

Results of the TAURON Group in H1 2010

30 August 2010

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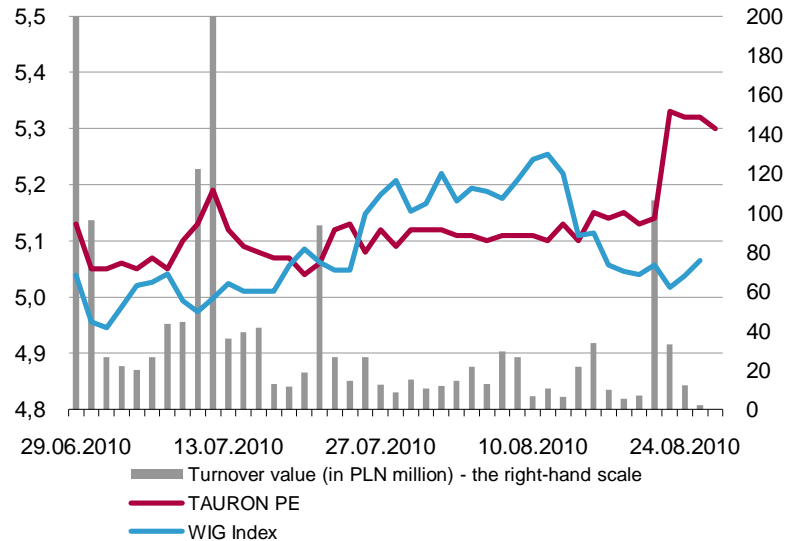
Summary (H1 2009 – H1 2010)

- In H1 2010 the demand for electric power in the area of activity of the distribution companies from the TAURON Group increased by 4.4%.
- The increase in the demand for electric power was to a large degree satisfied by the generation companies from the TAURON Group, in the case of which the electric power generation (net production) increased by approximately 15%.
- There was a 9% increase in electric power supply to end customers, which was the result of the increase in demand in the existing customer base and the acquisition of new retail customers.
- As a result, the Group revenues increased by 7.1% and EBITDA increased by 8%.
- The increase of EBITDA was observed in key segments of business activity: in the case of Distribution it increased by 65.8%, and in the case of Generation by 8.2%. EBITDA growth rate was lower in H1 2010 due to unfavourable geological and mining conditions, which led to the decrease of EBITDA in the Mining segment. Additionally, the competition growth on the power market led to margin reductions in the Supply segment while the number of end customers and the volume of supply to these customers increased.
- Net financial debt decreased to the level of PLN 581.2 million and the net financial debt to EBITDA ratio at the end of H1 2010 (in comparison with EBITDA for 2009) totaled 0.2
- The operating costs reduction programme for the years 2010-2012 has been implemented according to the plan. The cost reduction in H1 2010 totaled approximately PLN 140 million

Key events

- Implementation of planned investment projects:
 - Initiation of the selection procedure of the contractors who shall construct the hard coal fired unit in Jaworzno III Power Plant;
 - Initiation of the procedure and the announcement of tender for the construction and financing of a 40 MW wind farm;
- Completion of the employee share conversion scheme;
- Positive court decision on the adjustment of stranded costs in the year 2008, approval of the settlement for the year 2009 by the Energy Regulatory Office;
- The Company was included in stock market indices such as MSCI Poland Standard Index, WIG-PL, WIG-Energia and mWIG40 (from September), it will probably also be included in WIG20.

Successful public offering



Capitalization*: **PLN 8 242 million**

The value of free-float factor*: **PLN 5 212 million**

**(as at 25 August 2010)*

Under public offering we acquired the following shareholders:

- Over 230 thousand individual investors;
- 58 international investors from the USA, Western Europe and the CEE region;
- 56 Polish institutional investors;

- Offering sales value: PLN 4 210 million
- The second largest IPO of a utility company in Europe in 2010
- The company was first listed on the stock exchange on 30 June 2010
- Opening bid: PLN 5.13
- The free float factor: present value: 63.2%, target value~ 57.89%

(after completion of the exchange process of minority interests and shares held by the State treasury in the subsidiaries of the Company)

- The company was included in the stock exchange index MSCI Poland (since 14 July 2010) and will be included in mWIG40 index (from 20 September 2010)

