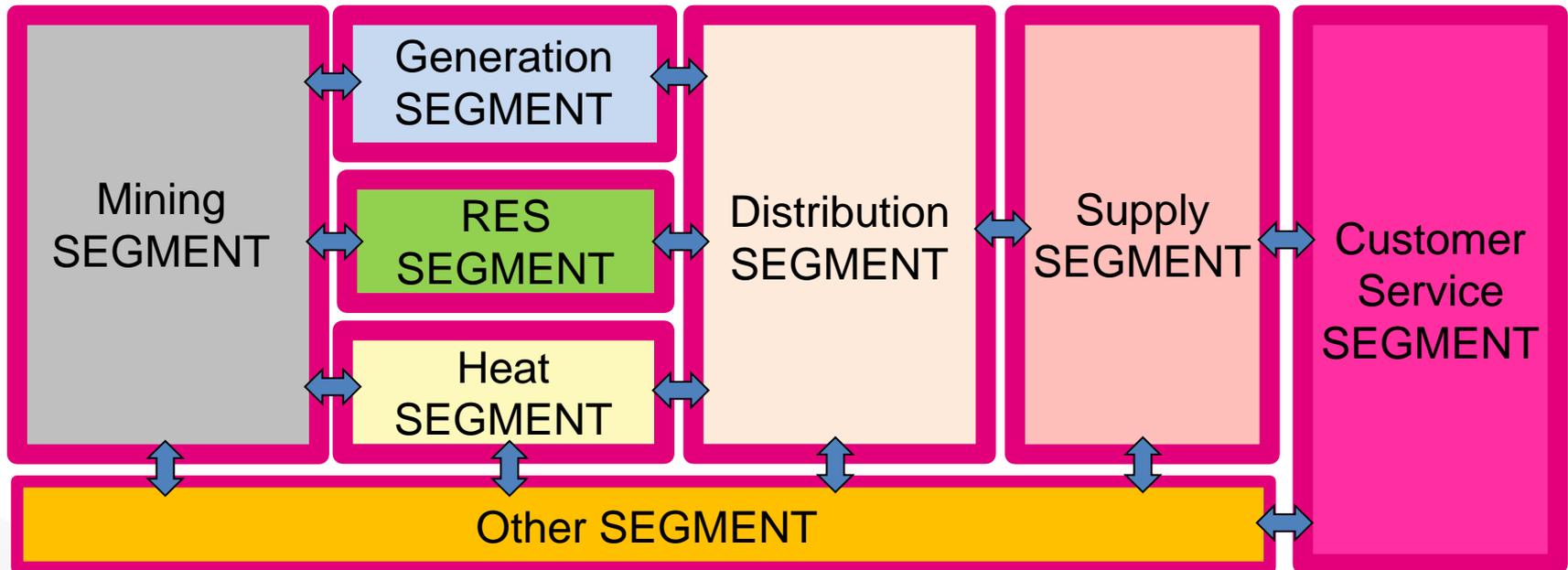
- The process of selection of contractor and contract engineer is underway
- On 28 February, invitations to submit offers were sent, including the final Terms of Reference to the tender proceeding to select the Contractor. Invitations were sent to 5 bidders participating in the tender. Deadline for submission of offers: 29 June this year

Capital expenditures



- In Q1 2012, TAURON Group spent over PLN 0.5 bn for investment, about 81% of which were expenditures in the Generation and Distribution lines of business. As compared to the corresponding period of 2011 the increase of CAPEX was about PLN 0.3 bn, mainly in the Generation and Distribution segments
- Strong CAPEX growth in Generation (by approx. PLN 0.13 bn) is due to the continued implementation of the investment projects connected with capacity restoration (50 MW at EC Bielsko as well as 50 MW RES at Elektrownia Jaworzno – PLN 0.09 bn) as well as other expenditures (including mainly NOx installations at Elektrownia Jaworzno and Łaziska as well as the biomass installation at K-10 boiler at ESW - approx. PLN 0.05 bn)
- CAPEX increase in Distribution (by approx. PLN 0.1 bn) is due mainly to larger expenditures on modernisation and restoration of existing grid assets

New reporting model



Mining Segment:

Południowy Koncern Węglowy

Generation Segment:

TAURON Wytwarzanie

RES Segment:

TAURON Ekoenergia
BELS INVESTMENT
MEGAWAT MARSZEWO
Lipniki
TAURON Ekoenergia GZE

Distribution Segment:

TAURON Dystrybucja
TAURON Dystrybucja GZE
TAURON Serwis GZE

Supply Segment:

TAURON Sprzedaż
TAURON Sprzedaż GZE
TAURON Polska Energia
TAURON Czech Energy

Customer Service Segment:

TAURON Obsługa Klienta
TAURON Obsługa Klienta GZE

Other Segment :

Kopalnia Wapienia Czatkowice
PE-PKH

Heat Segment:

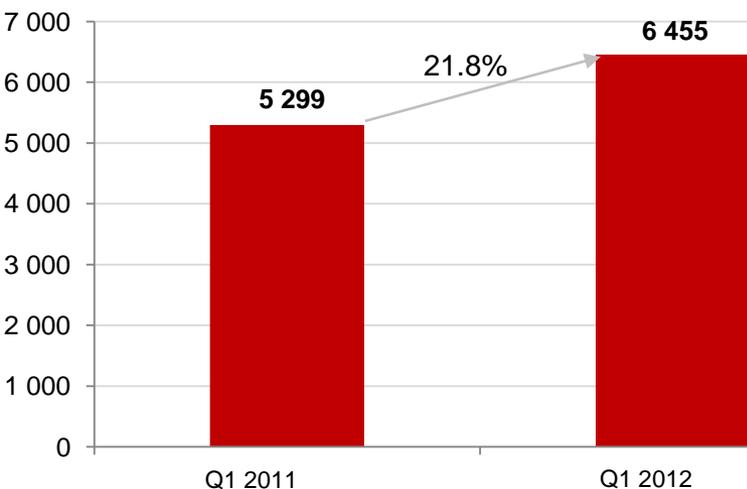
TAURON Ciepło
EC Tychy
EC Nowa

Key operating data

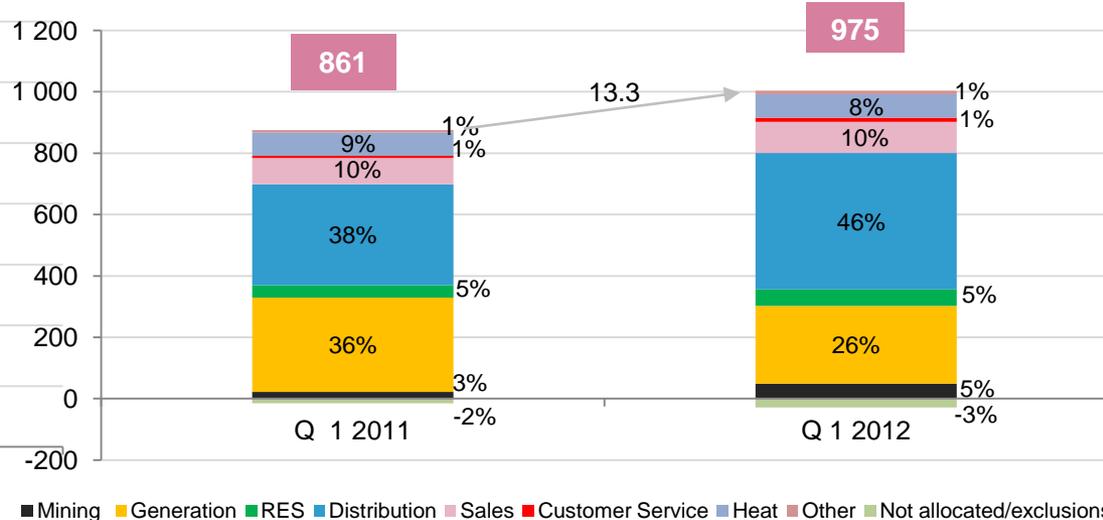
	Q1 2011	Q1 2012	Change % (Q1 2012/ Q1 2011)
Production of commercial coal (million t)	1.15	1.21	+ 5.2%
Electric energy generation (net production) (TWh)	5.90	4.97	-15.8%
including: from renewable sources	0.23	0.30	30.4%
Heat Generation (PJ)	7.36	7.80	6%
Distribution (TWh)	9.89	12.70	28.4%
Electricity supply (TWh)	9.24	11.79	27.6%
Number of customers - Distribution	4,125	5,284	28.1%

Financial Results for Q1 2012

TAURON Group's Revenue [PLN M]



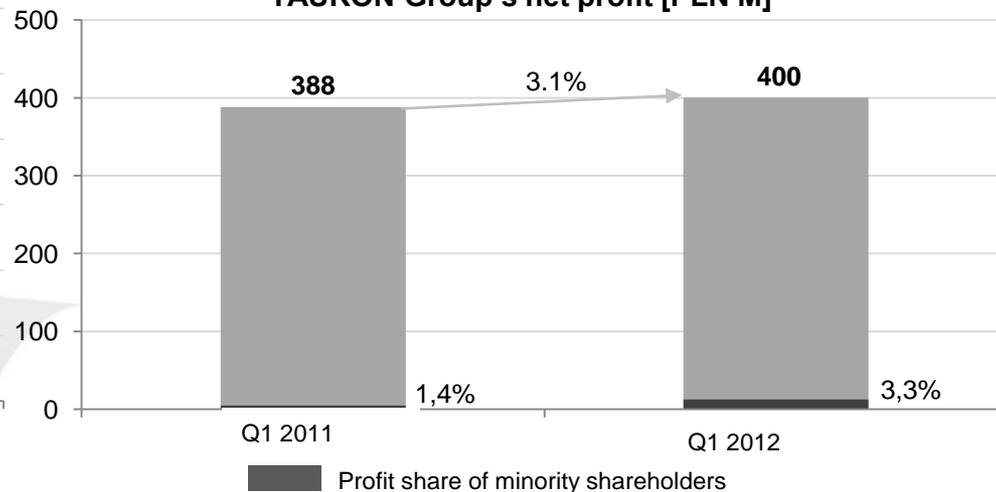
TAURON Group's EBITDA by segments [PLN M]; EBITDA structure



TAURON Group's EBIT [PLN M]



TAURON Group's net profit [PLN M]



