



19 March 2012

**TAURON Group Results for 2011**

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# The most important events of 2011

11 March	Signing of agreements concerning the gas and steam-fired unit at Elektrociepłownia Stalowa Wola: agreement for operation of Elektrociepłownia Stalowa Wola, agreement for electricity supply and agreement for gas supply
23 March	Sales of 11.9% of Company shares by the State Treasury - reduction of the State Treasury's share to 30%; increased the share of Polish and international financial investors
28 April	The Management Board and Supervisory Board of the Company adopted "Corporate Strategy for TAURON Polska Energia S.A. Group for 2011-2015 with estimates up to the year 2020" which is an update of the 2008 strategy
1 July	Fitch rating agency informed that it had affirmed the long-term foreign and local currency ratings with stable outlooks for the Company at BBB level, on 23 August – after GZE acquisition – Fitch affirmed the rating at unchanged level
20 July	Payment of dividend in the total amount of PLN 262.9 million, i.e. PLN 0.15 per share
23 August	Concluding of preliminary agreement with Vattenfall AB for purchase of GZE shares
29 September	Purchase of 100 percent of shares of Lipniki, including the 30.75 MW wind farm
24 October	Signing of agreement with the European Investment Bank for preferential loans for a total value of approx. PLN 510 million. The acquired funds will be allocated for implementation of two investment projects in the Generation segment
12 December	Issue of bonds for the total value of PLN 3.3 billion, allocated for acquisition of GZE
13 December	Purchase of GZE shares

# 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	202.31	115,868	3.6%	8.5%
Forward PEAK (Y+Q+M)	219.01	14,744	228.25	13,436	4.2%	-8.9%
Forward (weighted average)	198.23	121,556	205.00	129,304	3.4%	6.4%
SPOT (TGE + GPW-POEE)	199.08	18,905	190.22	3,568	-4.4%	-81.1%
Total weighted average	198.34	140,461	204.61	132,872	3.2%	-5.4%

CO <sub>2</sub> emission allowances (EUR/t)		Certificates (PLN/MWh)		
CO <sub>2</sub> market analysts' survey*	Price (Eur/t)	Type of certificate	Estimated market prices for December 2012	Substitution fee for 2012
Average in 2012	7-9 Eur/t	RES (green)	283.72	286.74
Average in 2013	10-9 Eur/t	Coal co-generation (red)	7.92	29.30
Average in 2014	11 –12 Eur/t	Gas co-generation (yellow)	126.12	128.80
<b>average EUA price in 2012 forecast by TAURON</b>	<b>9 – 10 Eur/t</b>	Methane (violet)	58.40	60.00

\*Source: Deutsche Bank, Barclays Capital, Point Carbon

## Ownership structure rearrangement

- Sales of assets unrelated to the core business for the total amount of PLN 20.4 million, including:
  - recreational facilities – for the amount of PLN 14.8 million
  - shares/stocks – for the amount of PLN 5.6 million
- Mergers:
  - 2 companies in the segment of energy network repairs
  - 2 companies from Distribution segment (registration of the merger in the National Court Register in January 2012)
- Stage I of consolidation of medical services in PŚZiPZ ELVITA
- Relocation of PEPKH shares from TAURON Wytwarzanie S.A. to TAURON Polska Energia S.A.
- Analysis of legitimacy of separation, integration and supervision of operations unrelated to the core operation of the Group

Completed

## Business model implementation

- Processes of assets merger under particular segments of the Group's operation and registration of the following companies in the National Court Register:
  - TAURON Sprzedaż sp. z o.o. – 3 January 2011
  - TAURON Obsługa Klienta sp. z o.o. – 3 January 2011
  - TAURON Dystrybucja S.A. – 1 September 2011
  - TAURON Wytwarzanie S.A. – 31 August 2011
  - TAURON Ciepło S.A. (Stage I) – 1 September 2011
- Purchase of GZE S.A. shares – agreement of 13 December 2011

- Process of sales of assets unrelated to the core operation:
  - 15 recreational facilities, planned completion – 2012
  - shares/stocks of 10 companies from outside of the value chain and 7 under trustee management; planned completion – 2012
- Completion of stage II of consolidation of medical activity, rearrangement of the Group's structure and preparation to sell PŚZiPZ ELVITA, scheduled sales of shares – 2012
- Analysis of merger possibilities of companies with the same profile (in transport and renovation business), or disposal of assets/shares in these businesses

In progress

- Continued process of integration of assets in the Heat segment. Acquisition of the following companies by TAURON Ciepło S.A.: EC Tychy S.A., EC Nowa sp. z o.o., EC Kamienna Góra sp. z o.o.; scheduled completion – H1 2012
- Process of merger of the companies: ZEW Rożnów sp. z o.o. and TAURON Ekoenergia sp. z o.o.; scheduled completion – H1 2012
- Integration of GZE S.A. assets:
  - Incorporation of GZE S.A. by TAURON Polska Energia S.A.; scheduled completion – Q3 2012
  - Integration in segments: Distribution, Supply, Customer Service, RES; scheduled completion – Q3 2013

# Implementation of investment program

## ZEC Bielsko Biala – new heating unit

- Capacity – 50 MW<sub>e</sub> / 182 MW<sub>t</sub>
- Scheduled commissioning – mid 2013

Status as of 31 December 2011:

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

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

- Capacity – 50 MW<sub>e</sub> / 45 MW<sub>t</sub>
- Scheduled commissioning – 2012

Status as of 31 December 2011:

- Construction works in progress. General contractor: consortium of Rafako and Omis

Update: On 19 January agreement was signed with the Ministry of Economy (as intermediary institution for Operational Program Infrastructure and Environment 2007-2013) for co-financing of the new unit in the amount of PLN 40 million

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

- Capacity – 20 MW<sub>e</sub>
- Scheduled commissioning – 2012

Status as of 31 December 2011:

- Construction works in progress. General contractor: Rafako
- On 29 November agreement was signed with the Ministry of Economy (as intermediary institution for Operational Program Infrastructure and Environment 2007-2013) on co-financing of the project in the amount of PLN 40 million

## Elektrociepłownia Tychy – new co-generation unit and reconstruction of fluidised bed boiler (biomass burning)

- Capacity – 50 MW<sub>e</sub> / 86 MW<sub>t</sub>
- Scheduled commissioning – end of 2015 (new unit) and end of 2012 (boiler reconstruction)

Status as of 31 December 2011:

- Design works are in progress as well as production of pressure elements for the purpose of boiler reconstruction
- Welding, design and construction/assembly works are in progress as well as the heavy assembly of the WR 40 boiler
- Contractor selection for the new unit is in progress

## Wind Farm – Marszewo

- Capacity – 100 MW<sub>e</sub>
- Scheduled commissioning – 2014

Status as of 31 December 2011:

- The process of contractor selection is under way for "Construction of 82 MW Marszewo wind farm including supply and installation of wind farm".

Update: On 19 January this year an agreement was signed with the General Contractor - the Consortium of companies: Iberdrola Engineering and Construction Poland (leader) and Iberdrola Inżynieria Y Construction

- The public tender for contract engineer has been completed - the best bid was submitted by Tractebel Engineering

# Implementation of investment program (2)

## Elektrownia Stalowa Wola – new steam and gas-fired unit

- Capacity – 400 MW<sub>e</sub> / 240 MW<sub>t</sub>
- Commencement of the project – 2010; scheduled commissioning – H1 2015

Status as of 31 December 2011 :

- Selection of General Contractor is in progress.
- Update: On 13 March this year the best bid was selected which was submitted by Abener Energia

## Wind Farm – Wicko

- Capacity – 40 MW<sub>e</sub>
- Scheduled commissioning – 2013

Status as of 31 December 2011:

- The process of selection of the contractor is in progress

## Elektrownia Katowice – new steam and gas-fired unit

- Capacity – 135 MW<sub>e</sub> / 90 MW<sub>t</sub>
- Scheduled commissioning – H2 2015

- On 3 January 2012 a tender was announced for selection of contractor for construction of the new unit - 14 entities placed applications to be admitted to the tender proceedings

## Elektrownia Blachownia – new gas-fired unit

- Capacity – approx. 850 MW<sub>e</sub>
- Scheduled commissioning – 2016

Status as of 31 December 2011:

- Work connected with establishment of a special purpose vehicle is in progress as well as activities aimed at obtaining a permit for concentration (approval of the European Commission for establishment of a joint entrepreneur)



# Implementation of investment program (3)

## Elektrownia Jaworzno III – modernization of boilers

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

### Status as of 31 December 2011:

- Modernization was completed as well as works related to construction of nitrogen removal system at unit No. 2 – adjustments are in progress
- General contractor: consortium of Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

## Elektrownia Jaworzno III – new coal-fired unit

- Capacity – 910 MW<sub>e</sub>
- Scheduled commissioning – H2 2016

### Status as of 31 December 2011:

- The process of selection of contractor and contract engineer is in progress. Negotiations with individual bidders are completed, the final version of Specification of Basic Terms and Conditions is being prepared

#### Update:

- On 28 February requests for proposals were sent together with the final Specification of Basic Terms and Conditions as part of the tender for Contractor selection. Requests for proposals were sent to 5 bidders participating in the tender
- Deadline for offer submission is 29 June 2012

## Elektrownia Łaziska – modernization of boilers

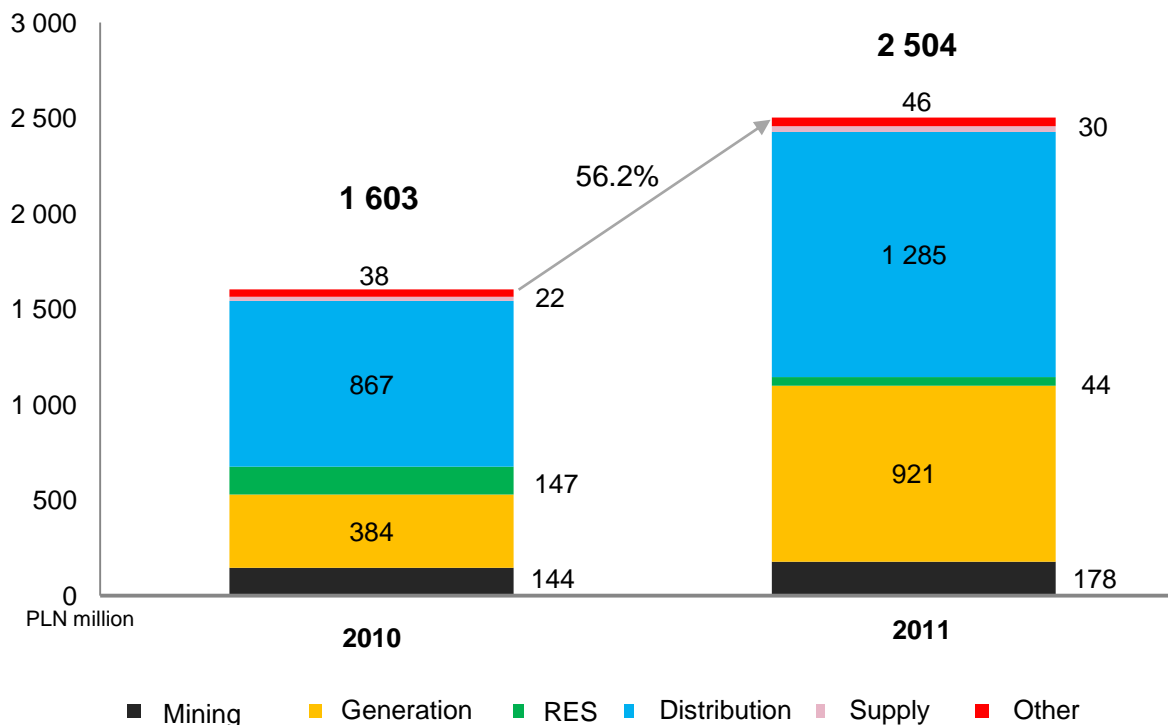
- Scope – adjustment of four OP-650k type boilers to standards of lower nitrogen oxides emission which will be binding in Poland from 2018
- Commencement of works – July 2010, scheduled completion – January 2015

