



2012 FY financial results

15 March 2013

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TAURON Polska Energia – 2012

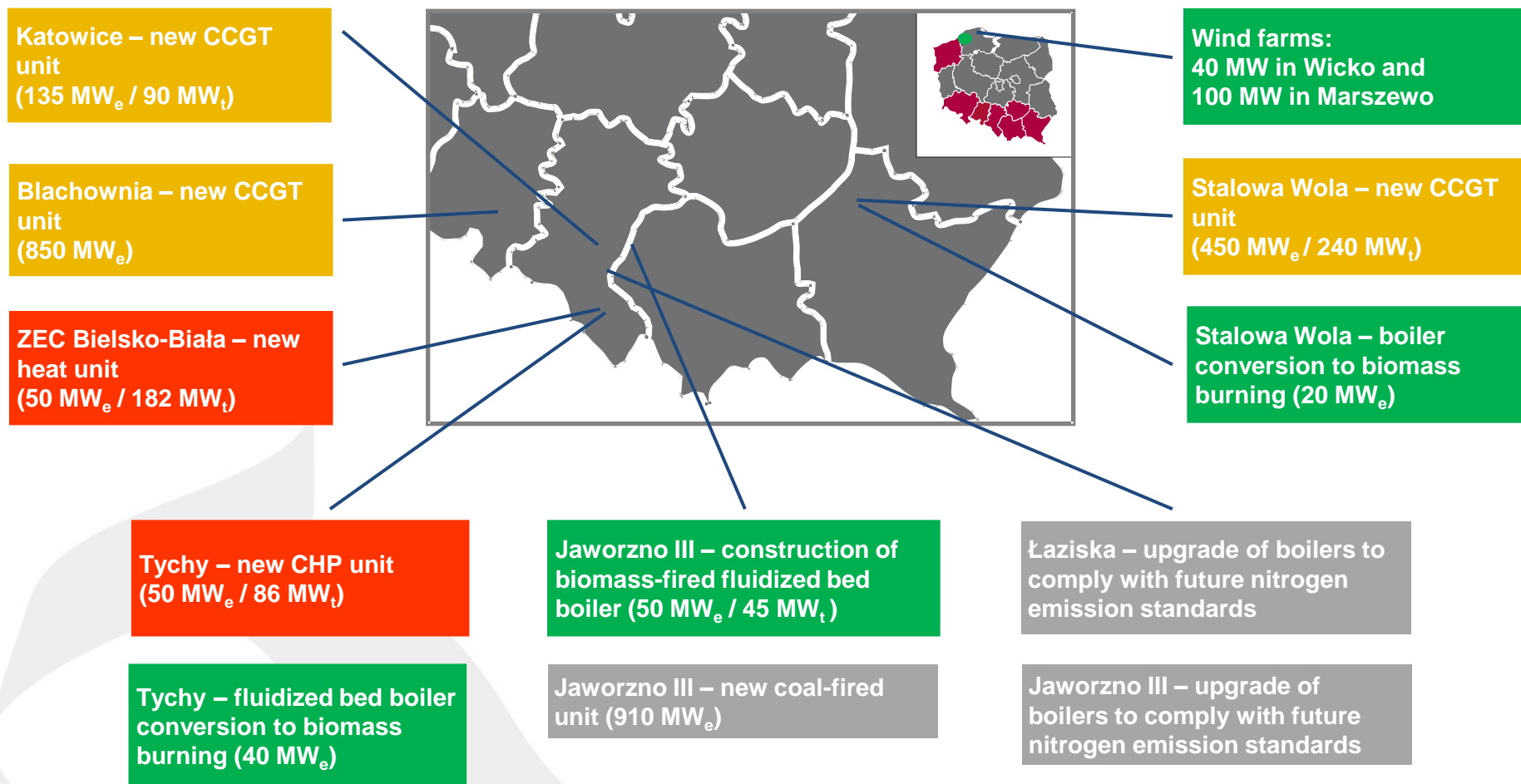
24 April	Ordinary General Meeting decided on dividend payout in the total amount of PLN 543m, which translates into PLN 0.31 per share
29 June	Agreement signed to increase the value of bond issue program by PLN 2.75bn
3 July	Agreement signed with European Investment Bank for a PLN 900m loan to be used on upgrade and development of TAURON Dystrybucja distribution grid
4 July	Frame agreement signed on exploration and extraction of shale gas
5 September	Letter of Intent signed on the purchase of shares in special purpose vehicle PGE EJ 1 established in order to construct and operate a nuclear power plant. Parties to the Letter of Intent are: TAURON Polska Energia, PGE Polska Grupa Energetyczna, KGHM Polska Miedź and ENEA
3 December	Construction of 450 MW gas-fired combined heat and power plant at Stalowa Wola launched, in cooperation with PGNiG
19 December	Letter of Intent signed with PGNiG on the construction of 400 MW CCGT unit at Elektrownia Łagisza

TAURON Polska Energia – latest events

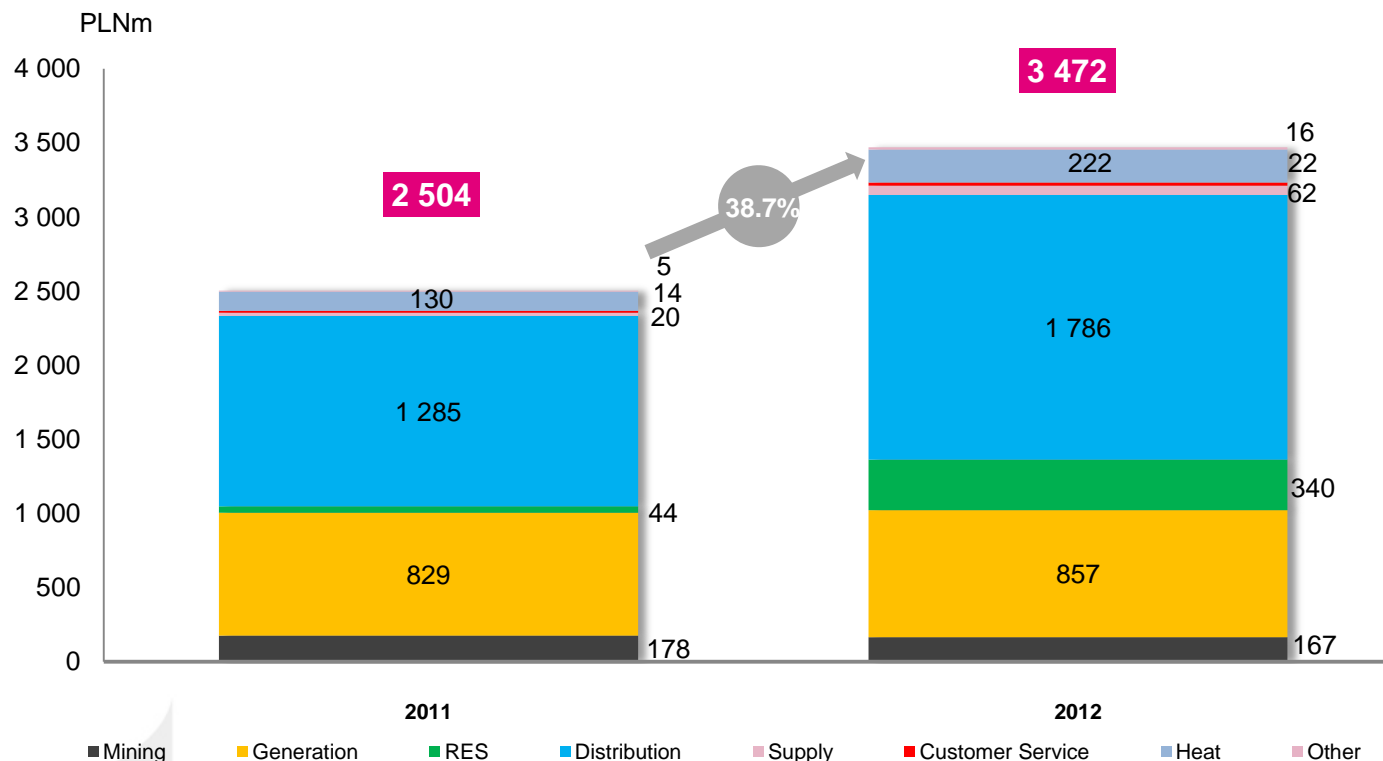
15 January	New Efficiency Improvement Program announced for 2013-2015, ultimate savings to reach approx. PLN 860m in total
24 January	Tender for the contractor of 910 MW unit at Jaworzno awarded to the Rafako S.A. – Mostostal Warszawa S.A. consortium

Implementation of the CAPEX program

The CAPEX program is aimed at upgrading generation assets and cost-effectively increasing generation capacity located in the vicinity of TAURON Group's existing assets (*brownfield projects*)



Capital expenditures



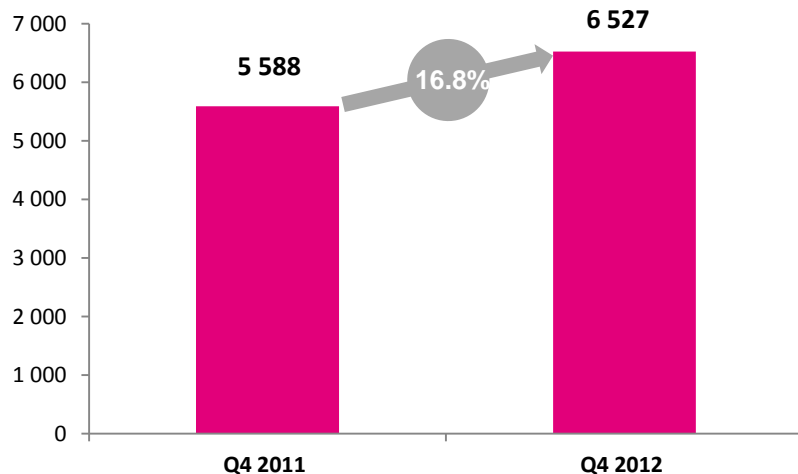
- In 2012 TAURON Group’s CAPEX amounted to almost PLN 3.5bn and was higher than in 2011 by almost 39%. This was mainly due to significant increase of investment in the Distribution, RES, Generation and Heat segments
- The main investment projects executed in 2012 include:
 - in Distribution: construction of new connections (capital expenditures: PLN 502m); upgrade and restoration of grid assets (capital expenditures: PLN 1 074m)
 - in Generation: construction of new and upgrade of existing generation units (capital expenditures: PLN 473m); construction of installations for No_x emission reduction (capital expenditures: PLN 216m)
 - in Heat: capacity restoration (capital expenditures: PLN 121m); construction and upgrade of heat distribution grid (capital expenditures: approx. PLN 50m)
 - in RES: construction of wind farms (capital expenditures: PLN 310m)

Key operating data

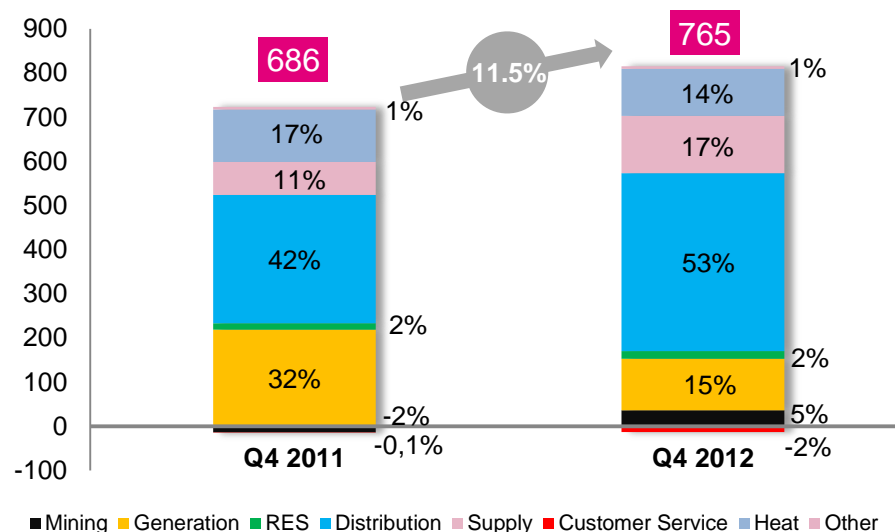
	Q4 2011	Q4 2012	Change	2011	2012	Change
Production of commercial coal (million t)	0.80	1.48	85%	4.58	5.57	21.6%
Electric energy generation (net production) (TWh)	5.08	5.02	-1.2%	21.38	19.11	-10.6%
Including: from renewable sources	0.22	0.30	36.4%	0.99	1.22	23.2%
Heat generation (PJ)	5.57	5.68	2%	15.96	16.36	2.5%
Distribution (TWh)	9.71	12.13	24.9%	38.24	47.85	25.1%
Electricity supply (TWh)	8.87	11.60	30.8%	35.52	44.74	26%
Number of customers - Distribution (thousand)	4,143	5,302	28%	4,143	5,302	28%

Financial results for Q4 2012

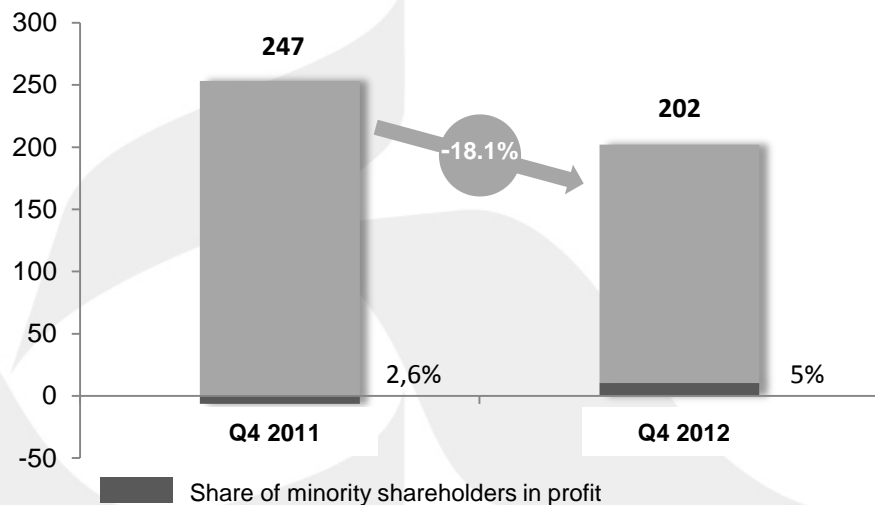
TAURON Group's revenue (PLNm)



