



**Cost efficiency improvement program  
In TAURON Group – outlook for 2013-2015**

**15 January 2013**

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# Efficiency improvement program – outlook for 2013-2015



## Breakdown of the planned savings under the new efficiency improvement program per segment

Over 90%



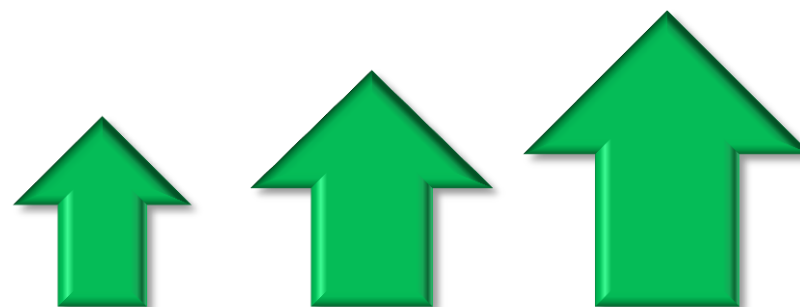
- Distribution and Generation

Approx. 50%



- Distribution

- The biggest savings planned in 2015
- Most of the savings will be the result of the Voluntary Redundancy Programs



**2012**

- Works on the efficiency improvement program were carried out concurrently with drafting of the financial plan for TAURON Group for 2013

**2013**

- Savings will be rising in each year of the program's implementation
- Planned savings in 2013-2015 will reach PLN 864 million

**2014**

**2015**



# Efficiency improvement program – outlook for 2013-2015



**TAURON Group plans to implement a new efficiency improvement program, targeted mainly at reducing OPEX**

## Generation (PLN 377 million)

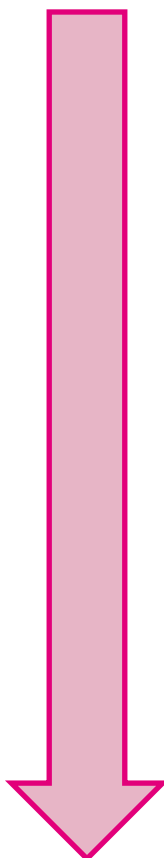
- Employment restructuring and process optimization
- Fewer overhauls of the least efficient units
- Overhead cost optimization
- Outsourcing certain functions, mainly overhauls

## Heat (PLN 33 million)

- Employment restructuring
- Reducing compressed air losses
- Asset restructuring
- Optimization of outsourced services' costs
- Optimization of procurement policy

## RES (PLN 10 million)

- Improving equipment efficiency, optimizing generation volume and OPEX at hydroelectric power plants
- Reducing the cost of the wind farm's operation and maintenance



## Distribution (PLN 416 million)

- Implementation of the ultimate business model, elimination of overlapping functions
- Changing the principles for qualifying costs as expenditures or expenses
- Optimization of the balancing difference
- Optimization of IT processes
- Integration of business functions in the maintenance area
- Optimization of outsourced services

## Mining (PLN 28 million)

- Building nitrogen generation installation
- Expansion of the slime dewatering stations
- Potable water treatment
- Electronic auctions in public procurement
- Applying mechanical lining in heading driving