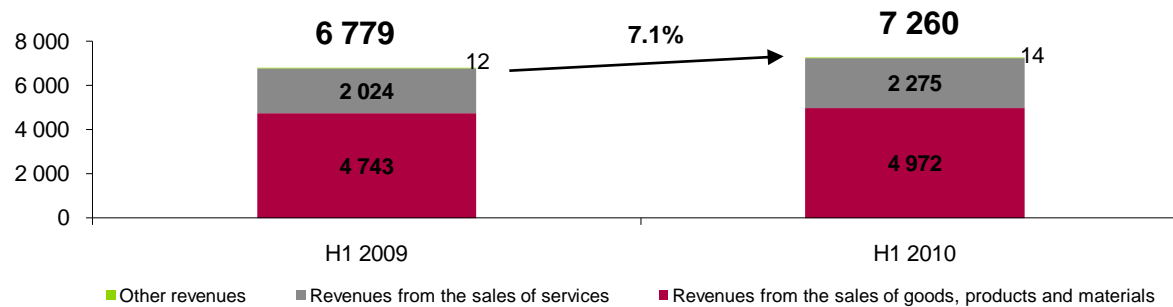
Key operational data

	H1 2009	H1 2010	Change
Hard coal mining	2.3 million tons	2.2 million tons	- 0.1 million tons
Electric power generation (net production)	8.9 TWh	10.2 TWh	+ 1.3 TWh
Including the power from renewable sources	0.24 TWh	0.24 TWh	-
Heat generation	8.6 PJ	9.3 PJ	+ 0.7 PJ
Distribution	18.0 TWh	18.8 TWh	+ 0.8 TWh
Electric power supply	15.5 TWh	16.9 TWh	+ 1.4 TWh
The number of customers	4 068 thousand	4 088 thousand	+ 20 thousand

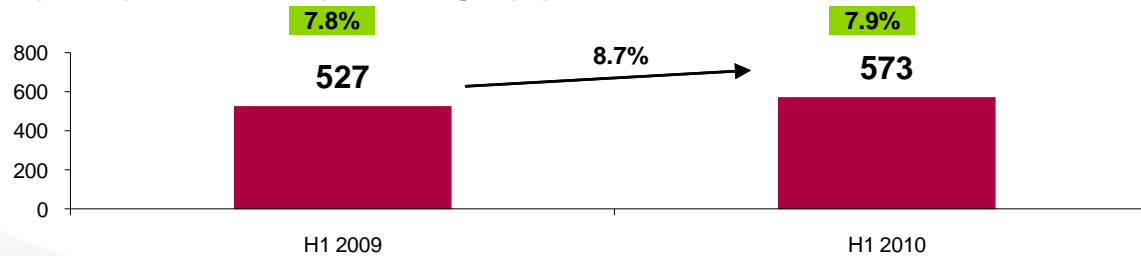
The data is based on the supply volumes

Financial results in H1 2010 (1/3)

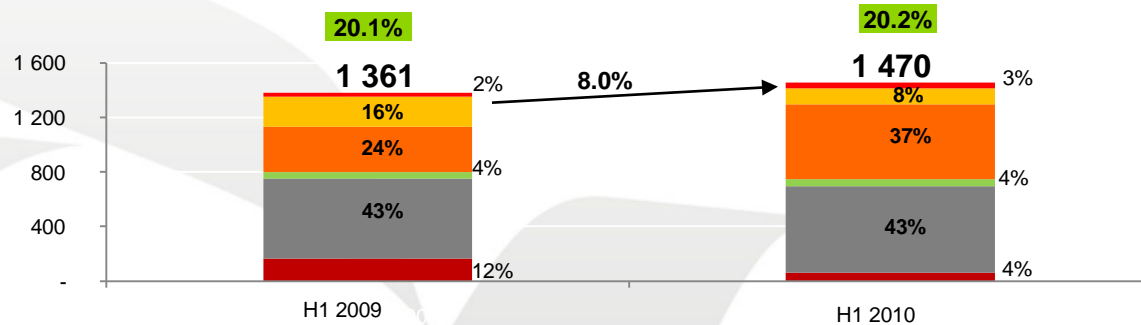
Revenues (in PLN million)



Net profit (in PLN million), net margin (%)



EBITDA classified by segments (in PLN million), EBITDA margin (%)

