



**Financial Results for H1 2012**

23 August 2012

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## TAURON Polska Energia

12 June	Registration of TAURON Polska Energia's merger with its subsidiary - Górnośląski Zakład Elektroenergetyczny
29 June	<ul style="list-style-type: none"><li>▪ Agreement signed to increase the value of the bond issue program by PLN 2.75bn</li><li>▪ Agreement signed for the construction of a 40 MW wind farm in Wicko with the consortium of Aldesa Nowa Energia and Aldesa Construcciones</li></ul>
4 July	Frame agreement signed on the exploration and extraction of shale gas
23 July	European Commission's clearance to establish a special purpose vehicle for the construction of the CCGT unit at Elektrownia Blachownia
31 July	Energy Regulatory Office's approval of the positive LTC adjustment for 2011 in the amount of PLN 211.7m in favor of TAURON Wytwarzanie

## Energy Market

13 July	European Commission's decision on the allocation of free CO <sub>2</sub> emission allowances
27 July	Public disclosure of the draft Renewable Energy Sources Law

# 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	200.69	134,604	+ 2.7%	+ 26.0%
Forward PEAK (Y+Q+M)	219.01	14,744	226.01	16,671	+ 3.2%	+ 13.1%
Forward (weighted average)	198.23	121,555	203.48	151,275	+ 2.6%	+ 24.4%
SPOT (TGE +GPW-POEE)	199.08	18,905	179.52 (Forecast)	19,695 (Forecast)	- 9.8%	+ 4.2%
Total weighted average	198.34	140,460	200.72	170,970	+ 1.2%	+ 21.7%

## CO<sub>2</sub> emission allowances (EUR/t)

Questionnaire of CO <sub>2</sub> market analysts *	Price (EUR/t)
Average in 2012	6 – 8 EUR/t
Average in 2013	7 – 9 EUR/t
Average in 2014	9 – 11 EUR/t
<b>average EUA price in 2012</b> <b>- forecast by TAURON</b>	<b>6 – 8 EUR/t</b>

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

## Certificates (PLN/MWh)

Type of certificate	Estimates of market prices for December 2012	Substitution fee and obligation for 2012
RES (green)	263.00	286.74 (10.4%)
Coal co-generation (red)	9.20	29.30 (23.2%)
Gas co-generation (yellow)	123.00	128.80 (3.5%)
Methane (violet)	57.50	60.00 (0.6%)

# Implementation of the CAPEX program

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

Katowice – new CCGT unit (135 MW<sub>e</sub> / 90 MW<sub>t</sub>)

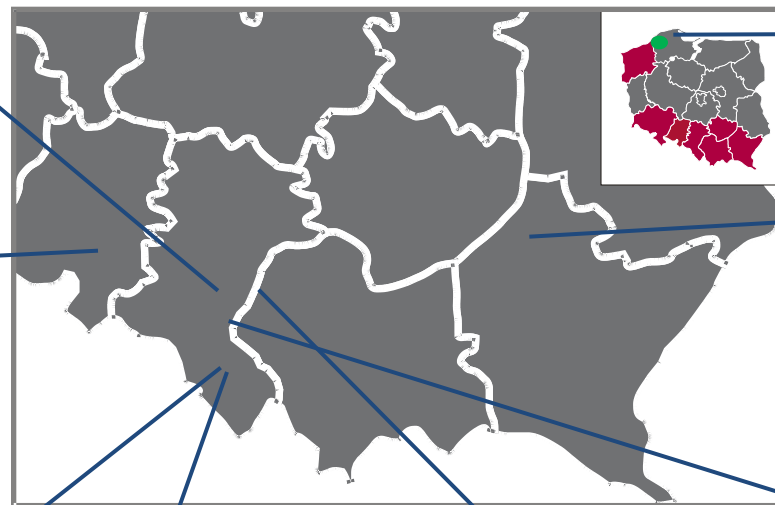
## Blachownia

- Gas-fired unit located at Blachownia power plant
- JV Project with KGHM
- 850 MW<sub>e</sub>
- Commissioning: 2017
- **On 23 July 2012 EC issued its approval for capital concentration and establishment of SPV**

