



11 May 2011

Results of the TAURON Group for 1Q 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 S.A., agreement for gas supply and agreement for electricity supply
21 March	TAURON Polska Energia shares included in the CECE index of the Vienna Exchange
23 March	Sale by the State Treasury of 11.9% of the Company's shares at PLN 6.15 each – lowering of the share of the State Treasury to 30%; increasing the participation of Polish and international financial investors in the Company's share capital
January - March	Analytical works concerning the electric power generation technology for the Blachownia Power Plant Project (13 April – conclusion of the agreement with KGHM on the selection of the gas fuel for the Blachownia Power Plant Project)
January - March	Work on updating the Corporate Strategy (28 April – the Company Management Board and the Supervisory Board adopted 'TAURON Group Corporate Strategy for the years 2011-2015 with a perspective until 2020', which is a revised version of the strategy of 2008)

Electricity 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	193.65	91 689	+4.0%	+147.6%
Forward PEAK (Y+Q+M)	208.22	4 432	218.45	13 708	+4.9%	+209.3%
Forward (weighted average)	188.62	41 466	196.88	105 397	+4.4%	+154.2%
SPOT (TGE + GPW-POEE)	191.86	13 061	196.46	19 592	+2.4%	+50%
Total (weighted average)	189.40	54 527	196.81	124 989	+3.9%	+129.2%

CO₂ emission allowances (EUR/t):

Analyst	Price
Bache Commodities	22
Barclays Capital	18.3
UniCredit	18
Sagacarbon	17
Deutsche Bank	21
Point Carbon	22
Average forecasted price of EUA DEC-11 contracts during 2011	19.72

Certificates (PLN/MWh)

December 2011	Estimated market price	Substitution fee for 2011
Renewable (green)	268.46	274.92
Coal cogeneration (red)	27.54	29.58
Gas cogeneration (yellow)	123.90	127.15
Methane burning	57.05	59.16

In the scope of ownership structure

In the scope of business model implementation

Completed

- Sale of fixed assets not connected with core activity (leisure businesses) and shares in 4 companies from outside the TAURON Group's value chain for the total amount of PLN 3.9 million

- Registration of two companies in the National Court Register: TAURON Sprzedaż and TAURON Obsługa Klienta which completed the process of Group restructuring in the areas of supply and customer service

Ongoing

- Process of sale of assets not connected with core activity (leisure businesses) and shares in 13 companies from outside the TAURON Group's value chain; scheduled completion – 2011
- Process of integration of medical business in PŚZiPZ ELVITA; scheduled completion – 1H 2011
- Process of TAURON Group structure rearrangement (including: shifting control from indirect to direct, merging companies of the same activity profile)

- Process of integration of the Group's assets covering:
 - distribution companies
 - electricity generation companies
 - heat generation companiesscheduled completion – 3Q 2011
- Process of acquisition of 'Bolesław Śmiały' coal mine and PKW shares from Kompania Węglowa; scheduled completion – 4Q 2011

Implementation of investment programme

Bielsko-Biała – new heating unit

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

As of 31 March 2011:

- Investment carried out according to schedule – construction works under way. General contractor: Polimex-Mostostal S.A.

Jaworzno III – new fluidized boiler (biomass burning)

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

As of 31 March 2011:

- Investment carried out according to schedule – construction works under way. General contractor: Rafako S.A. and Omis consortium

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

- Capacity – 20 MW_e
- Scheduled completion date – 2012

As of 31 March 2011:

- Investment carried out according to schedule – works on the construction design have been completed. General contractor: Rafako S.A.

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

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

As of 31 March 2011:

- On 29 March agreement signed with Metso Power OY for boiler reconstruction
- On 29 March agreement signed for subsidizing with WFOŚiGW in Katowicach – in the amount of PLN 30 million

Wind farm - Marszewo

- Capacity – 100 MW_e
- Scheduled completion date – 2014

As of 31 March 2011:

- Preparatory work on 1st stage of 82 MW construction under way

Wind farm - Wicko

- Capacity – 40 MW_e
- Scheduled completion date – 2012

As of 31 March 2011:

- Process of selecting the contractor under way

Implementation of investment programme (2)

Blachownia – new steam and gas-fired unit

- Capacity – 800 - 910 MW_e
- Scheduled completion date – 2016

As of 31 March 2011:

- Analytical work concerning the selection of technology for the new unit has been completed
- 13 April 2011 – decision was taken to continue works with the option of using gas fuel for the investment

Stalowa Wola – new steam and gas-fired unit

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

As of 31 March 2011:

- Process of selecting general contractor under way
- Engineering contractor selected: ILF CONSULTING ENGINEERS Polska sp. z o.o.
- On 11 March 2011 key agreements signed:
 - for the operation of Stalowa Wola S.A. Heat and Power Plant
 - for long-term gas supply
 - for long-term electricity supply

Katowice – new steam and gas-fired unit

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

As of 31 March 2011:

- Process of obtaining corporate permissions under way

Implementation of investment programme (3)

Łaziska – modernization of boilers

- Scope – adaptation of four OP-650k type boilers to lower nitrogen oxides emission standards which will be binding from 2018
- Scheduled completion date – January 2015

As of 31 March 2011:

- Investment carried out according to schedule
- On 24 January 2011 implementation agreement signed with STRABAG sp. z o. o. (consortium leader) and STRABAG AG (consortium member)

Jaworzno III – modernization of boilers

- Scope – adaptation of six OP-650k boilers to lower nitrogen oxides emission standards which will be binding from 2018
- Scheduled completion date – January 2016

As of 31 March 2011 :

- Investment carried out according to schedule – preparatory work on the NOx installation on unit no. 2 under way
- General contractor: Consortium Fortum Power and Heat Oy (consortium leader) and Zakłady Remontowe Energetyki Katowice S.A. (consortium member)

Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled completion date – 2016

As of 31 March 2011:

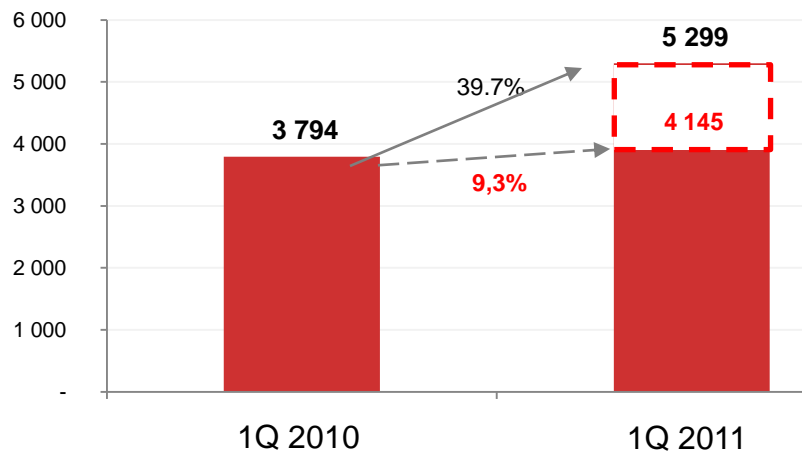
- Process of selecting the contractor and contract engineer under way

Key operational data

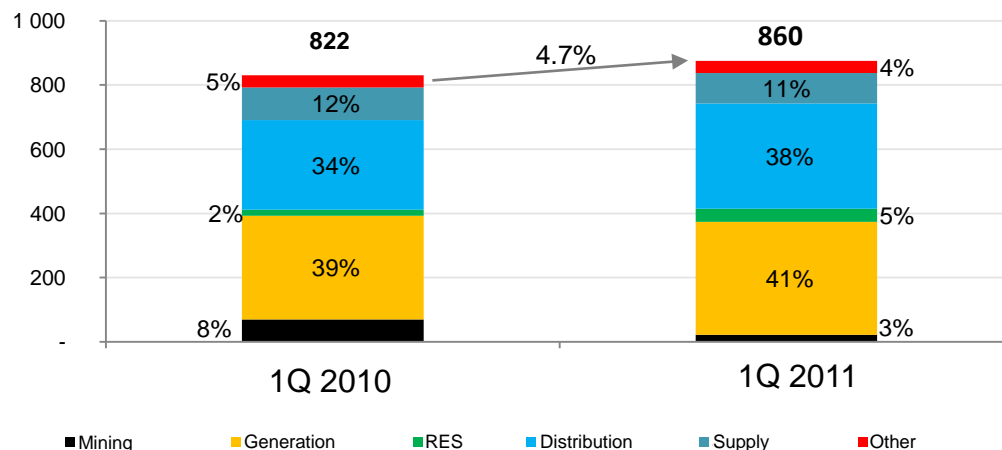
	1Q 2010	1Q 2011	Change (dynamics)
Hard coal mining (million tones)	1.36	1.15	-15.4%
Electricity generation (net production) (TWh)	5.31	5.90	11.1%
Including RES	0.23	0.23	0.0%
Heat generation (PJ)	8.11	7.36	-9.2%
Distribution (TWh)	9.64	10.0	3.7%
Supply (TWh)	8.58	9.24	7.7%
Number of clients (Distribution)	4 104	4 125	0.5%

Financial results for 1Q 2011

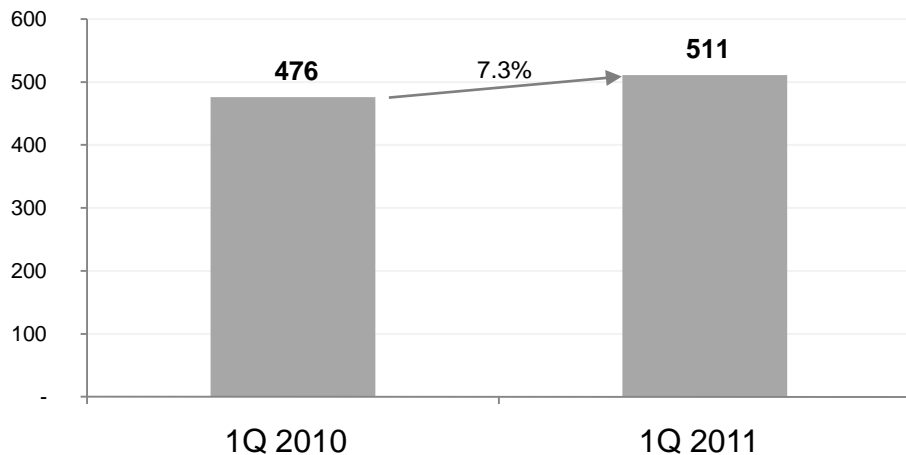
TAURON Group revenues (PLN million)



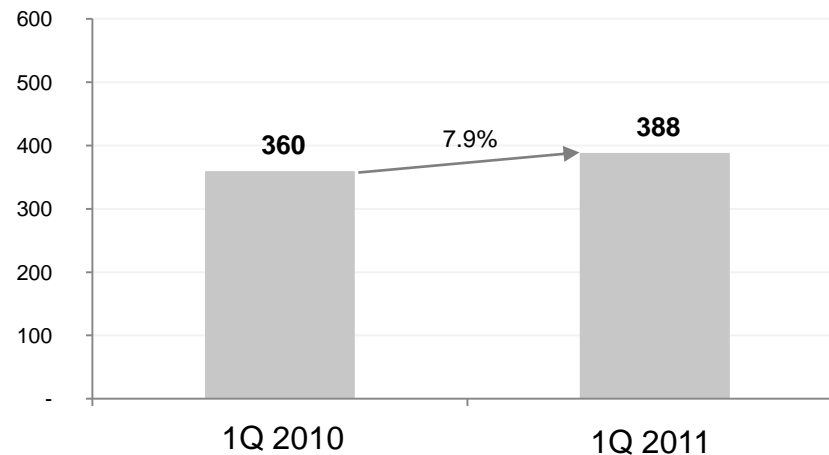
EBITDA by segments (PLN milion); EBITDA structure (%)



TAURON Group EBIT (PLN million)



TAURON Group net profit (PLN million)