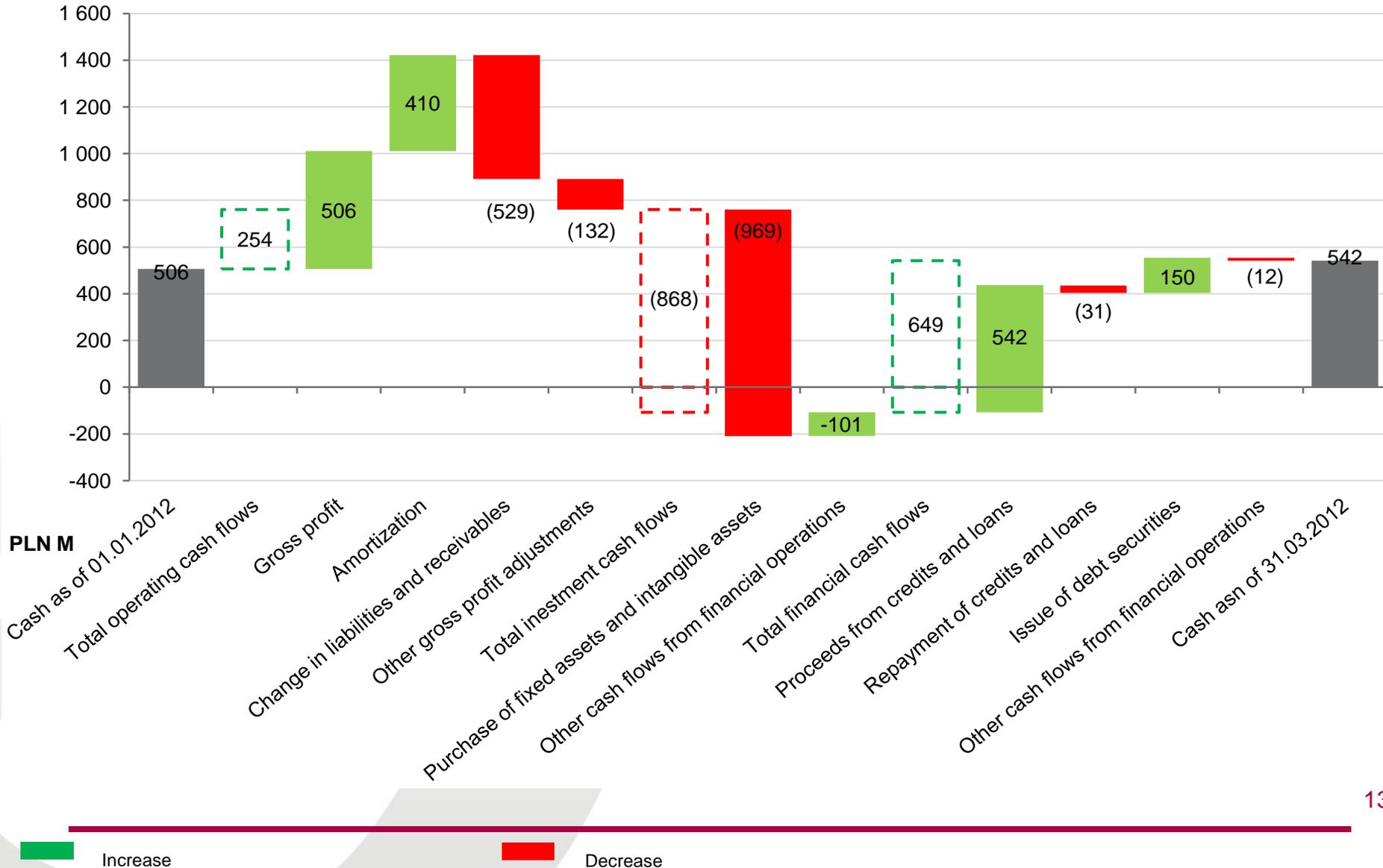
Financial Results for Q1 2012 – EBITDA

Change in EBITDA by segments [PLN M and %]; EBITDA margin by segments [%]



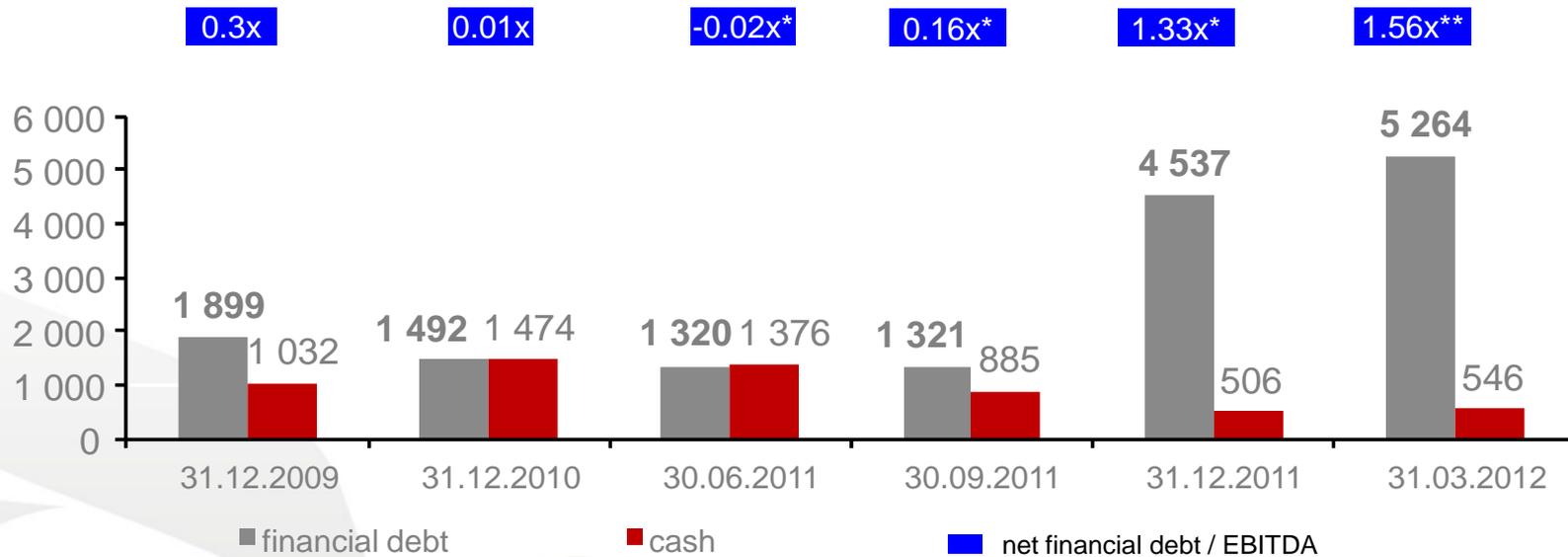
Changes in cash flow level

Cash flow – changes in Q1 2012



Group's debt level

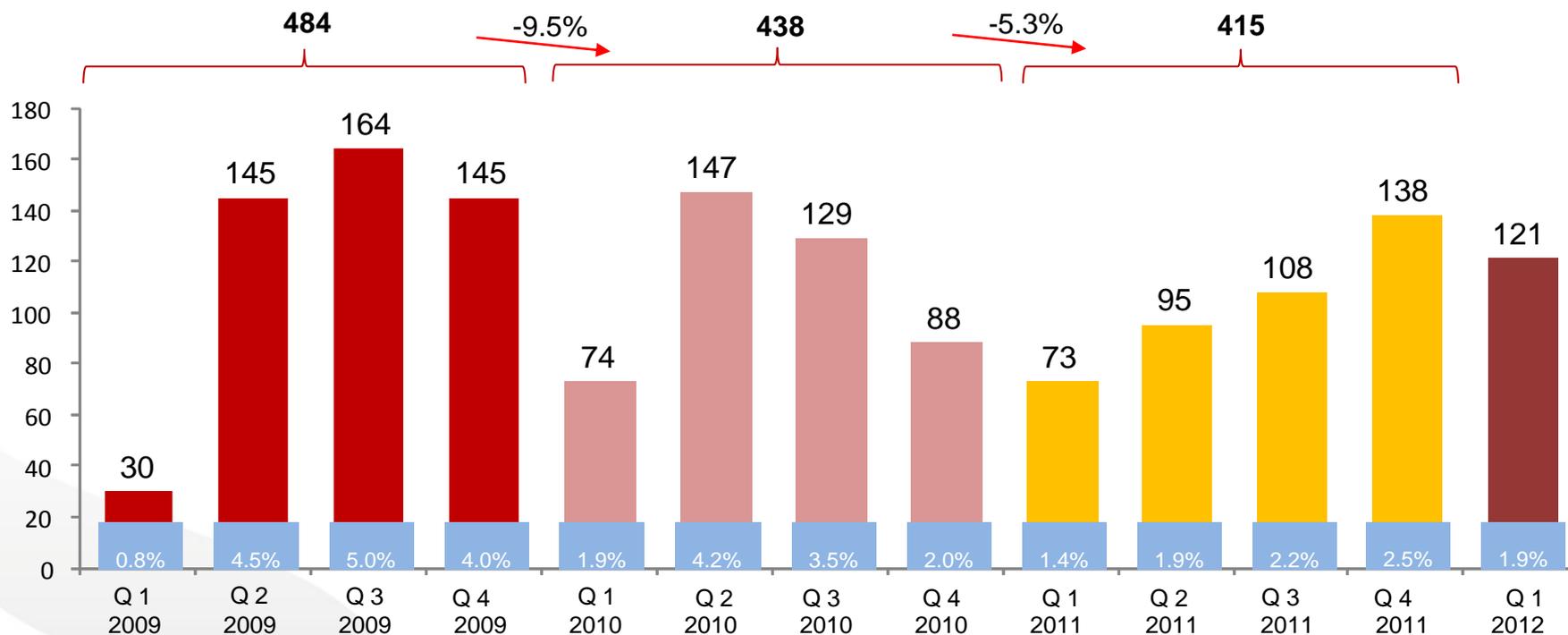
Net financial debt (PLN M), net financial debt/EBITDA (x)