ZEC Bielsko Biala – new heating unit (50 MW<sub>e</sub> / 182 MW<sub>t</sub>)

Tychy – new CHP unit (50 MW<sub>e</sub> / 86 MW<sub>t</sub>)

Tychy – fluidized bed boiler's conversion to biomass (40 MW<sub>e</sub>)



Wind Farms: 40 MW in Wicko and 100 MW in Marszewo

Stalowa Wola – new CCGT unit (400 MW<sub>e</sub> / 240 MW<sub>t</sub>)

Stalowa Wola – boiler's conversion to biomass (20 MW<sub>e</sub>)

Jaworzno III – construction of biomass-fired fluidized bed boiler (50 MW<sub>e</sub> / 45 MW<sub>t</sub>)

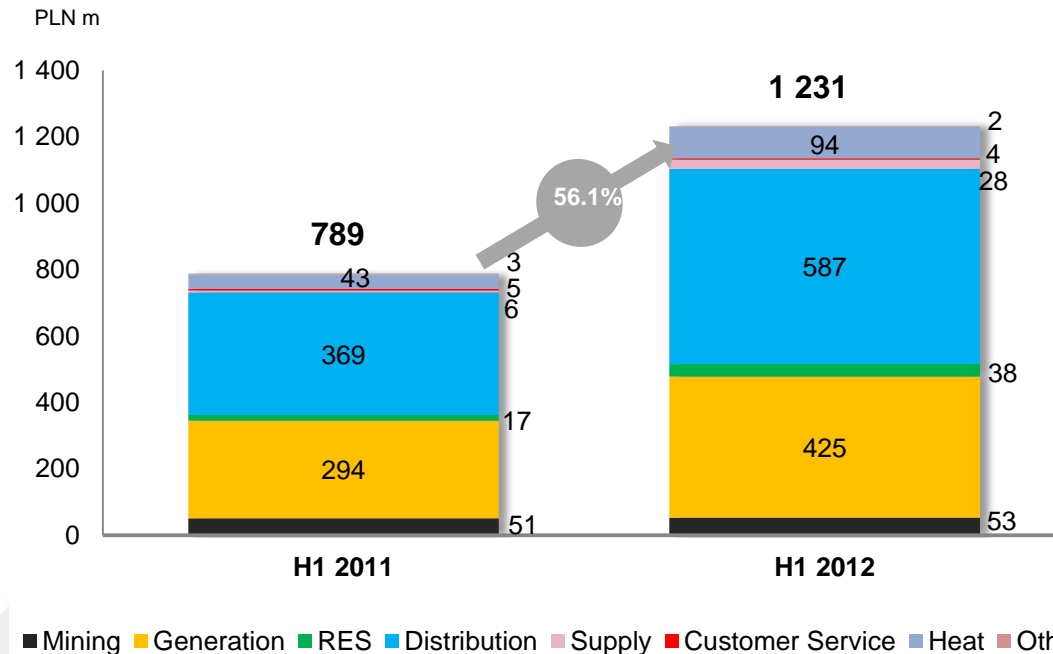
Jaworzno III – a new coal-fired unit (910 MW<sub>e</sub>)

- Commissioning: 2018
- **In August the deadline for submission of final bids was extended until 10 Sept. 2012**

Łaziska – boiler upgrades to comply with the future nitrogen emission standards

Jaworzno III – boiler upgrades to comply with the future nitrogen emission standards