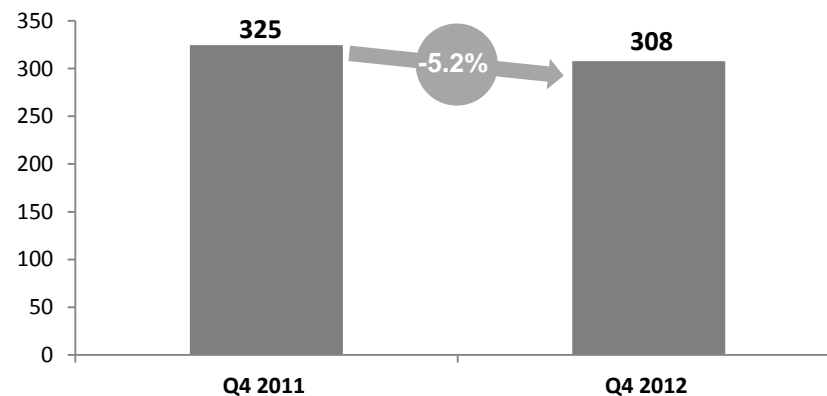
TAURON Group's EBITDA per segment (PLNm); EBITDA structure



TAURON Group's net profit (PLNm)

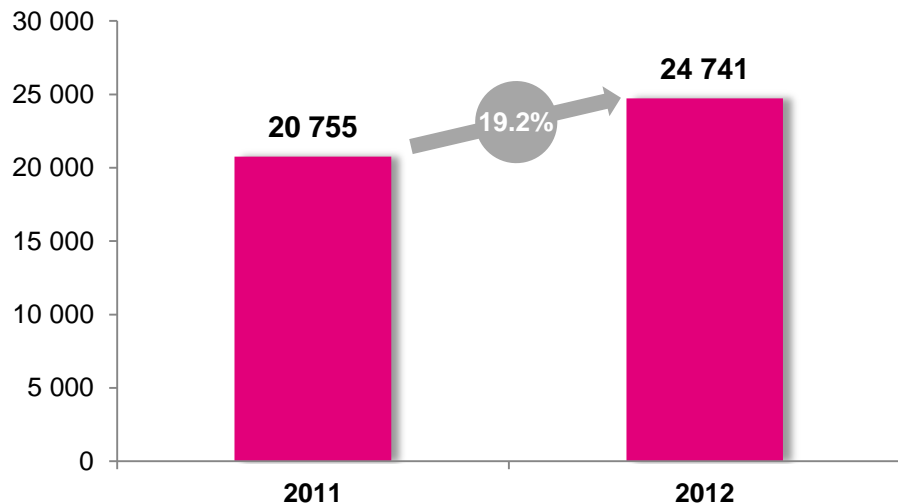


TAURON Group's EBIT (PLNm)

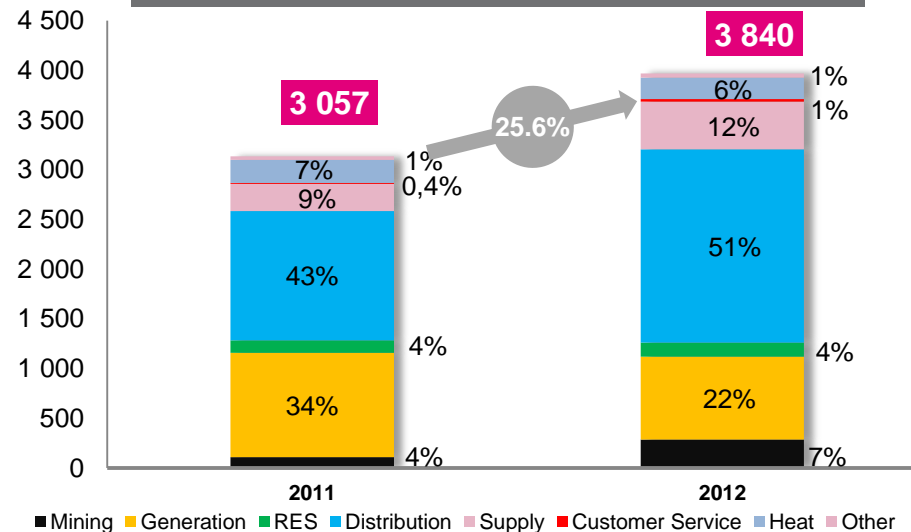


Financial results for FY 2012

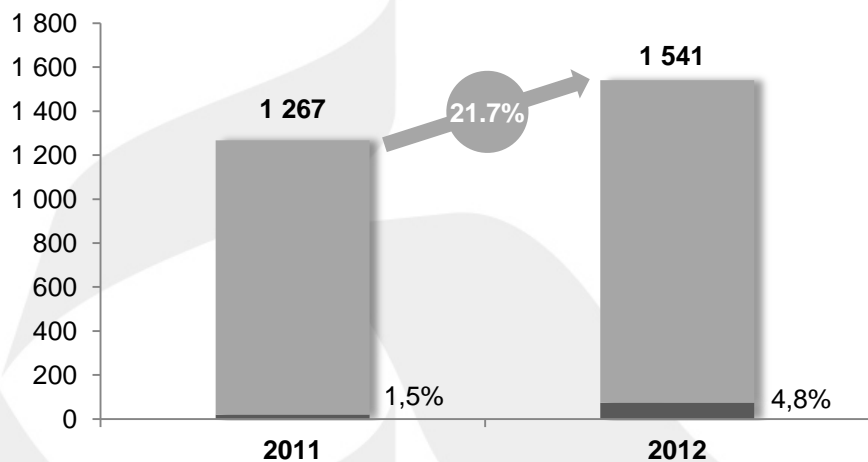
TAURON Group's revenue (PLNm)



TAURON Group's EBITDA per segment (PLNm); EBITDA structure

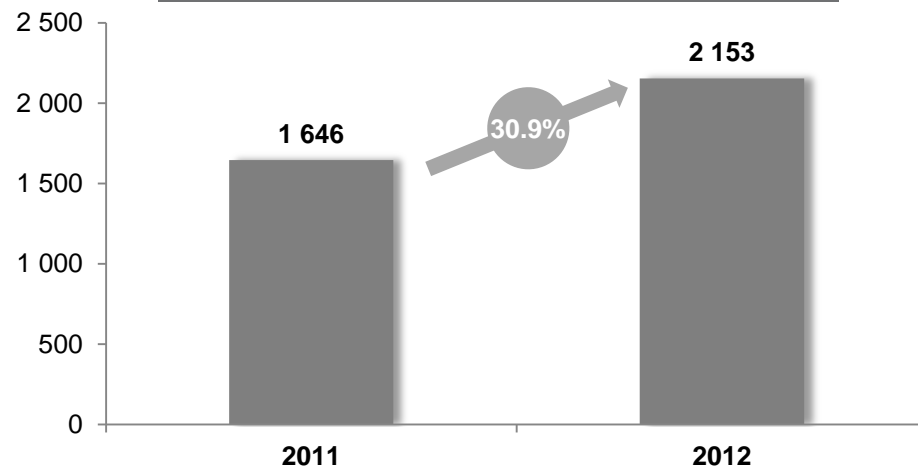


TAURON Group's net profit (PLNm)



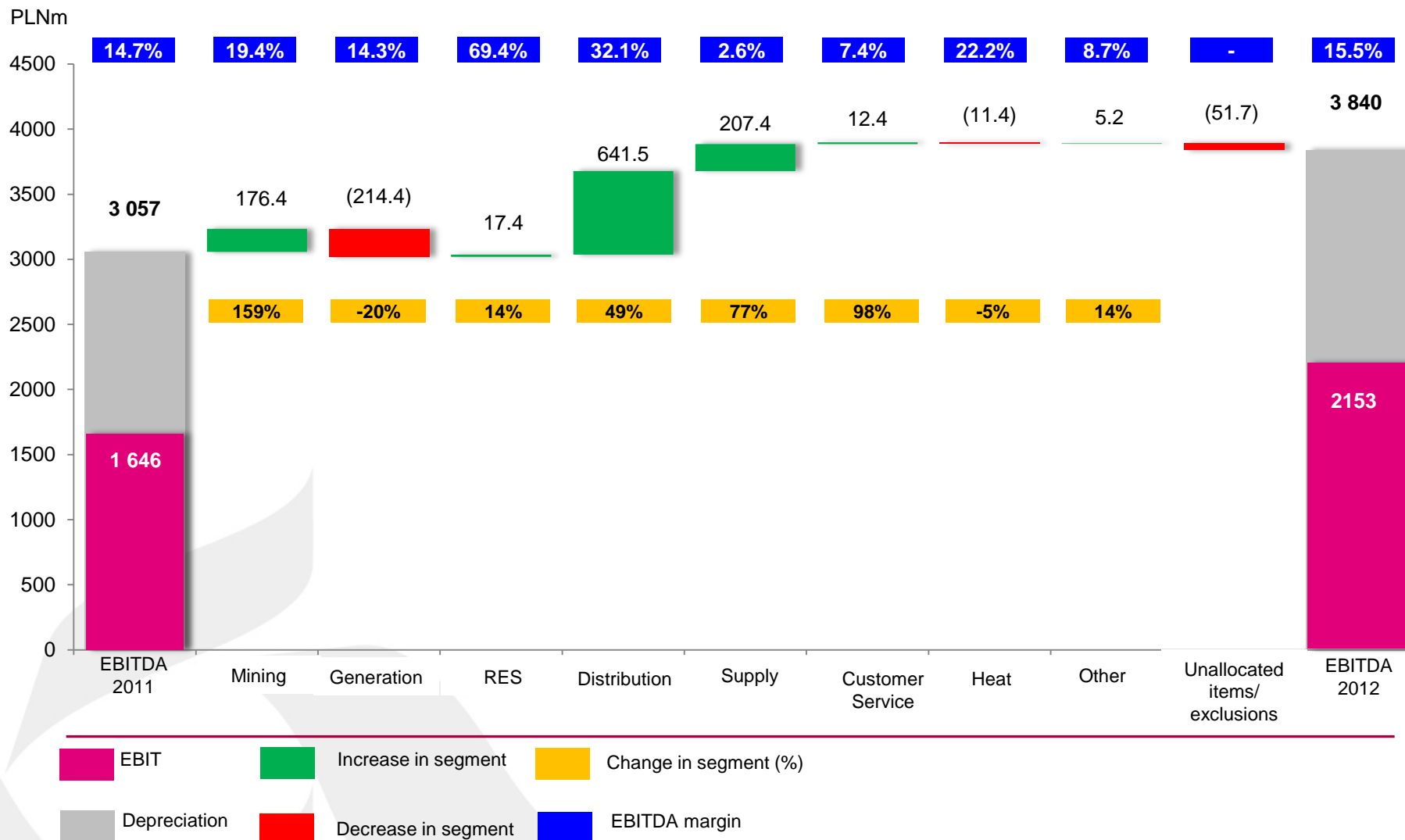
■ Share of minority shareholders in profit

TAURON Group's EBIT (PLNm)



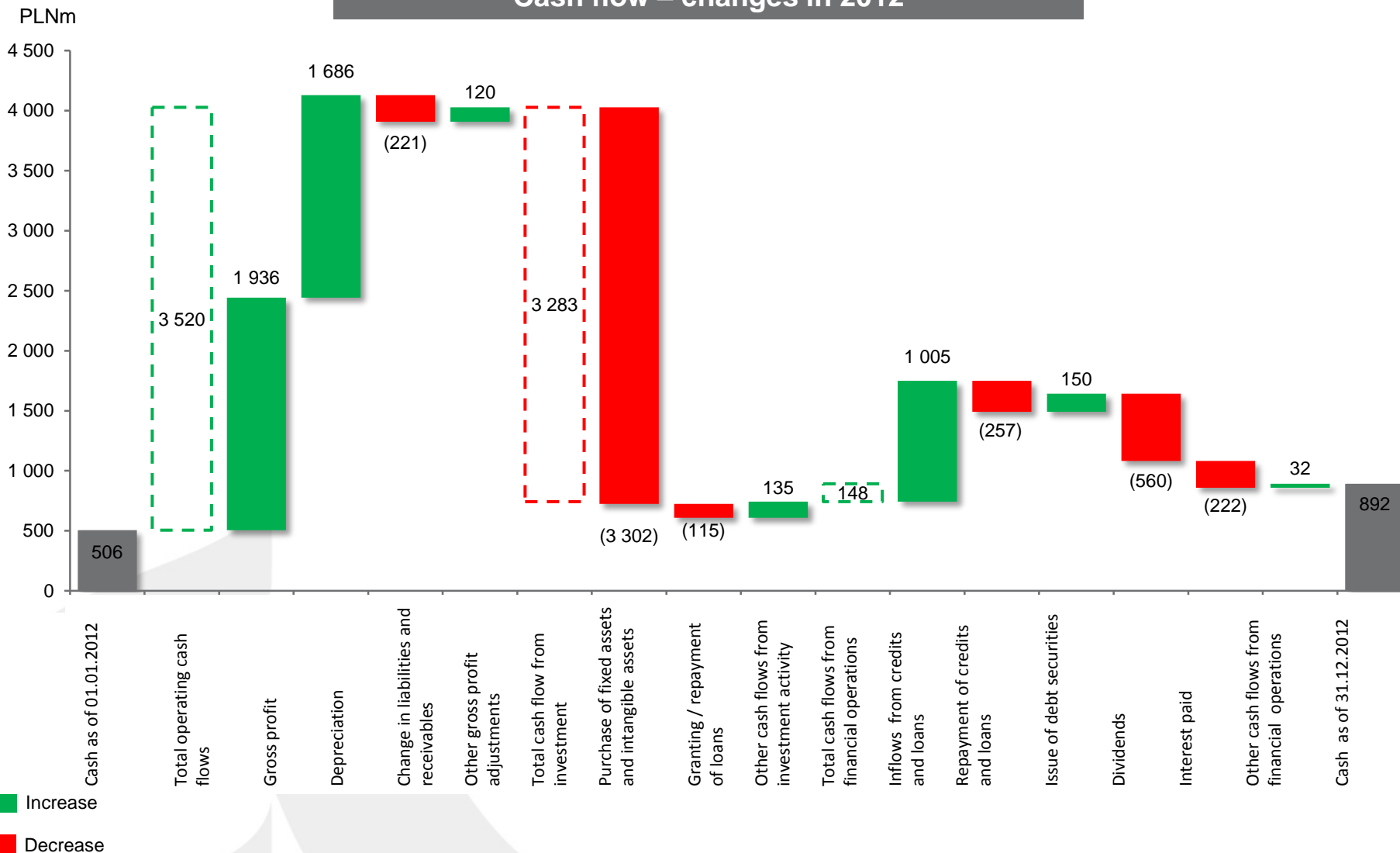
EBITDA – 2012

Change in EBITDA per segment (PLN m and %), EBITDA margin per segment (%)