* in relation to EBITDA value for 2010
 ** in relation to EBITDA value for 2011

Compensation due to termination of Long-Term Contracts

Revenue due to compensation

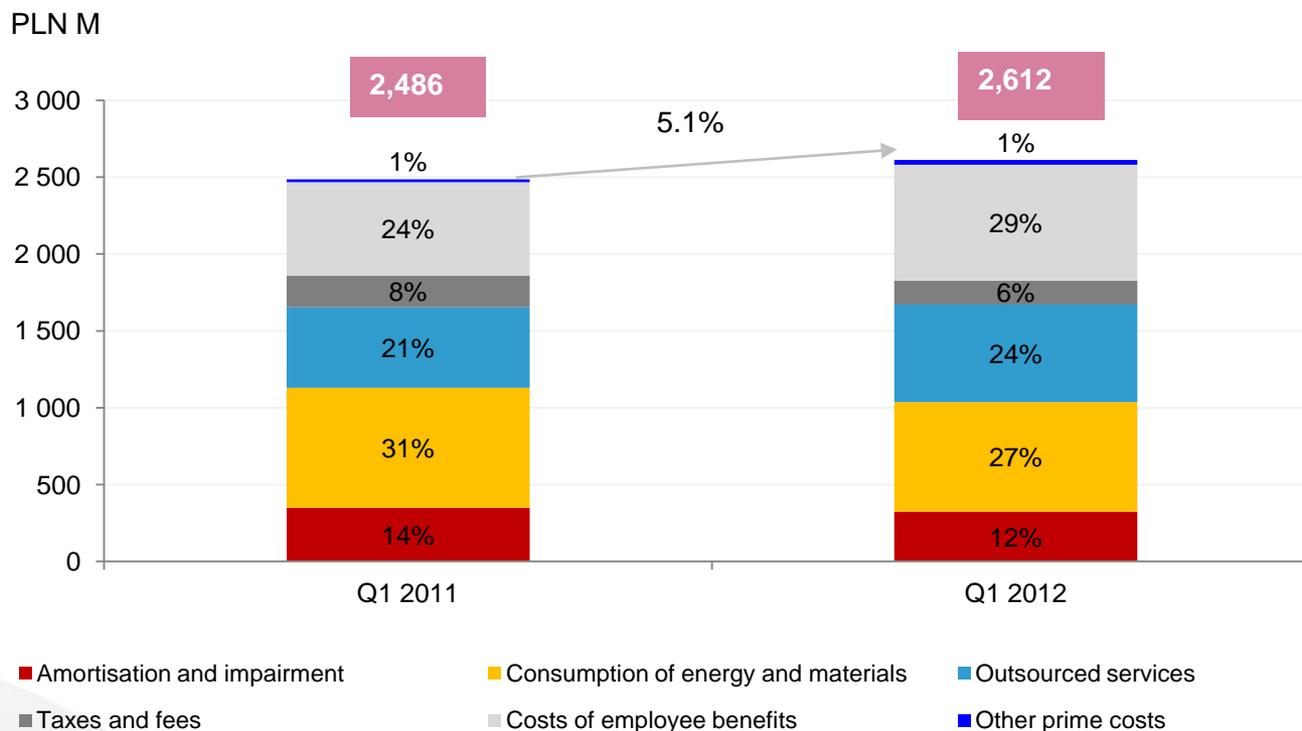


XX% Share of LTC in quarterly revenue

Revenue due to compensation consists of:

- Indexed advance payments under the Act on LTC Termination
- Annual adjustments of these advance payments
- Part of the final adjustment

Prime costs structure

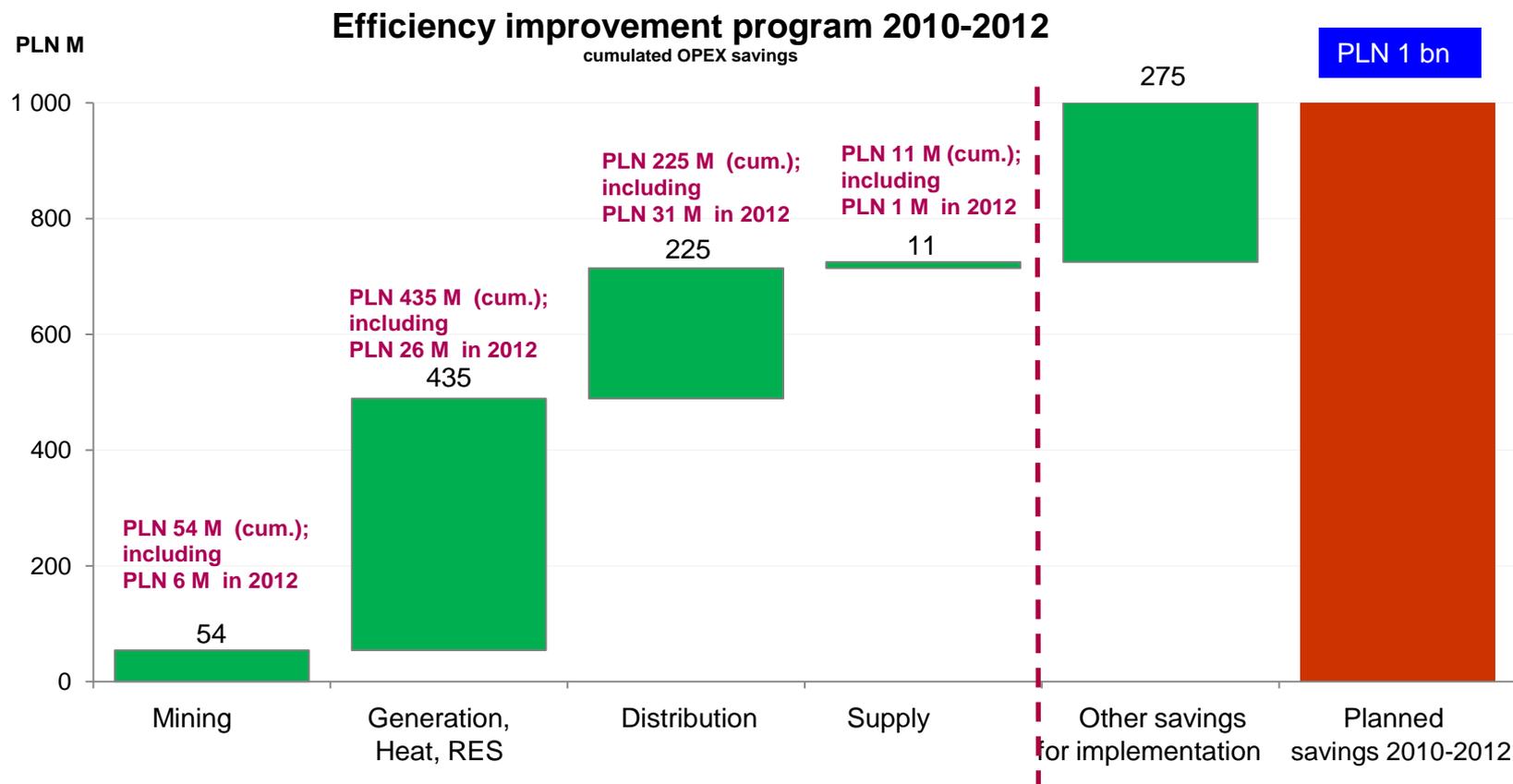


Cost increase in Q1 2012 applies mainly to:

- costs of employees' benefits – recognising of provision for severance payments for employees leaving the company due to implementation of labour costs reduction programs
- external services, especially due to increased cost of distribution and repair services

Similar to Q1 2011, in Q1 2012, variable costs constituted approx. 46%, and fixed costs constituted 54% of the total costs

Implementation of efficiency improvement program



31/03/2012

Voluntary Redundancy Program – as of the end of Q1 2012, 1907 persons joined the program (since its launch), among which employment contracts were terminated with 62 persons in 2012 (in total, since the program launch: 1739 persons). Savings resulting from redundancies, decreased by costs incurred to gain savings, are included in the amounts presented in individual segments

Key directions for development and growth

Group's Value Increase

- Continued process of integration with GZE Group companies
- Achievement of synergies due to integration of segments
- Completing the first cost efficiency improvement program and commencement of another one
- Increased investment, particularly in the Generation segment

Fund raising

- Obtaining of preferential funding from EBI/EBOiR for projects in Distribution and Generation segments
- Obtaining of preferential financing/ subsidies from the EU funds and environmental funds (NFOŚiGW and WFOŚiGW)
- Continued optimisation of the funding used

Thank You – Q&A

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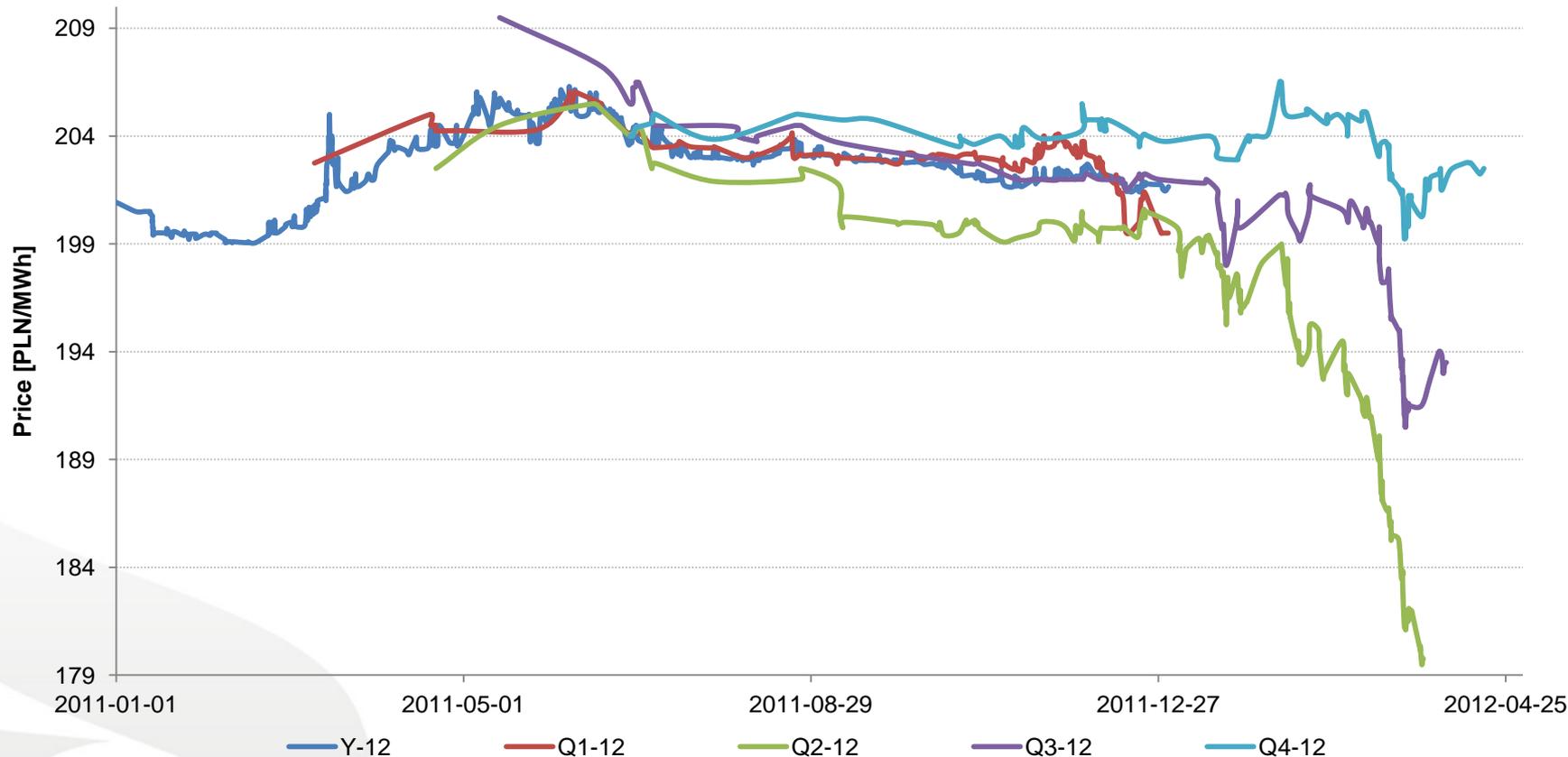
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Additional Information

