



15 March 2011

TAURON Group results for 2010

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Major events in 2010

IPO and floatation on WSE

- IPO value: PLN 4.2 billion
- Over 230 thousand of individual investors; a wide circle of Polish and foreign institutional investors
- Second largest IPO of a utility company in Europe
- Opening bid: PLN 5.13 – increase of capitalization by PLN 3.3 billion from PLN 8.2 billion on the first day of listing to PLN 11.5 billion at the end of 2010
- Presence in MSCI Poland – since 14 July 2010
- Presence in WIG20 – since 17 December 2010

Strategy implementation

- Capital restructuring of the Group – activities in the scope of restructuring the capital structure and implementing a business model
- Launching cost efficiency improvement programme in the amount of PLN 1 billion for 2010-2012
- Obtaining the status of a participant of many significant trading platforms and energy exchanges: WSE Commodity Market, Bluenext and EPEX Spot SE in Paris, EEX in Leipzig and Power Exchange Central Europe (PXE) in Prague

Group restructuring

- Contribution by the State Treasury of the remaining shares in subsidiary companies: PKE, Enion, EnergiaPro, ESW to TAURON in October 2010
- Resolution of Extraordinary Shareholders' Meeting of 10 November 2010 to decrease share capital by decreasing share par value from PLN 9 to PLN 5 to restructure equity capital
- End of employee shares' conversion - 13 August 2010

Bonds issuance programme

- 16 December 2010 signing an agreement with Bank Handlowy, ING Banki Śląski, PKO BP, BRE Bank, Pekao, Nordea Bank Polska
- Five-year bonds issuance programme of the value of PLN 1.3 billion; 29 December 2010 issuing bonds of the value of about PLN 850 million
- Objective: to refinance TAURON Group companies' liabilities, decrease structurally subordinate debt within the Group, finance general corporate needs

Rating assignment

- Rating assigned on 8 April 2010 by Fitch Ratings
- Long-term local and foreign currency rating: BBB, outlook: stable

Price trends on electricity market

Electricity						
TGE, TFS, GFI	2010		2011		2011/2010	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
BASE	186,26	37 034	193.35	86 028	3.8%	132.3%
PEAK	208,22	4 432	218.51	13 398	4.9%	202.3%
Weighted average	188,62	41 466	196.74	99 426	4.3%	139.8%
SPOT	191,86	13 061	195.61	19 592	2.0%	50.0%
Weighted average	189,40	54 527	196.55	119 018	3.8%	118.3%

CO ₂ credits - analysts (EUR/t)		Property rights (PLN/MWh)		
Entity	Price	December 2011	Market prices estimates	Compensatory payment
Bache Commodities	22			
Barclays Capital	18.3			
Deutsche Bank	18			
MF Global	15			
Nomisma Energy	16.6			
Point Carbon	22			
Sagacarbon	17			
Societe Generale/orbeo	15.4			
UniCredit	16.5			
average EUA price in 2011	17.9			
		RES (green)	268.46	274.92
		Cogeneration (red)	27.54	29.58
		Gas cogeneration	123.90	127.15

In the scope of ownership structure

In the scope of business model implementation

Completed

- Process of contributing by the State Treasury to TAURON minority blocks of shares in PKE, ESW, ENION, EnergiaPro
- Incorporating by TAURON Polska Energia of ENION Zarządzanie Aktywami and Energomix Servis
- Sales of shares in nine companies not connected with core operations

- Process of restructuring RES generation assets – separating RES assets from ENION Energia and contributing them to TAURON Ekoenergia
- Integration of end-consumer sales process in TAURON Sprzedaż
- Integration of client service process in TAURON Obsługa Klienta
- Implementation central financing model in the TAURON Group

Ongoing

- Process of acquiring shares of PKW and PE-PKH from PKE; scheduled completion – 2011
- Process of integrating medical business in PŚZiPZ ELVITA; scheduled completion – H1 2011
- Sale of PŚZiPZ ELVITA – H2 2011
- Carrying out of:
 - three mergers of companies; scheduled completion - 2011,
 - two processes of making in-kind contributions; scheduled completion – H1 2011
- Sale of shares in seventeen companies conducting non-core operations; scheduled completion – 2011

- Process of distribution assets integration; scheduled completion – Q3 2011
- Process of generation assets integration (conventional); scheduled completion – Q3 2011
- Process of heating assets integration; scheduled completion – Q3 2011
- Process of taking over "Bolesław Śmiały" coal mine and PKW shares from Kompania Węglowa; scheduled completion – Q4 2011

Implementation of investment programme

Bielsko-Biala – new heating unit

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

As of 31 December 2010:

- Investment carried out according to schedule – construction works under way

Jaworzno III – new fluidized boiler (biomass burning)

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

As of 31 December 2010:

- Investment carried out according to schedule – construction works under way

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

- Capacity – 20 MW_e
- Scheduled completion date – 2012

As of 31 December 2010:

- Investment carried out according to schedule – works on the construction design have been completed

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 December 2010

- Process of selecting the contractor and contract engineer under way

Wind farm - Marszewo

- Capacity – 100 MW_e
- Scheduled completion date – 2014

As of 31 December 2010:

- On 5 November negotiations were completed on the purchase of special purpose vehicle which has a 100 MW farm construction design
- Purchase of special purpose vehicle on 15 December 2010

Wind farm - Wicko

- Capacity – 40 MW_e
- Scheduled completion date – 2012

As of 31 December 2010:

- An international Consortium submitted an initial offer, negotiation process under way
- 24 December 2010 public tender was announced for the contract engineer (pre-qualification stage)

Implementation of investment programme (2)

Stalowa Wola – new steam and gas unit

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

As of 31 December 2010:

- Second stage of selecting the general contractor has been started

Katowice – new steam and gas unit

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

As of 31 December 2010:

- Process of obtaining corporate permissions under way

Jaworzno III – modernization of boilers

- Scope – adaptation of six OP-650k boilers to lower nitrogen oxides emission standards which will be binding in Poland from 2018.
- Commencement of works – July 2010, scheduled completion date – January 2016

As of 31 December 2010:

- Investment carried out according to schedule – procedures connected with preparing to construct installation have been completed, agreement has been signed with the contractor

Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled completion date – 2016

As of 31 December 2010:

- Process of selecting the contractor and contract engineer under way

Blachownia – new unit

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

As of 31 December 2010:

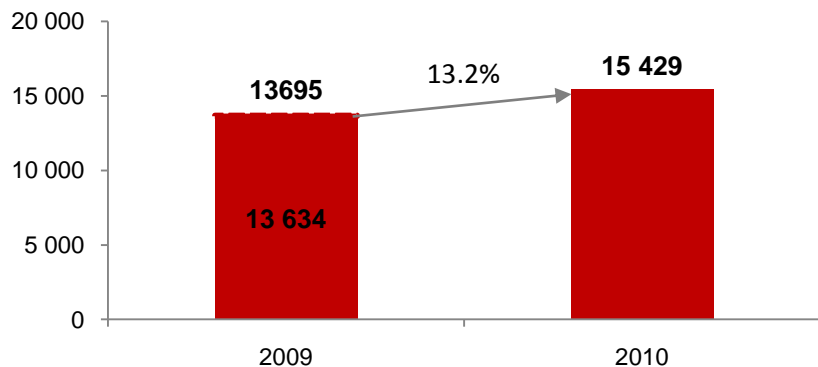
- Analytical works are under way in relation to the final choice of technology of the new unit. Variants of coal or gas fuel are considered

Key operational data

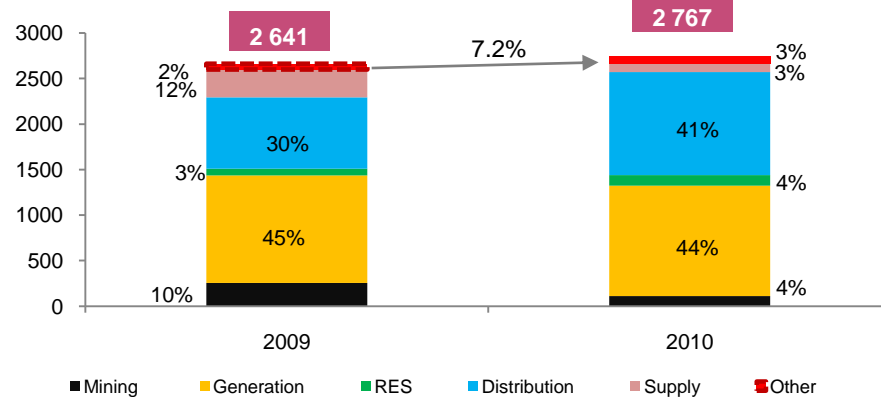
	Q4 2009	Q4 2010	Change (dynamics)	2009	2010	Change (dynamics)
Hard coal mining (million tonnes)	1.42	1.12	78.8%	4.9	4.5	91.2%
Electricity generation (net production) (TWh)	5.28	5.78	109.6%	18.6	21.3	114.4%
Including RES	0.25	0.25	100.0%	0.98	1.10	112.7%
Heat generation (PJ)	6.00	6.49	108.1%	16.6	18.3	110.1%
Distribution (TWh)	9.63	9.45	98.0%	36.4	37.5	103.0%
Supply (TWh)	8.19	8.95	109.3%	30.4	34.3	112.8%
Number of clients (Distribution)	4 092	4 115	100.6%	4 092	4 115	100.6%

Financial results for 2010

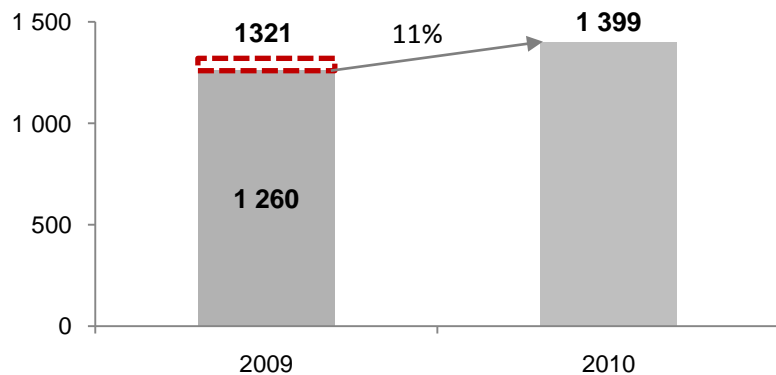
TAURON Group revenues (PLN million)



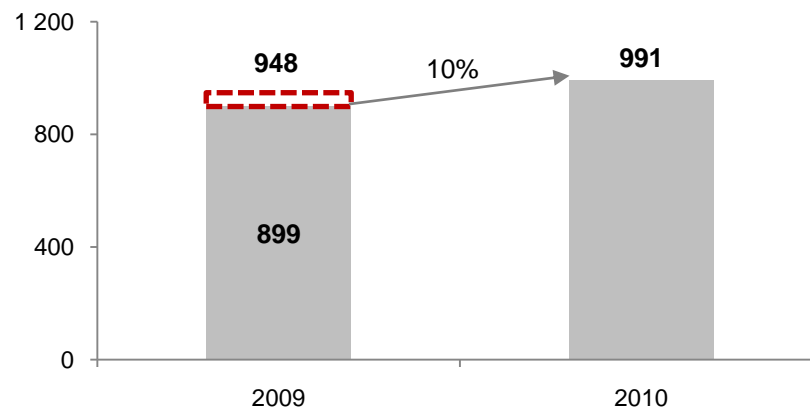
EBITDA by segments [PLN million]; EBITDA structure



TAURON Group EBIT (PLN million)



TAURON Group net profit (PLN million)