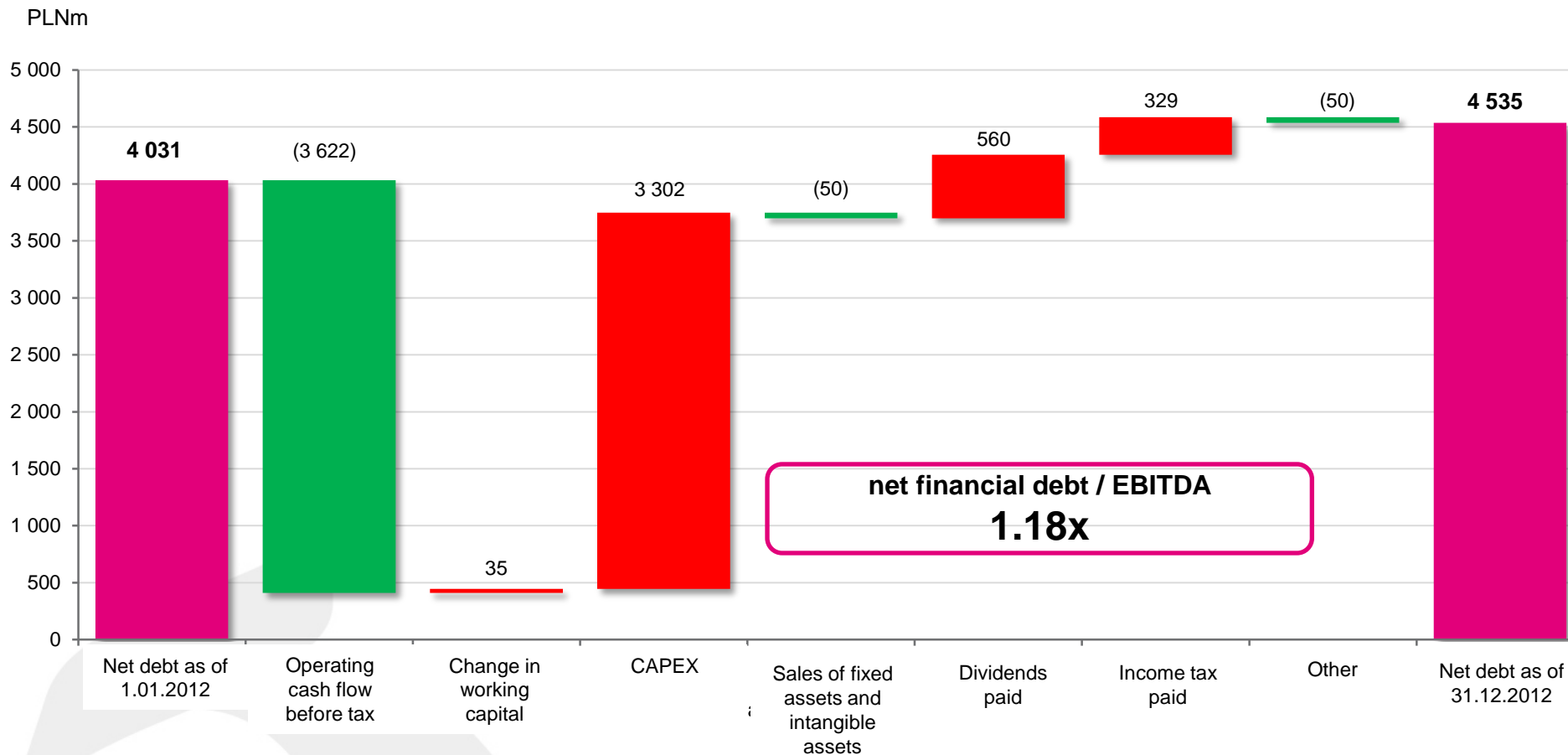
Cash flow changes

Cash flow – changes in 2012



Group's debt level

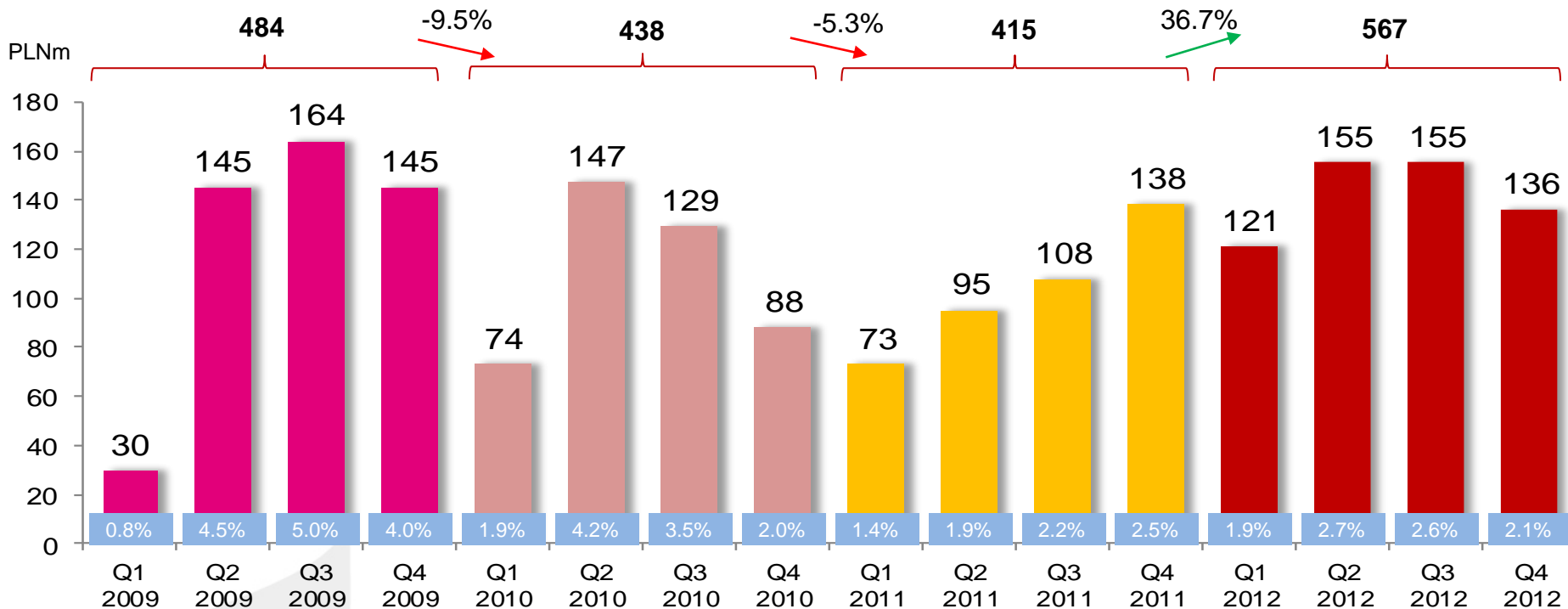
Group's debt level



- In 2012 net debt increased by approx. PLN 504m (among others, as a result of drawing new tranches of the loan from EIB, in the amount of PLN 960m)

Compensation due to termination of Long-Term Contracts

Revenue due to compensation

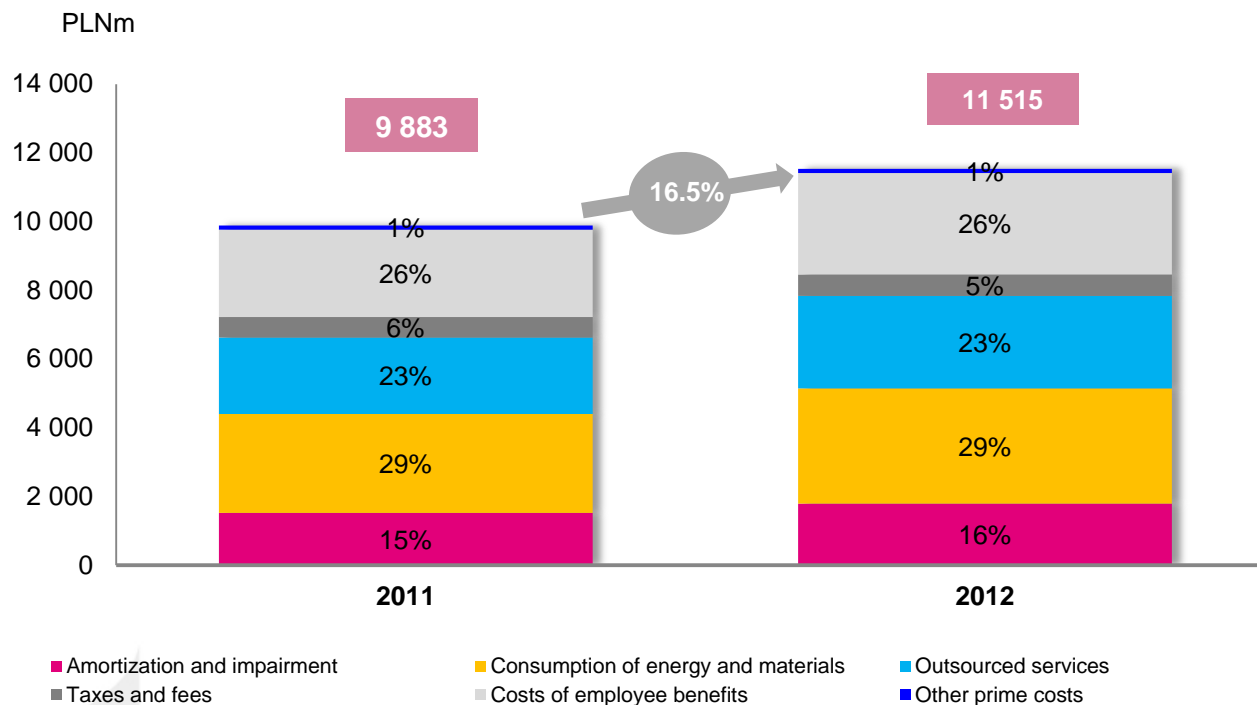


XX% Share of LTC in quarterly revenue

Revenue due to compensation consists of:

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

Prime cost structure

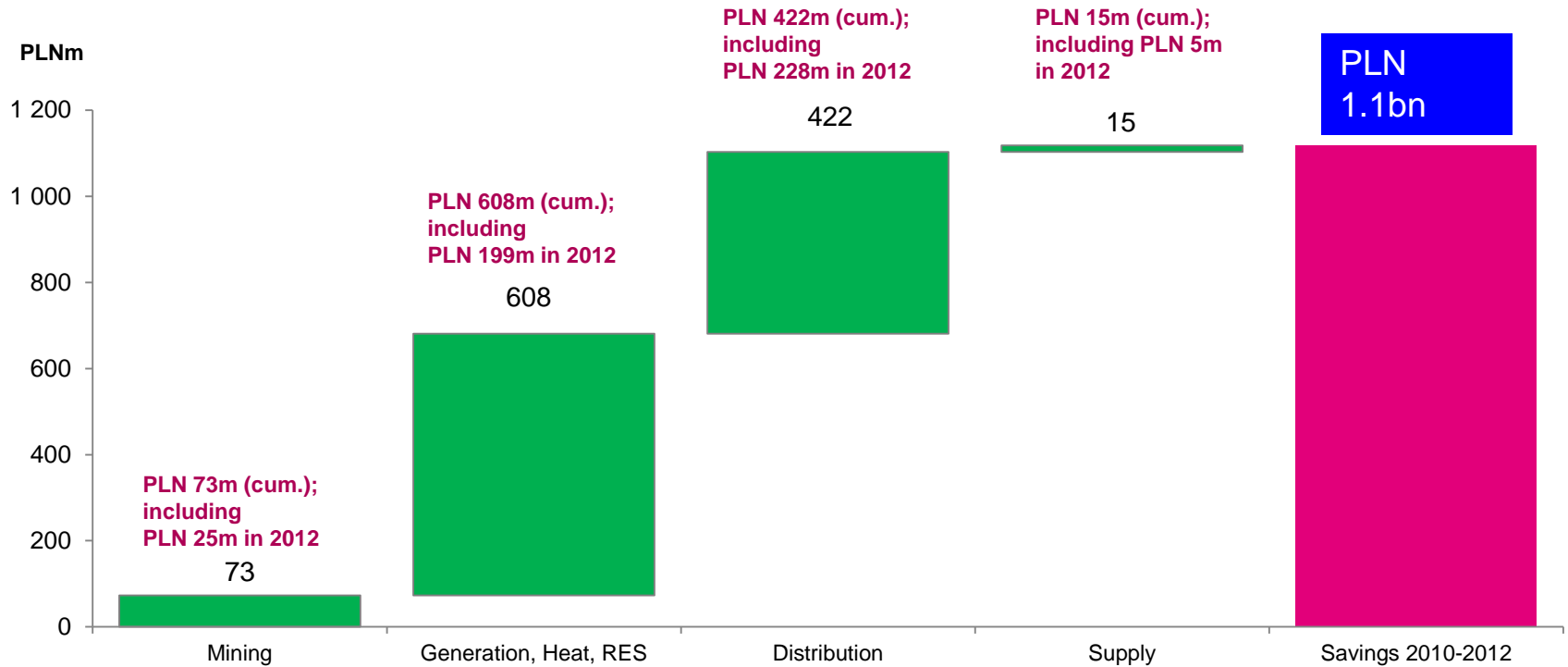


Cost increase in 2012 is mainly attributable to:

- consumption of energy and materials
- outsourced services, in particular due to higher costs of distribution services
- costs of employee benefits – costs related to implementation of labour cost reduction programs for employees leaving the company voluntarily, also inclusion of the full year employment costs at GZE companies
- depreciation

In 2012 variable costs constituted approx. 37%, and fixed costs constituted approx. 63% of the total costs. Change in comparison to 2011 when variable costs constituted 46%, and fixed costs constituted 54% results from lower electricity generation (lower variable costs) and higher fixed costs due to the inclusion of GZE companies in 2012

Efficiency improvement program



- Voluntary Redundancy Program: since the program's launch 3,048 persons enrolled, as of the end of 2012, out of which in 2012 employment contracts were terminated with 1,023 persons (in total, since program launch: 2,700 persons). Savings resulting from redundancies, decreased by costs incurred to generate savings, are included in the amounts presented per segment
- Having completed the first efficiency improvement program, TAURON Group has launched a similar program planned for 2013-2015, which should bring an approx. PLN 860m OPEX reduction. As a result of the the program's implementation the Group expects OPEX reduction in most segments – with the biggest savings coming from Distribution and Generation.