BASE transactions for 2012

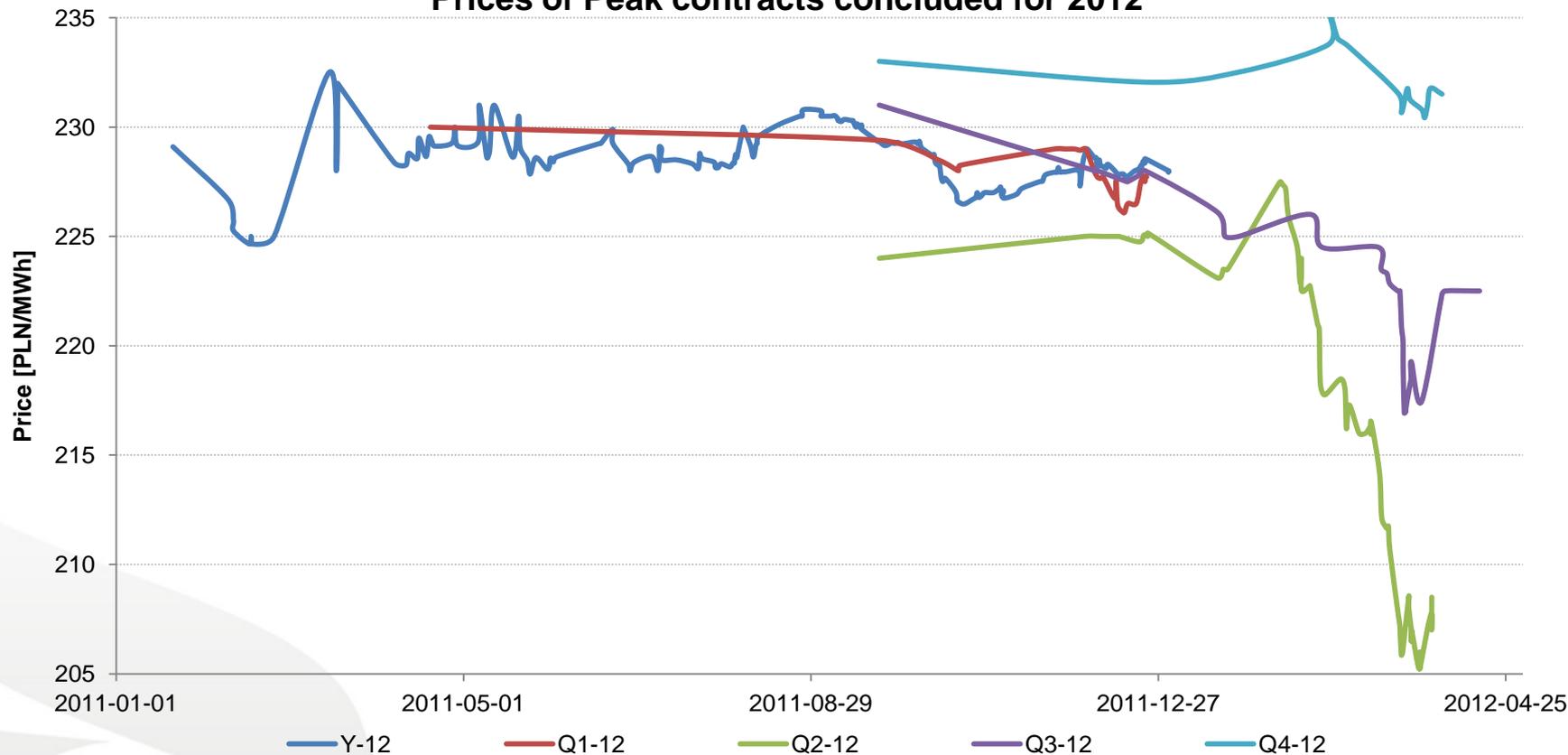
Prices of Base contracts concluded for 2012



Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	202.61	100,796
Quarterly	199.14	16,741
Monthly	193.49	5,863
TOTAL	201.71	123,400

PEAK transactions for 2012

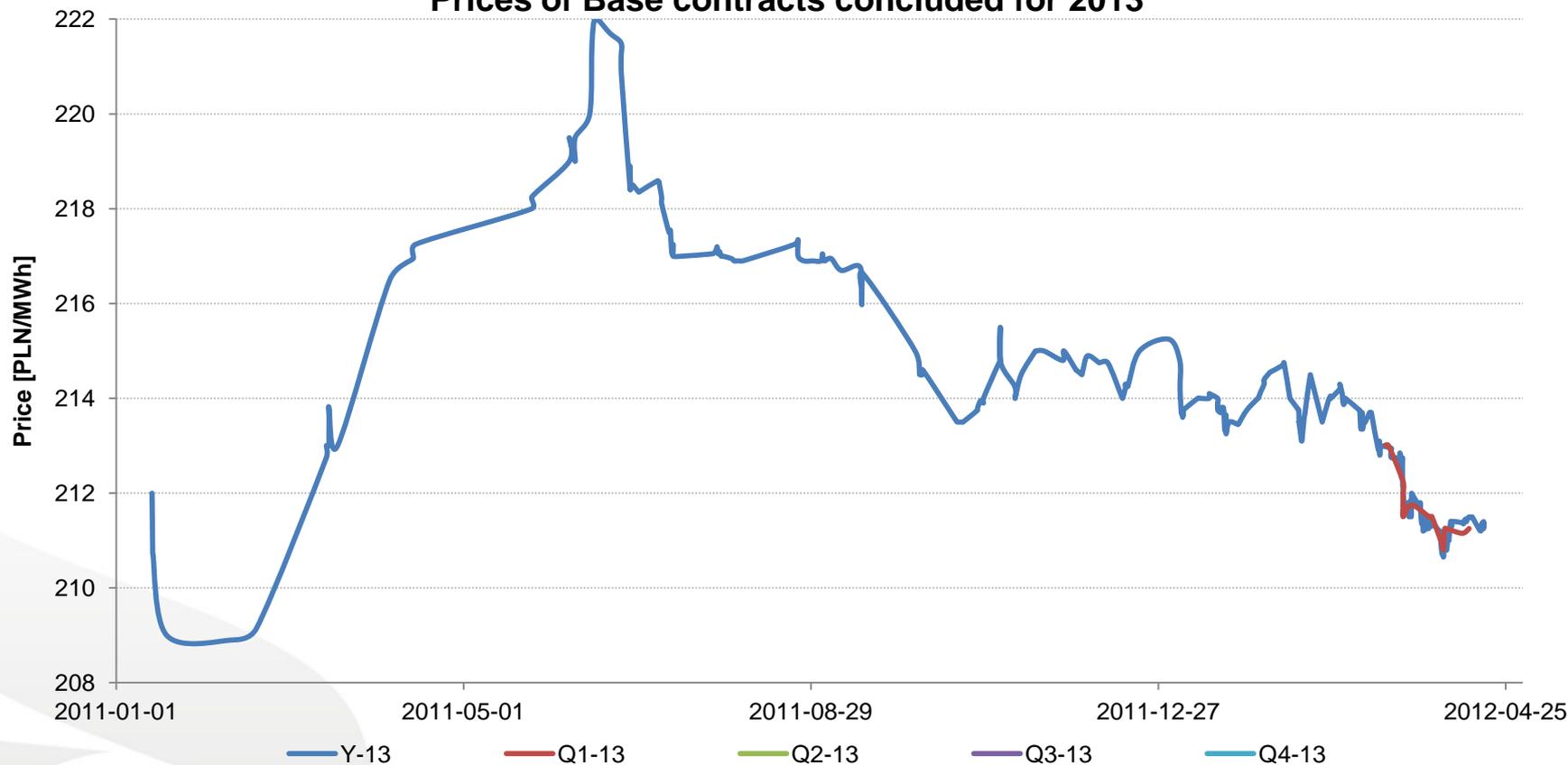
Prices of Peak contracts concluded for 2012



Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	228.52	11,616
Quarterly	223.32	1,686
Monthly	219.47	1,208
TOTAL	227.17	14,510

BASE transactions for 2013

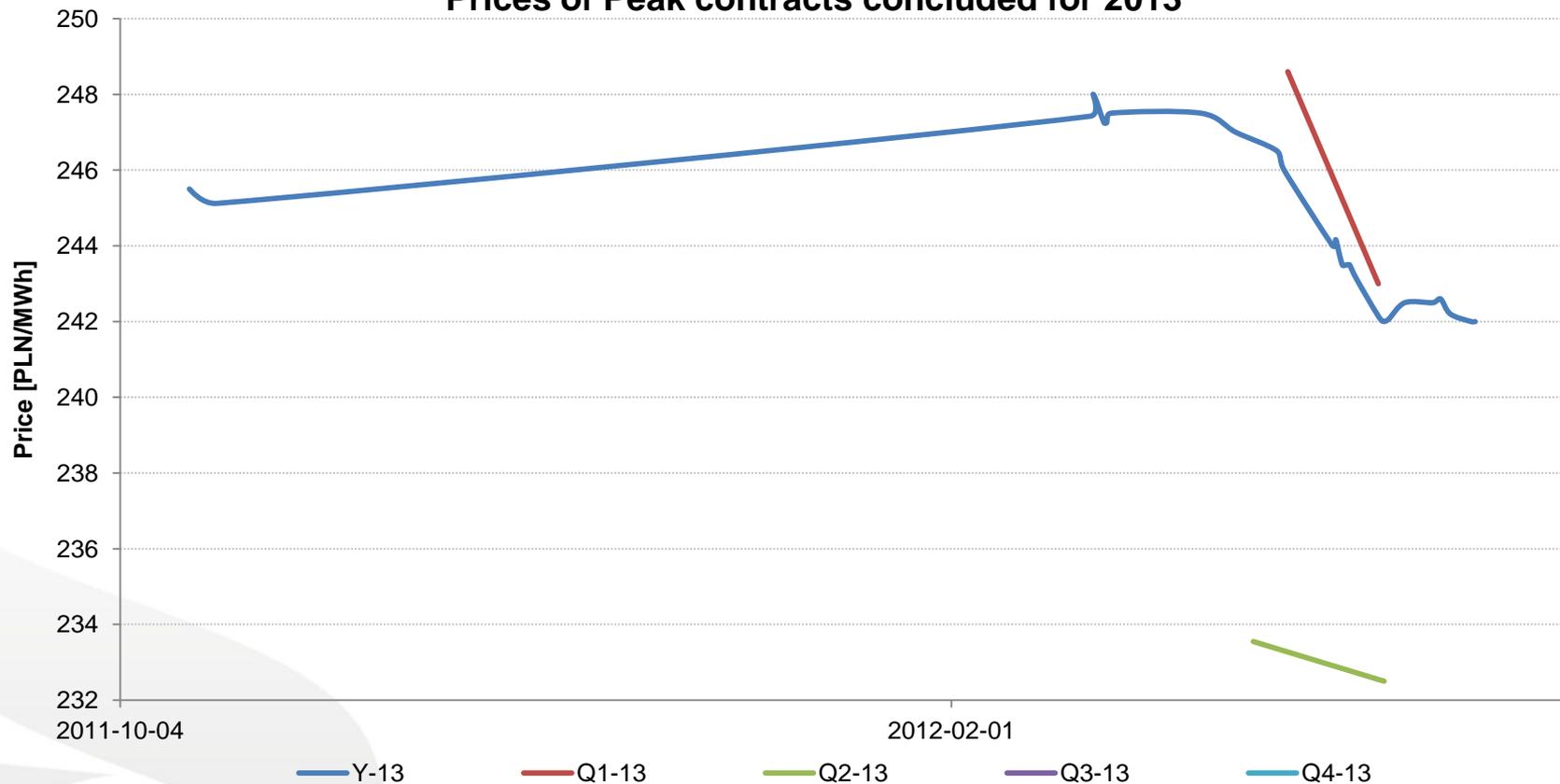
Prices of Base contracts concluded for 2013



Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	213.71	19,920
Quarterly	211.61	318
Monthly		
TOTAL	213.68	20,238

PEAK transactions for 2013

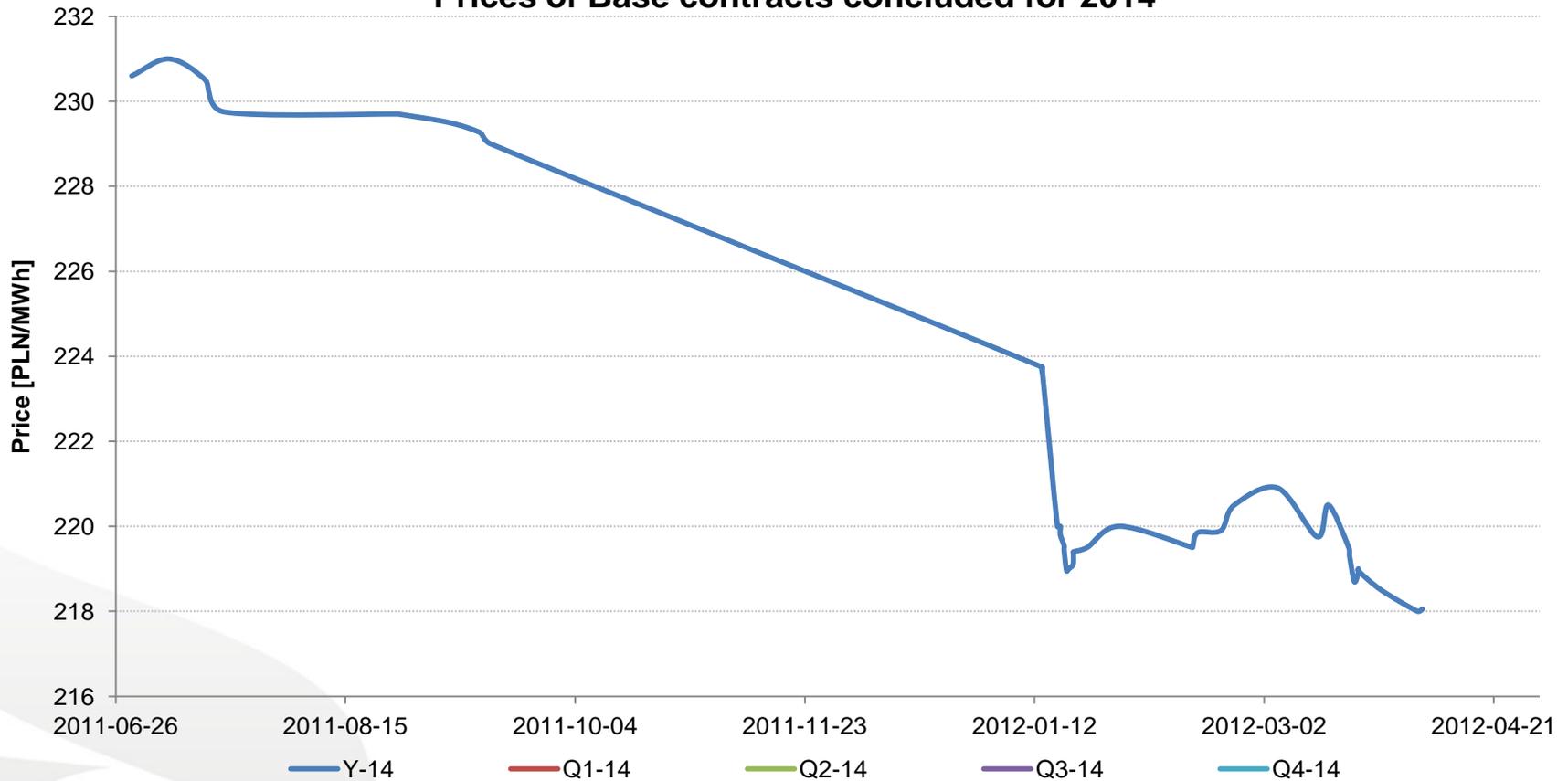
Prices of Peak contracts concluded for 2013



Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	244.28	715
Quarterly	238.96	28
Monthly		
TOTAL	244.08	743

BASE transactions for 2014

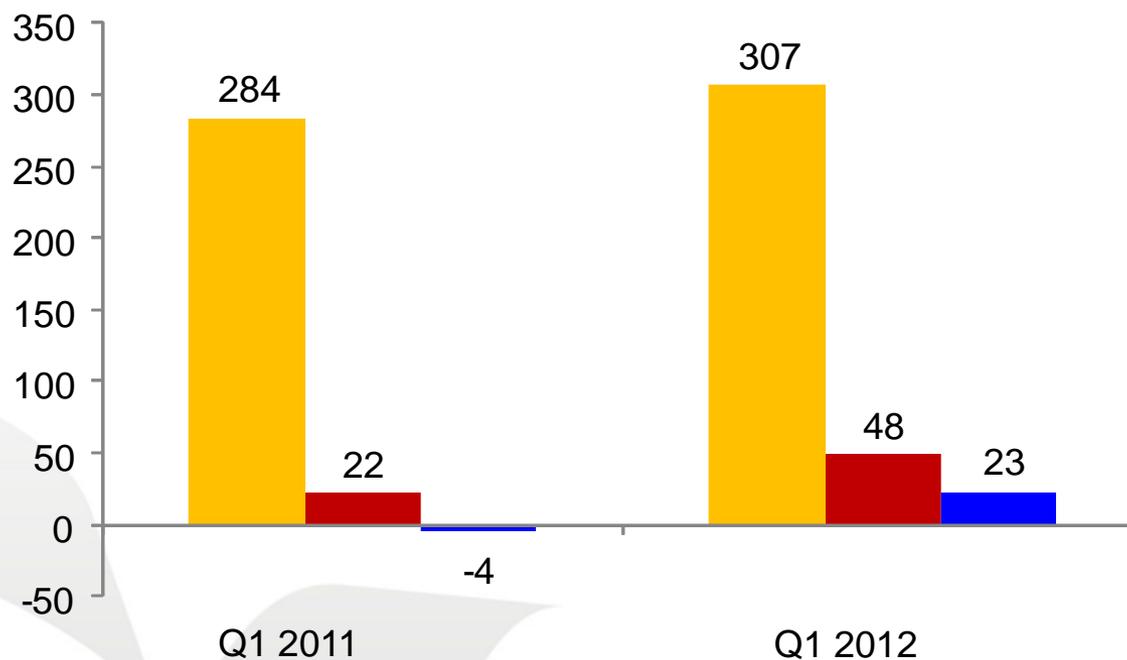
Prices of Base contracts concluded for 2014



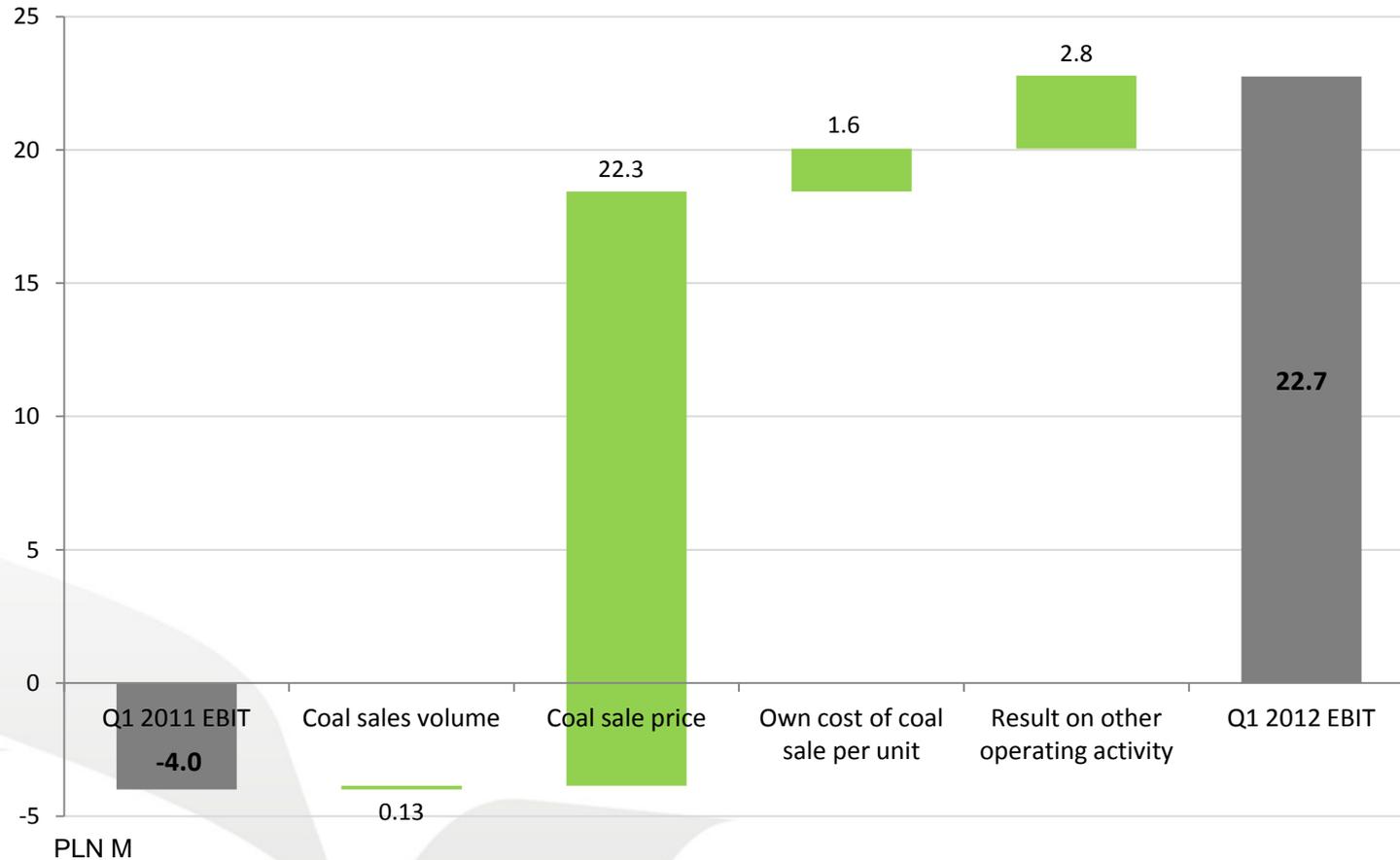
Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	221.65	2,015
Quarterly		
Monthly		
TOTAL	221.65	2,015