### Status as of 31 December 2011:

- Modernization and construction of nitrogen removal system at unit No.12 are in progress
- General contractor: STRABAG



# Investment expenditure



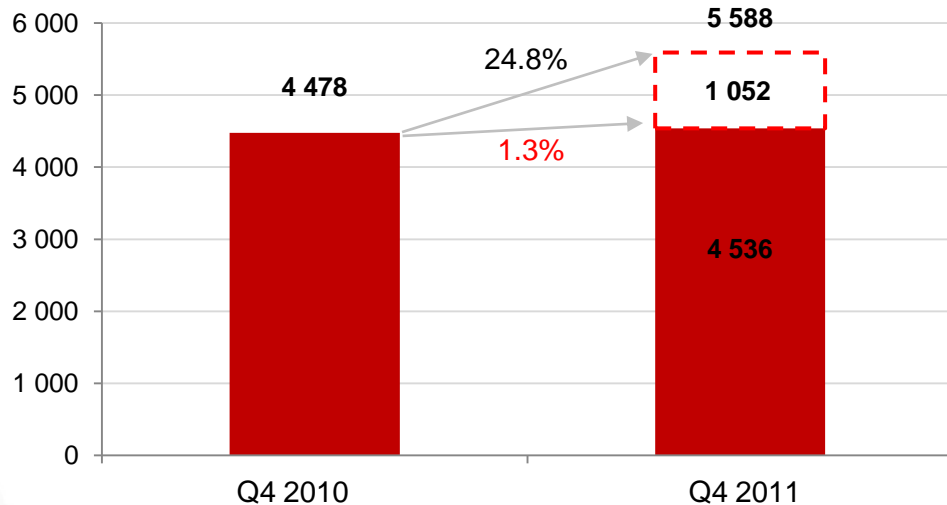
- In 2011 the TAURON Group invested over PLN 2.5 billion out of which over 88% constituted expenditures in Generation and Distribution segments. In comparison to 2010 the expenditures increased by approx. PLN 0.9 billion, that amount being allocated to Generation and Distribution
- Dynamic increase in expenditure in Generation segment (by approx. PLN 0.5 billion) results mainly from reaching the advanced stage of investments connected with capacity restoration (50 MW at ZEC Bielsko-Biała and 50 MW in RES at Elektrownia Jaworzno – an increase by approx. PLN 0.3 billion) and from other outlays mainly for NOx installation at Elektrownia Jaworzno and Łaziska and a biomass installation in K-10 boiler at ESW – an increase by approx. PLN 0.2 billion)
- Increase in expenditures in Distribution segment (by approx. PLN 0.4 billion) results mainly from increased expenditures on modernization of existing grid assets (by approx. PLN 0.2 billion). Increased expenditure on new connections amounts to approx. PLN 0.1 billion. Increase of other expenditures is approx. PLN 0.1 billion

# Key operational data

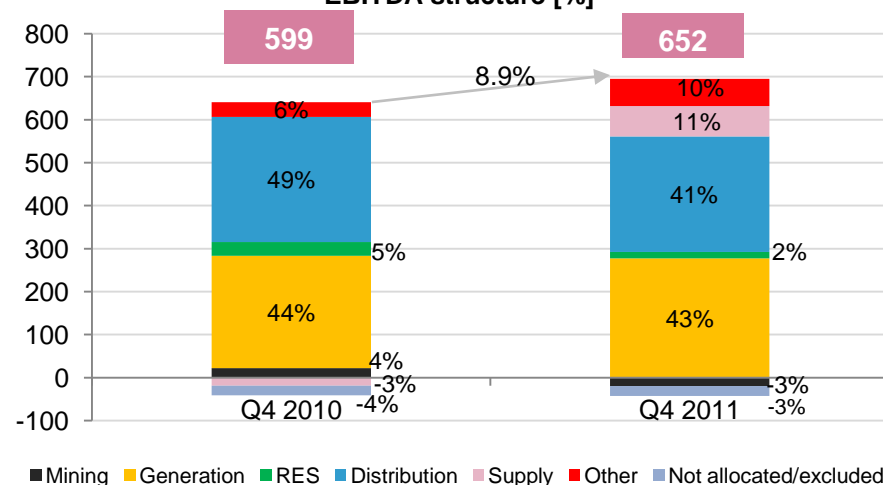
	Q4 2010	Q4 2011	Change (dynamics)	2010	2011	Change (dynamics)
<b>Production of commercial coal (million t)</b>	1.12	<b>0.8</b>	<b>-28.5%</b>	4.5	<b>4.58</b>	<b>1.7%</b>
<b>Electricity generation (net production) (TWh)</b>	5.78	<b>5.08</b>	<b>-12.2%</b>	21.32	<b>21.38</b>	<b>0.3%</b>
including: from renewable sources (TWh)	0.25	<b>0.22</b>	<b>-11.9%</b>	1.1	<b>0.99</b>	<b>-9.9%</b>
<b>Heat Generation (PJ)</b>	6.49	<b>5.57</b>	<b>-14.2%</b>	18.29	<b>15.96</b>	<b>-12.7%</b>
<b>Distribution (TWh)</b>	9.45	<b>9.41</b>	<b>-0.3%</b>	37.52	<b>38.24</b>	<b>1.9%</b>
<b>Retail electricity supply (TWh)</b>	8.95	<b>8.41</b>	<b>-6.1%</b>	34.34	<b>35.52</b>	<b>3.4%</b>
<b>Number of clients - Distribution (thousand)</b>	4,115	<b>4,143</b>	<b>0.7%</b>	4,115	<b>4,143</b>	<b>0.7%</b>

# Financial results for Q4 2011

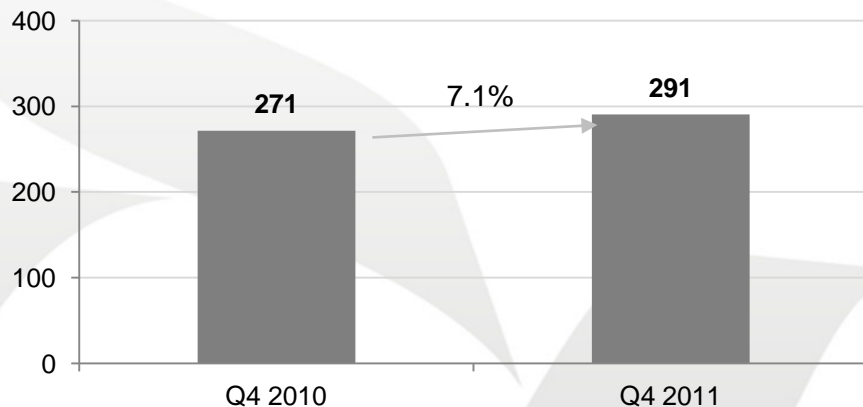
TAURON Group's revenues [PLN million]



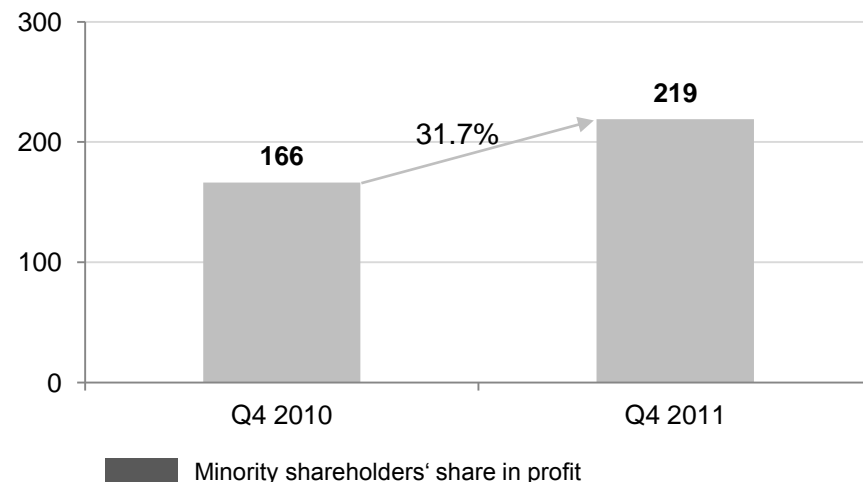
TAURON Group's EBITDA by segment [PLN million]; EBITDA structure [%]



TAURON Group's EBIT [PLN million]



TAURON Group's net profit [PLN million]