TAURON Group – expansion and growth directions

Group's value increase

- Update of TAURON Group's corporate strategy
- Implementation of another efficiency improvement program
- Increased CAPEX, particularly in the Generation segment

Fund raising

- Acquiring funds from EIB on preferential terms
- Issue of bonds on the domestic market, addressed mainly to financial institutions
- Issue of Eurobonds after the second rating is assigned
- Acquiring funds on preferential terms/ subsidies from the EU funds and environmental funds



Thank you – Q&A



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Additional Information



Electric energy market price trends

Electric energy

Platforms: TGE, TFS, GFI, GPW-POEE	2012		2013 (until 26.02.2013)		2013/2012	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
Forward BASE (Y+Q+M)	200.08	139,358	189.64	123,432	- 5.2%	- 11.4%
Forward PEAK (Y+Q+M)	225.56	17,161	208.56	12,883	- 7.5%	- 24.9%
Forward (weighted average)	202.88	156,519	191.43	136,316	- 5.6%	- 12.9%
SPOT (TGE + GPW-POEE)	173.58	20,388	167.00 (Forecast)	20,000 (Forecast)	- 3.8%	- 1.9%
Total weighted average	199.50	176,907	188.30	156,316	- 5.6%	- 11.6%

CO₂ emission allowances (EUR/t):

Survey of CO ₂ market analysts*	Price (EUR/t)
Average in 2013	4 – 7 EUR/t
Average in 2014	9 – 11 EUR/t
Average in 2015	11 – 13 EUR/t
EUA average price in 2013 (TAURON forecast)	4 – 6 EUR/t

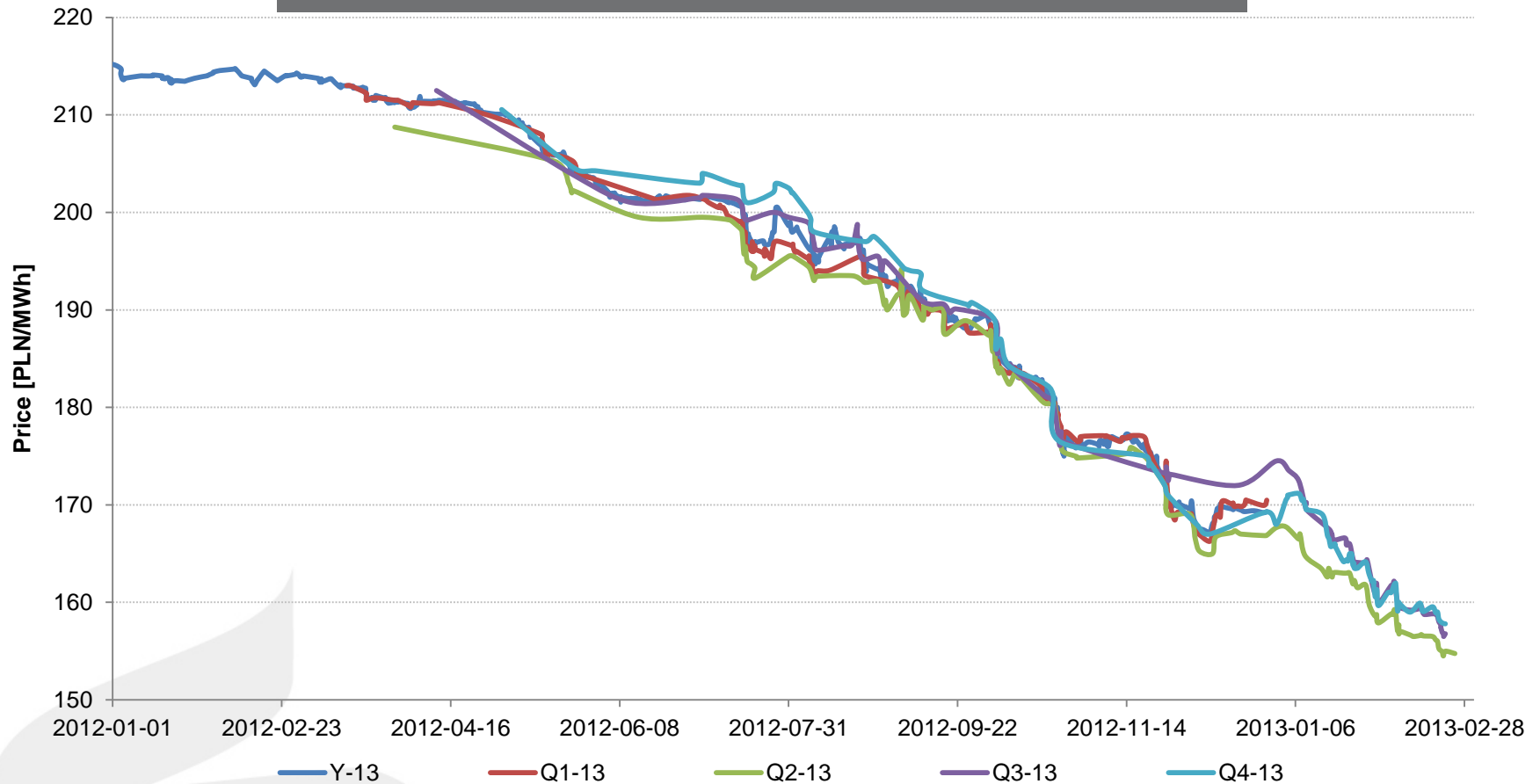
*Source: Deutsche Bank, Barclays Capital, Point Carbon

Certificates (PLN/MWh)

Type of certificate	Market prices (average in February 2013)	Substitution fee and obligation for 2013
RES (green)	112.17	not announced (12.0%)
Coal co-generation (red)	4.17	29.84 (not announced)
Gas co-generation (yellow)	125.48	149.30 (not announced)
Methane (violet)	58.74	60.00 (0.9%)

BASE contracts for 2013

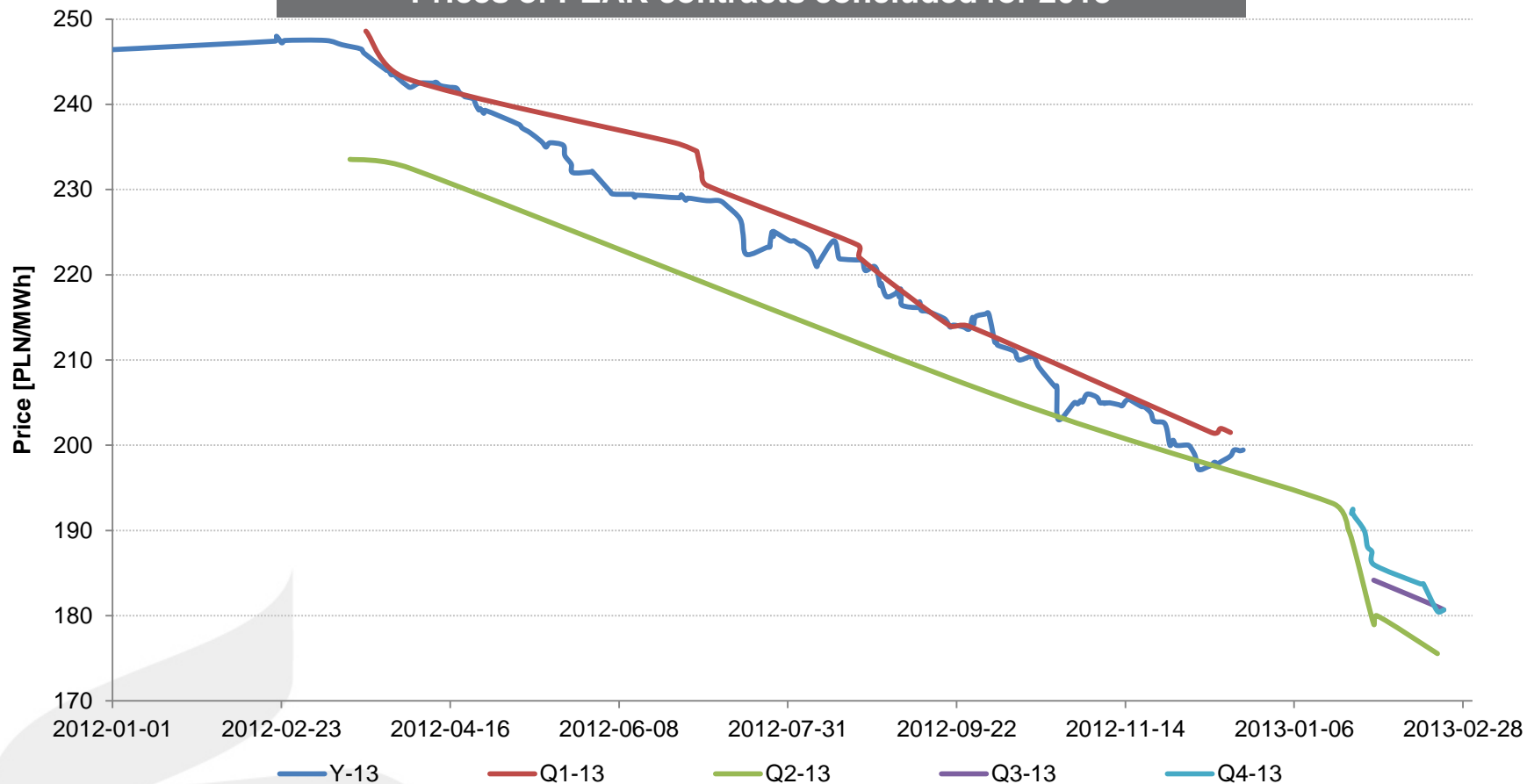
Prices of BASE contracts concluded for 2013



Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	191.60	108,861
Quarterly	176.47	12,360
Monthly	167.06	2,212
TOTAL	189.64	123,432

PEAK contracts for 2013

Prices of PEAK contracts concluded for 2013

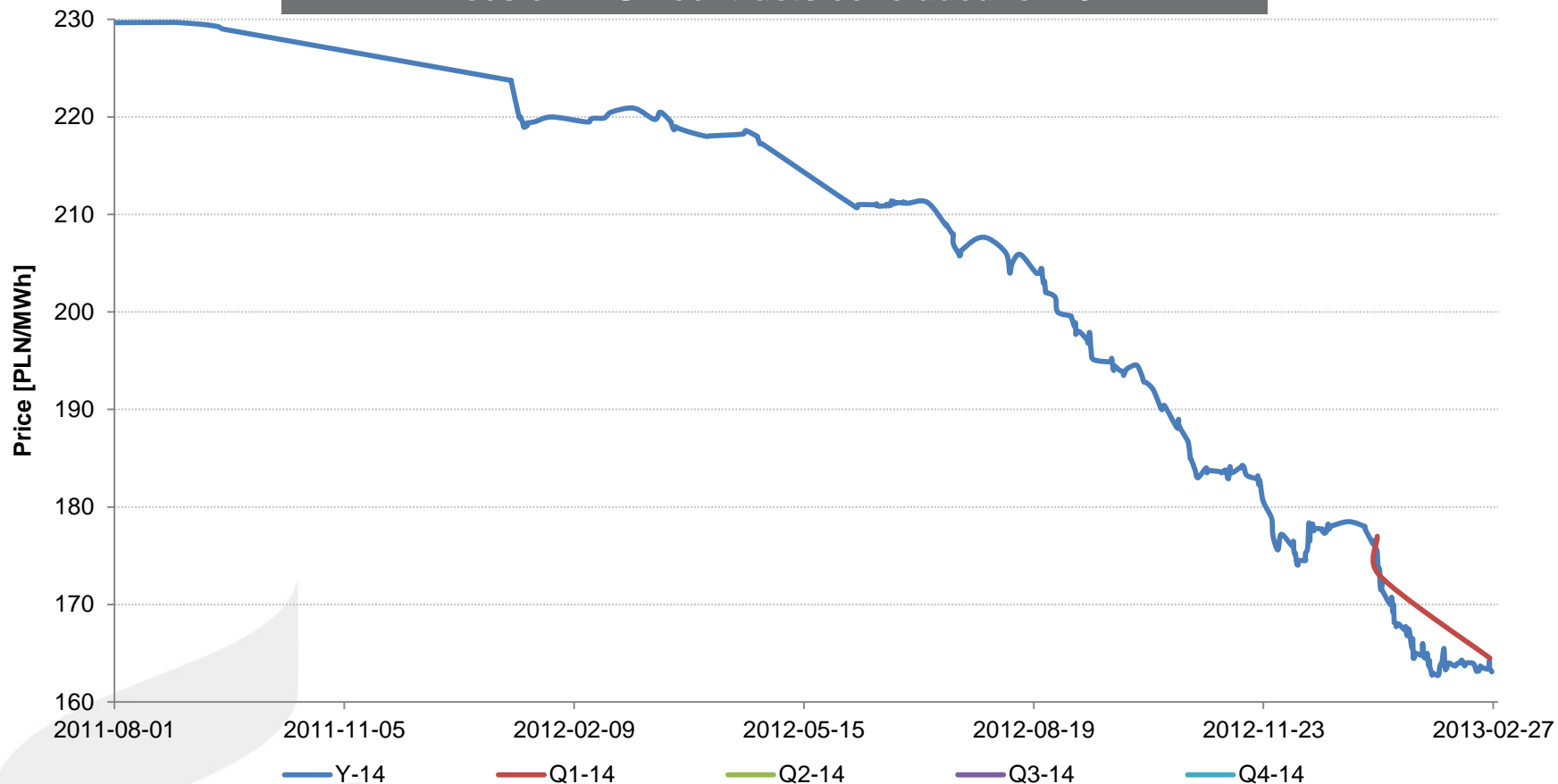


	Average price of concluded contracts [PLN/MWh]:	Volume [GWh]
Annual	209,09	12 037
Quarterly	202,87	474
Monthly	198,81	373
TOTAL	208,56	12 883