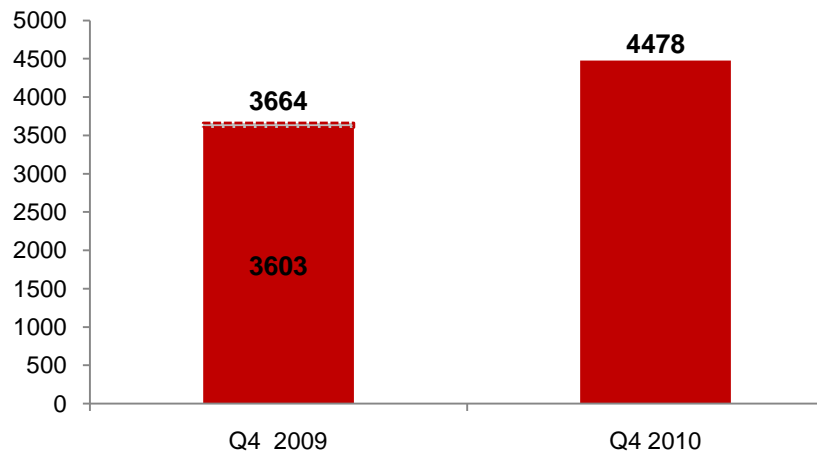


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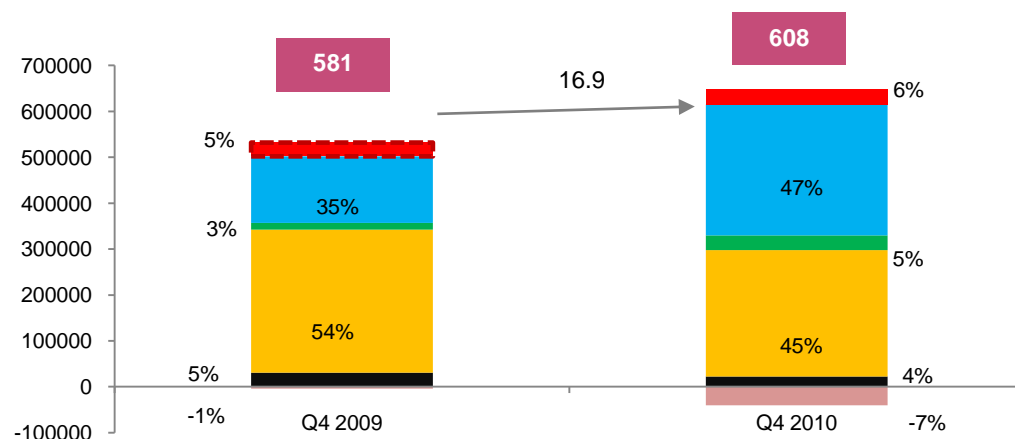
Reevaluation in Distribution segment is connected mainly with the change of approach to settling revenues from new connections

Financial results for Q4 2010

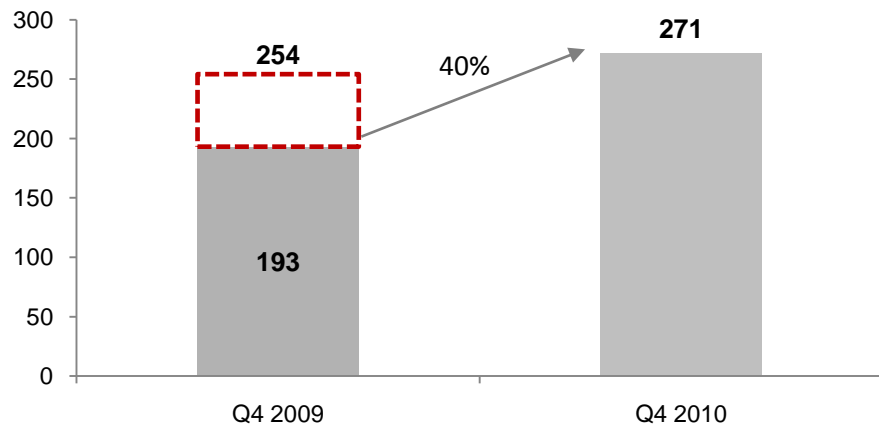
TAURON Group income (PLN million)



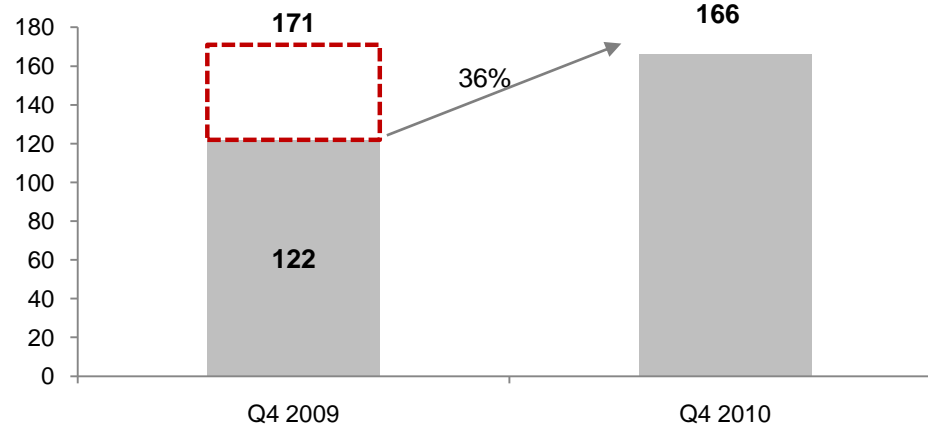
EBITDA by segments [PLN million]; EBITDA structure [%]



TAURON Group EBIT (PLN million)