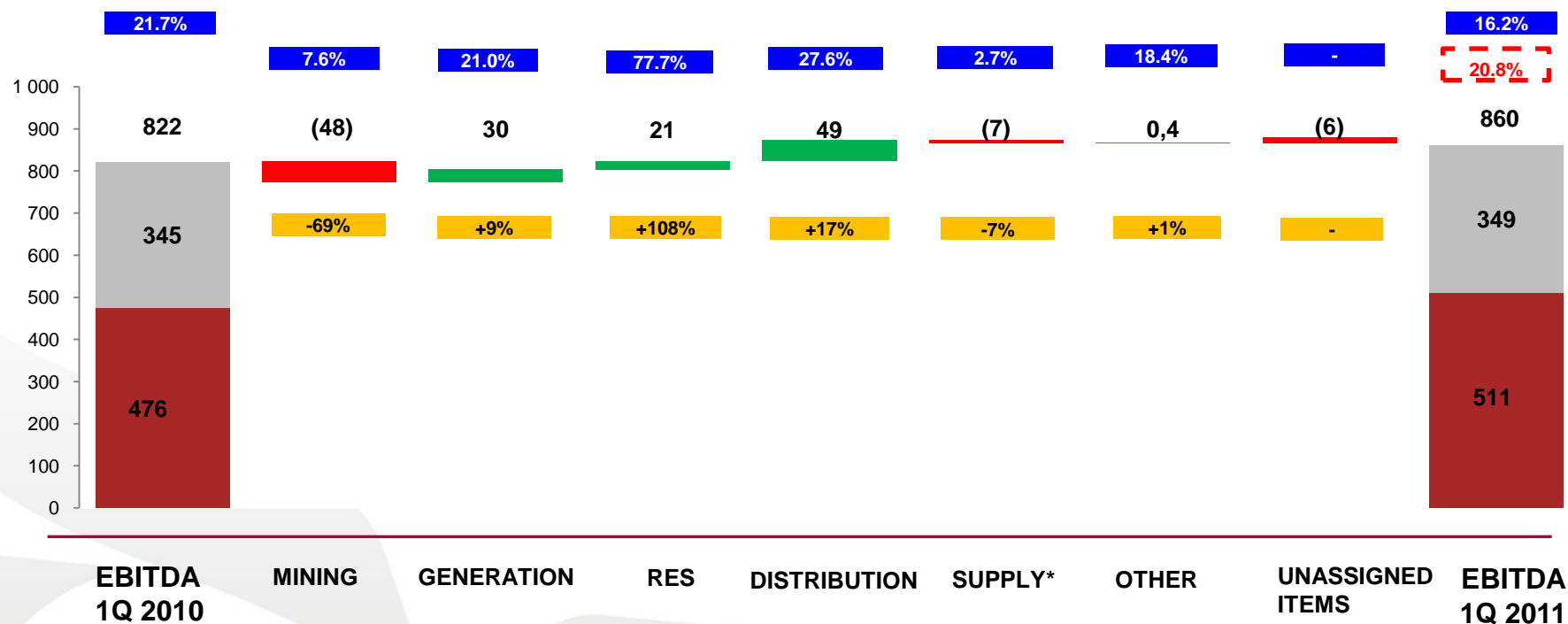


Made to make comparable:

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

Financial results for 1Q 2011 - EBITDA

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



■ EBIT ■ Increase in segment ■ Change in the segment %
■ Amortization ■ Decrease in segment ■ EBITDA margin

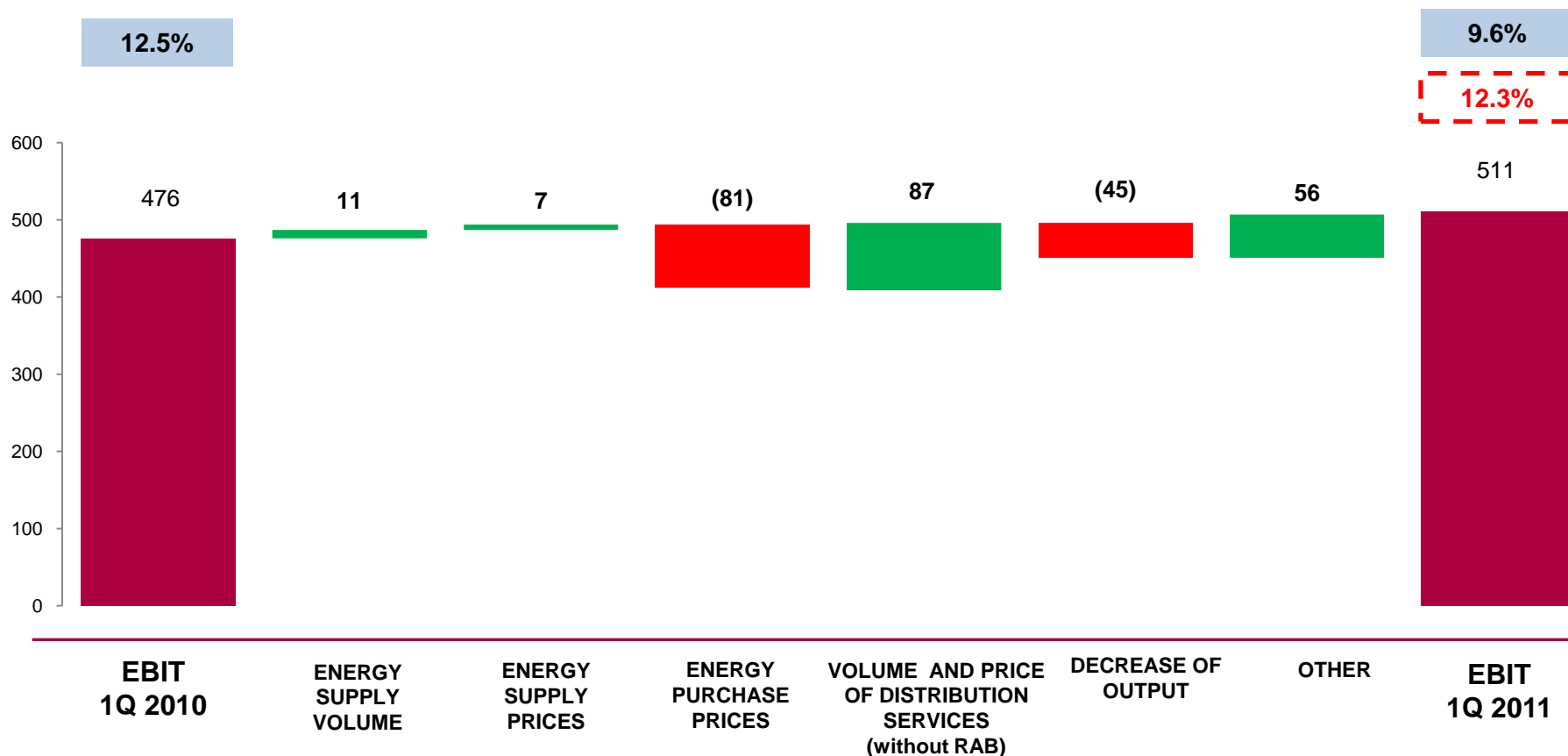
* In 1Q 2010 in Supply segment the valuation of RES energy certificates is recognized in the amount of approx. PLN 12.6 million. This did not occur in 1Q 2011