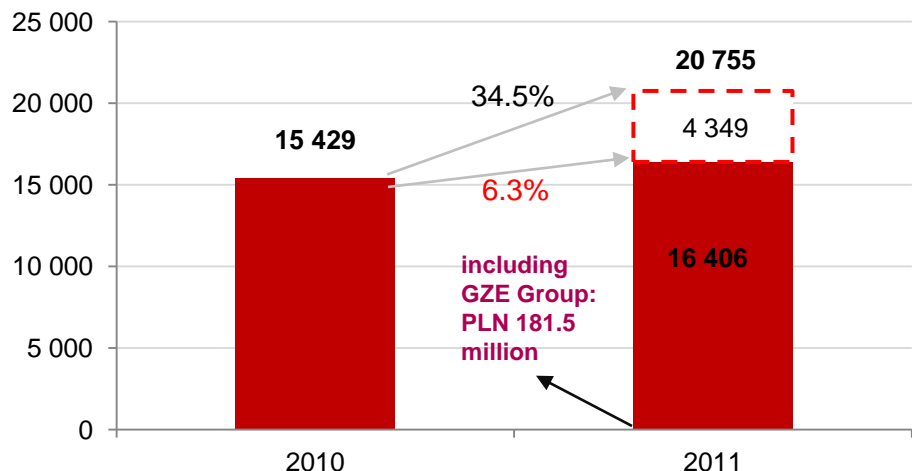


**For the purpose of presentation, the data has been brought to comparable form:**

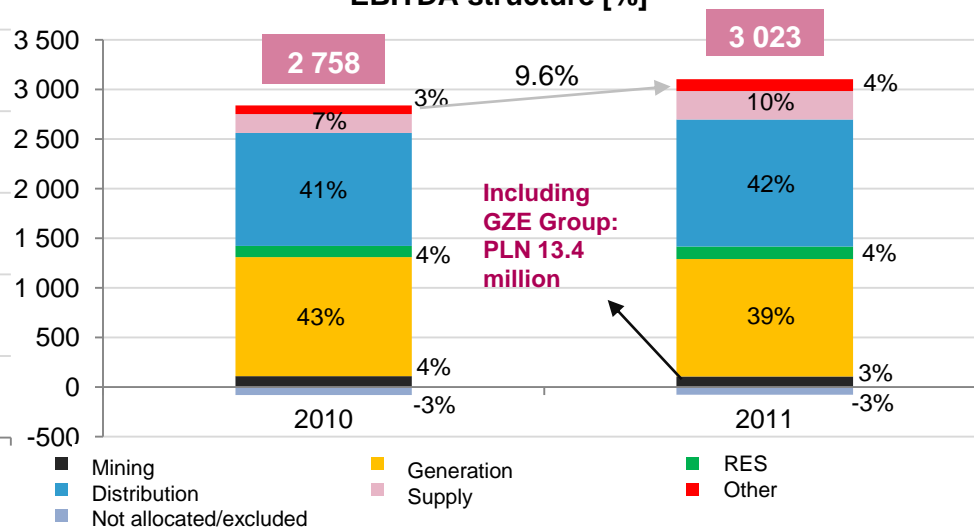
Due to the change of electric energy supply model, the value of revenues from obligatory sales generated by public trade in 2010 constituted almost completely the internal supply in the Group and it was subject to consolidation

# Financial results of TAURON Group for 2011

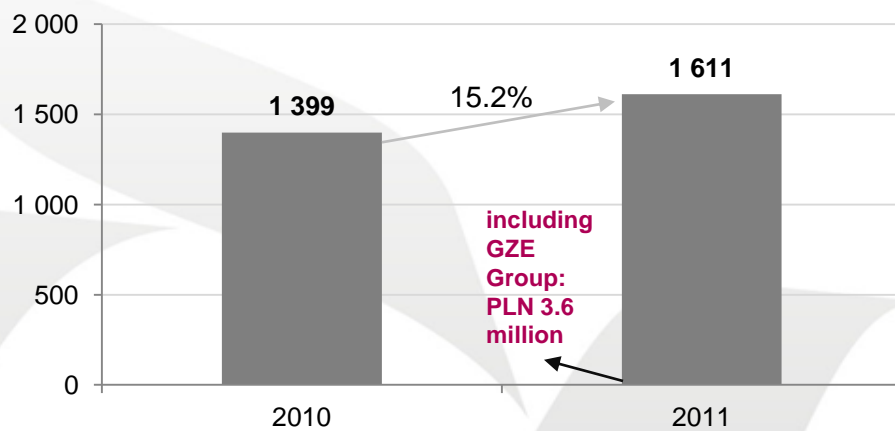
### TAURON Group's revenues [PLN million]



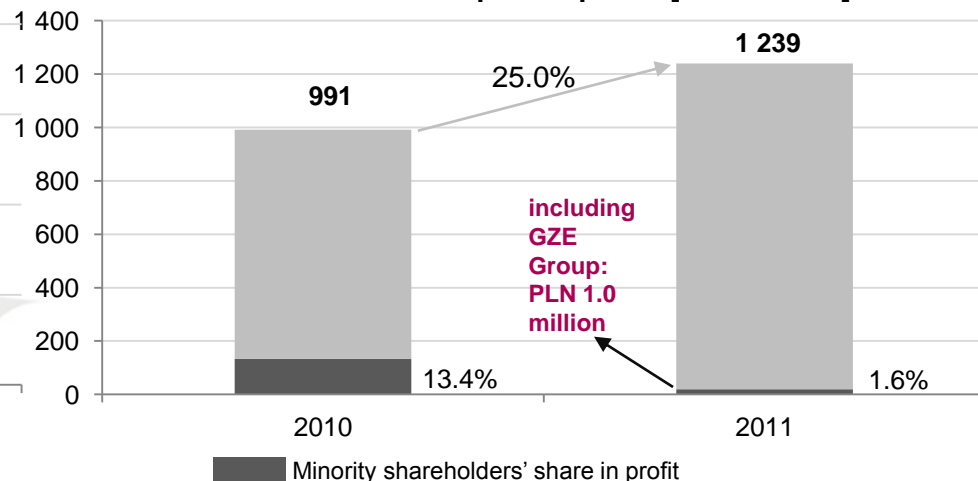
### TAURON Group's EBITDA by segments [PLN million]; EBITDA structure [%]



### TAURON Group's EBIT [PLN million]



### TAURON Group's net profit [PLN million]

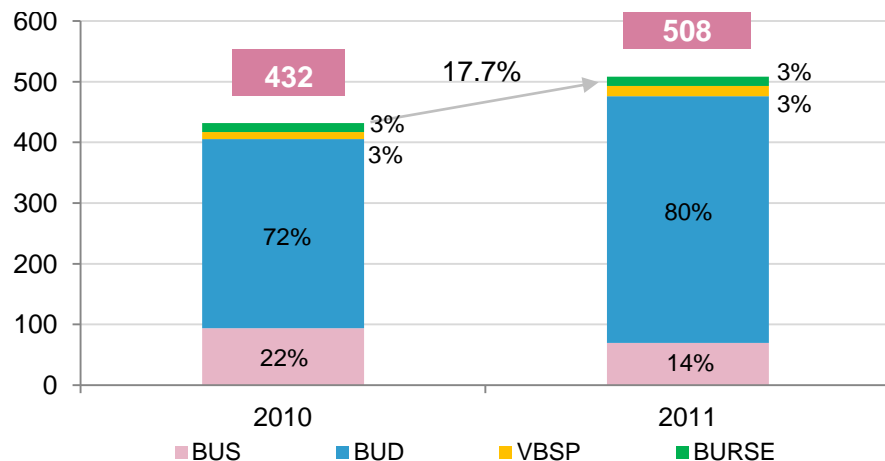


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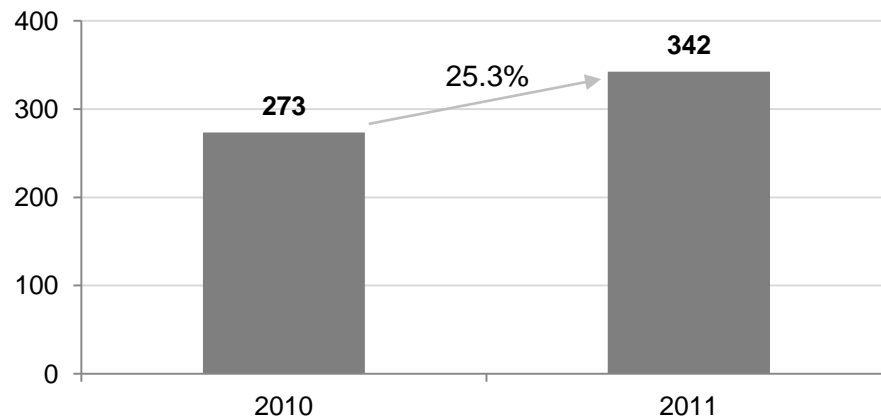
Due to the change of electric energy supply model, the value of revenues from obligatory sales generated by public trade in 2010 constituted almost completely the internal supply in the Group and it was subject to consolidation.

# Financial results of GZE Group for 2011

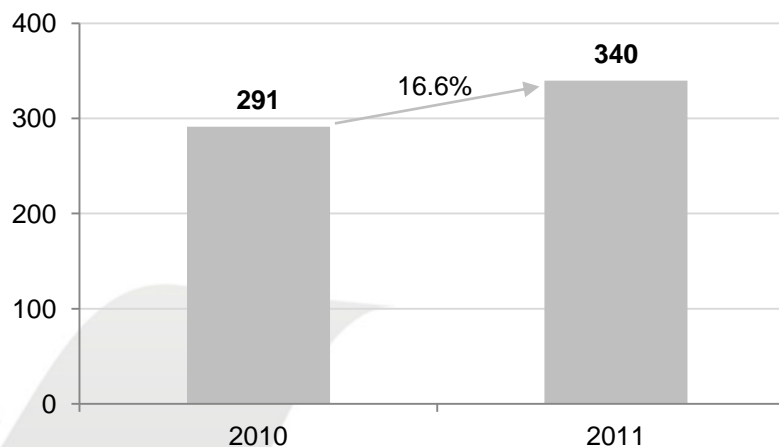
**GZE's EBITDA by segments [PLN million];  
EBITDA structure [%]**