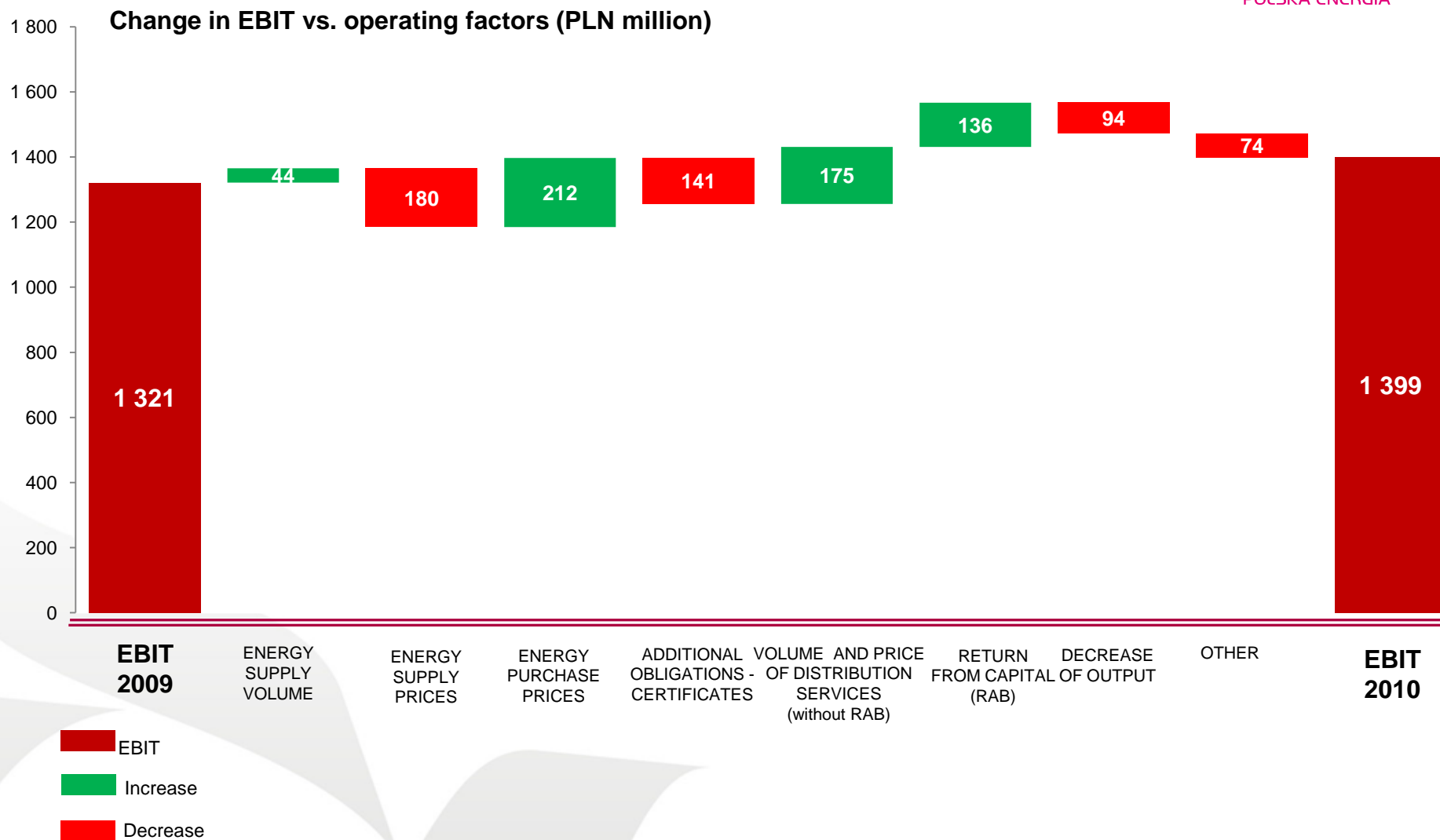
TAURON Group net profit (PLN million)



Made to make comparable

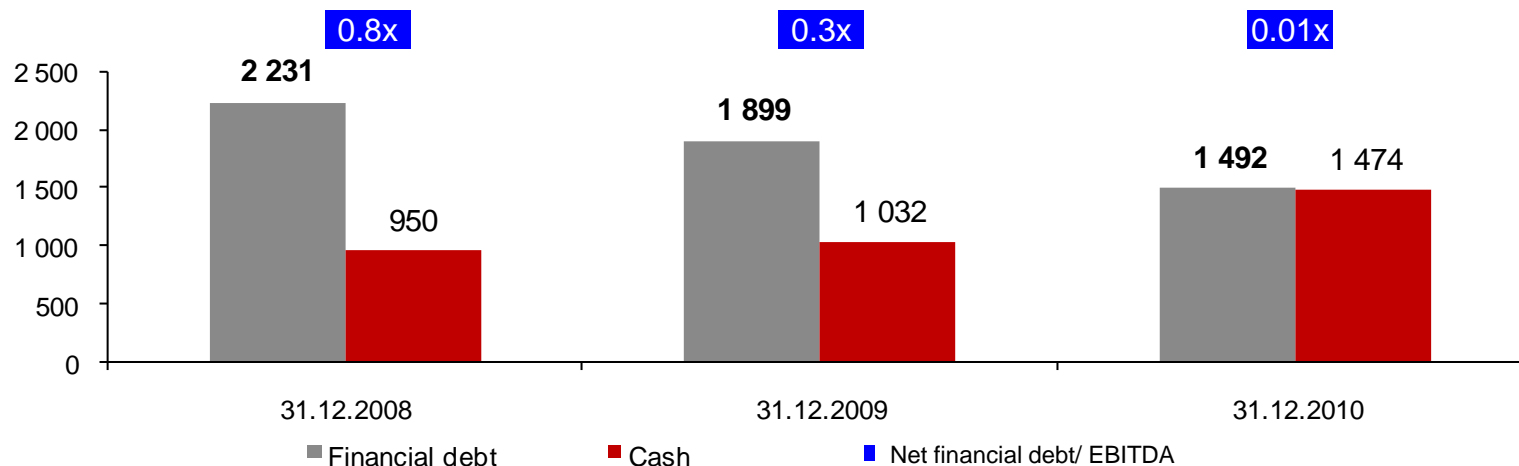
Reevaluation in Distribution segment is connected mainly with the change of approach to settling revenues from new connections

Financial results for 2010 - EBIT



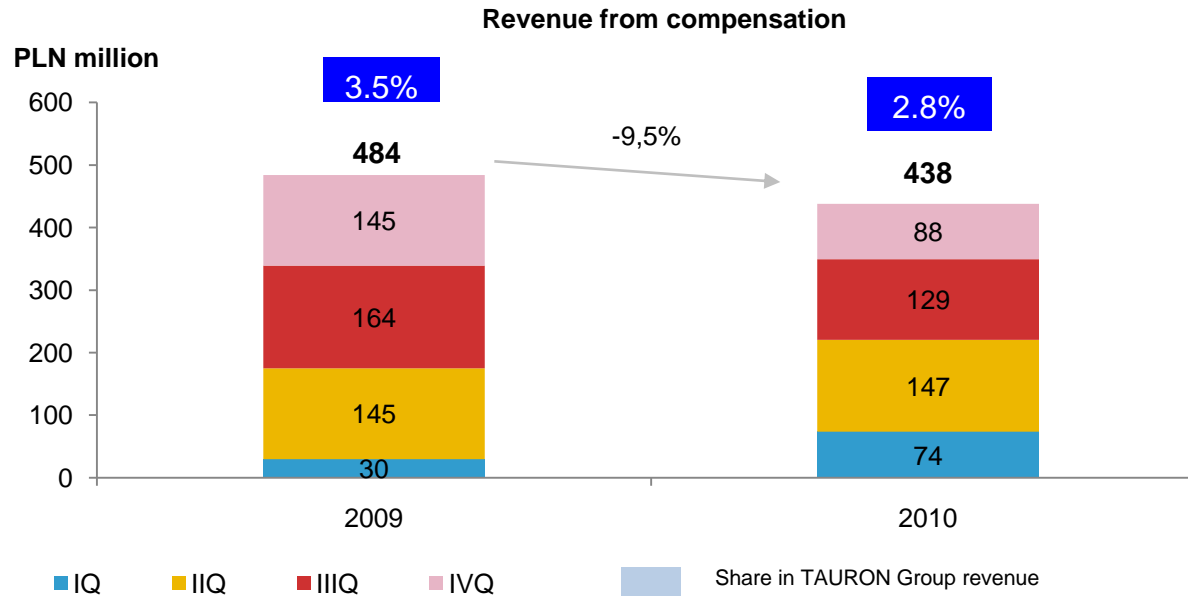
Group's debt

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



- Decreasing the level of financial debt by PLN 407 million in total parallel to an increase in cash by PLN 442 million resulted in decreasing the level of net financial debt by PLN 849 million (in comparison to the end of December 2009)
- Noticeable effects of introducing cash-pooling
- Gradual increase of cash surplus generated by the Group from operational activity over capital expenditure