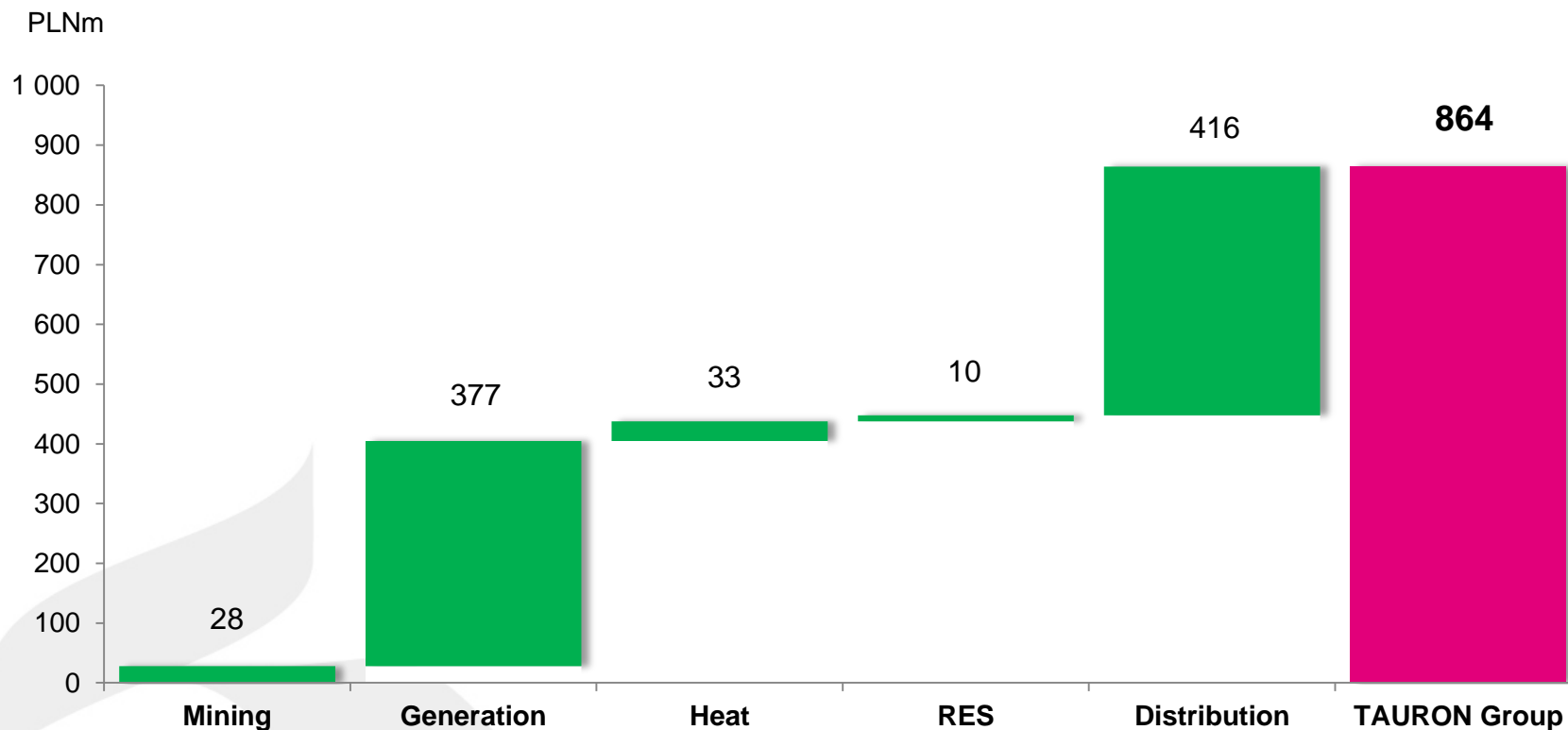
**As a result of the above mentioned actions TAURON Group expects to achieve additional efficiency improvement which should translate into OPEX reduction by approx. PLN 0.9bn in 2013-2015, mainly in the Generation and Distribution segments**