Made to make comparable:

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

Financial results for 1Q 2011 - EBIT

Change in EBIT vs. operating factors (PLN million), EBIT margin (%)



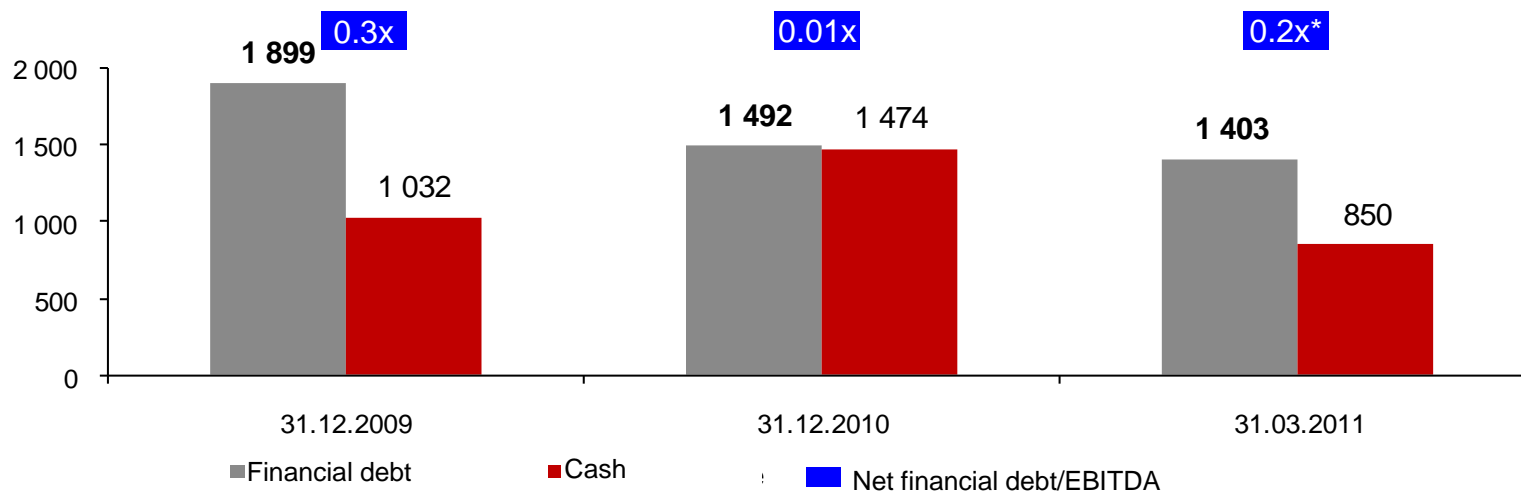
■ EBIT
■ EBIT margin
■ Increase in segment
■ Decrease in segment

Made to make comparable:

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

Group's debt

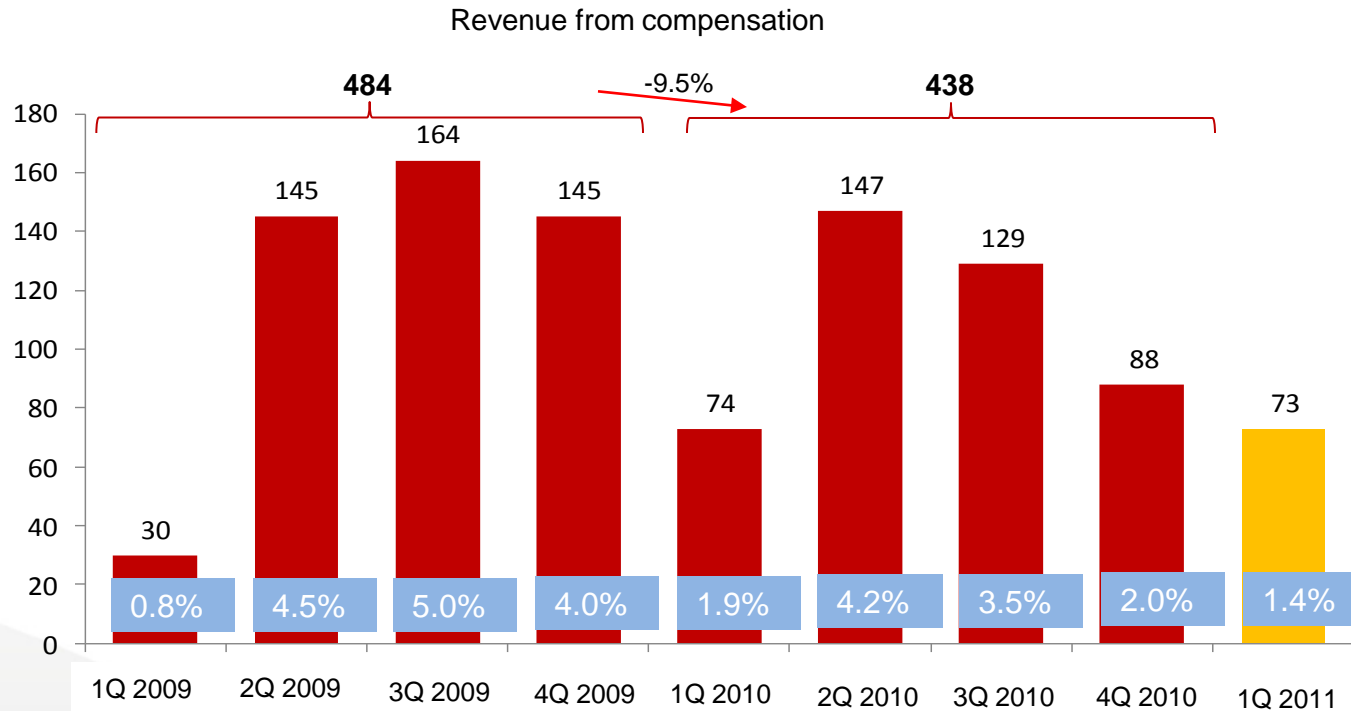
Net financial debt (PLN million), net financial debt/EBITDA (x)



* In relation to EBITDA for 2010

- As of 31 March 2011 the level of financial debt decreased by 6% as a result of implementing central financial management in the Group which limited the needs for external crediting (by over PLN 100 million)
- As at the end of March 2011 cash level decreased by 42% which results mainly from investment expenditure that previously was financed mainly from Company own resources.