**GZE's EBIT [PLN million]**

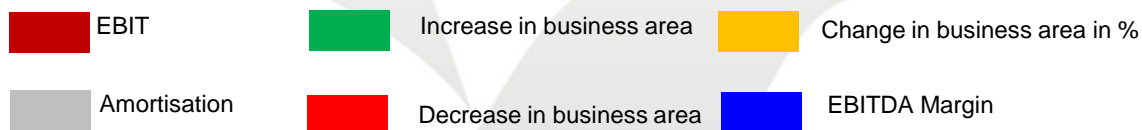
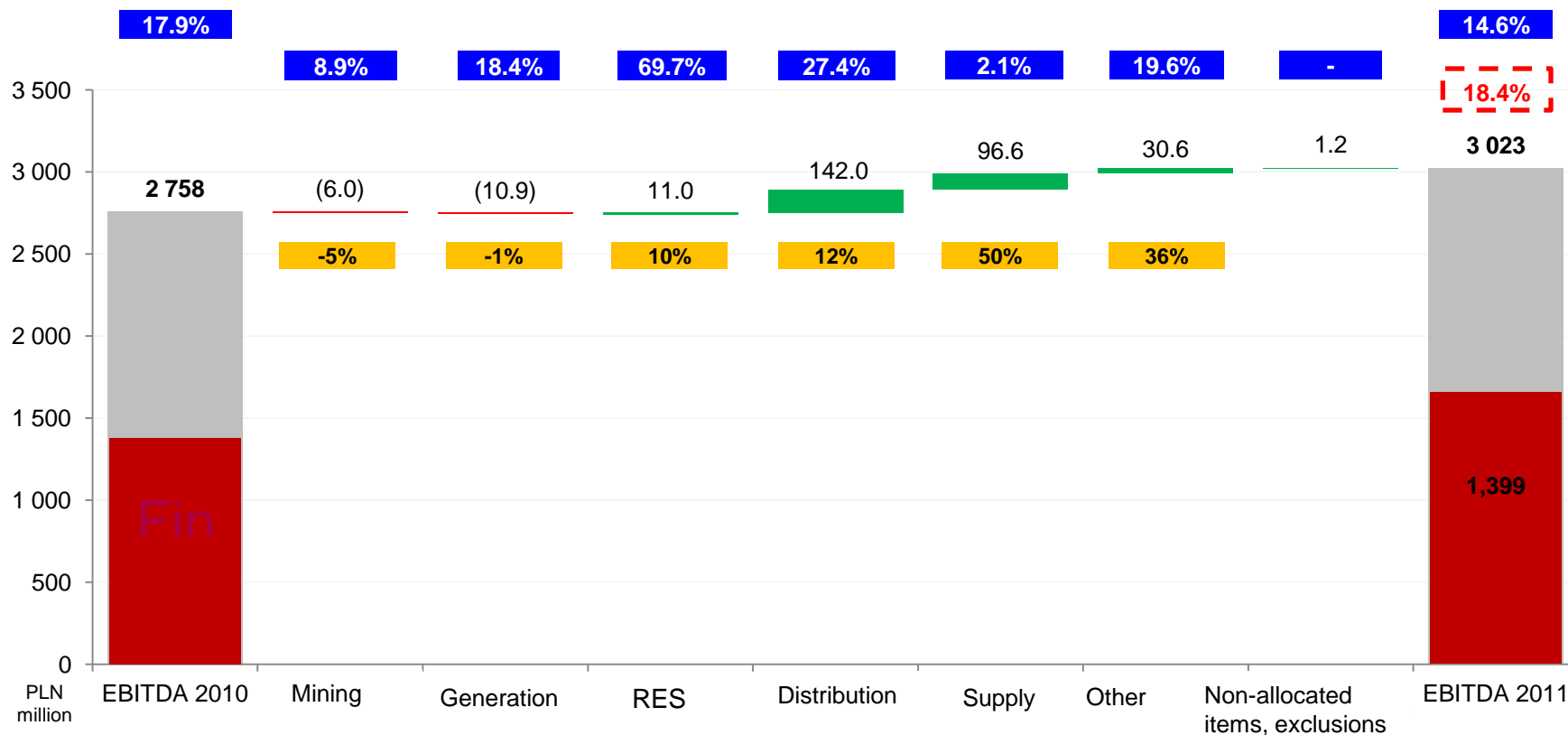


**GZE's Net Profit [PLN million]**



# Financial results for 2011 - EBITDA

Change in EBITDA by segments [PLN million and %]; EBITDA margin per segment [%]



**For the purpose of presentation, the data has been brought to comparable form:**  
 Due to the change of electric energy supply model, the value of revenues from obligatory sales generated by public trade in 2010 constituted almost completely the internal supply in the Group and it was subject to consolidation.

# Financial results for 2011 - EBIT

Change in EBIT and operational factors (PLN million); EBIT margin (%)



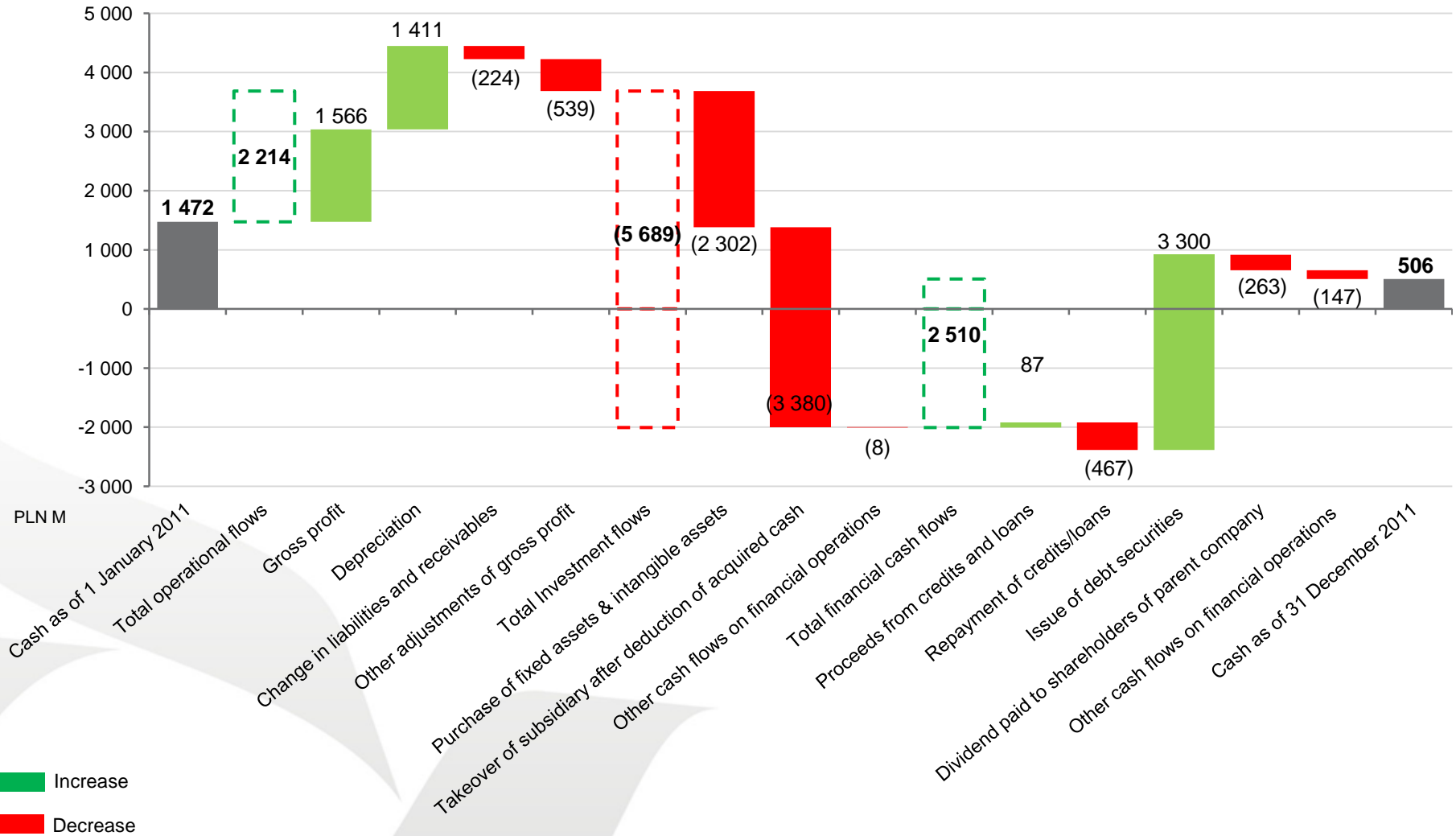
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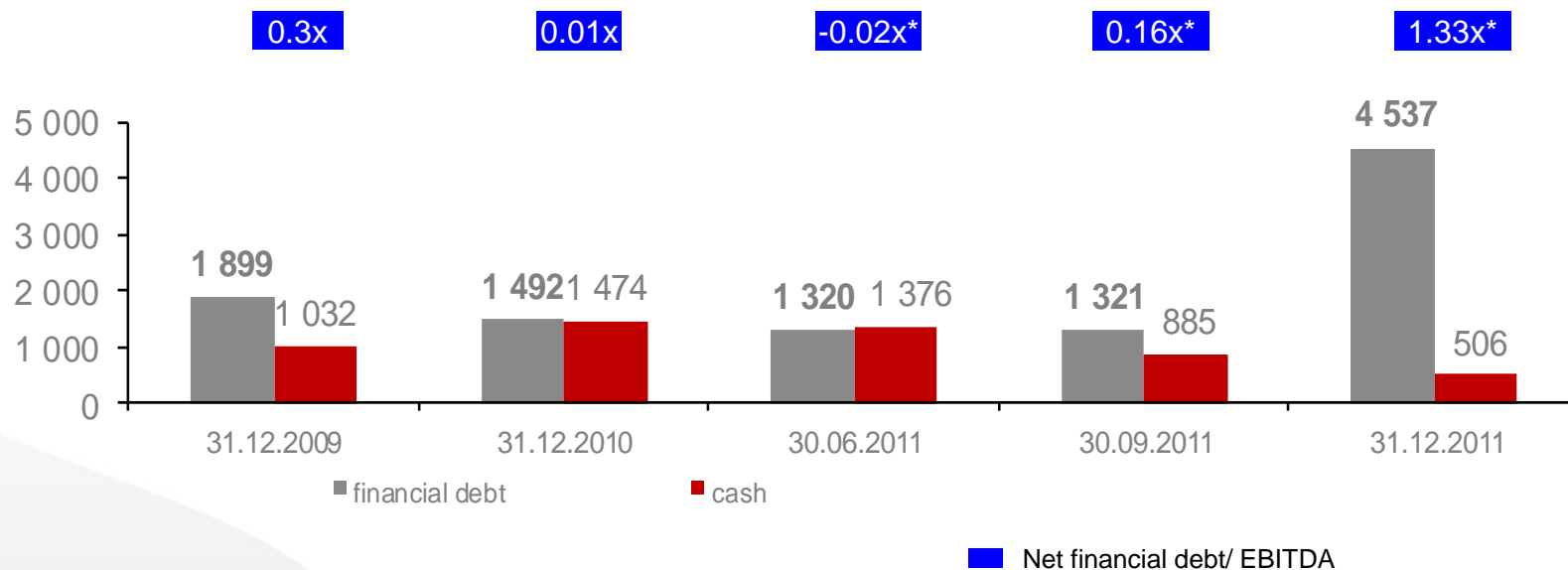
# Changes in cash flow level