BASE contracts for 2014



Prices of BASE contracts concluded for 2014

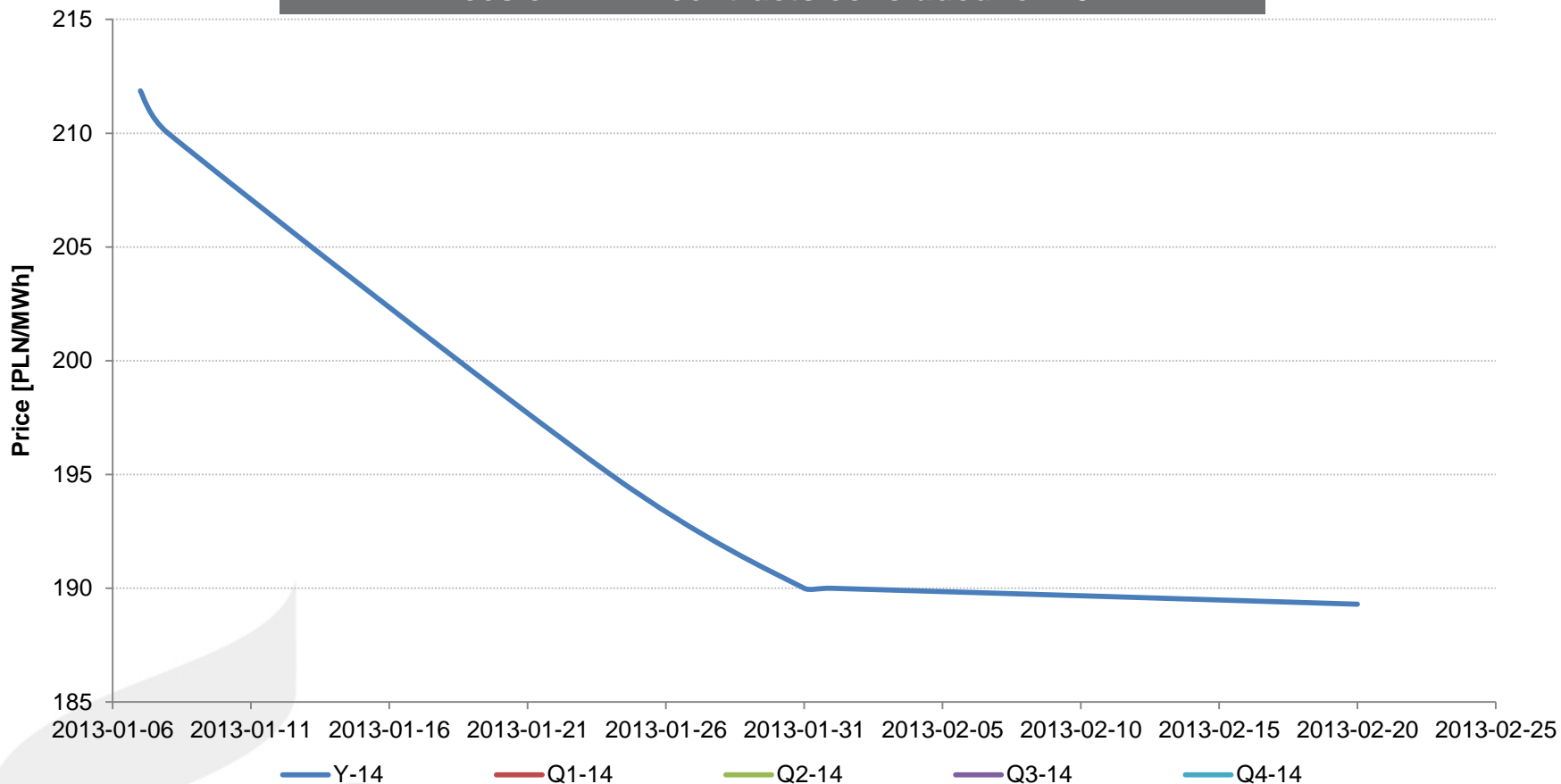


Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	182,46	32 745
Quarterly	169,63	39
Monthly		
TOTAL	182,45	32 784

PEAK contracts for 2014



Prices of PEAK contracts concluded for 2014



Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	194,14	132
Quarterly		
Monthly		
TOTAL	194,14	132

ZEC Bielsko-Biała – new heat unit

- Capacity – 50 MW_e / 182 MW_t
- Scheduled commissioning – H1 2013

Status as of 31 December 2012:

- Construction and assembly works are underway. General contractor: Polimex-Mostostal

Elektrociepłownia Tychy – new CHP unit

- Capacity – 50 MW_e / 86 MW_t
- Scheduled commissioning – end of 2015

Status as of 31 December 2012:

- Contractor selection for the new unit is underway

Elektrownia Jaworzno III – new fluidized bed boiler (biomass-fired)

- Capacity – 50 MW_e / 45 MW_t

Status as of 31 December 2012:

- Construction works are completed. On 31 December 2012 the RES-based generation unit was commissioned

Elektrownia Stalowa Wola – upgrade of K-10 boiler (biomass-fired)

- Capacity – 20 MW_e
- Scheduled commissioning – Q1 2013

Status as of 31 December 2012:

- Final construction and assembly works are underway. General contractor: Rafako

Elektrociepłownia Tychy – upgrade of fluidized bed boiler (biomass-fired)

- Capacity – 40 MW_e

Status as of 31 December 2012:

- Biomass boiler construction:
 - Operation permit was obtained on 17 December 2012.; trial run is underway, contractor: Metso Power Oy
- Construction of biomass feeding system:
 - Construction works are underway, contractor: Mostostal Warszawa (commissioning – H1 2013)
- WR 40 boiler construction:
 - Preparation of the installation for the warranty measurements, contractor: SEFAKO (commissioning – H1 2013)

Elektrownia Stalowa Wola – new CCGT unit

- Capacity – 450 MW_e / 240 MW_t
- Scheduled commissioning – 2015

Status as of 31 December 2012:

General Contractor – Abener Energia

- Construction works have started
- Detailed design works are underway

Elektrociepłownia Katowice – new CCGT unit

- Capacity – 135 MW_e / 90 MW_t
- Scheduled commissioning – 2016

Status as of 31 December 2012:

- Contractor selection is underway

Elektrownia Blachownia – new gas unit

- Capacity – approx. 850 MW_e
- Scheduled commissioning – 2017

Status as of 31 December 2012:

- Terms of Reference – preliminary requirements for the tender for General Contractor of the unit are under preparation

Wind farm – Wicko

- Capacity – 40 MW_e
- Scheduled commissioning – 2013

Status as of 31 December 2012:

General Contractor – consortium of Kraków-based Aldesa Nowa Energia and Madrid-based Aldesa Construcciones

- Engineering works are completed for access roads and assembly sites for 7 wind turbines
- 20 sets of components for anchoring towers to the foundation have been delivered to the site

Wind farm – Marszewo

- Capacity – 100 MW_e
- Scheduled commissioning – 2014

Status as of 31 December 2012:

- 20 foundations are completed, including access roads
- Works involving medium- and high-voltage grid are underway. Construction and assembly works at the Main Supply Station are completed – tests are underway

Elektrownia Jaworzno III – boilers' upgrade

- Scope – upgrading six OP-650k type boilers to comply with the lower NO_x emission standards to be binding in Poland from 2018
- Commencement of the works – 2010; scheduled commissioning – 2016

Status as of 31 December 2012 :

- Upgrades of units No. 2 and No. 4 are completed
- General contractor: consortium of Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

Elektrownia Jaworzno III – a new coal-fired unit

- Capacity – 910 MW_e
- Scheduled commissioning – 2018

Status as of 31 December 2012:

- Selection of contractor and contract engineer is underway

Latest events:

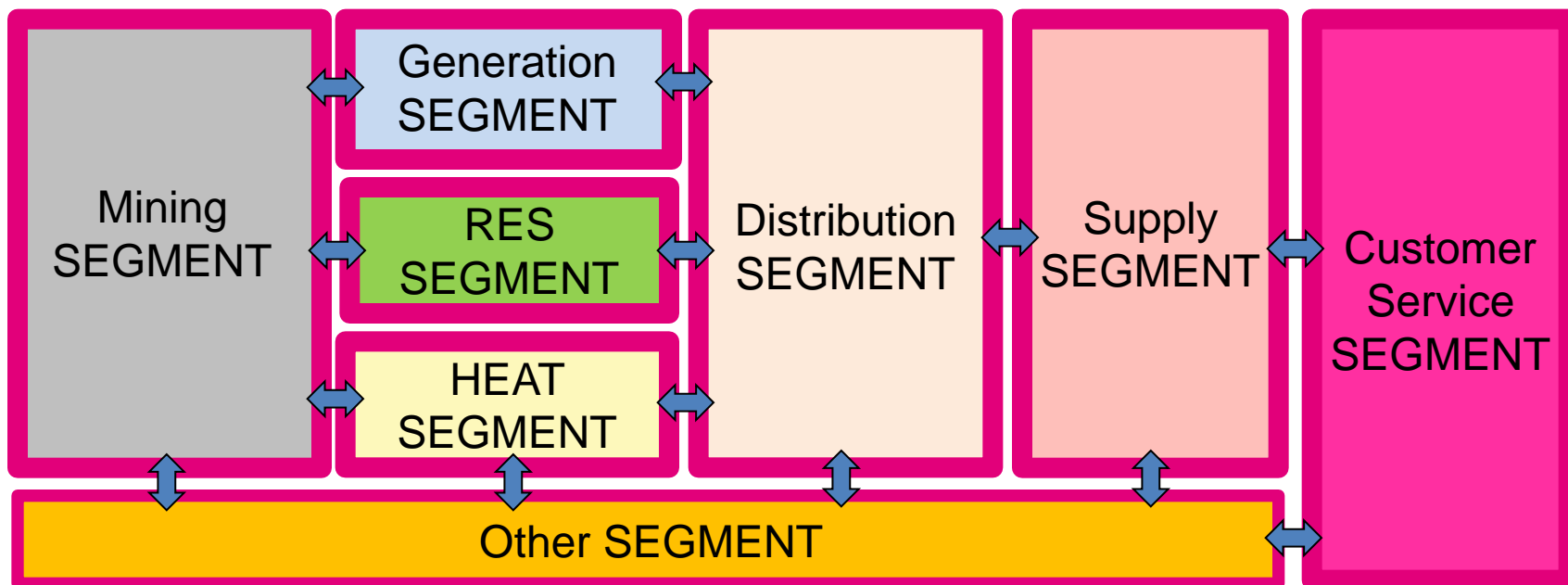
On 24 January 2013 Tauron Wytwarzanie selected the offer of the Rafako and Mostostal Warszawa consortium as the winning bid in the tender for coal-fired unit at Jaworzno

Elektrownia Łaziska – boilers' upgrade

- Scope – upgrading four OP-650k type boilers to comply with the lower NO_x emission standards to be binding in Poland from 2018
- Commencement of the works – 2010; scheduled commissioning – 2015

Status as of 31 December 2012:

- Works at unit No. 12 are completed
- Trial run at unit No. 11 is completed. Adjustment of the unit's installation is underway
- General contractor: STRABAG



Mining Segment:
Południowy Koncern Węglowy

Generation Segment:
TAURON Wytwarzanie

Distribution Segment:
TAURON Dystrybucja
TAURON Serwis GZE

Supply Segment:
TAURON Sprzedaż
TAURON Sprzedaż GZE
TAURON Polska Energia
TAURON Czech Energy

Customer Service Segment:
TAURON Obsługa Klienta
TAURON Obsługa Klienta GZE*

RES Segment:
TAURON Ekoenergia
BELS INVESTMENT
MEGAWAT MARSZEWO
Lipniki

Other Segment:
Kopalnia Wapienia Czatkowice
PE-PKH

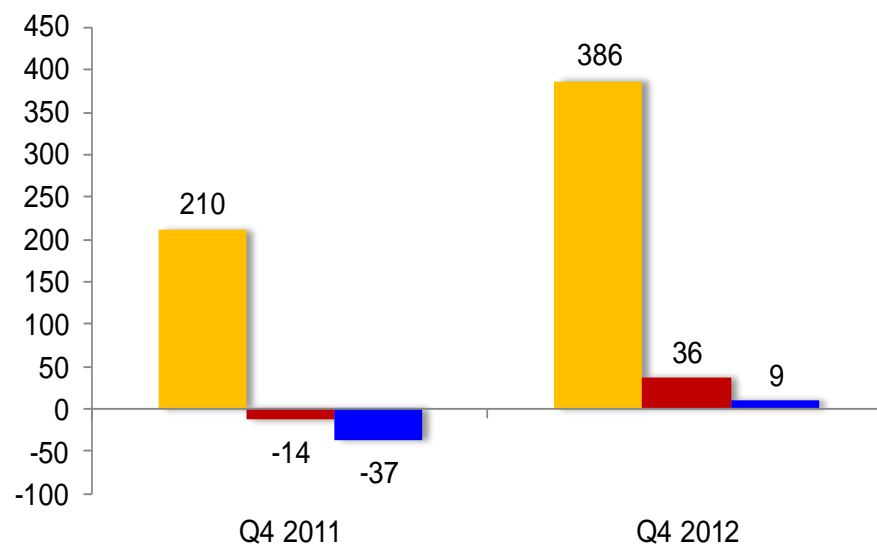
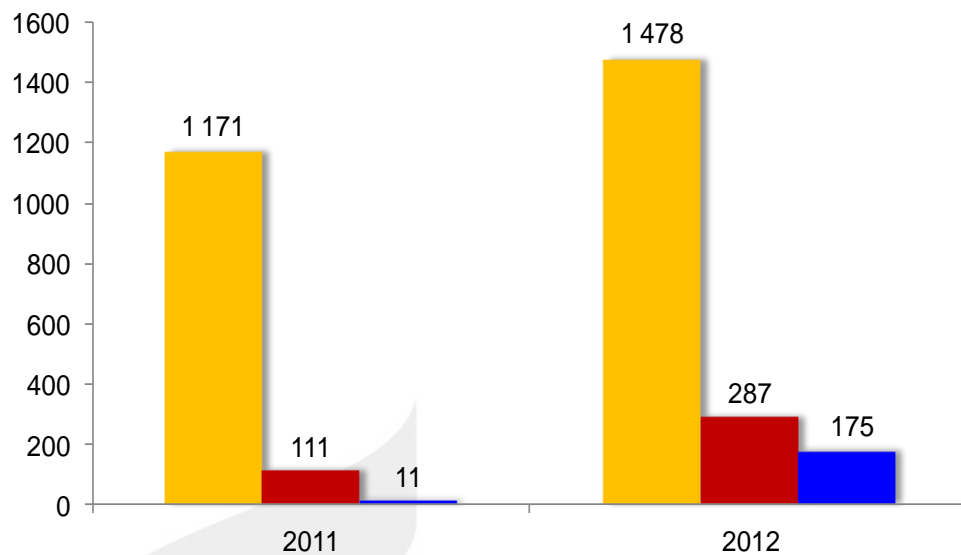
Heat Segment:
TAURON Ciepło
EC Tychy
EC Nowa