Compensation for termination of long-term agreements (PPA)



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 final adjustment

Efficiency improvement programme

TAURON Group implements cost efficiency improvement plan

GENERATION – result in 1Q 2011: – PLN 51 million;
cumulated result since programme implementation – PLN 249 million

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

MINING – result in 1Q 2011: – PLN 8 million;
cumulated result since programme implementation – PLN 31 million

Reduced energy purchase costs
Reduced lateral development costs

RES + OTHER – result in 1Q 2011: – PLN 2 million;
cumulated result since programme implementation – PLN 7 million

Reduced heat losses
Reduced employment costs

DISTRIBUTION – result in 1Q 2011: – PLN 23 million;
cumulated result since programme implementation – PLN 87 million

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

SUPPLY – result in 1Q 2011: – PLN 3 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 1Q 2011, 927 persons participated in the programme (since its implementation), out of which 267 terminated their employment contracts in 2011 (total since the programme implementation: 825 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

Years 2008 - 2010



The Group has been successfully implementing the strategy adopted in 2008. The Company's flotation on the Warsaw Stock Exchange in June 2010 was the crowning of this stage

January to April 2011



Work on the revision of the strategy adopted in 2008

28 April 2011



TAURON Management Board and Supervisory Board adopted 'TAURON Group Corporate Strategy for the years 2011-2015 with a perspective until 2020'

- **The reasons behind the revision of the strategy were to adjust the strategy to the changing market conditions and to the Group's new business model, including:**
 - reduction of risk related to CO₂ exposure
 - increase in the discipline in the implementation of investment projects and recognize operational costs reduction as a priority
 - generation portfolio diversification in order to minimize the risk related to the necessity of climatic objectives implementation
 - readiness of the Group to take advantage of market opportunities to acquire attractive assets

Revision of strategic objectives



REVISION OF THE STRATEGIC OBJECTIVES INCLUDES:

- Commissioning new generation units using various technologies **of the aggregate capacity of 2400 MW** until 2020, including in particular:
 - 1010 MW in hard coal technology (including at least 100 MW in co-generation) – **previously 2 280 MW in coal technology, 100 MW in co-generation, 180 MW in polygeneration**
 - 735 - 1135 MW in gas fuel technology (including 335 MW in co-generation), taking into account 400 MW in Łagisza Power Plant (analysis as regards selection of fuel under way) – **previously 400 MW**
 - 240 MW in biomass – **without change**
- Increase of the share of capacity in low-emission technologies; 800 MW is scheduled by 2020 in wind and biogas energy – **previously 440 MW (in wind)**
- Preparation for the construction of nuclear power plant – **new initiative**
- Potential acquisitions in core activity area – **new initiative**

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 S.A. 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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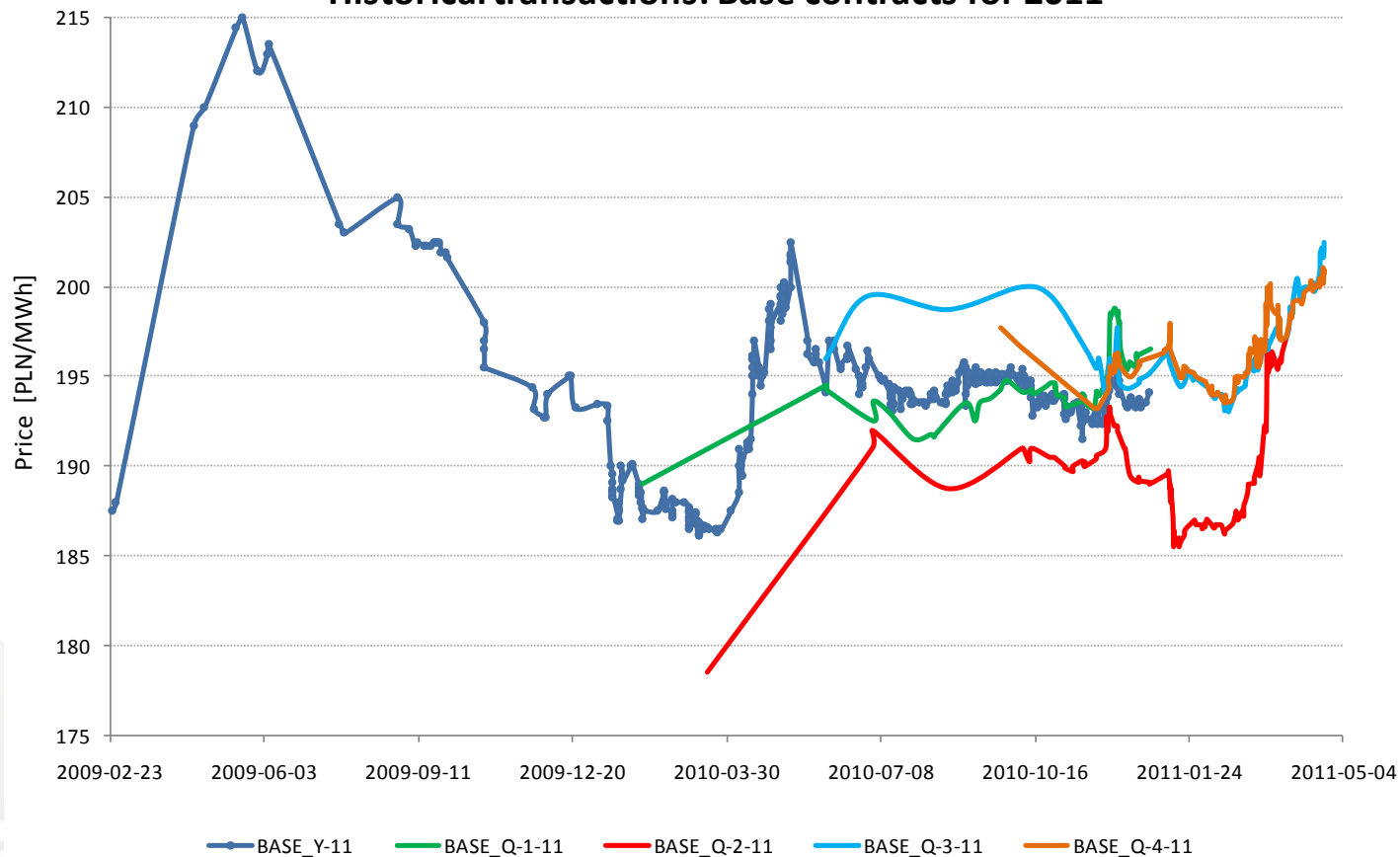
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Additional information