Mining – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)



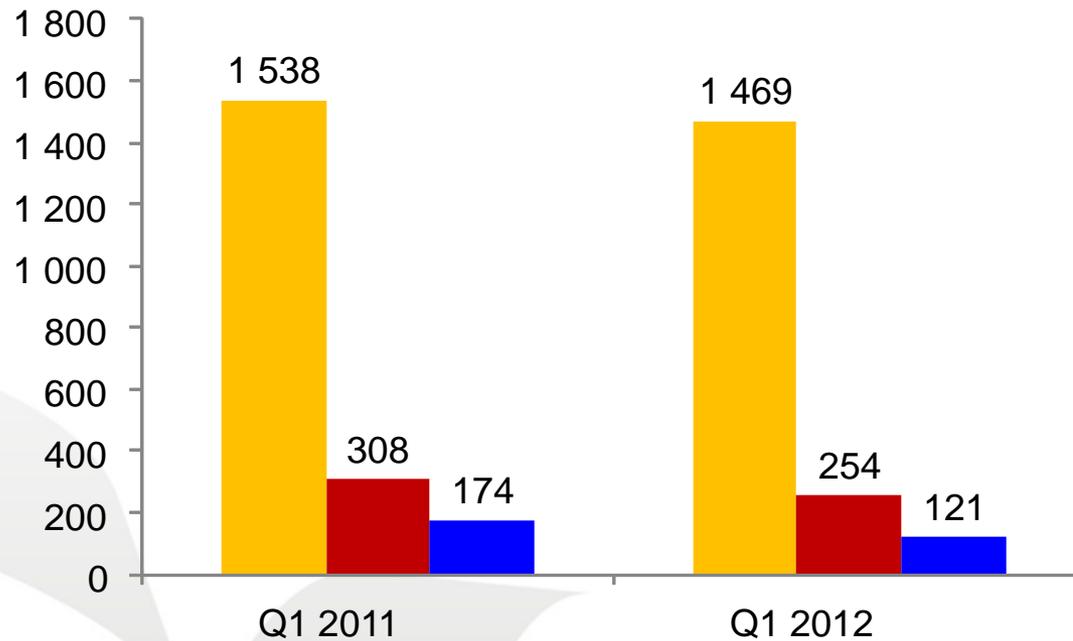
Mining – EBIT bridge



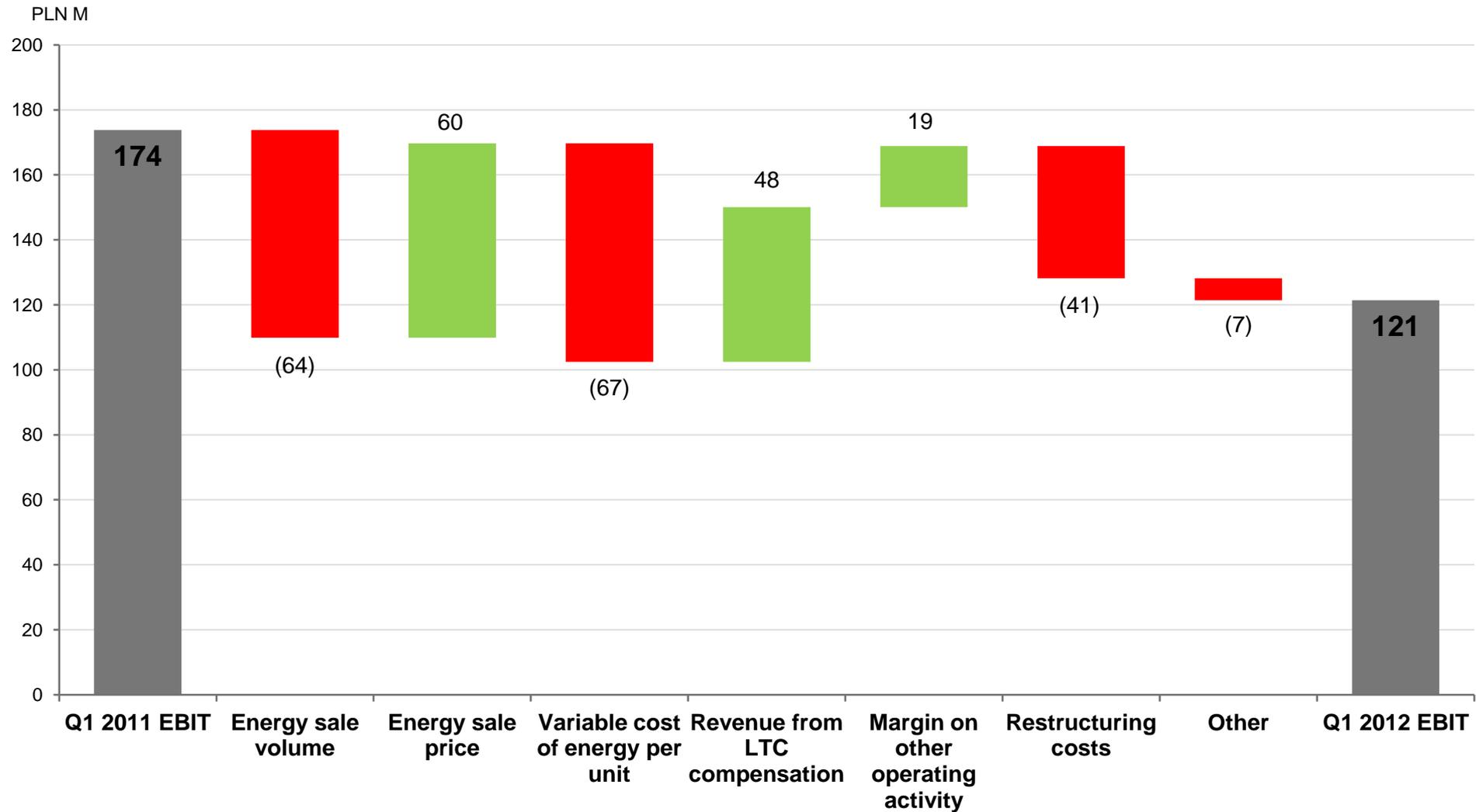
* Volume of coal sales increased by 0.7% YoY, while production of commercial coal increased by 5.4%, which will result in growth of sales in the subsequent months

Generation from conventional sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)