## Capital expenditures



- In H1 2012 TAURON Group's CAPEX was more than PLN 1.2bn with approx. 82% spent in Generation and Distribution. As compared to the corresponding period of 2011 the expenditures went up by about PLN 0.44bn, mainly in Generation and Distribution
- Strong CAPEX increase in Generation (by approx. PLN 0.13bn) is mainly due to continued investments in capacity restoration (50 MW at ZEC Bielsko and 50 MW in RES at Elektrownia Jaworzno – increased outlays by approx. PLN 0.09bn) and other expenditures (mainly NOx installations at Elektrownia Jaworzno and Łaziska as well as K-10 boiler's conversion to biomass at ESW – approx. PLN 0.02bn)
- Increased CAPEX in Distribution (by approx. PLN 0.22bn) is mainly due to increased spending on upgrades and restoration of the existing grid assets as well as new customer connections. Part of the increase is the result of the acquisition of the distribution assets from Vattenfall AB

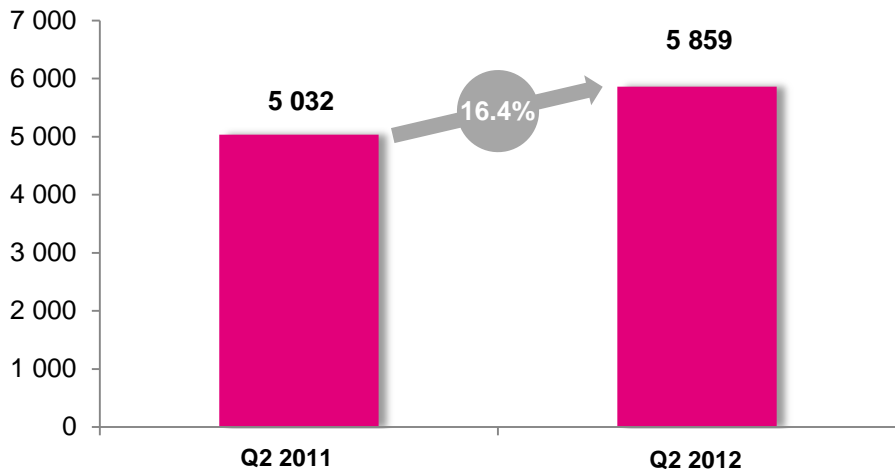
# Key operating data

	Q2 2011	Q2 2012	Change	H1 2011	H1 2012	Change
Production of commercial coal (million t)	1.44	1.36	-6%	2.60	2.57	-0.9%
Electric energy generation (net production) (TWh)	5.31	4.24	-20.1%	11.21	9.22	-17.8%
Including: from renewable sources	0.23	0.34	43.5%	0.46	0.64	37.5%
Heat Generation (PJ)	2.04	1.93	-5.4%	9.40	9.72	3.5%
Distribution (TWh)	9.31	11.48	23.3%	19.20	24.18	26%
Electricity supply (TWh)	9.13	10.75	17.8%	18.37	22.54	22.7%
Number of customers – Distribution (thousand)	4,128	5,288	28.1%	4,128	5,288	28.1%