## Financial resources - changes in 2011



# Level of Group's debt

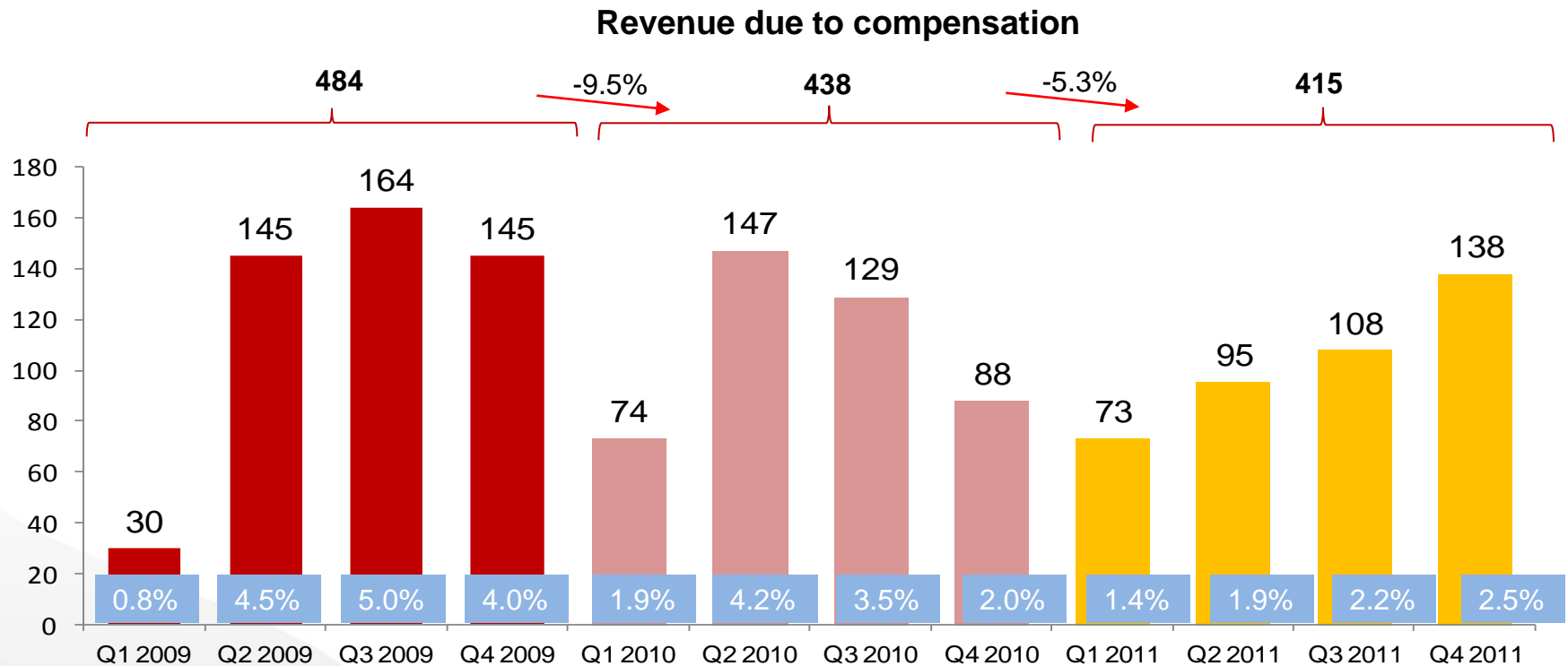
Net financial debt (PLN million), net financial debt/EBITDA (x)



\* In relation to EBITDA value for 2010

- Increase of financial debt as of 31 December 2011 due to issue of bonds, among others, for acquisition of GZE

# Compensation due to termination of Long-Term Contracts

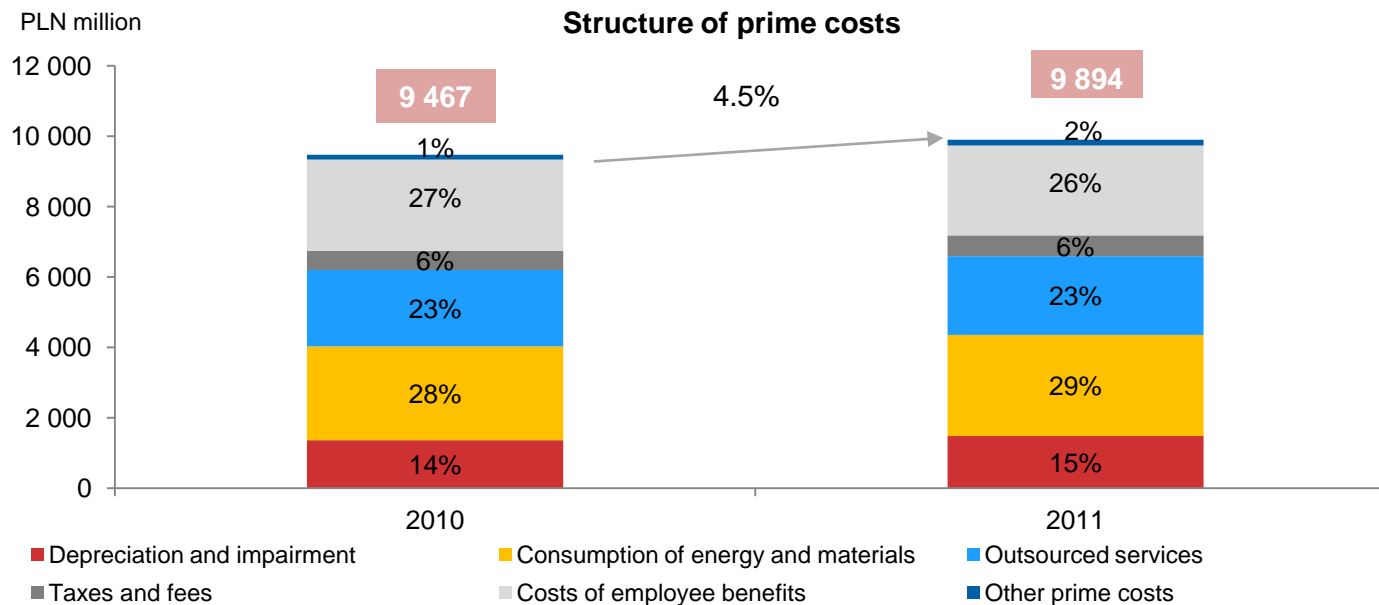


XX% Share of LTC in quarterly revenue

**Revenue due to compensation consists of:**

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

# Prime costs structure



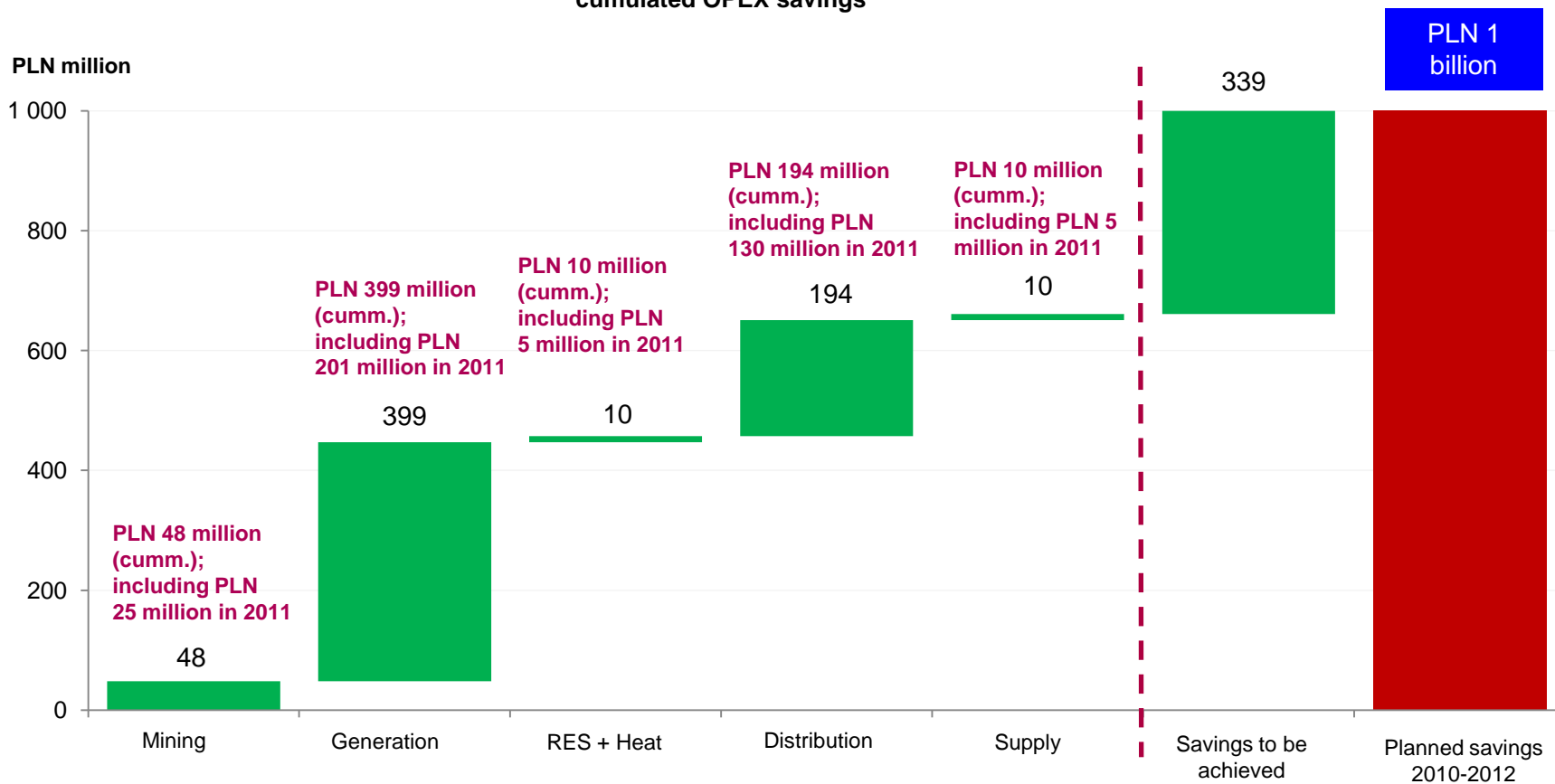
Cost increase in 2011 results mainly from:

- consumption of materials and energy, including in particular coal consumption caused by increase in electricity generation
- increase of taxes and other charges, including environmental fees related to the increase in electricity generation

Similar to 2010, in 2011, variable costs made 46%, and fixed costs made 54% of the total amount of costs

# Implementation of efficiency improvement program

Efficiency improvement program 2010-2012  
cumulated OPEX savings



31/12/2011

Voluntary Redundancy Programme – as of the end of Q4 2011, 1697 persons entered the program (since its implementation), among which 1119 persons terminated their employment contracts in 2011 (total since the programme implementation: 1677 persons). Savings resulting from reduced employment have been decreased by costs incurred to gain savings, in amounts presented in individual segments