Compensations for termination of long-term Power Purchase Agreements



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 Q4 2010: PLN 22 million;
in 2010 – PLN 198 million**

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

**MINING – result in Q4 2010: PLN 6 million;
in 2010 – PLN 23 million**

Reduced energy purchase costs
Reduced lateral development costs

**RES+OTHER – result in Q4 2010: PLN 1 million;
in 2010 – PLN 5 million**

Reduced heat losses
Reduced employment costs

**DISTRIBUTION – result in Q4 2010: PLN 29 million;
in 2010 – PLN 64 million**

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

**SUPPLY – result in Q4 2010: PLN 2 million;
in 2010 – PLN 5 million**

Change of consumers settlement system
Optimization of mail service costs

VOLUNTARY REDUNDANCY PROGRAMME

As at the end of 2010, 834 persons participated in the programme, out of which 558 terminated their employment contracts. 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

Growth prospects – most important factors

Increased Group's value

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

Strategy update

- Revision of the implemented corporate strategy
- Adopting the strategy to changing legal and market conditionings
- Scheduled completion – March 2011

Obtaining financing

- Obtaining financing for possible acquisition of Vattenfall assets
- Obtaining financing for execution of Jaworzno and Bielsko-Biała projects
- Obtaining financing for execution of Stalowa Wola project

Potential acquisitions

- Interest in Vattenfall and Zespół Elektrowni Wodnych Niedzica assets

Thank you – Q&A

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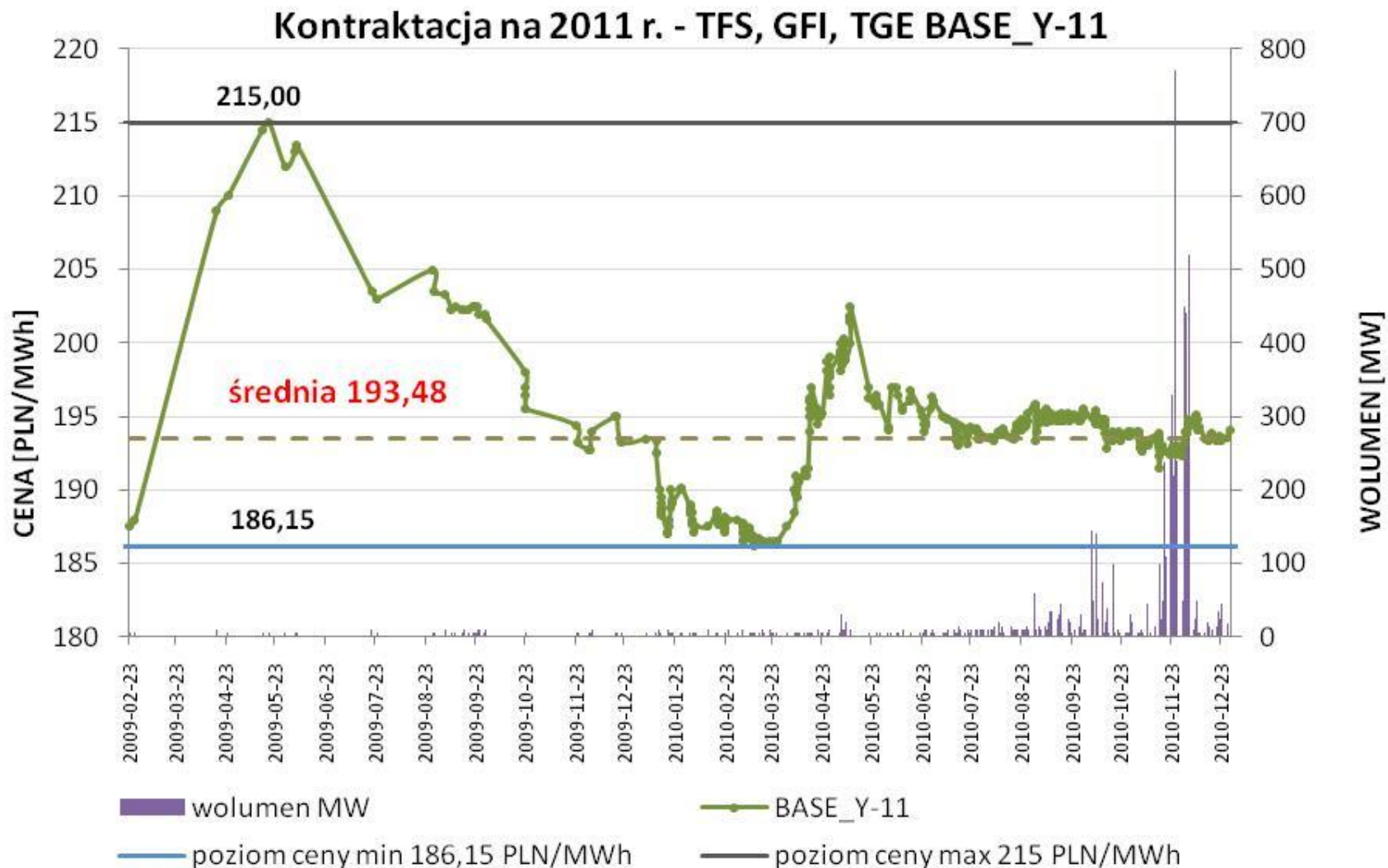
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Additional information