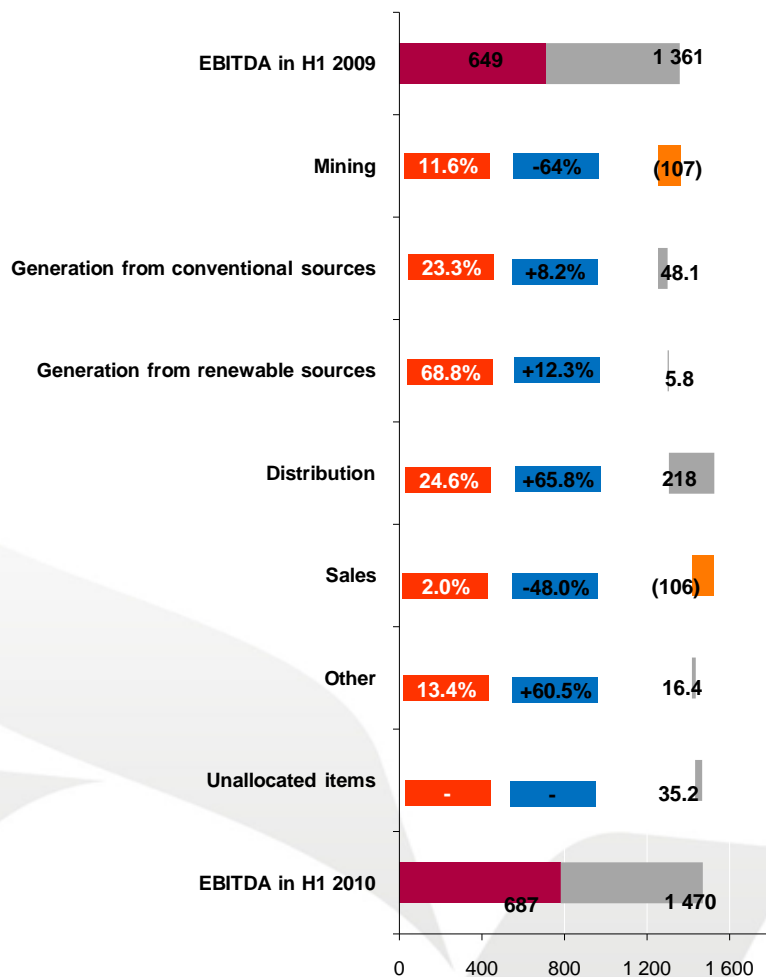


■ Mining ■ Generation - conventional sources ■ Generation - renewable sources ■ Distribution ■ Supply ■ Other

- In H1 2010 the TAURON Group noted a significant increase in demand for electric power, which led to the increase in revenues and EBITDA.
- The segments of Distribution and Electric Power Generation from Conventional Sources had the greatest impact on the increase of the EBITDA value in H1 2010. Their share in EBITDA of the whole Group increased to 80%.

Financial results in H1 2010 (2/3)

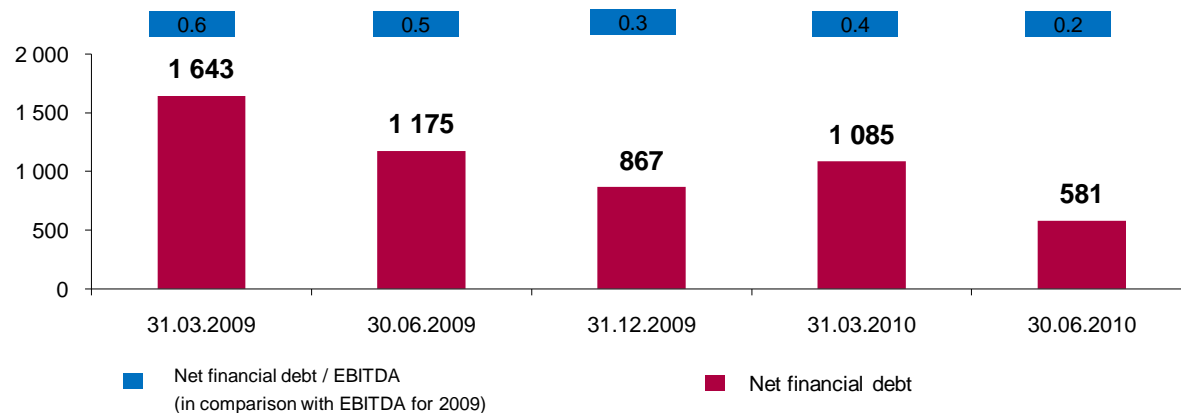
The change in EBITDA classified by segments (in PLN million),
EBITDA margin in the segment (%)