BASE 2011 transactions

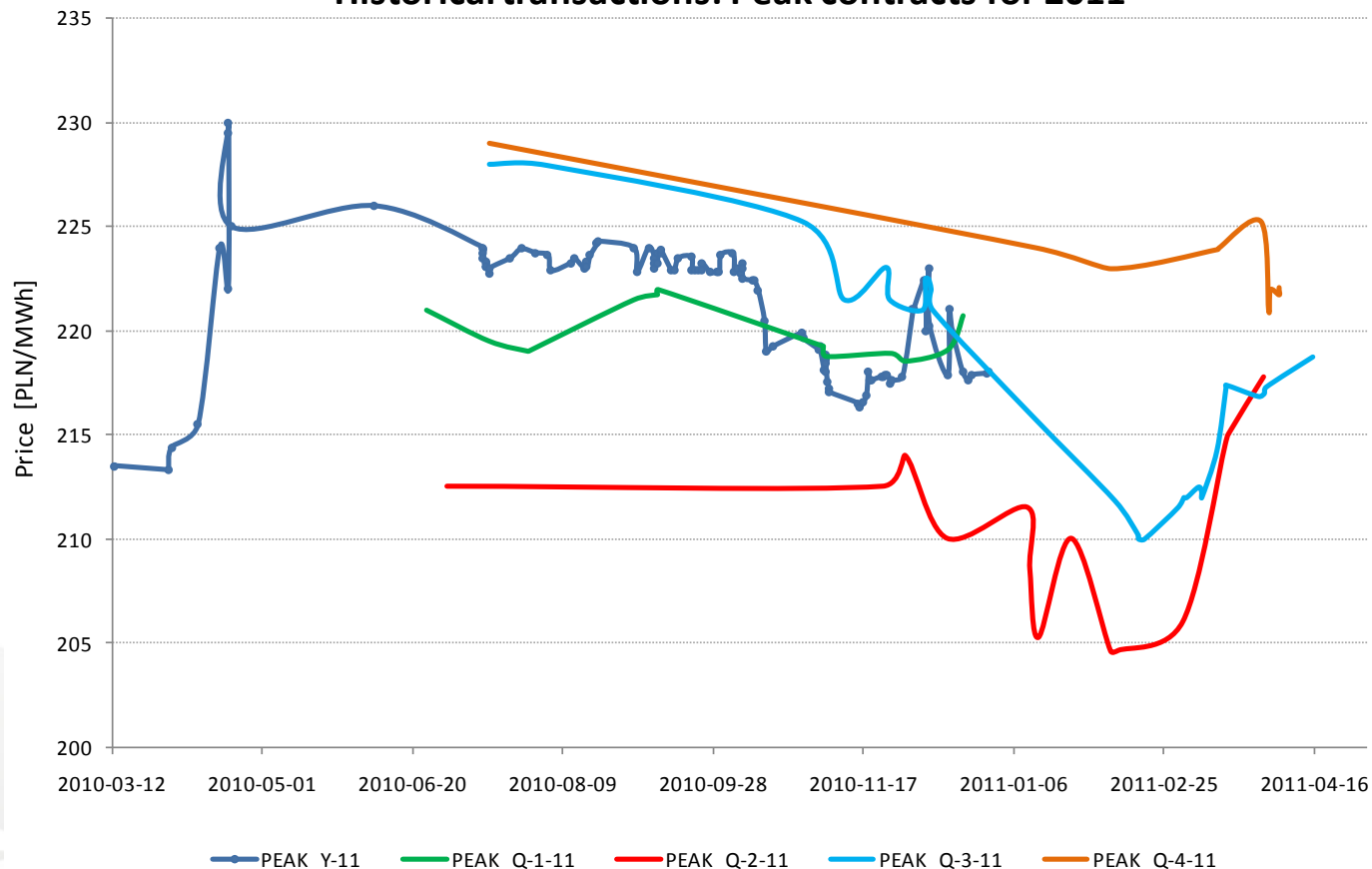
Historical transactions: Base contracts for 2011



Historical transaction average price [PLN/MWh]:		Volume [GWh]
Yearly	193,48	75 870
Quartely	194,99	11 365
Monthly	193,19	4 454
TOTAL	193,65	91 689