BASE contract award procedures for 2011

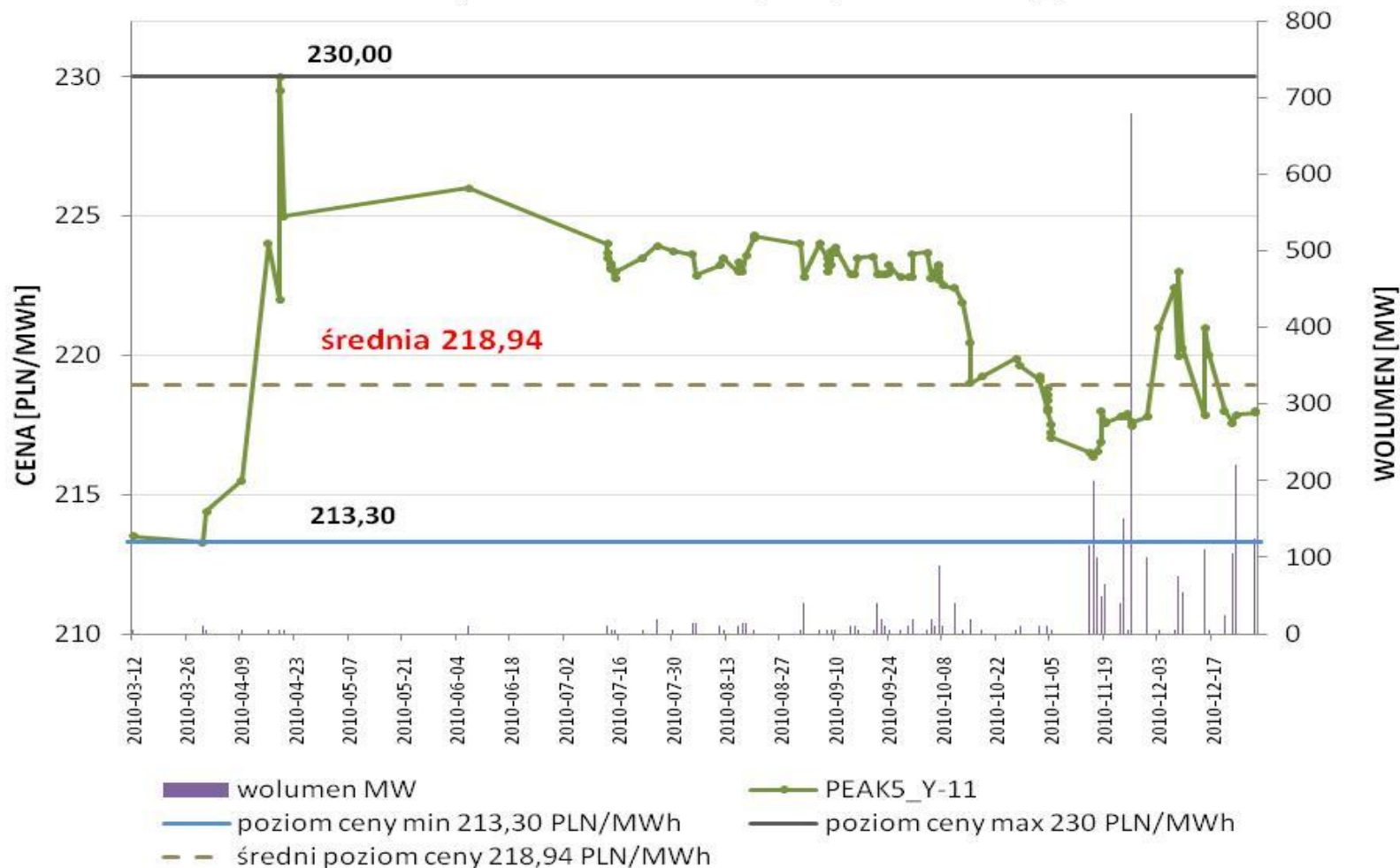


- Średnia cena: 193,48 PLN/MWh
- Min. cena: 186,15 PLN/MWh

Wolumen mocy: 8 661 MW
Wolumen energii: 75 870 GWh

PEAK contract award procedures for 2011

Kontraktacja na 2011 r. - TFS, GFI, TGE PEAK5_Y-11

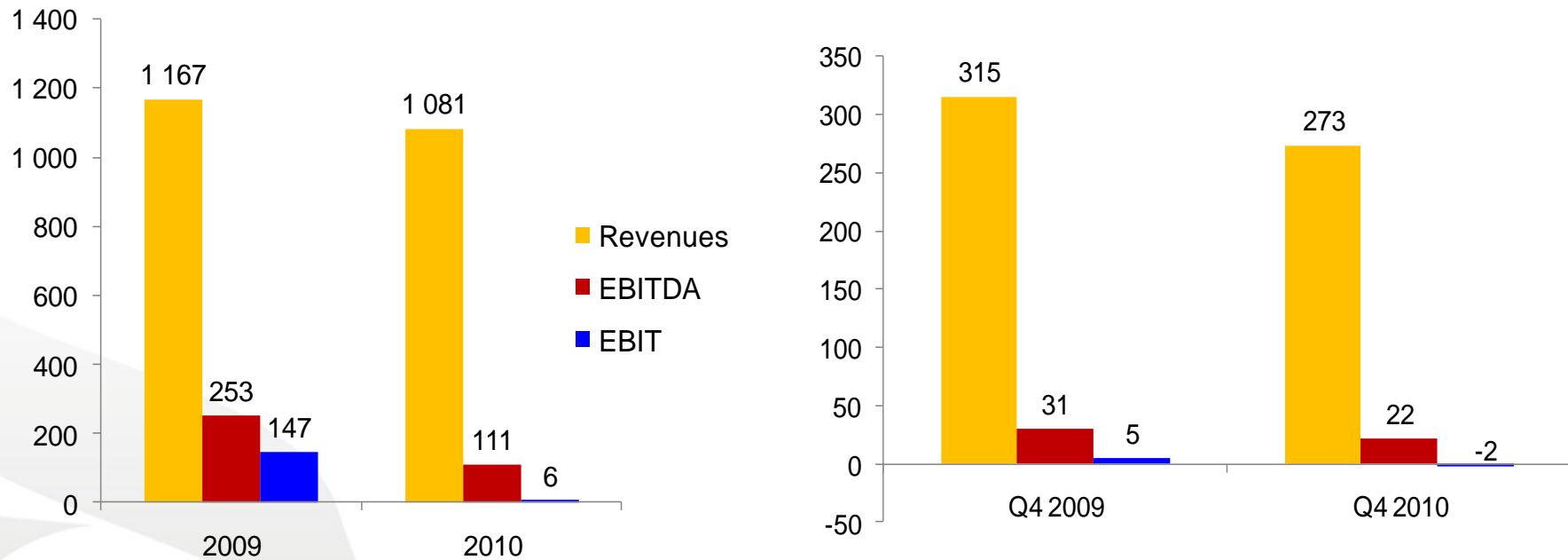


- Średnia cena: 218,94 PLN/MWh
- Min. cena: 213,30 PLN/MWh
- Max. cena: 230,00 PLN/MWh