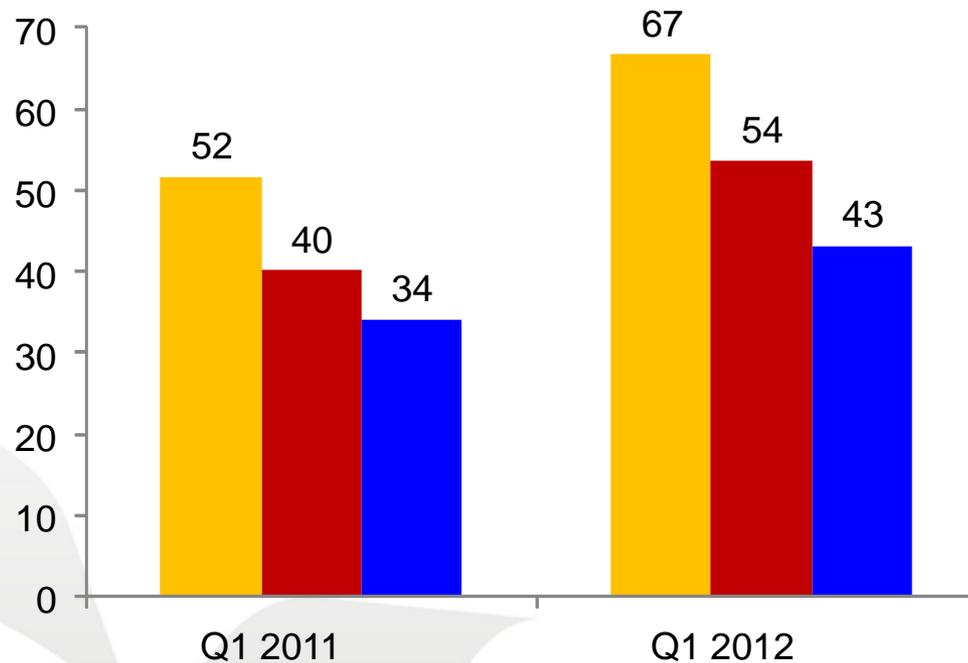


Generation – EBIT bridge

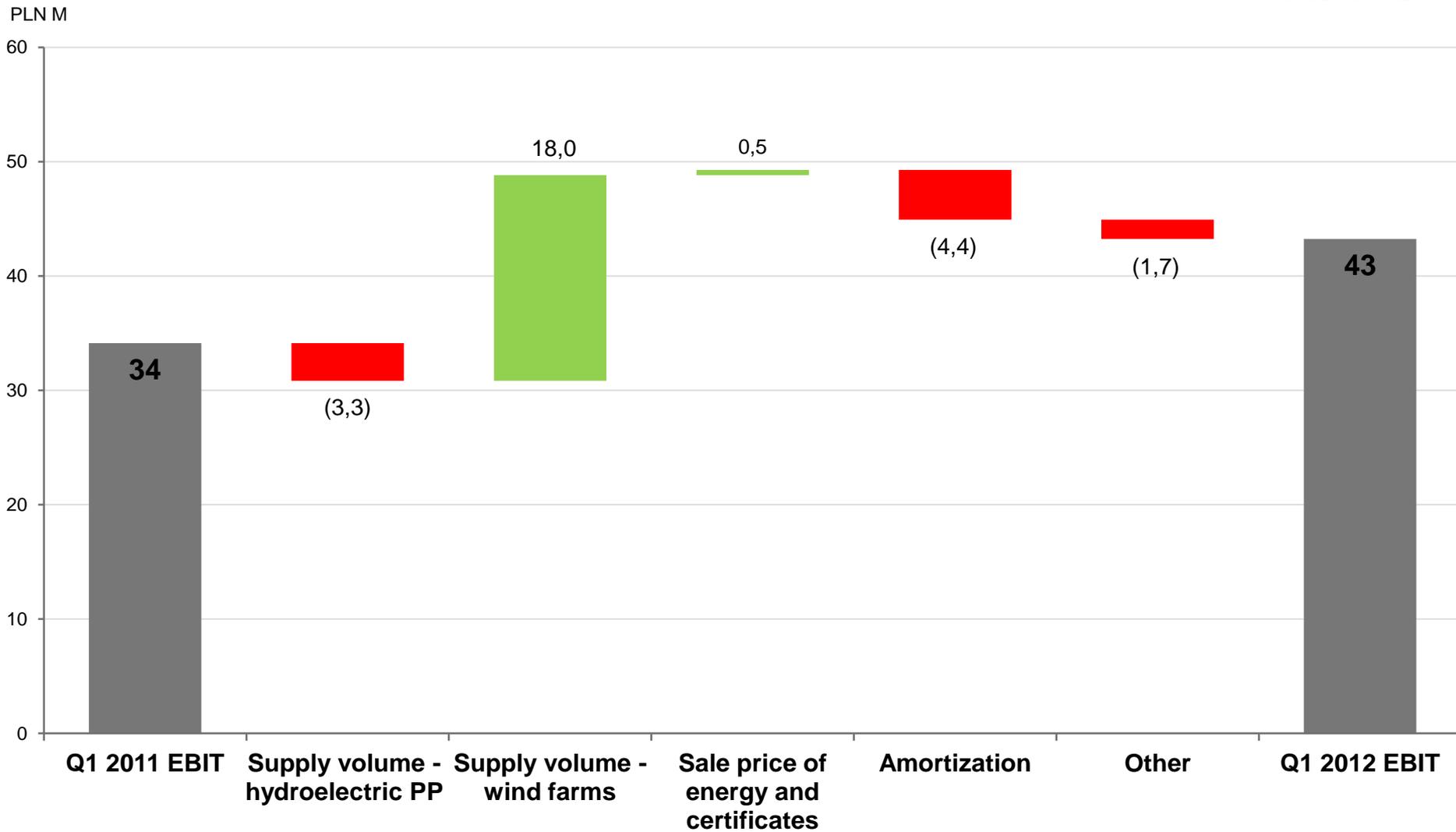


Generation from renewable sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)

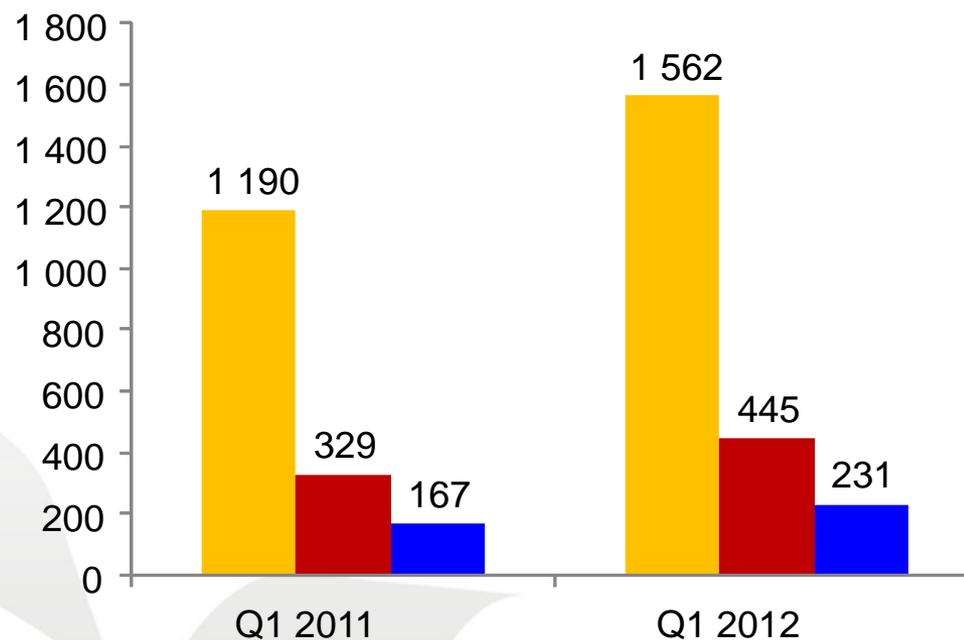


RES – EBIT bridge

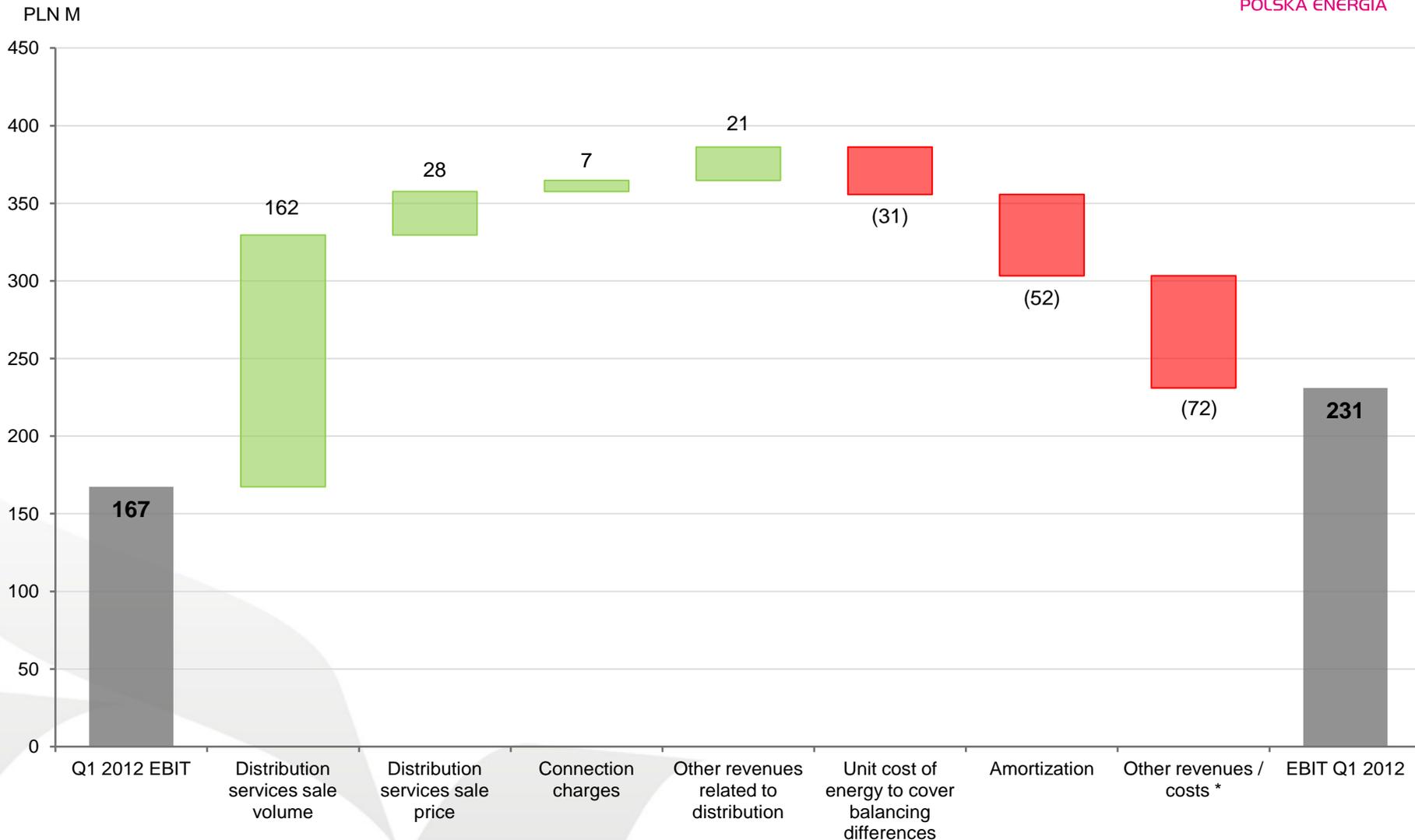


Distribution – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)