- In Q1 2012 TAURON introduced the new reporting model dividing the Group's operations into **eight segments**

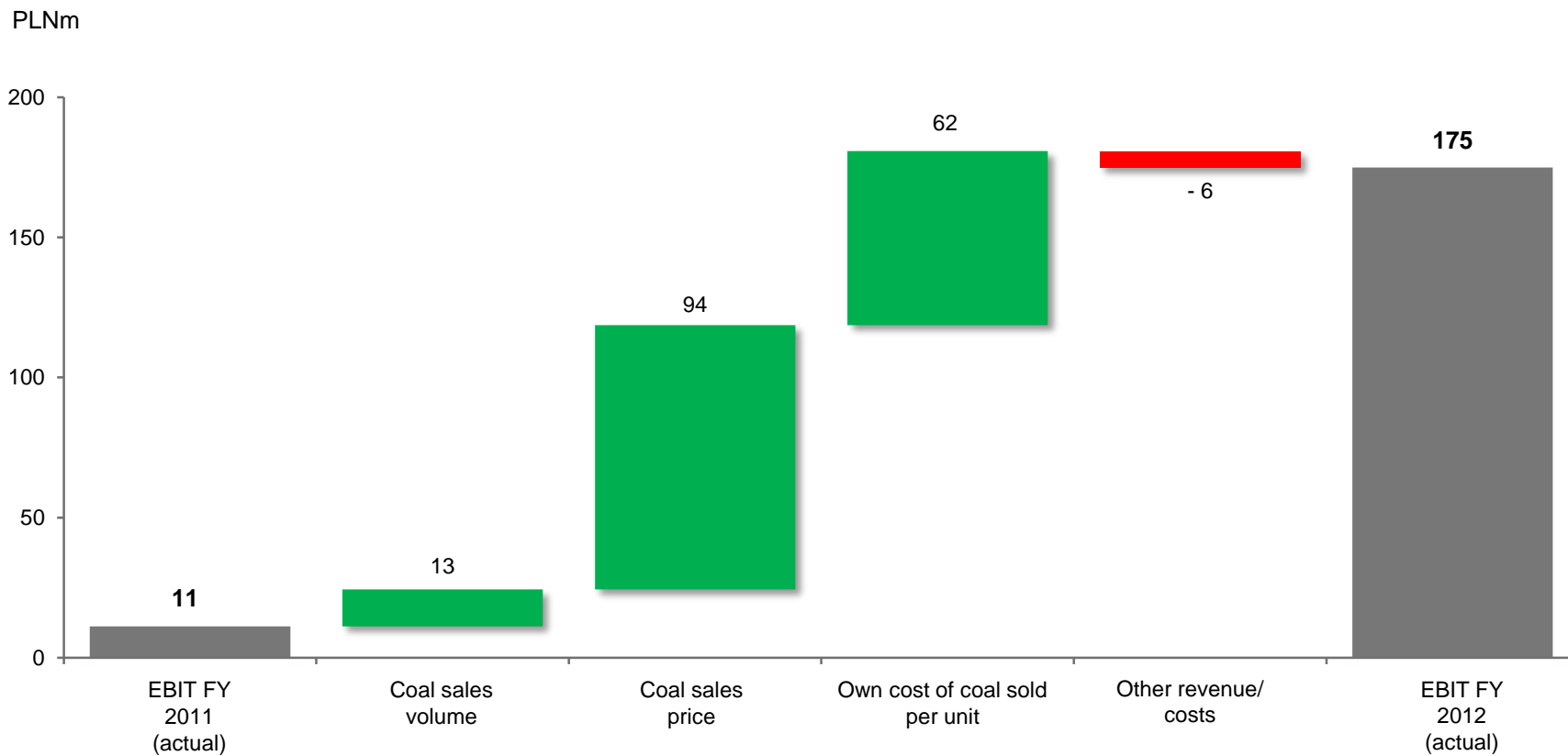
* Merger of TAURON Obsługa Klienta and TAURON Obsługa Klienta GZE took place on 31 January 2013 – after the reported period

Mining – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



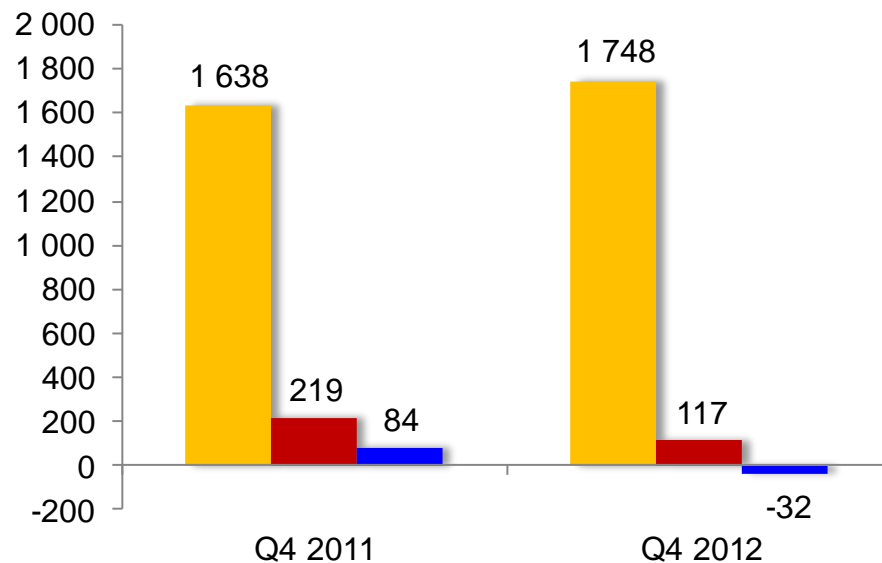
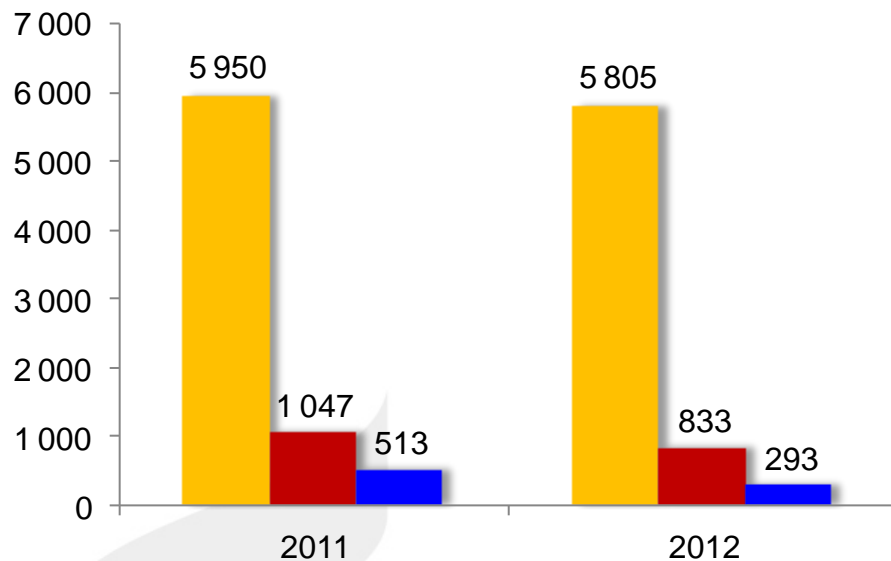
Mining – EBIT bridge



 Increase
 Decrease

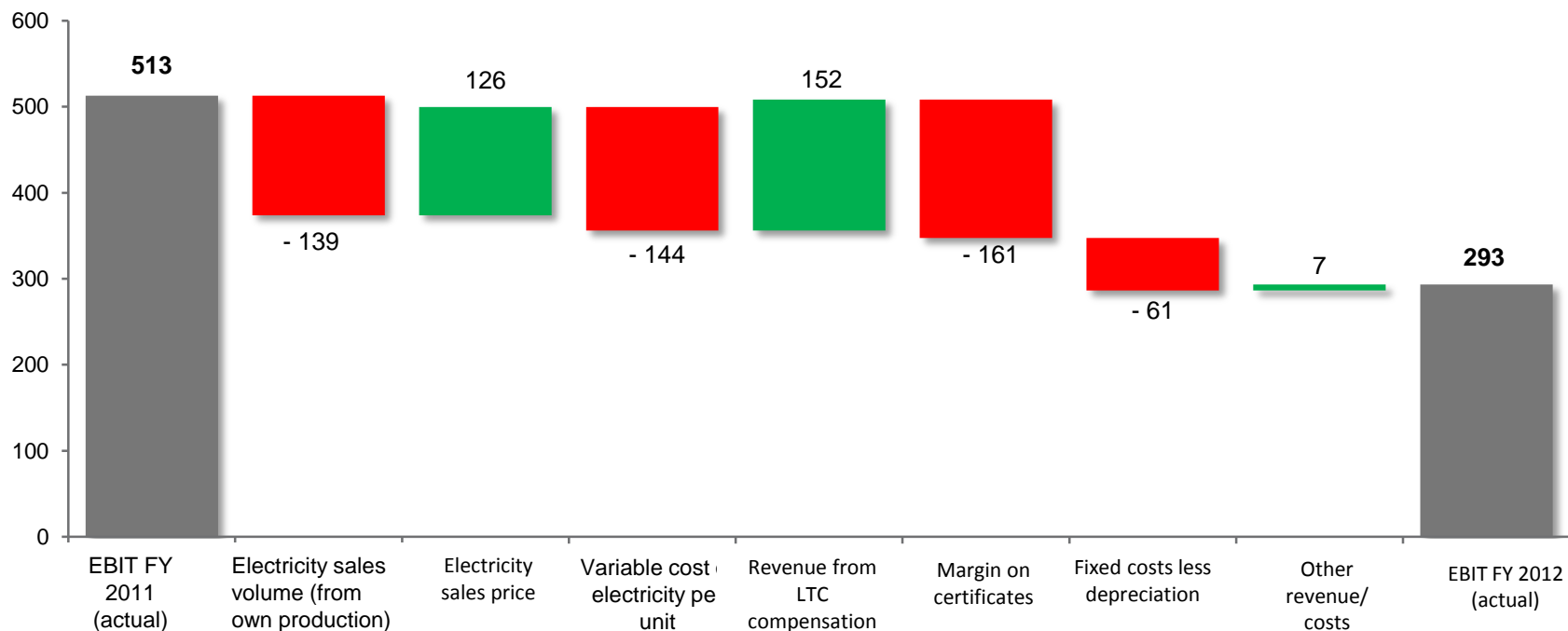
Generation from conventional sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



Generation from conventional sources – EBIT bridge

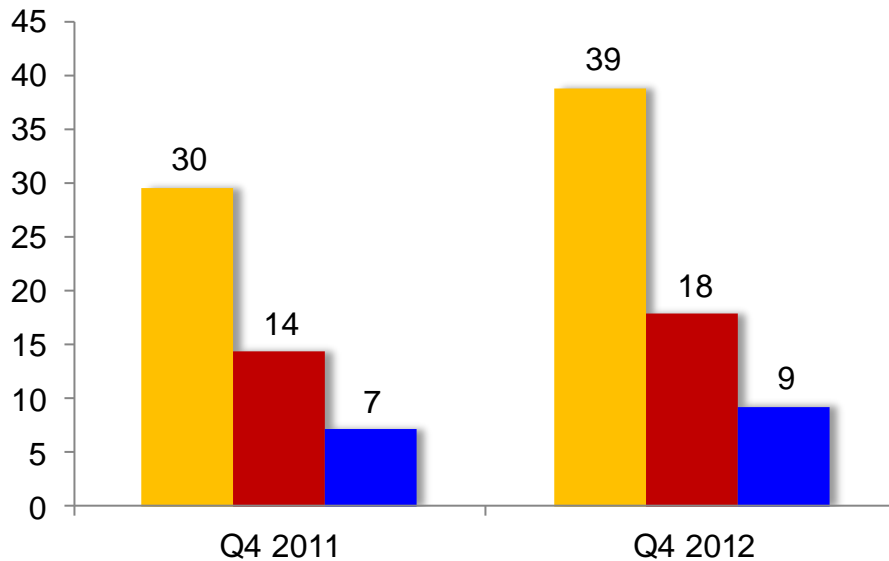
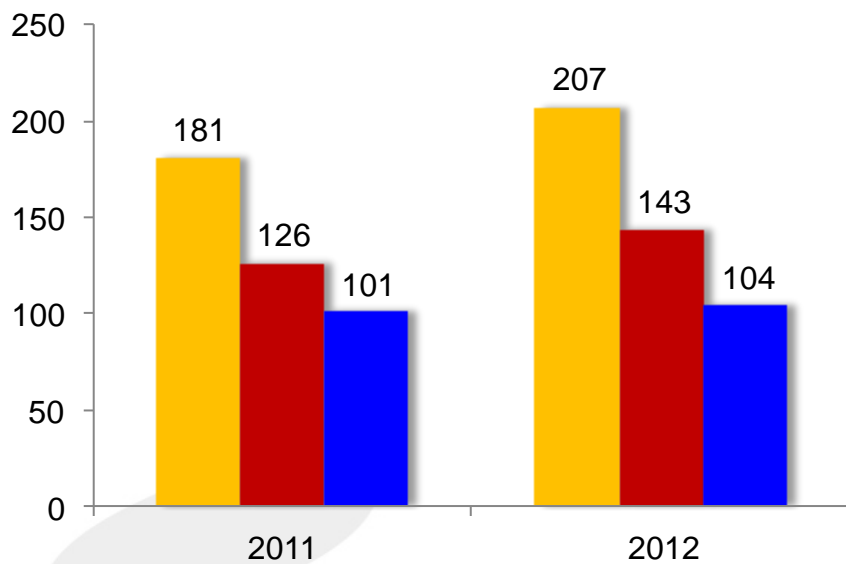
PLNm