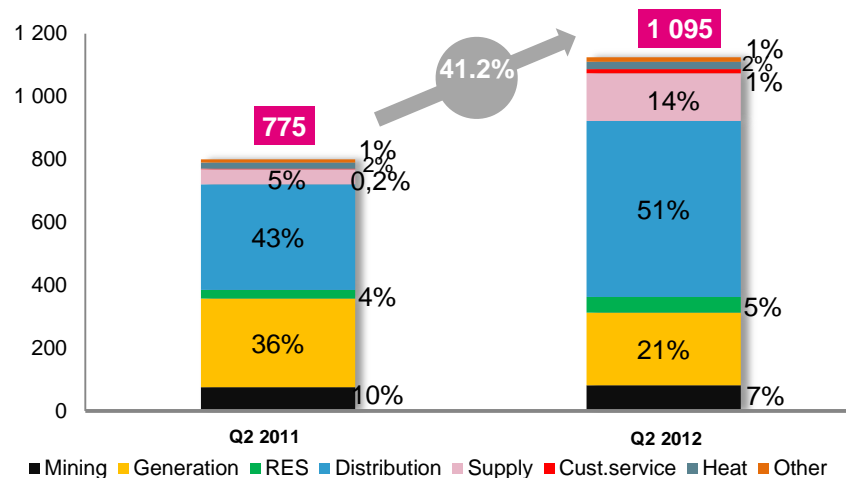
# Financial Results for Q2 2012



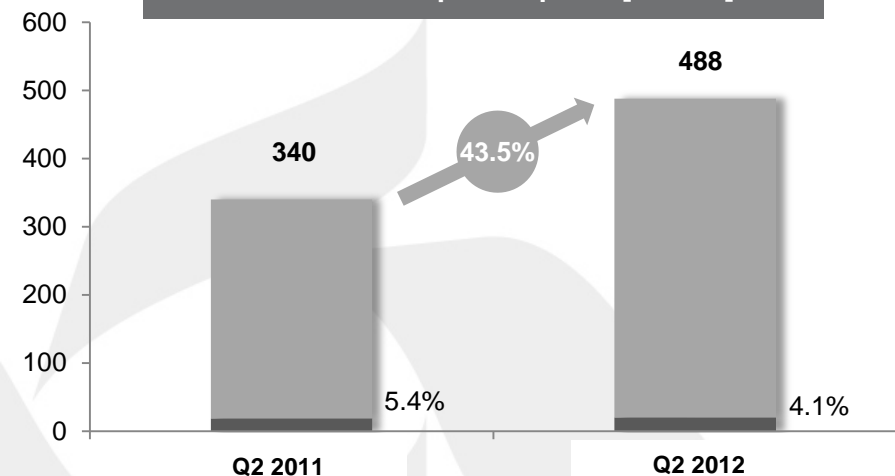
TAURON Group's revenue [PLN m]



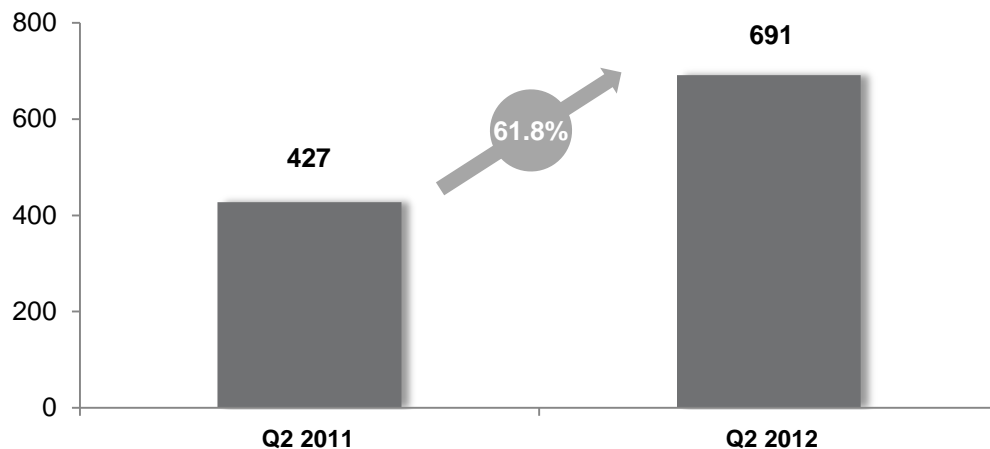
TAURON Group's EBITDA per segment [PLN m]; EBITDA structure



TAURON Group's net profit [PLN m]



TAURON Group's EBIT [PLN M]