Wolumen mocy: 3 320 MW
Wolumen energii: 12 172 GWh

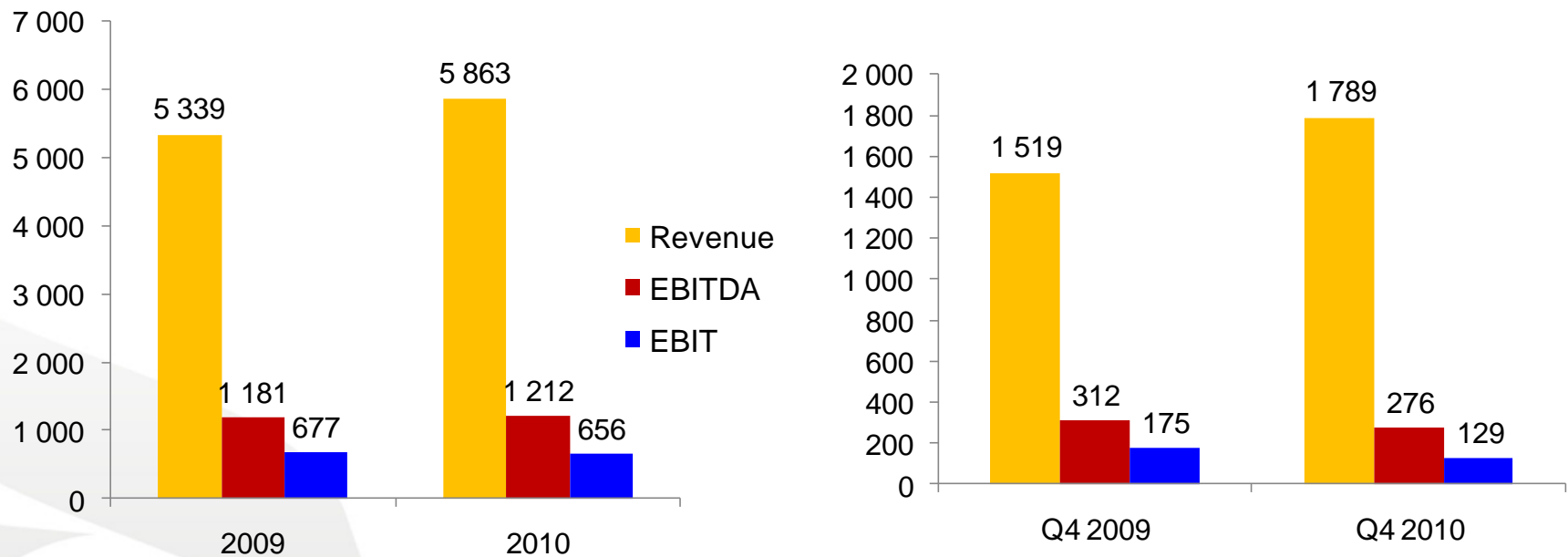
Mining – key financial data

Change in revenue, EBITDA, EBIT in the segment (in PLN million)



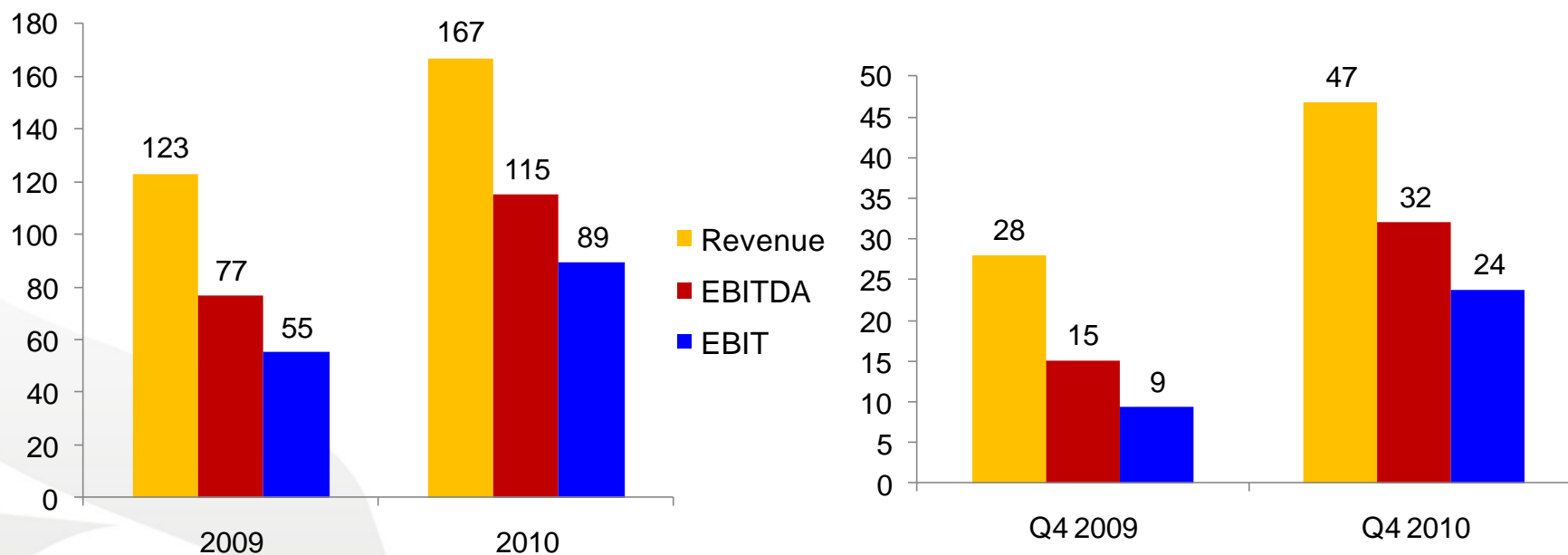
Generation from conventional sources – key financial data

Change in revenue, EBITDA, EBIT in the segment (in PLN million)