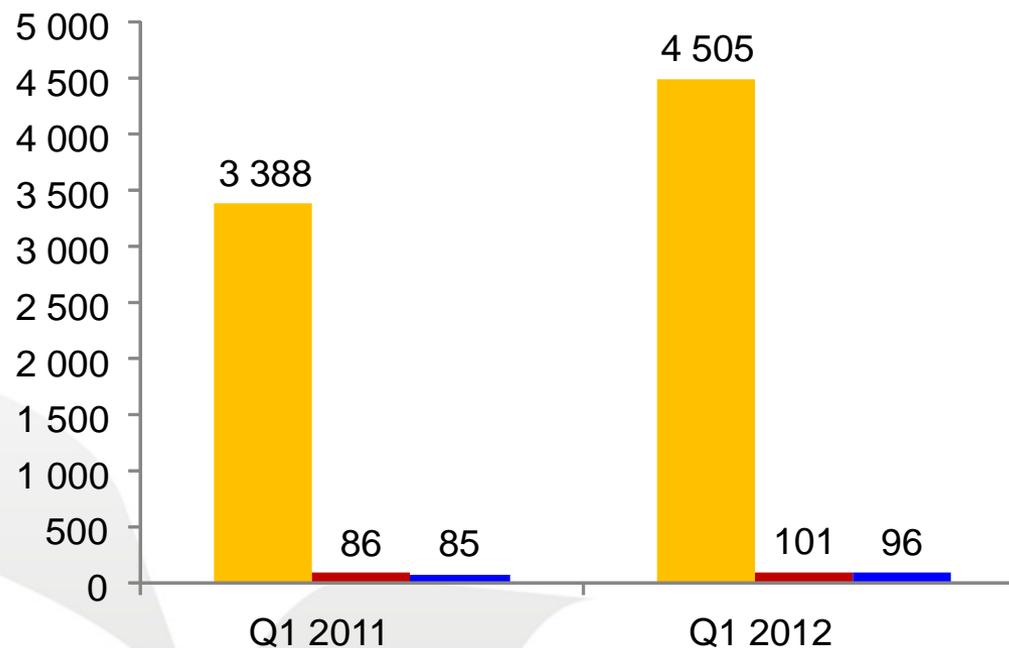
Distribution – EBIT bridge



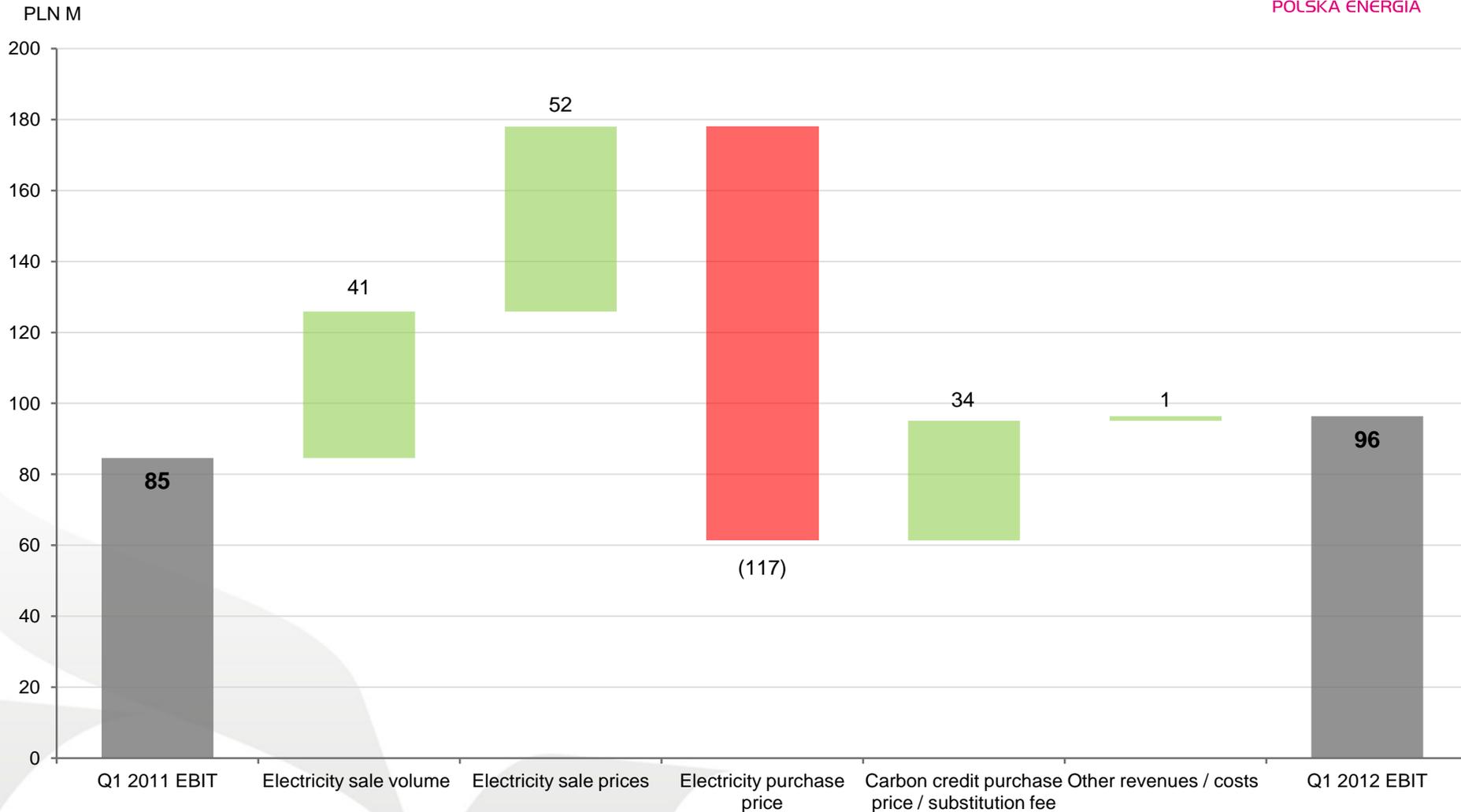
* include mainly fixed costs of the GZE distribution area

Sales – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)

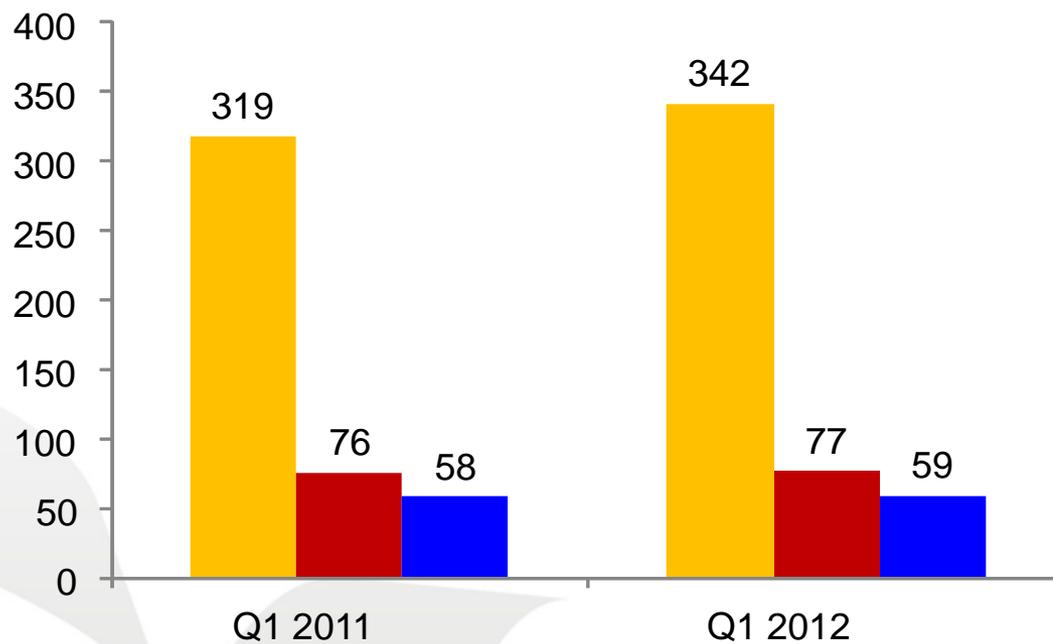


Sales – EBIT bridge

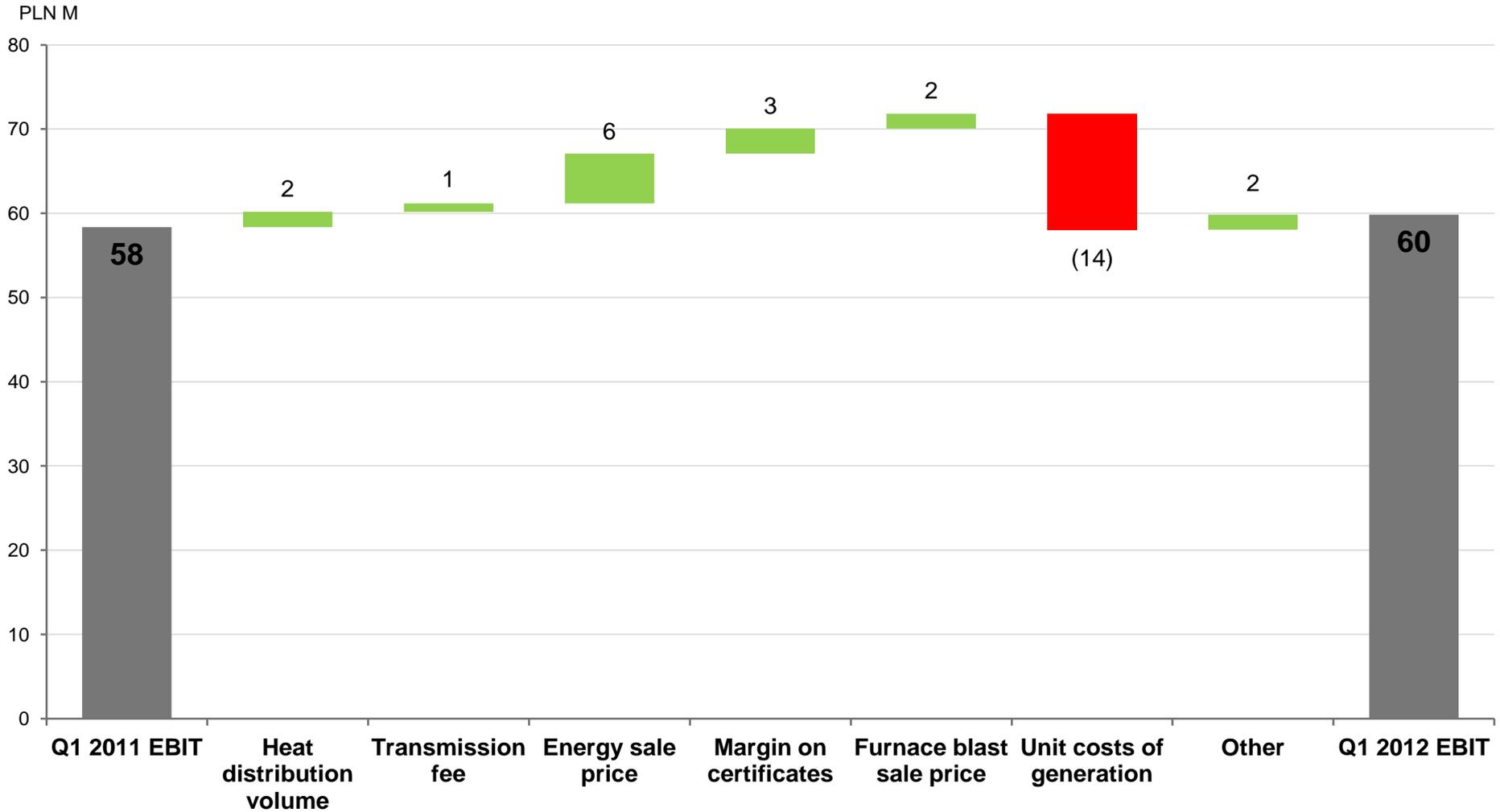


Heat – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)

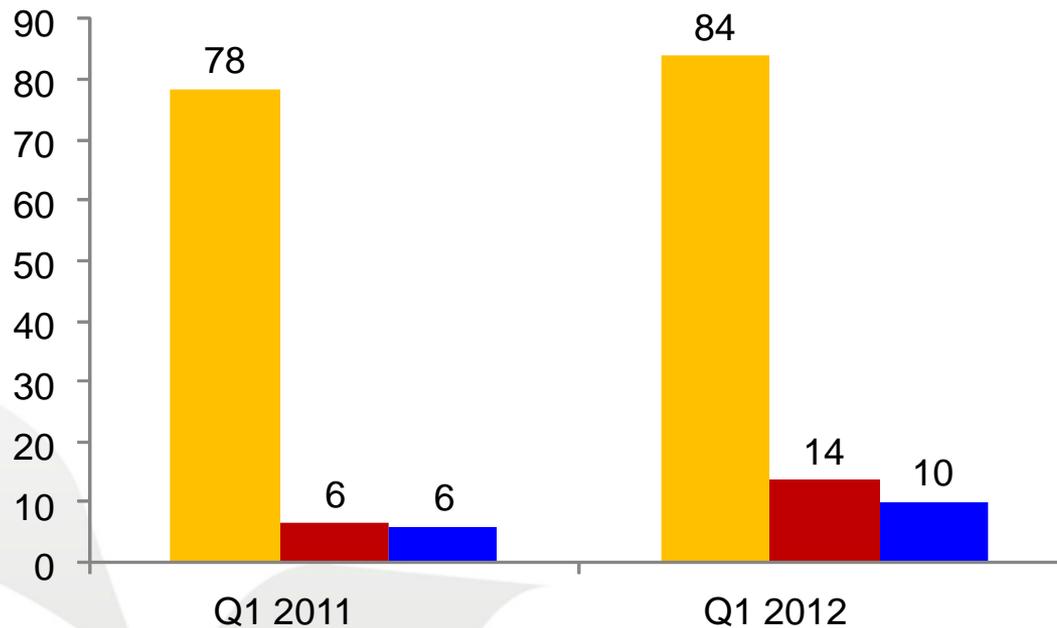


Heat – EBIT bridge



Customer Service – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)



Other – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN M)