PEAK 2011 transactions

Historical transactions: Peak contracts for 2011



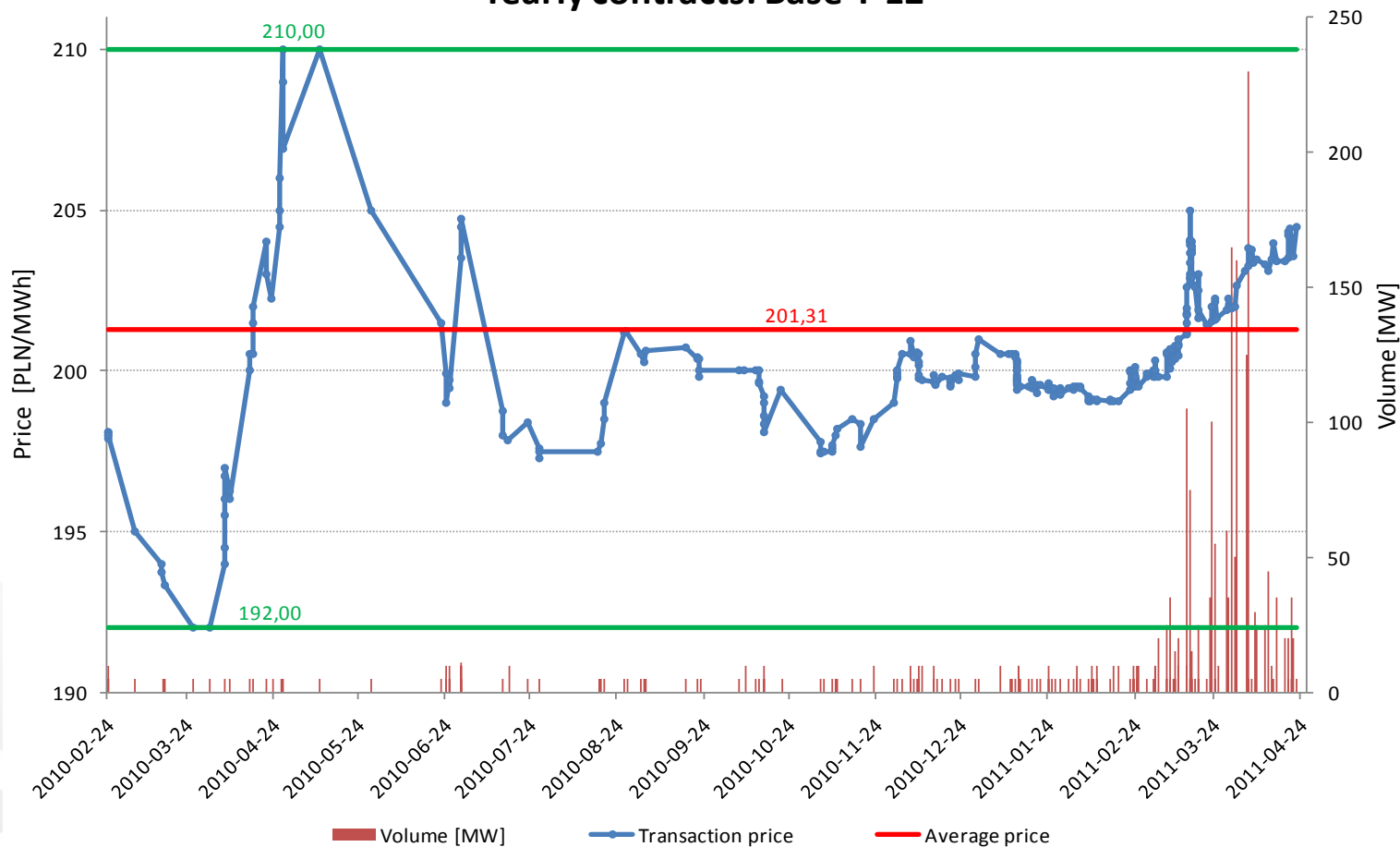
Historical transaction average price [PLN/MWh]:

Volume [GWh]

Yearly	218,94	12 172
Quarterly	217,66	812
Monthly	211,06	724
TOTAL	218,45	13 708

BASE 2012 transactions

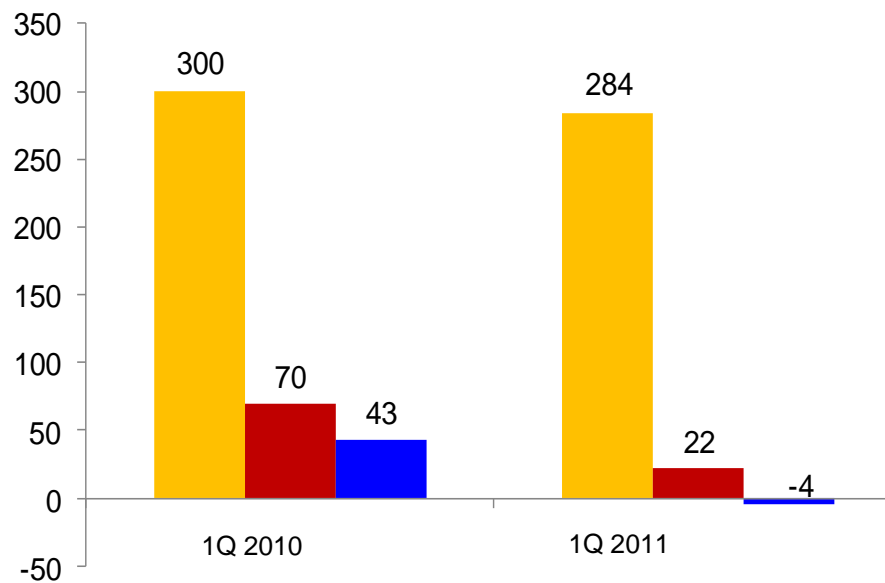
Yearly contracts: Base Y-12



Average price [PLN/MWh]	201,31	Contracts [MW]	3 311
Prices min-max [PLN/MWh]	192 - 210	Volume [GWh]	29 084
Last price [PLN/MWh]	204,50		