# Key directions of development and growth

## Increase in the Group's value

- Commencement of integration process with GZE Group
- Achievement of synergies from integration of segments
- Continuation of costs efficiency improvement program

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## Fund raising

- Obtaining preferential funding from EIB/EBRD for projects in Distribution and Generation segments
- Obtaining preferential financing/ subsidies from the EU funds and environmental funds (NFOŚiGW i WFOŚiGW)

*Thank You – Q&A*



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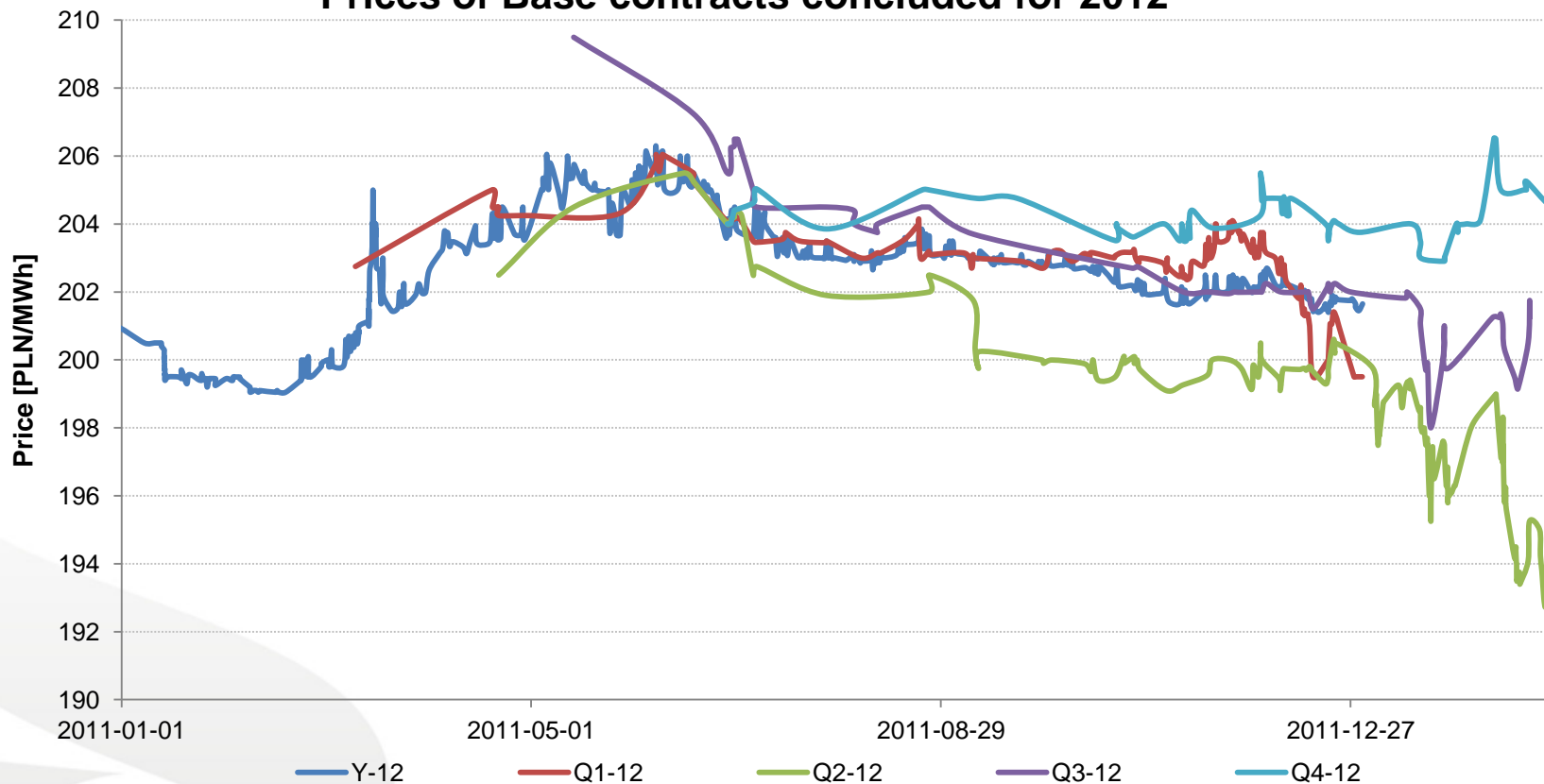
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## *Additional Information*

# BASE transactions for 2012

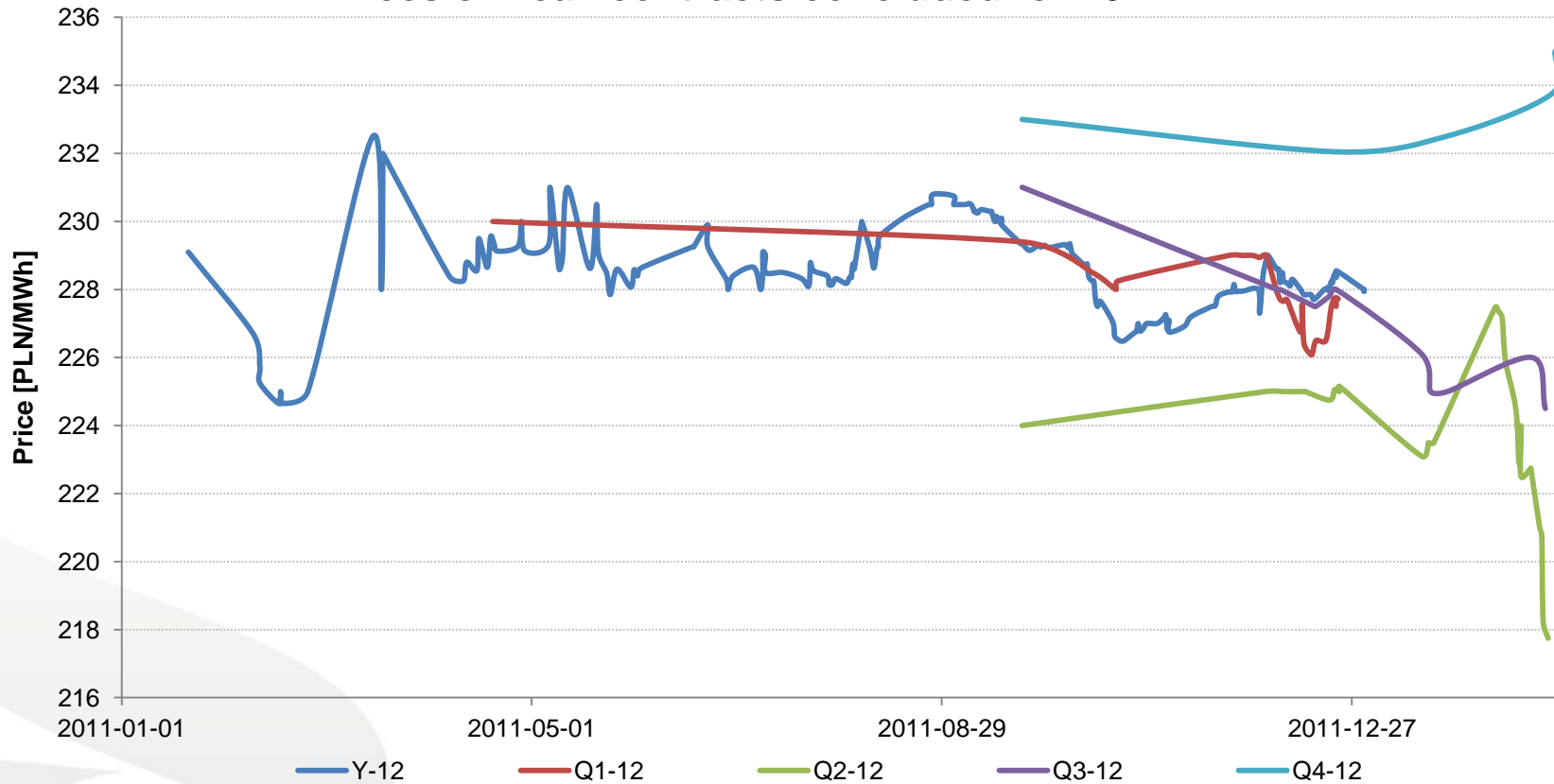
## Prices of Base contracts concluded for 2012



Average price of concluded transactions [PLN/MWh]:		Volume [GWh]
Annual	202.61	100,796
Quarterly	201.29	11,082
Monthly	197.45	3,990
<b>TOTAL</b>	<b>202.31</b>	<b>115,868</b>

# PEAK transactions for 2012

## Prices of Peak contracts concluded for 2012



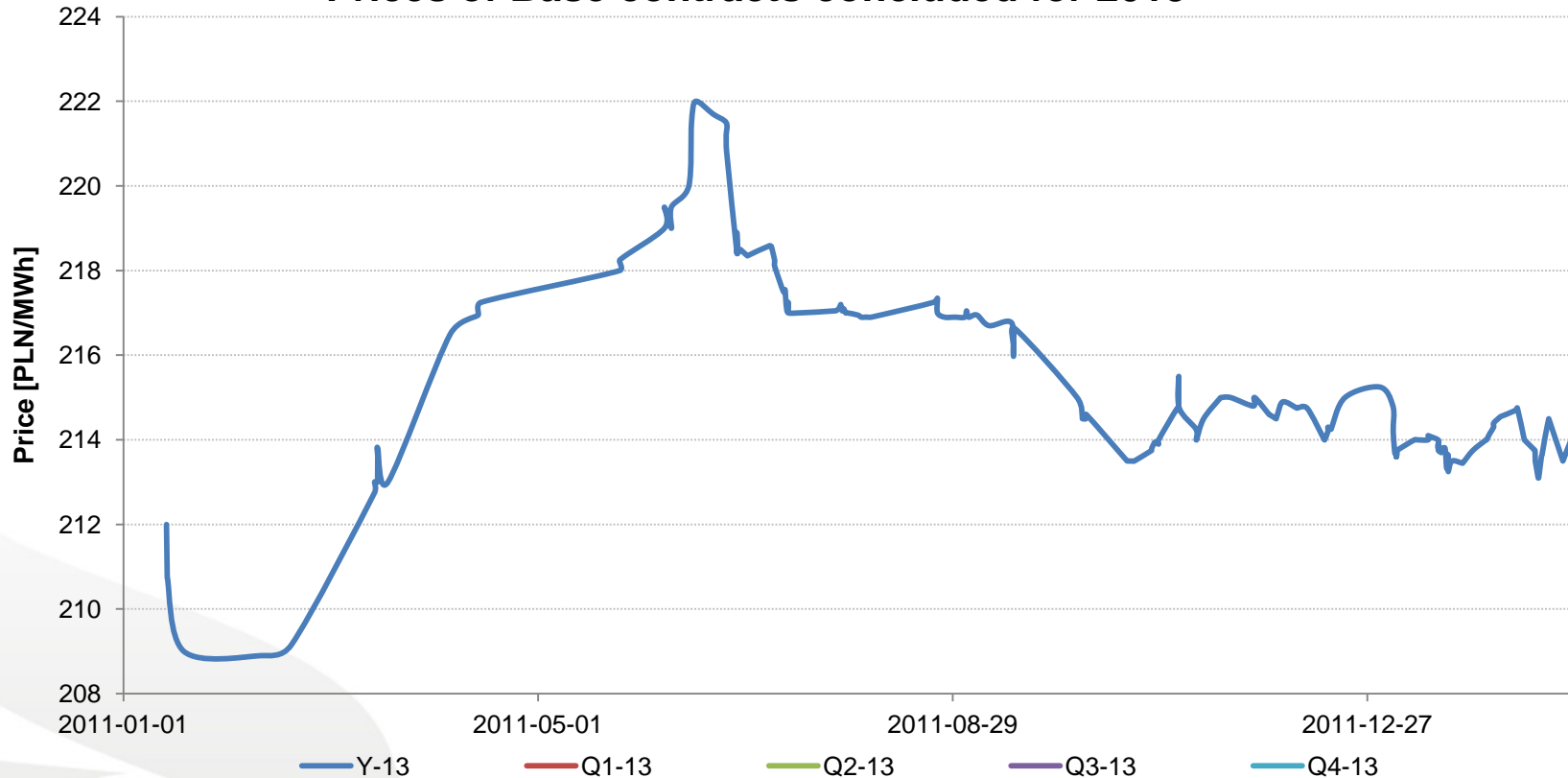
Average price of concluded transactions [PLN/MWh]:

Volume [GWh]

Annual	228.52	11,616
Quarterly	226.67	1,025
Monthly	226.30	795
<b>TOTAL</b>	<b>228.25</b>	<b>13,436</b>

# BASE transactions for 2013

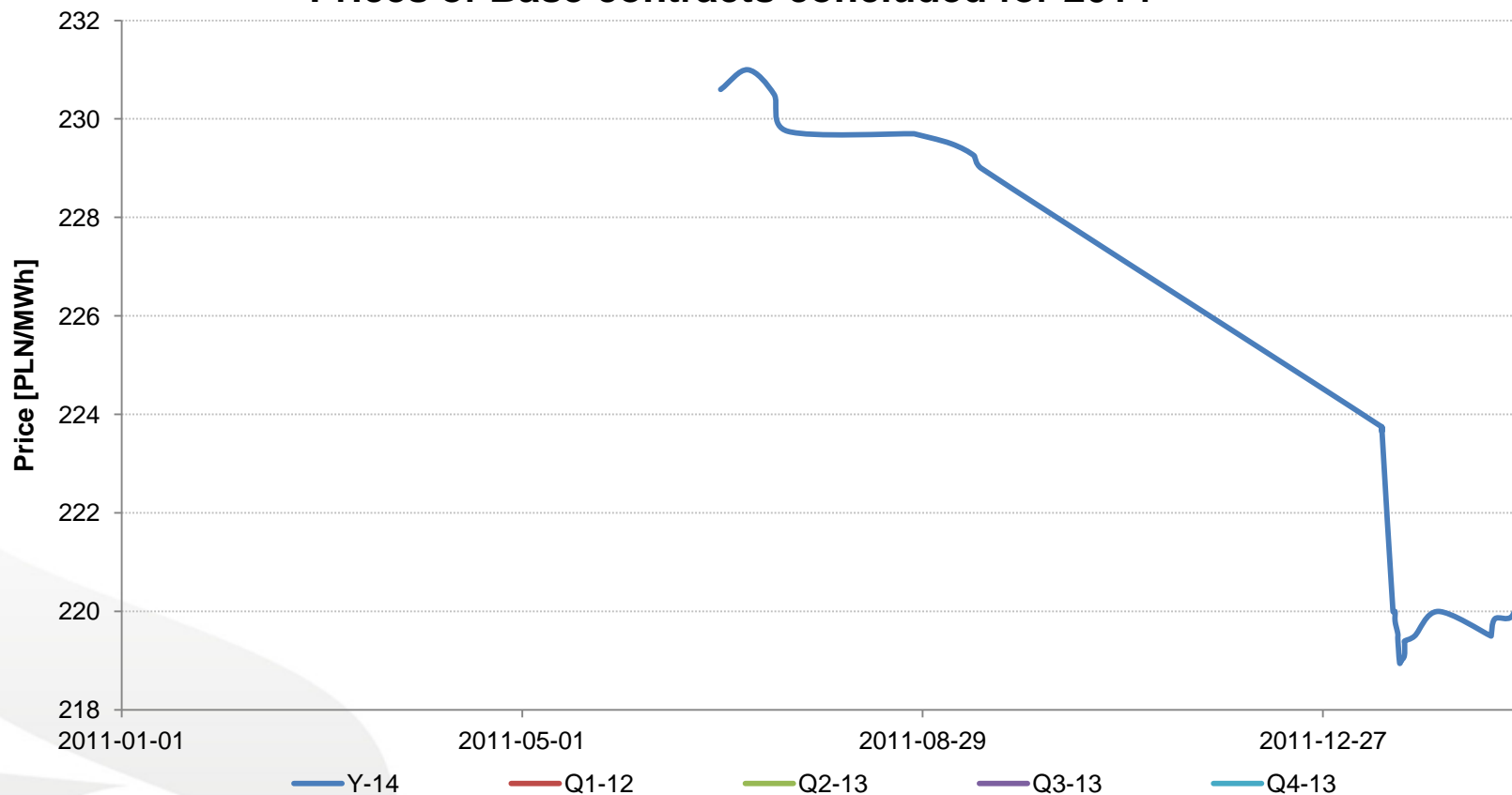
## Prices of Base contracts concluded for 2013



Average price of concluded transactions [PLN/MWh]:		Volume [GWh]
Annual	215.37	10,205
Quarterly		
Monthly		
<b>TOTAL</b>	<b>215.37</b>	<b>10,205</b>

# BASE transactions for 2014

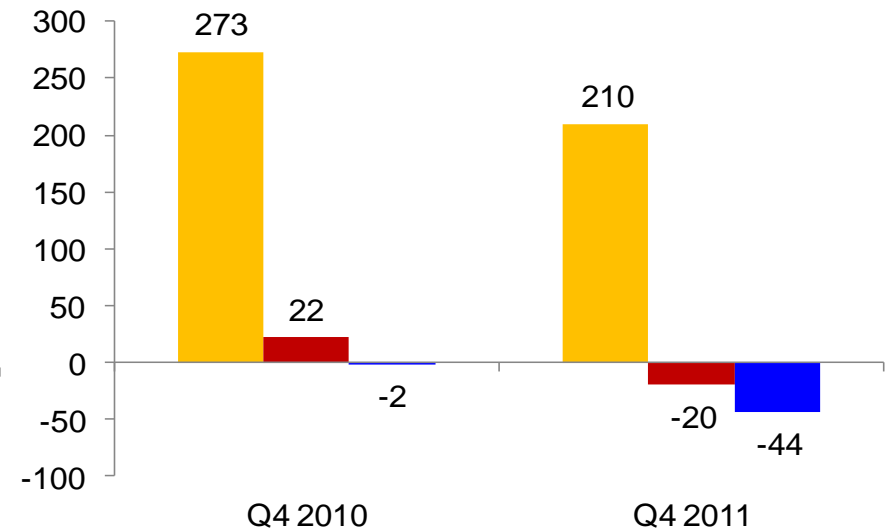
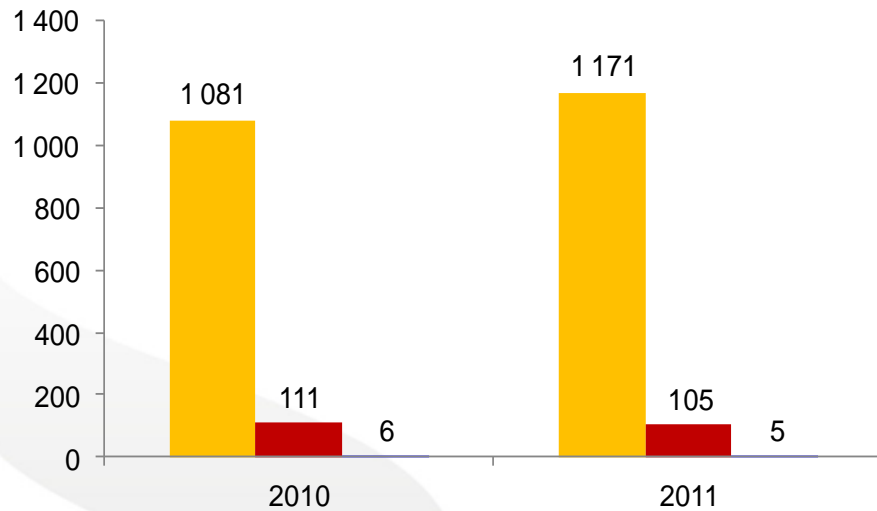
## Prices of Base contracts concluded for 2014



Average price of concluded transactions [PLN/MWh]:		Volume [GWh]
Annual	222.68	1,472
Quarterly		
Monthly		
<b>TOTAL</b>	<b>222.68</b>	<b>1,472</b>