- Lower mining level due to unfavourable geological conditions (a tectonic fault)
- The total result of the increase in volume, price reductions and the increase in the share of compensation for stranded costs in revenues
- The increase in the revenues from green certificates at comparable production volume
- The increase in the supply volume and the increase of tariff prices as well as the reduction of energy cost to compensate balance differences
- The reduction of margins as a result of the strategy implemented in order to acquire new customers
- The increase in the revenues from heat supply due to the increase in volume and favourable climatic conditions

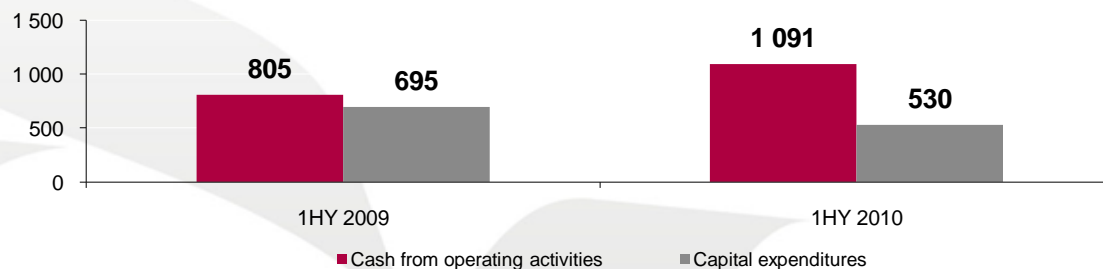
Financial results in H1 2010 (3/3)

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



- The total reduction of financial debt by PLN 269 million and the simultaneous increase in cash position by PLN 17 million led to the reduction in the net financial debt by PLN 286 million (in comparison with the end of 2009).
- The Company is currently preparing an investment financing plan.
- A gradual increase in the cash surplus from operating activities generated by the Group over capital expenditure.

Cash from operating activities, capital expenditures (in PLN million)



Implementation of the planned investment programme (1)

Bielsko-Biała – a new heating unit

- Construction starting date – August 2010
- Rated power– 50 MW_e / 182MW_t
- Planned commissioning date – mid 2013

Jaworzno III – a new fluidized bed boiler (for biomass combustion)

- Signing a contract with a consortium, whose leader is Rafako, for the design, delivery, construction and commissioning of the biomass boiler as well as biomass storage and transmission system
- Planned commissioning date – September 2012

Wind farms – 40 MW in Wicko

- The publication of tender for deliveries, installation, commissioning and financing of the Wind Farm Wicko – July 2010.
- The project will be financed my means of finance lease
- Estimated project value – PLN 200 million
- Planned commissioning date – 2012

Tychy – a new cogeneration unit and the reconstruction of the fluidized bed boiler (for biomass combustion)

- Obtaining a project financing commitment from the Voivodship Environmental Protection and Water Management Fund in the amount of up to PLN 30 million for the reconstruction of the fluidized bed boiler
- The power of a new cogeneration unit – 55 MW_e / 86 MW_t
- Planned commissioning date – the end of 2015 (the new unit) and the end of 2012 (boiler reconstruction)

Implementation of the planned investment programme (2)

Stalowa Wola – a new steam and gas power unit

- The investment implemented on the territory adjacent to the ESW Plant
- A Joint-Venture with PGNiG
- The selection of the General Contractor is currently underway – the tenders shall be published by the end of August
- Heat: 400 MW_e / 240MW_t
- Project starting date – 2010; planned commissioning date – mid 2014

Jaworzno III – boiler modernization

- The contract concluded with the consortium created by Fortum Power and Heat Oy and Zakłady Remontowe Energetyki Katowice
- Estimated project value – PLN 224 million
- The scope – the adaptation of six OP-650k boilers to the lower nitrogen emission standards, which shall be binding in Poland since 2018
- Works starting date – July 2010, planned completion date – August 2016