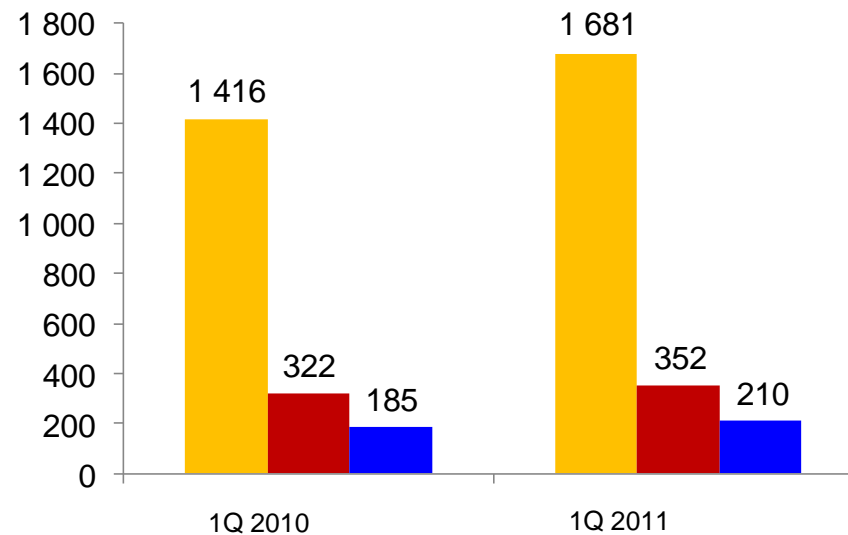
Mining – key financial data

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



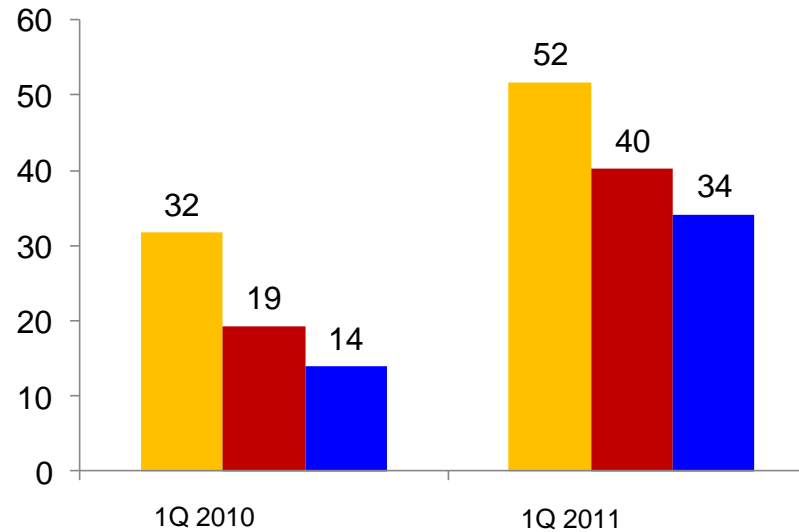
Generation from conventional sources – key financial data

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



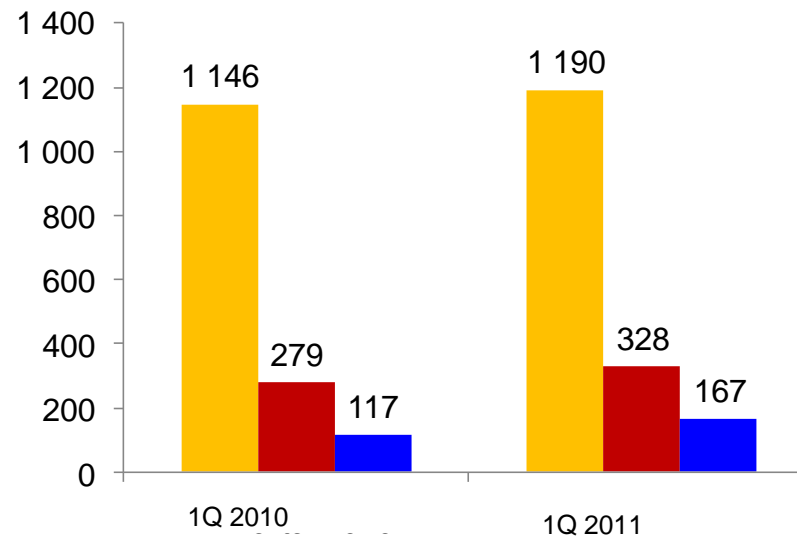
Generation from renewable sources – key financial data

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



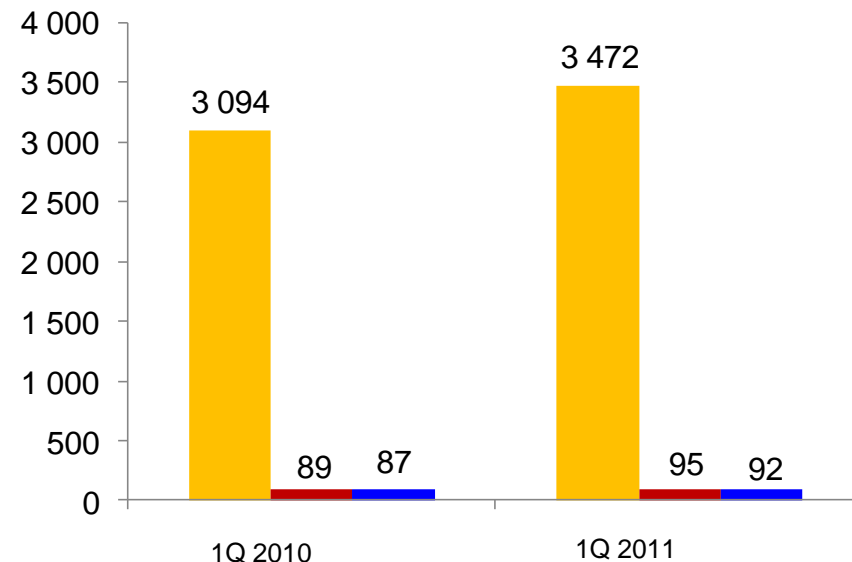
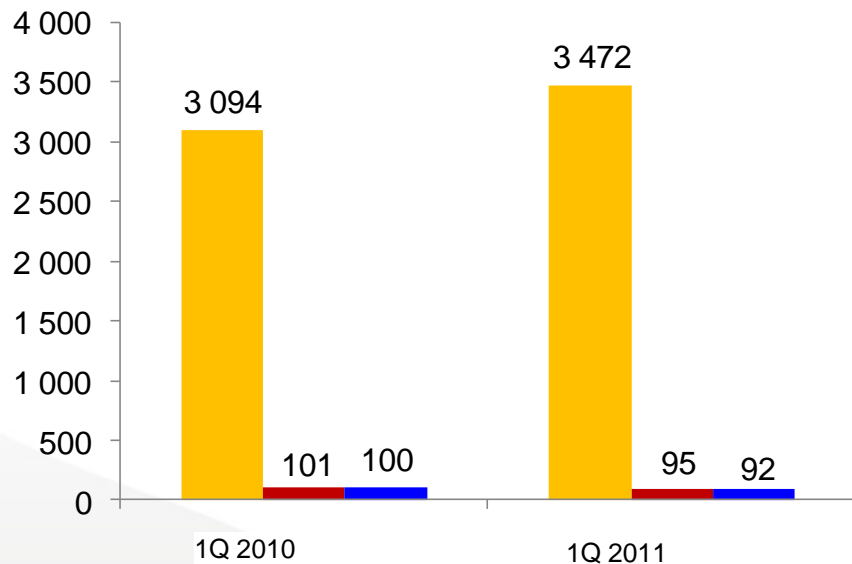
Distribution – key financial data

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 Q1 2010, evaluation of ownership rights from RES (PLN -12.6 million)

Other – key financial data

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