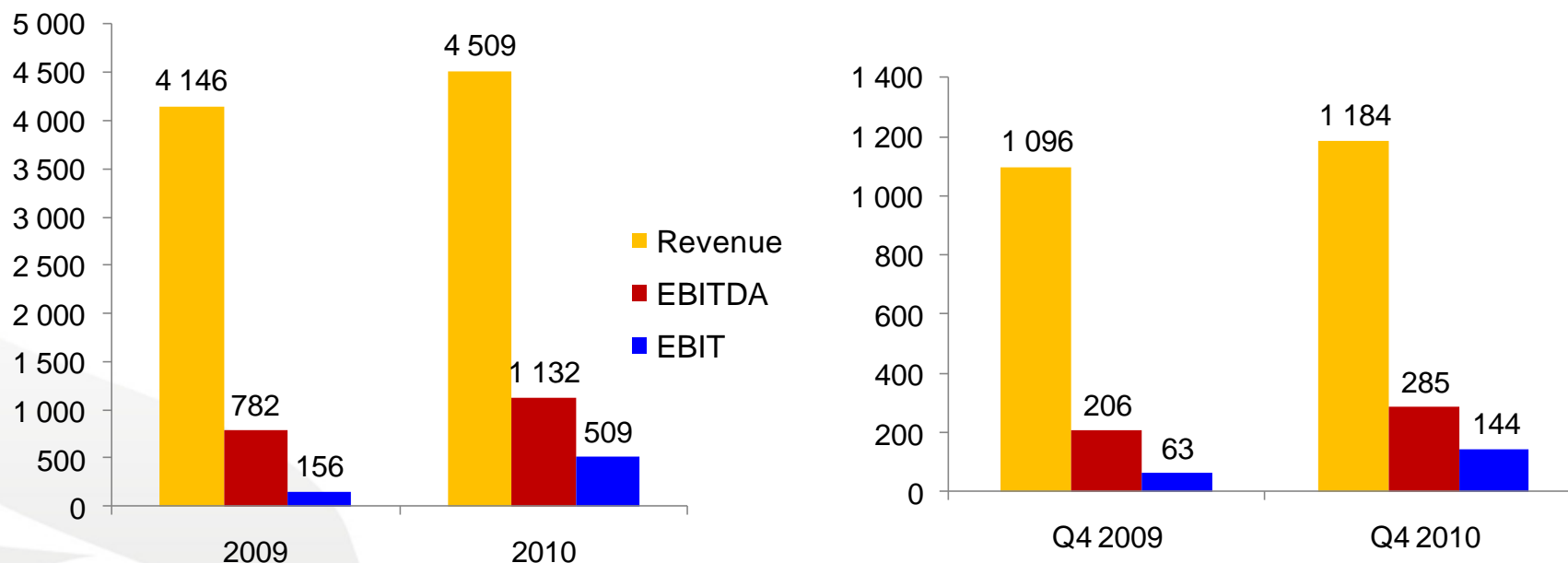
Generation from renewable sources – key financial data

Change in revenue, EBITDA, EBIT in the segment (in PLN million)



Distribution – key financial data

Change in revenue, EBITDA*, EBIT* in the segment (in PLN million)

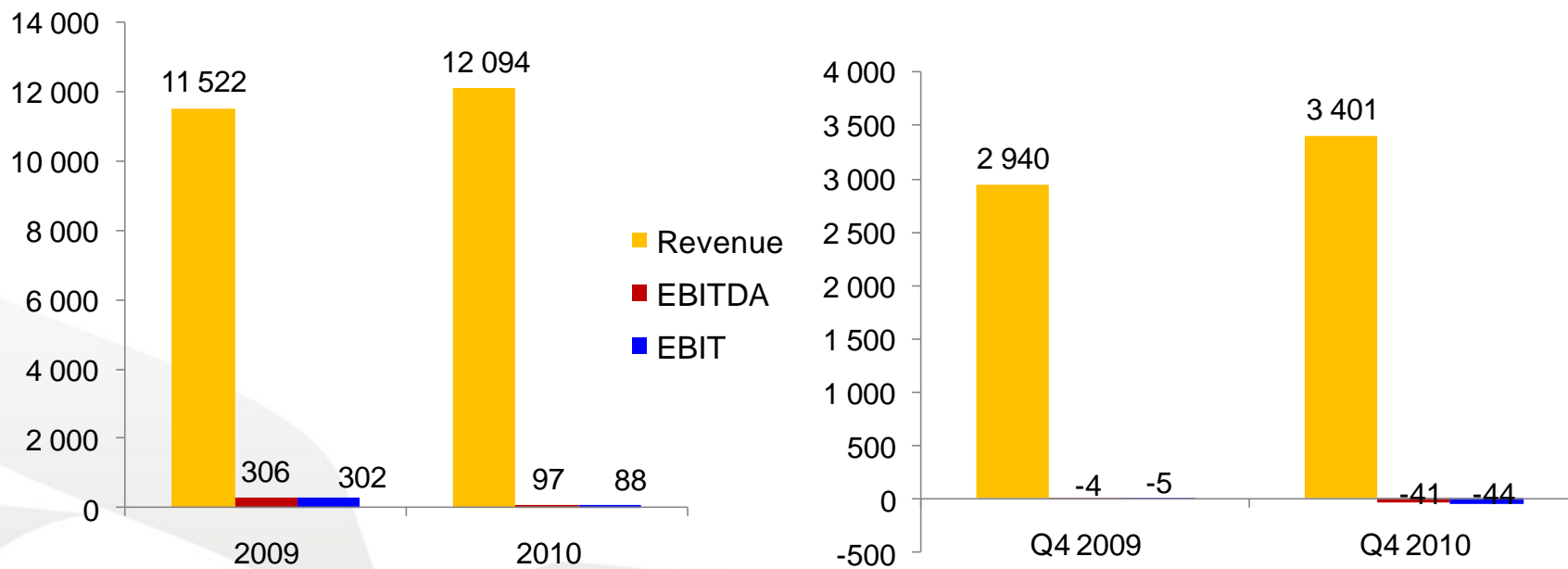


*Made to make comparable

Reevaluation in Distribution segment is connected mainly with the change of approach to settling revenues from new connections

Sales – key financial data

Change in revenue, EBITDA, EBIT in the segment (in PLN million)



Other – key financial data

Change in revenue, EBITDA, EBIT in the segment (in PLN million)