Jaworzno III – a new 800-910MW coal fired unit

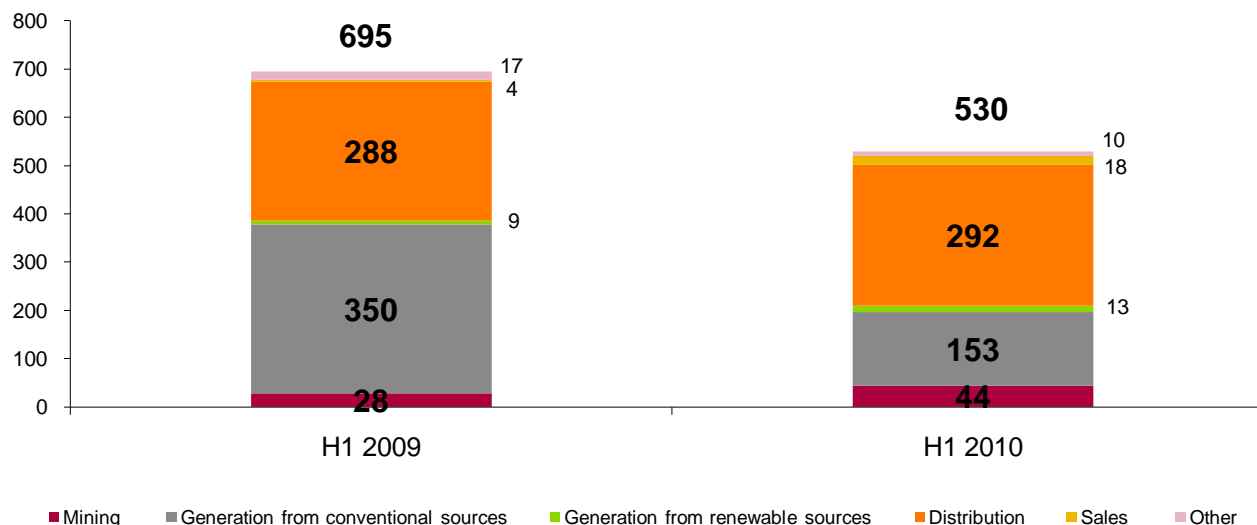
- 9 of the top global and European companies filed applications for the participation in the project implementation/ 1st stage has been completed
- Planned contractor selection – Q2 2011
- Planned commissioning date – 2016

“Kędzierzyn” Polygeneration Plant – the intention to concentrate was notified on 1 July 2010 in the Office for Competition and Consumer Protection

- The initiation of actions aimed at the sales of 50% interest in the Company Ecocarbon to ZAK
- The goal – to create a Joint-Venture in order to build and operate the “Kędzierzyn ” Polygeneration Plant
- The project shall be finally started after the European Commission has issued a decision on its co-financing

Capital expenditure structure

Capital expenditure classified by segments (in PLN million)



- Capital expenditures for the construction of new generation units in the Generation segment amount to PLN 51 million
- Capital expenditures for the construction of new connections in the Distribution segment amount to PLN 132 million
- Capital expenditures for the extension of the underground technical infrastructure in the Mining Segment amount to PLN 33 million
- Cash flows from operating activities which are mainly spent on modernization and new investments
- Lower investment in H1 2010 as a result of updating the implementation schedules and transferring planned expenditures to H2 2010 (mainly due to severe climatic conditions, such as a long and severe winter and floods as well as a longer heating season). Moreover, expenditures in H1 2009 were higher due to the final implementation stage of the investment in the 460 MW unit in the Łagisza Plant.

Implementation of the efficiency improvement programme

The TAURON Group has been implementing an efficiency improvement programme, mainly through the optimization of operating costs

Generation – the result in H1 2010: PLN 106 million

- Increase of production efficiency
- Increase of by-product utilization
- Reduction of expenditure related to the emission of pollution

Mining – the result in H1 2010: PLN 13 million

- Reduction of energy purchase costs
- Reduction of the exploitation of mining headings

RES + OTHER – the result in H1 2010: PLN 2 million

- Reduction of heat losses
- Reduction of employment costs

DISTRIBUTION – the result in H1 2010: PLN 21 million

- Optimization of purchase costs
- Improvement of management and operating processes
- Optimization of balance sheet differences

SUPPLY – the results are expected in H2 2010

- Change of the customer billing system
- Optimization of mail service costs

VOLUNTARY REDUNDANCY PROGRAMME

As at the end of H1 2010, over 500 persons participated in the programme.