# Efficiency improvement program – outlook for 2013-2015

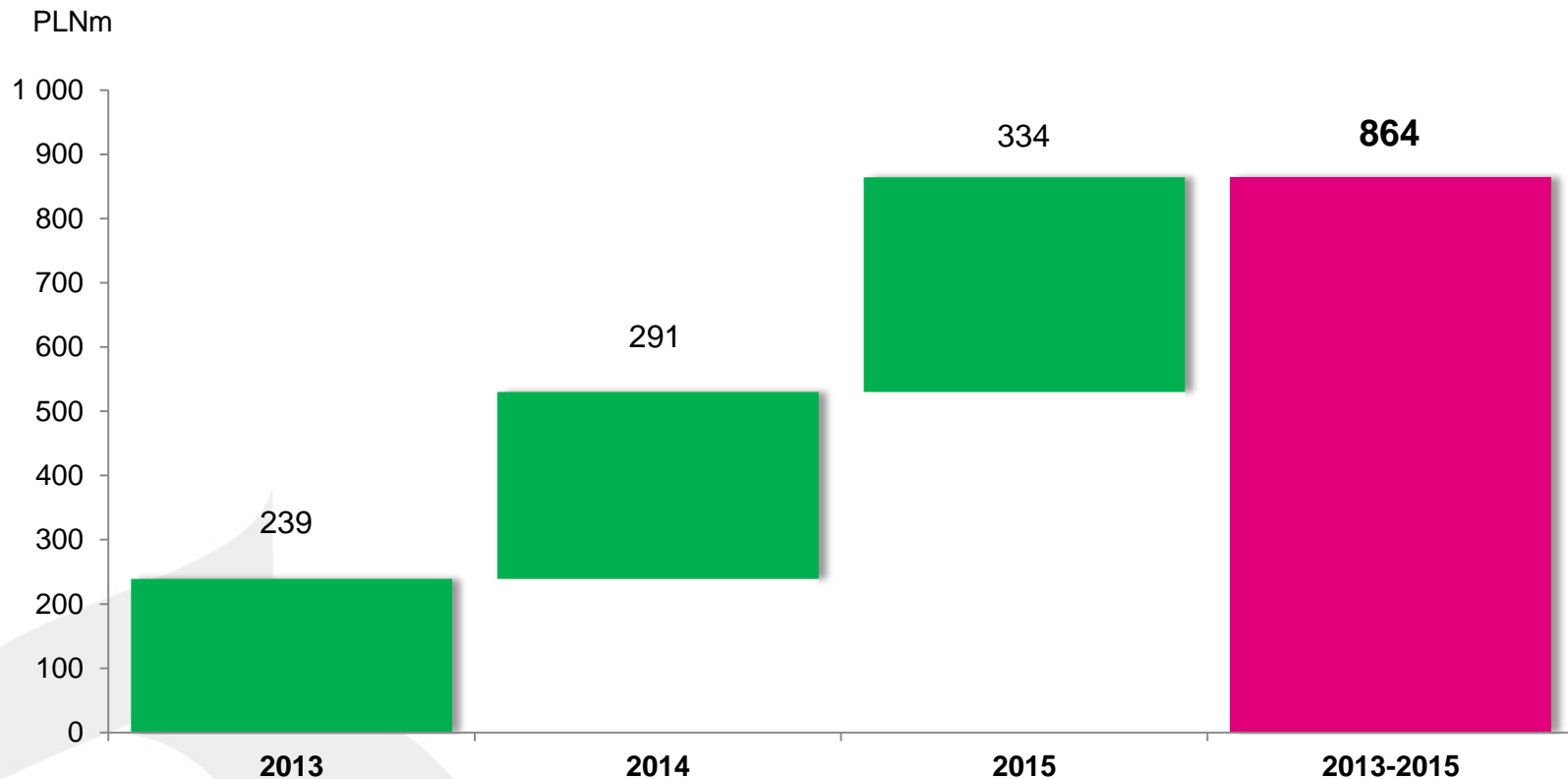


## Efficiency improvement program in 2013-2015 EBITDA increase per segment



# Efficiency improvement program – outlook for 2013-2015

## Efficiency improvement program in 2013-2015 EBITDA increase per year



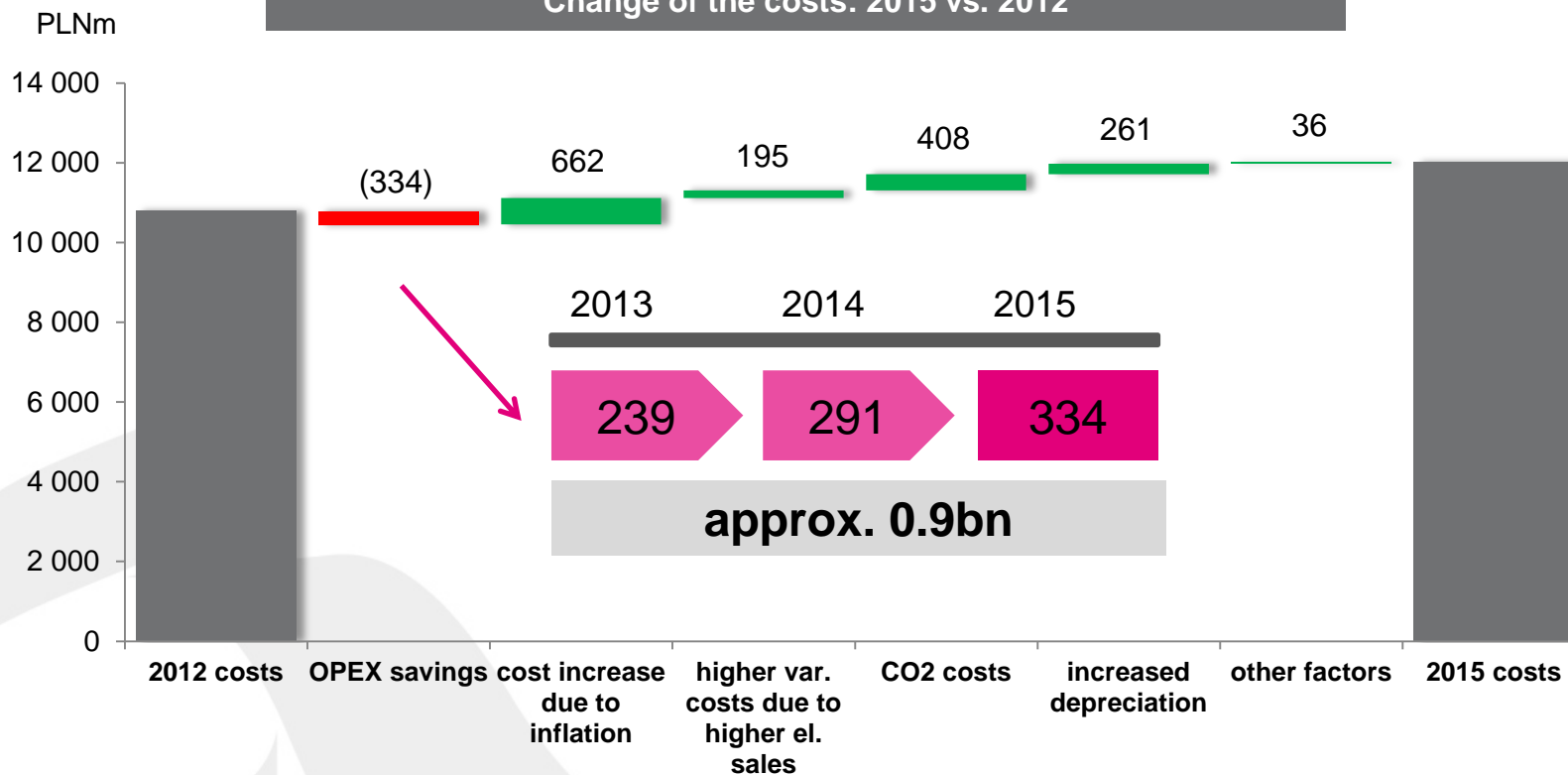


# Efficiency improvement program – outlook for 2013-2015



The 2013-2015 efficiency improvement program worth approx. PLN 0.9bn\* will bring a permanent reduction of the Group's OPEX. A nominal increase of the costs in 2015 vs. 2012 will mainly be due to planned inflation rate, costs of CO<sub>2</sub> purchases, increased depreciation and higher sales of generated electricity

**Efficiency improvement program in 2013-2015**  
Change of the costs: 2015 vs. 2012



\*total savings over three years



Main efficiency improvement initiatives are related to  
employment restructuring

## Generation (PLN 266 million)

### Key assumptions:

- Planned reduction of approx. 1,580 FTEs by 2015
- Average savings per FTE of PLN 99 thousand

## Distribution (PLN 345 million)

### Key assumptions:

- Planned reduction of approx. 1,400 FTEs by 2015
- Average savings per FTE of PLN 85 thousand

## Heat (PLN 24 million)

### Key assumptions:

- Planned reduction of approx. 200 FTEs by 2015
- Average savings per FTE of PLN 65 thousand





## Efficiency improvement program – outlook for 2013-2015

The efficiency improvement program has been planned, formally adopted and its implementation will be monitored on a regular basis

TAURON Group's efficiency improvement program for 2013-2015 was adopted by the resolutions of the Management Boards of TAURON Group subsidiaries and by TAURON's Management Board

Corporate Strategy defines KPI levels that include OPEX reductions specified in the program

OPEX savings are included in the budget plans of individual subsidiaries and of the Group. These plans are monitored on a regular basis

Every quarter TAURON Group will be publicly reporting progress in implementing the program