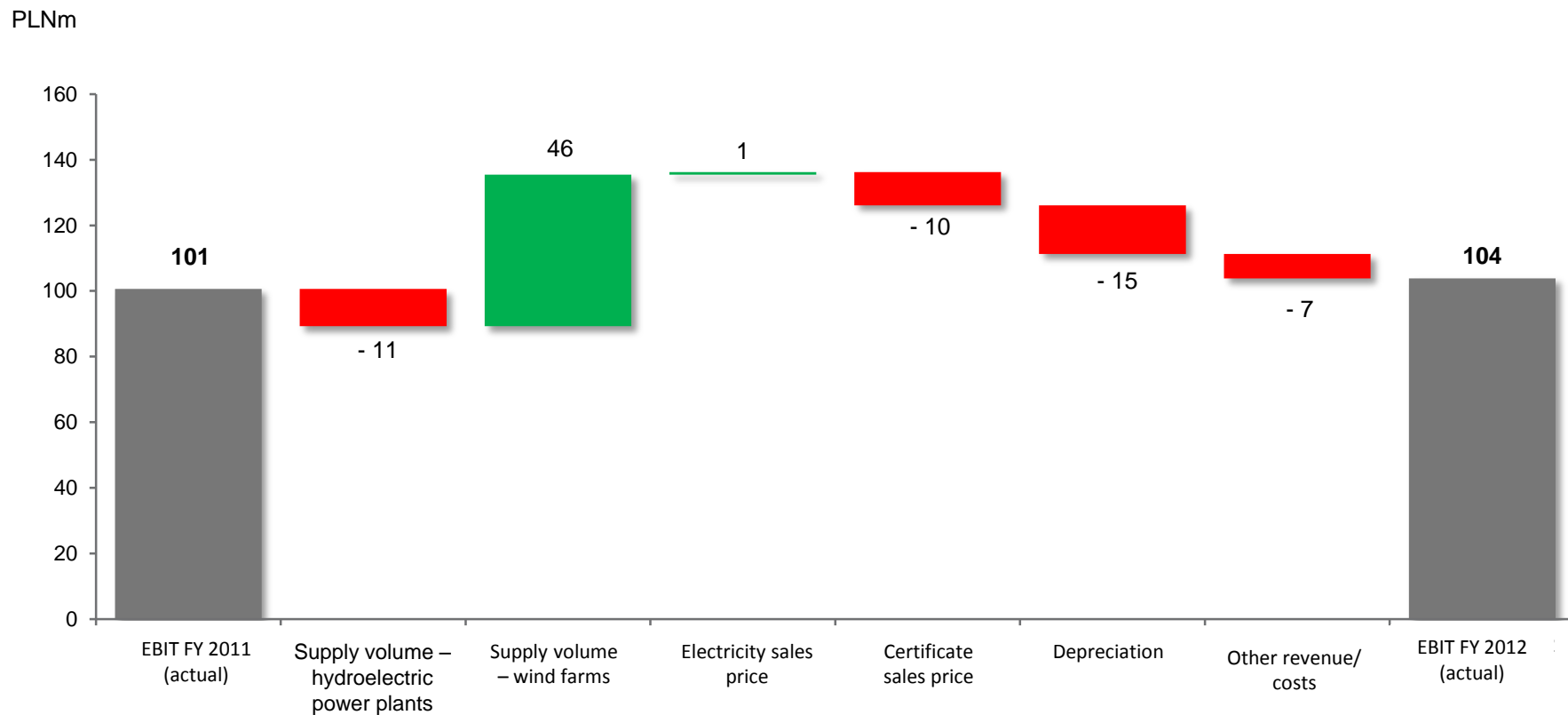
 Increase
 Decrease

Generation from RES – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



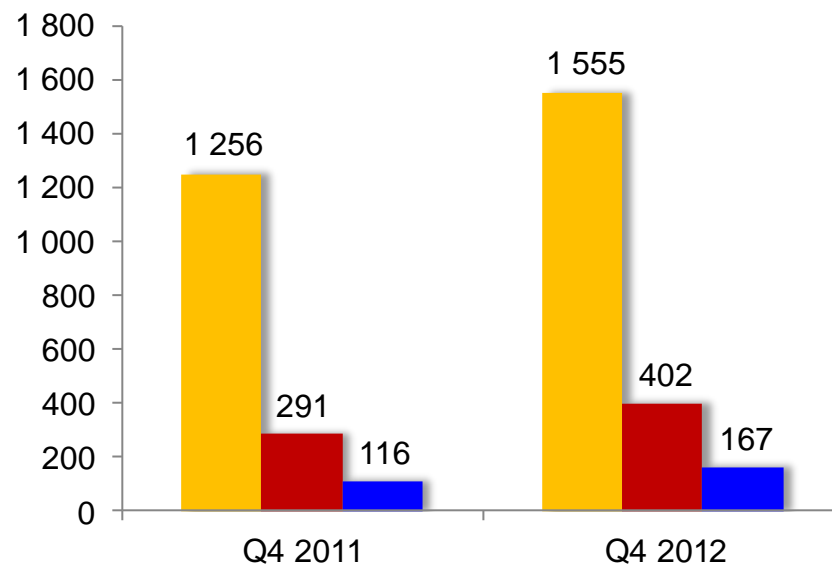
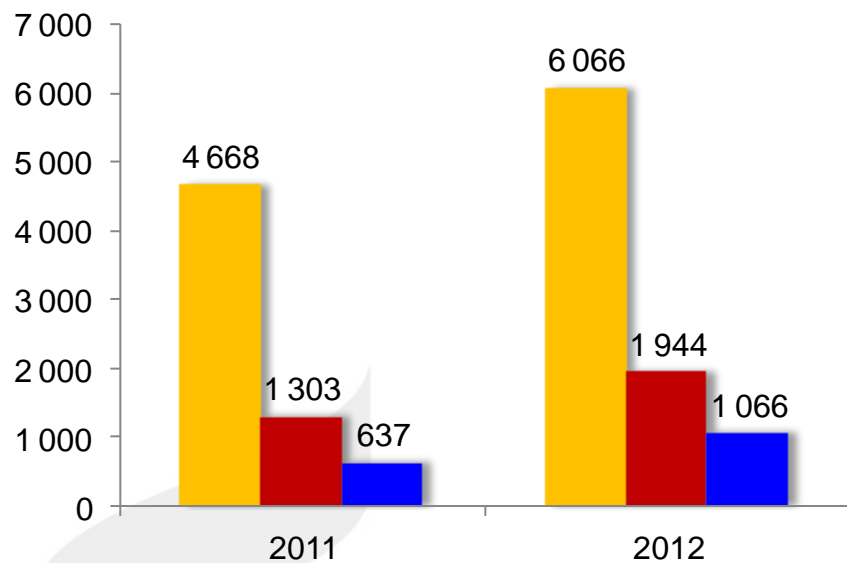
RES – EBIT bridge



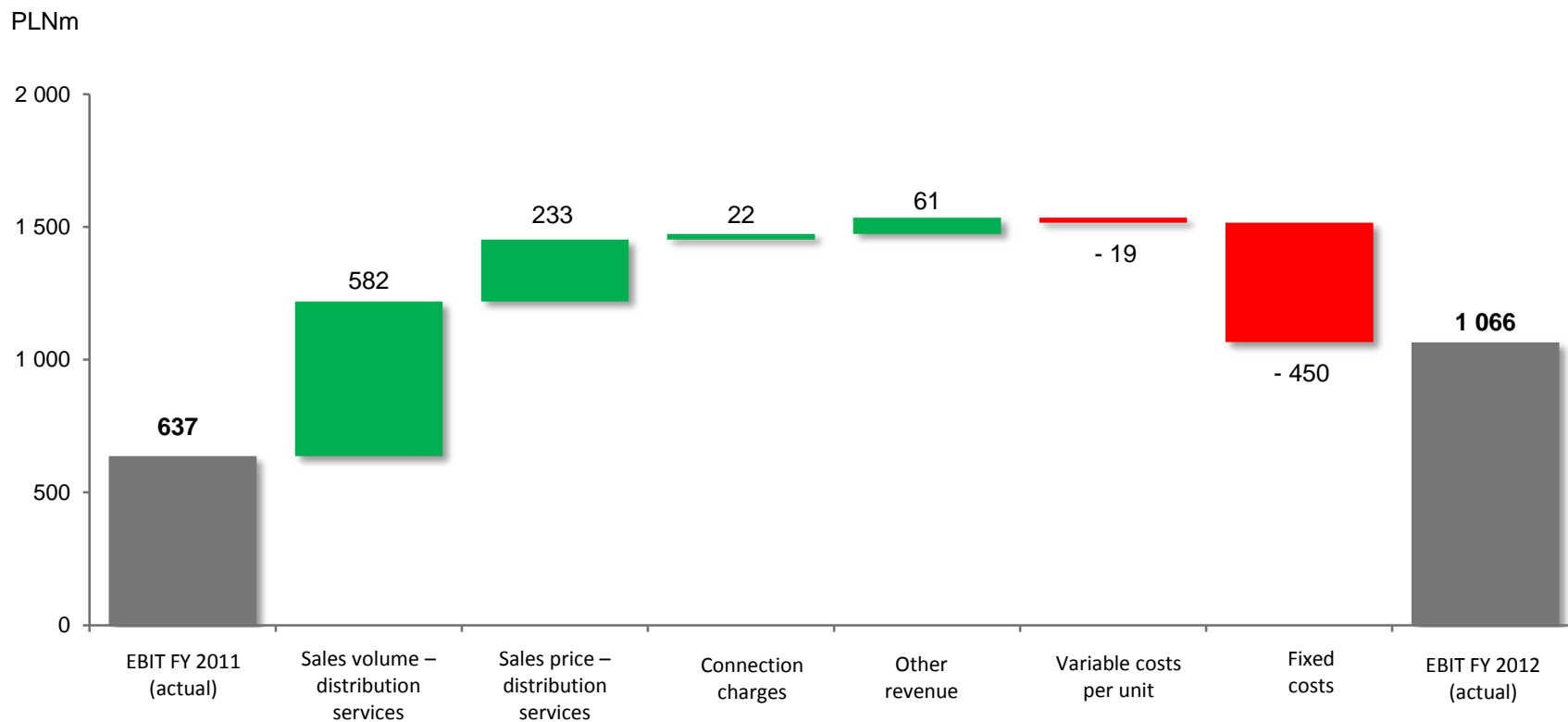
 Increase
 Decrease

Distribution – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



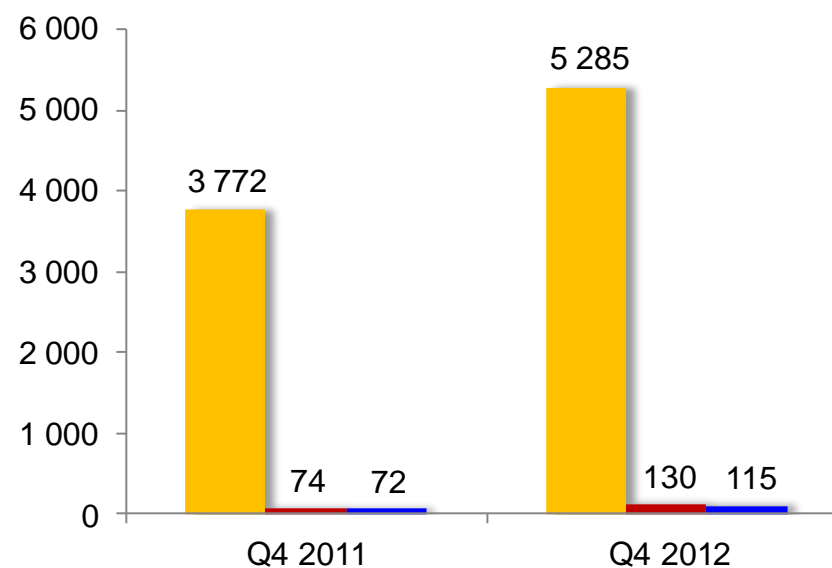
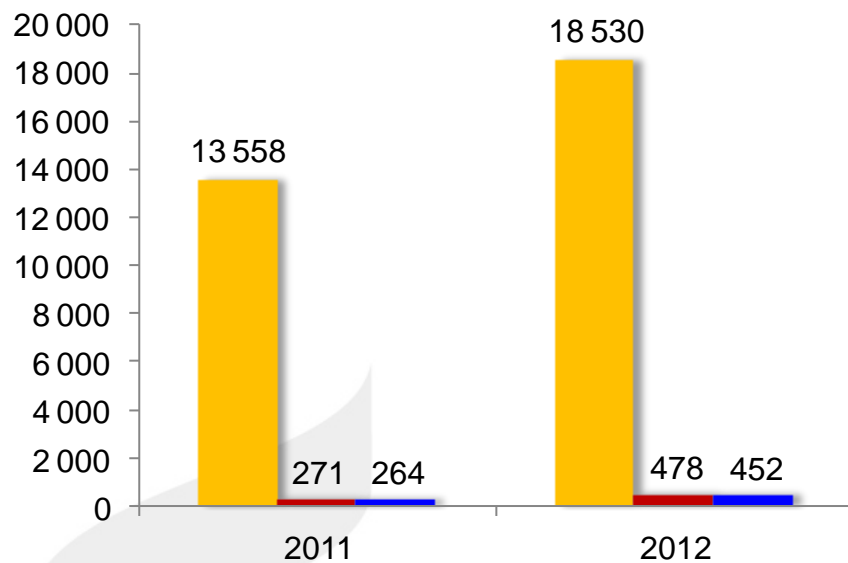
Distribution – EBIT bridge