# Mining – key financial data

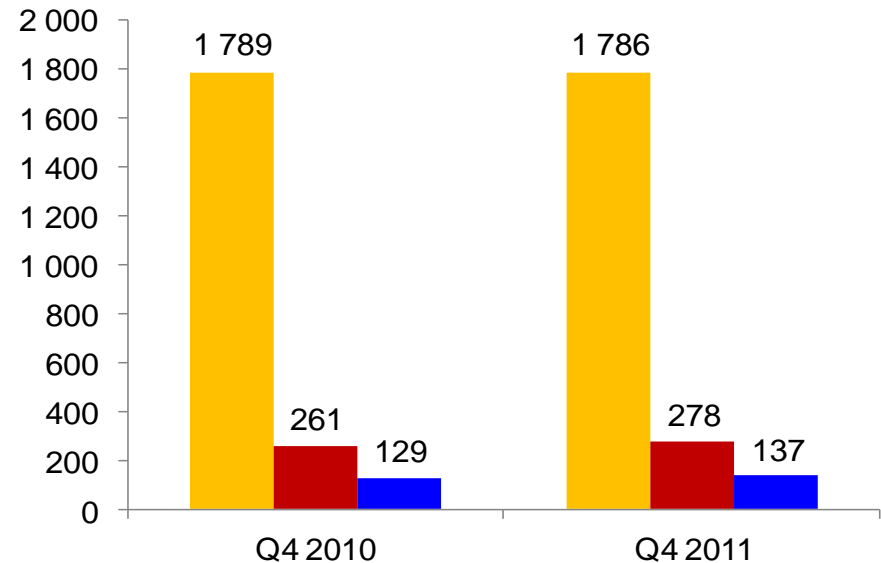
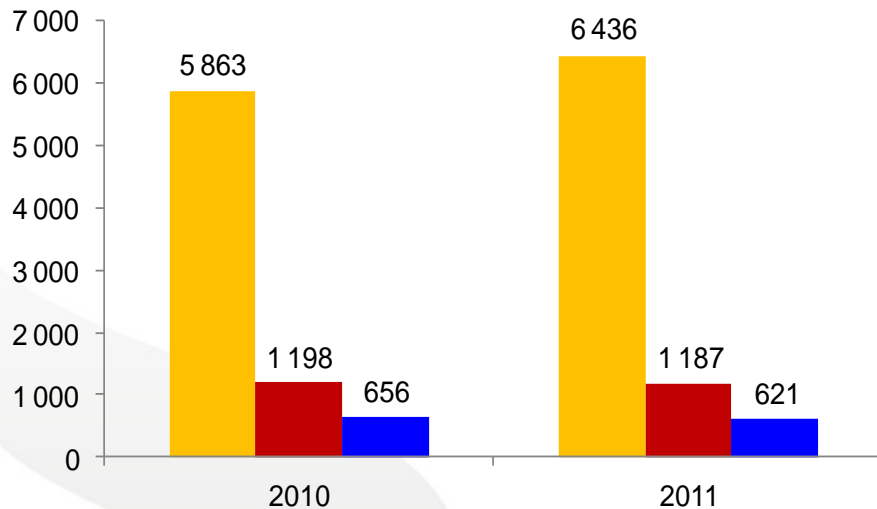
Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million)





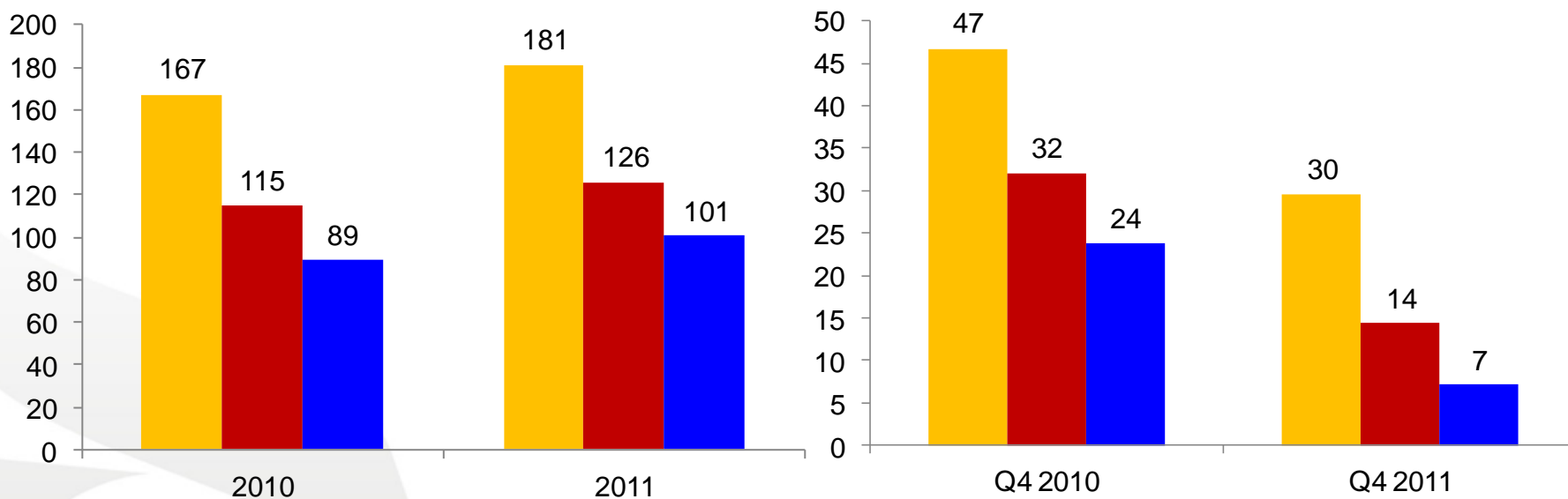
# Generation from conventional sources – key financial data

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



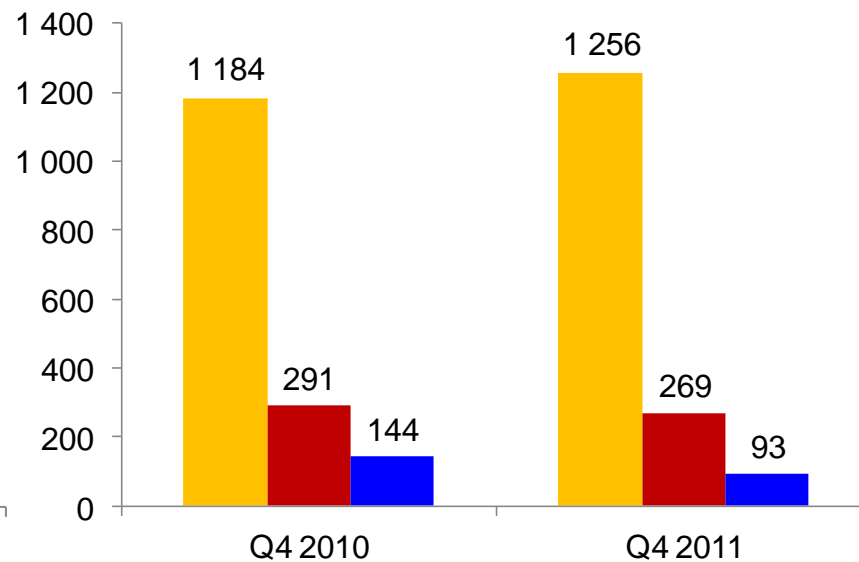
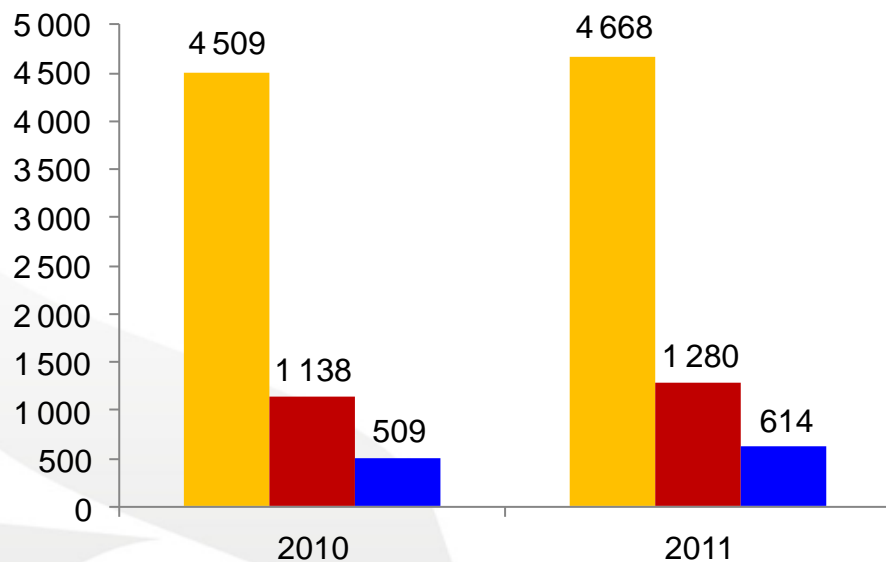
# Generation from renewable sources – key financial data

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



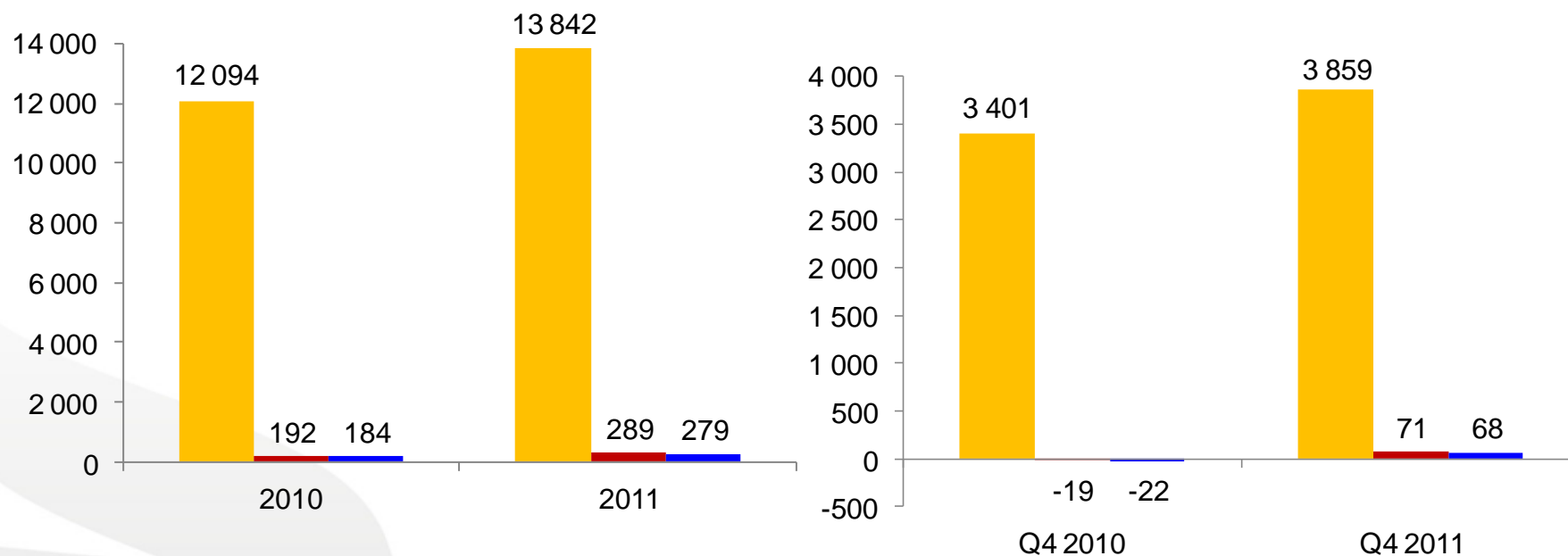
# Distribution – key financial data

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



# Supply – key financial data

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



# Other – key financial data

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