The savings programme for the years 2010-2012, which assumes the reduction of operating costs in the amount of approx. PLN 1 billion has been implemented according to the plan

More transparent ownership

- Works connected with the rearrangement of Tauron Group subsidiaries:
 - Sales of shares in app. 30 subsidiaries
 - Completion of the process of incorporation of Energomix Servis and Enion Zarządzanie Aktywami into TAURON Polska Energia
- Completion of medical assets rearrangement – their acquisition by Elvita (a specialized medical company) is planned for autumn 2010
- Completion of the process of contributing minority interest share in PKE, Enion, EnergiaPro and ESW by the State Treasury planned for the end of the 3rd quarter/ the beginning of the 4th quarter of 2010

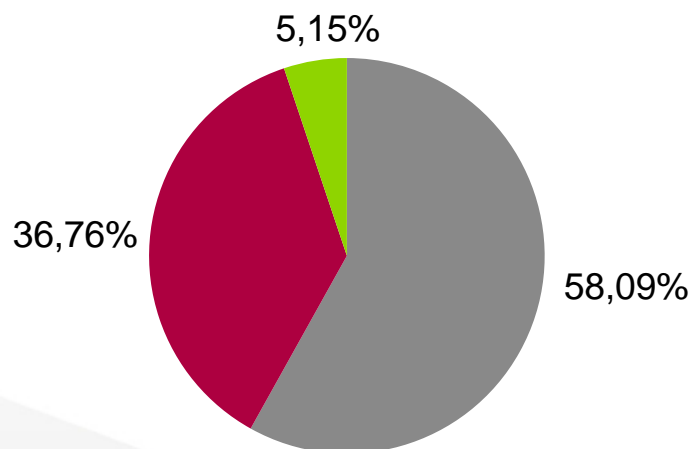
Business model implementation

- Integration of business activity in the area of supply and customer service; to be completed by the end of 2010:
 - Establishment of a power trading company on the basis of Enion Energia – a division of EnergiaPro Gigawat, and transferring a part of its assets related to electricity trading to Enion Energia
 - Transfer of employees specializing in customer service from Enion Energia to EnergiaPro Gigawat
- The process of separating the assets related to electric power generation from RES in Enion Energia and transferring them to TAURON Ekoenergia – Q4 2010
- The initiation of the process of consolidation of generation-related assets in PKE and assigning the mining-related assets directly to TAURON Polska Energia

Capital structure

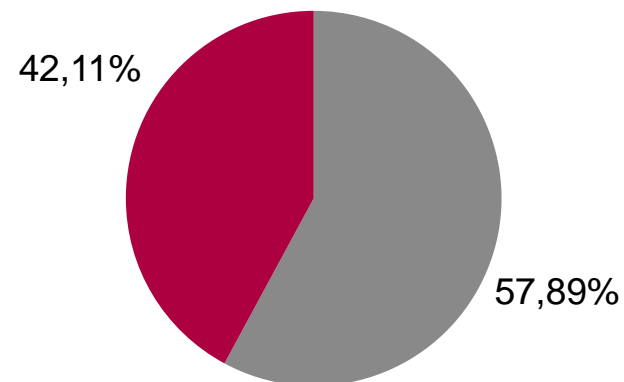
The conditions of transactions related to minority interest have already been defined

Present structure after IPO



- Other (including employees)
- State Treasury
- KGHM Polska Miedź

Structure after the conversion



- Other (including the employees)
- State Treasury

- The State Treasury will make an in-kind contribution of minority interest in PKE, Enion, EnergiaPro and ESW in exchange for TAURON Polska Energia shares
- As a result of this transaction, 163,110,632 new shares shall be issued by TAURON Polska Energia

Thank you – Q&A

TAURON Polska Energia S.A., ul. Lwowska 23, 40-389 Katowice
phone no. +48 32 774 27 06, fax no. +48 32 774 25 24

Investor Relations Section

Marcin Lauer

marcin.lauer@tauron-pe.pl

phone no. (32) 774 27 06

Paweł Gaworzyński

pawel.gaworzynski@tauron-pe.pl

phone no. (32) 774 25 34

Magdalena Wilczek

magdalena.wilczek@tauron-pe.pl

phone no. (32) 774 25 38