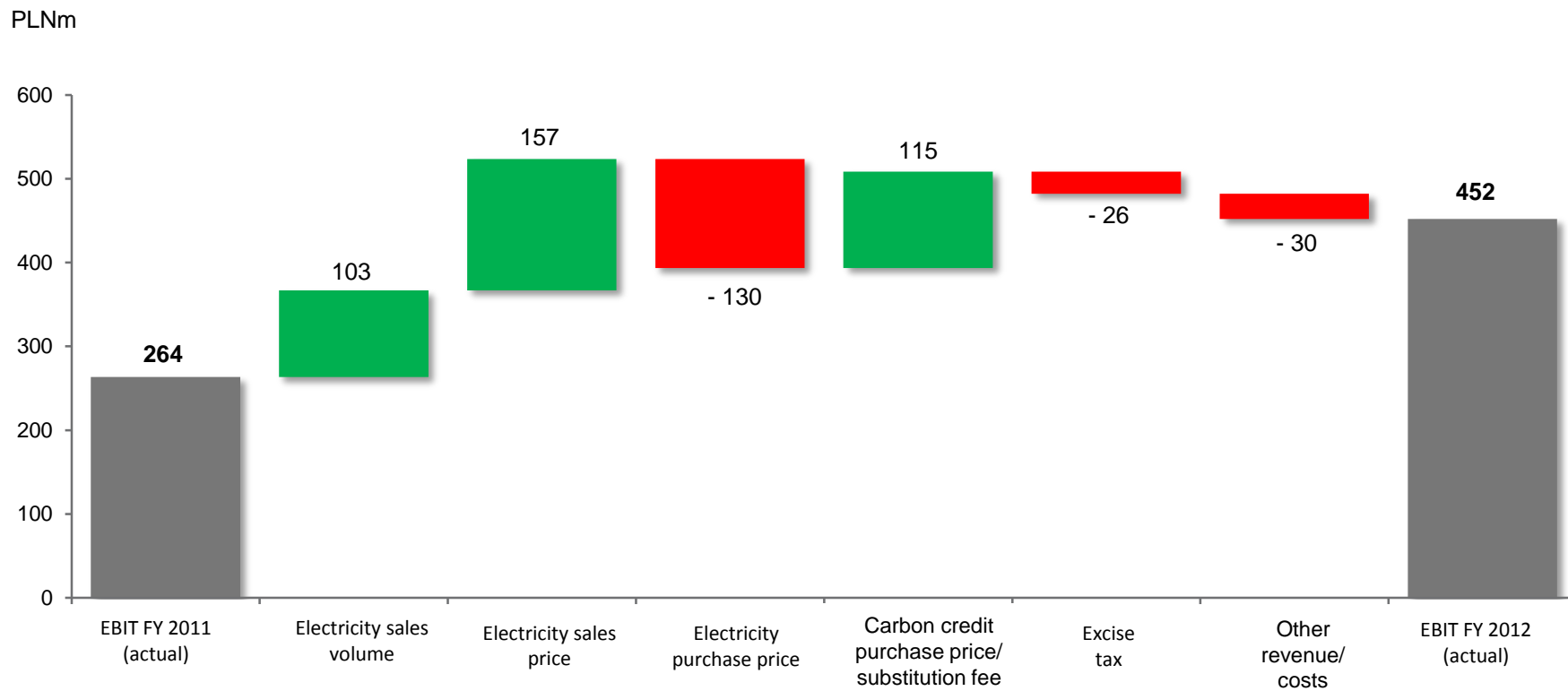
 Increase
 Decrease

Supply – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



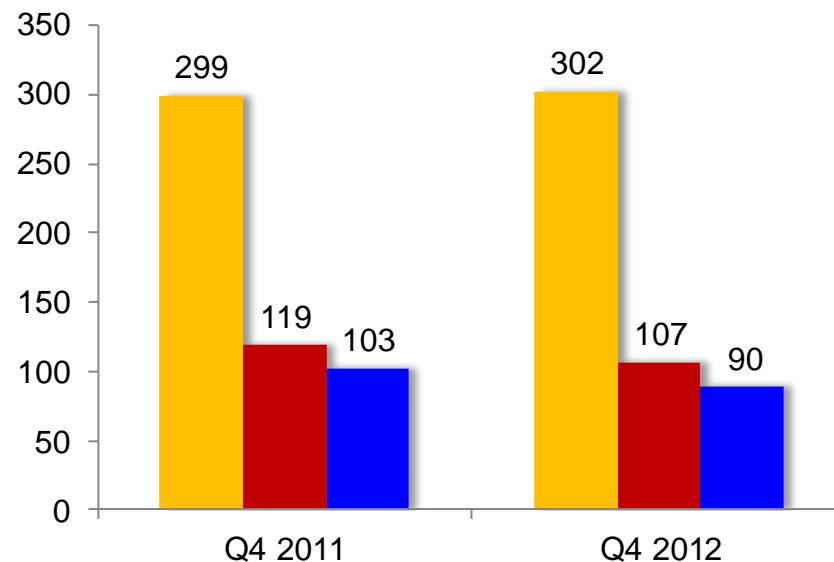
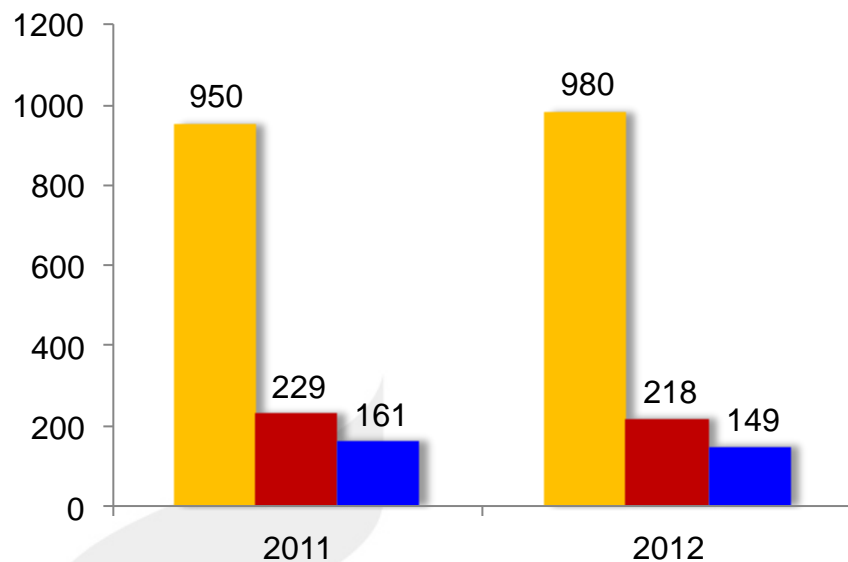
Supply – EBIT bridge



 Increase
 Decrease

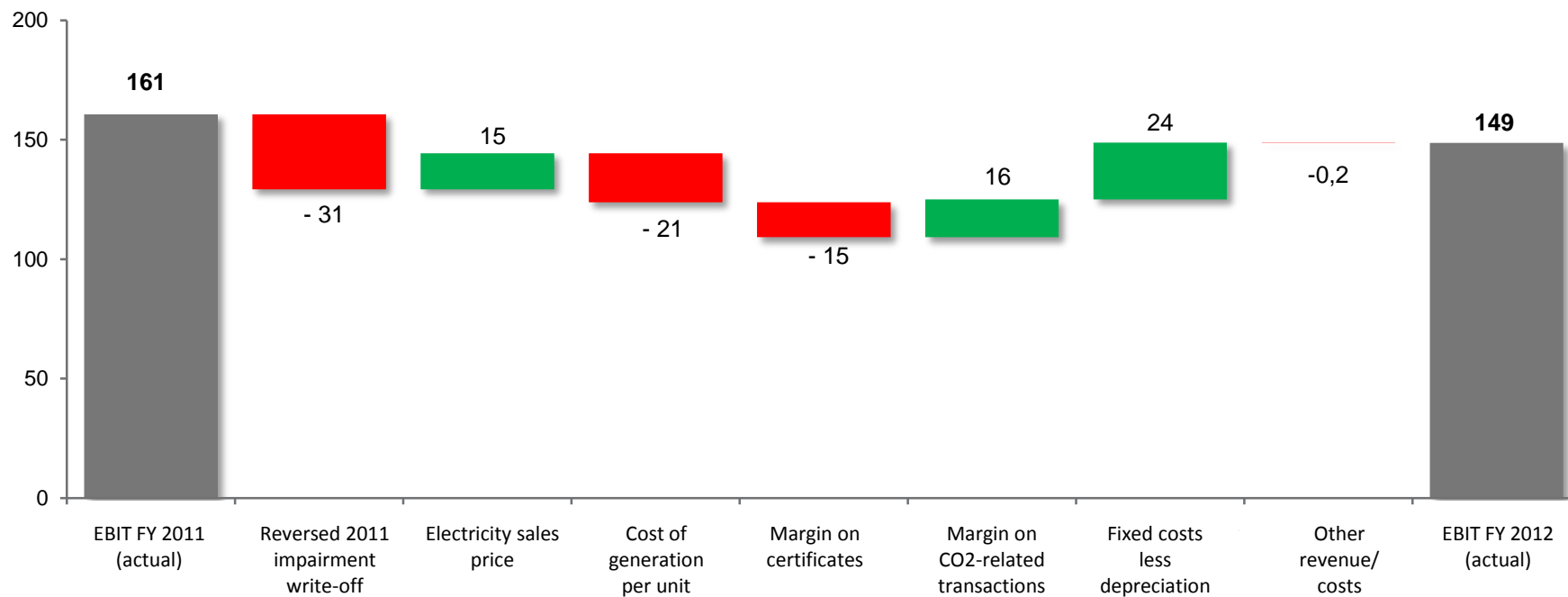
Heat – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



Heat – EBIT bridge

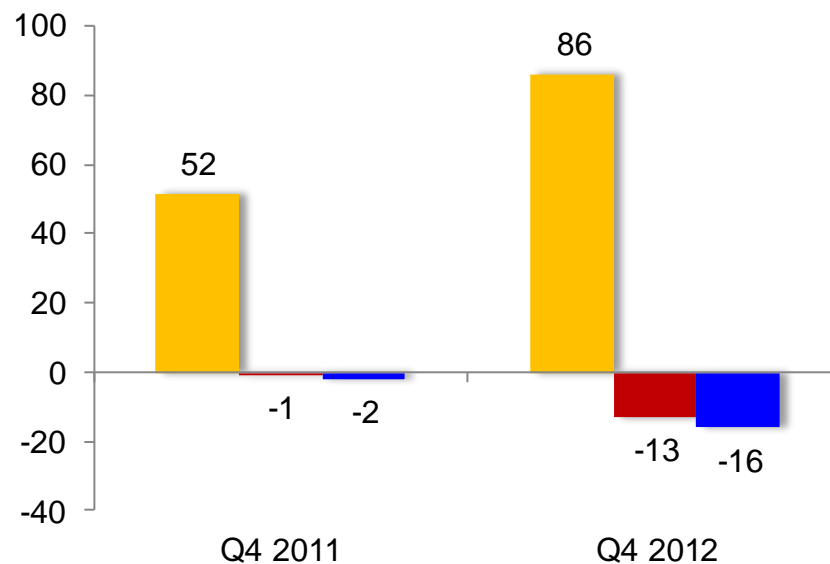
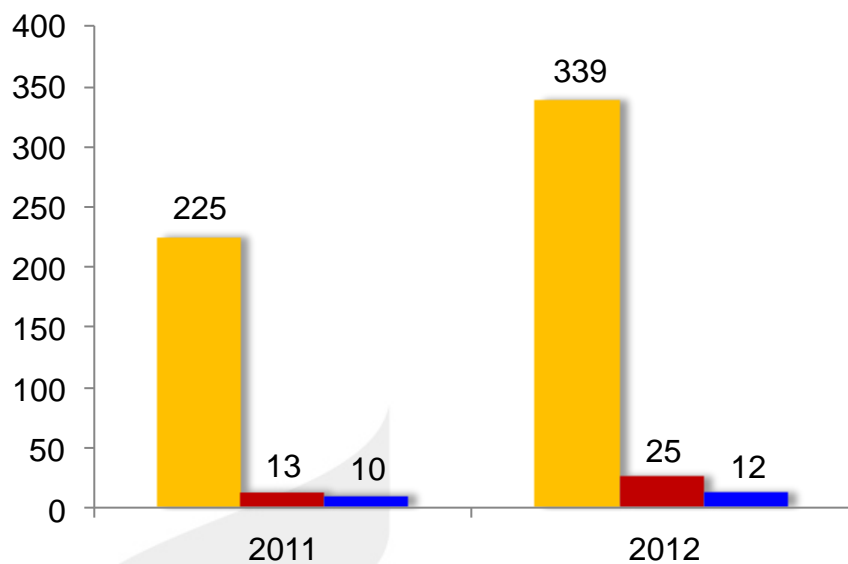
PLMm



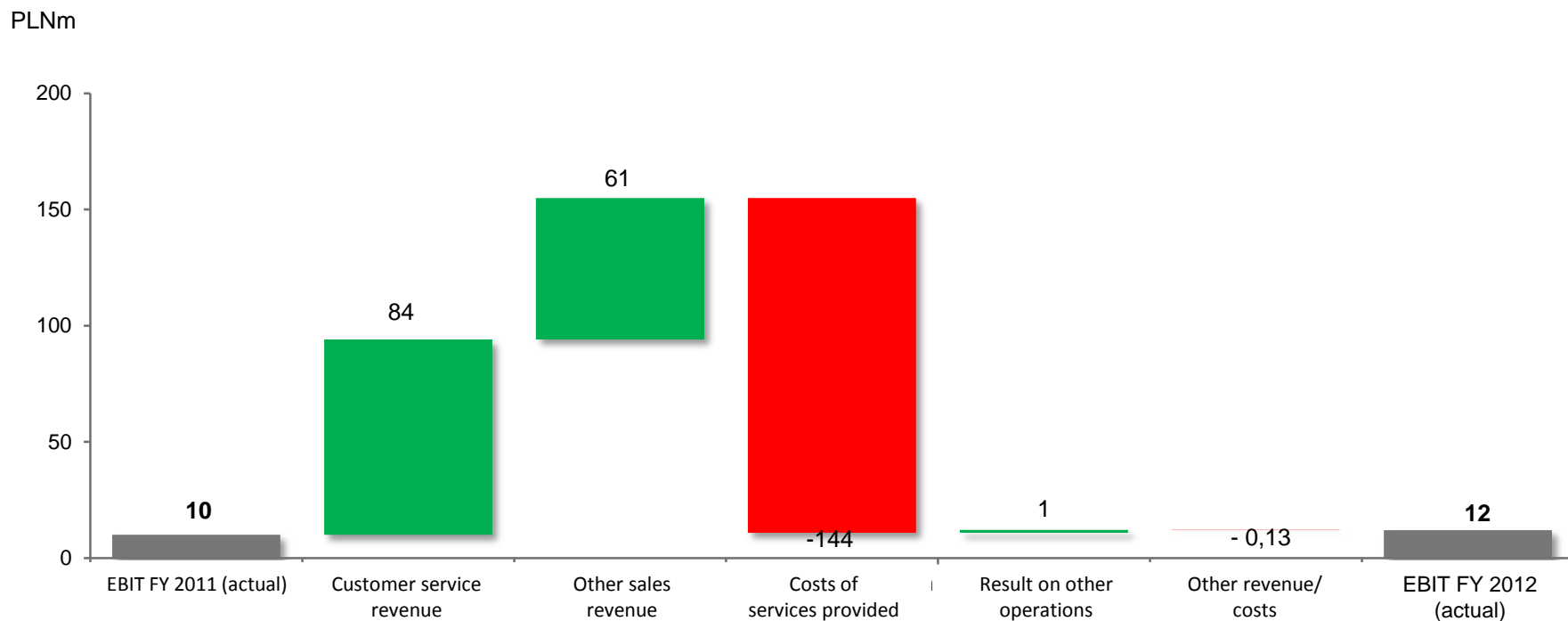
 Increase
 Decrease

Customer Service – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)



Customer service – EBIT bridge



 Increase
 Decrease

Other – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (in PLNm)