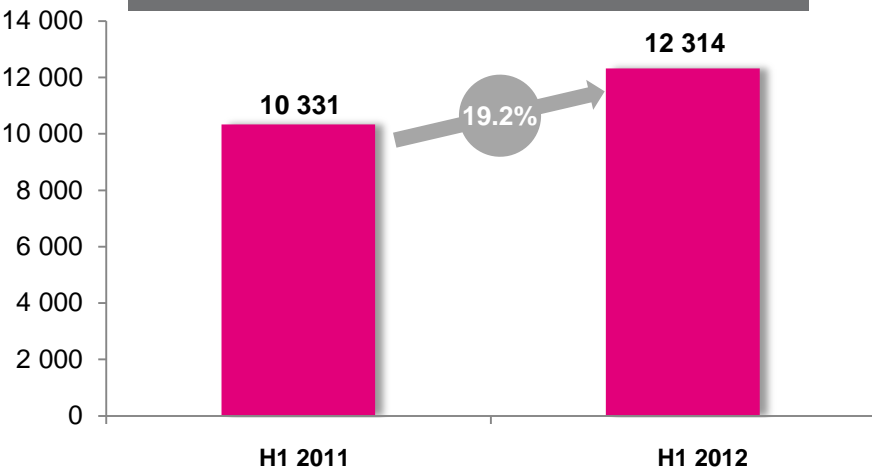


Share of minority shareholders in profit

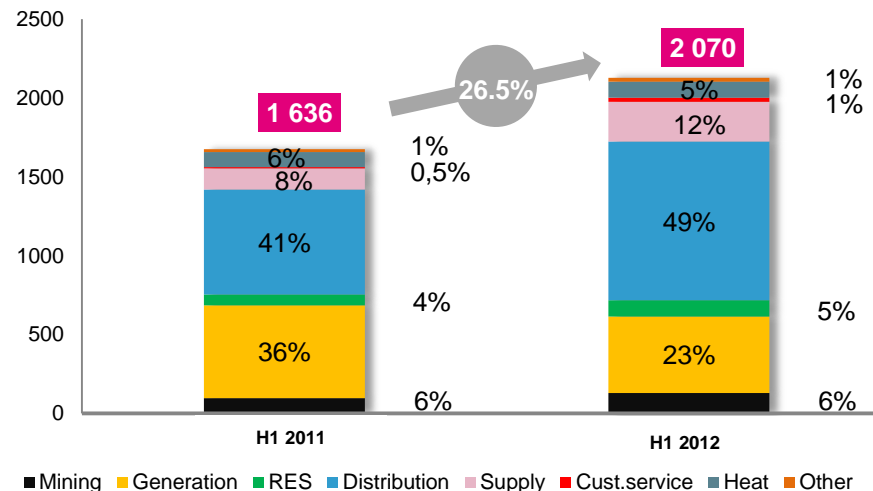


# Financial Results for H1 2012

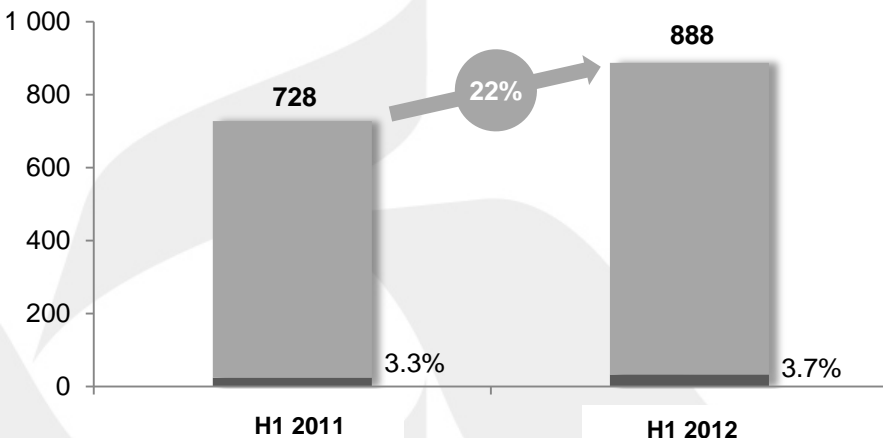
TAURON Group's revenue [PLN m]



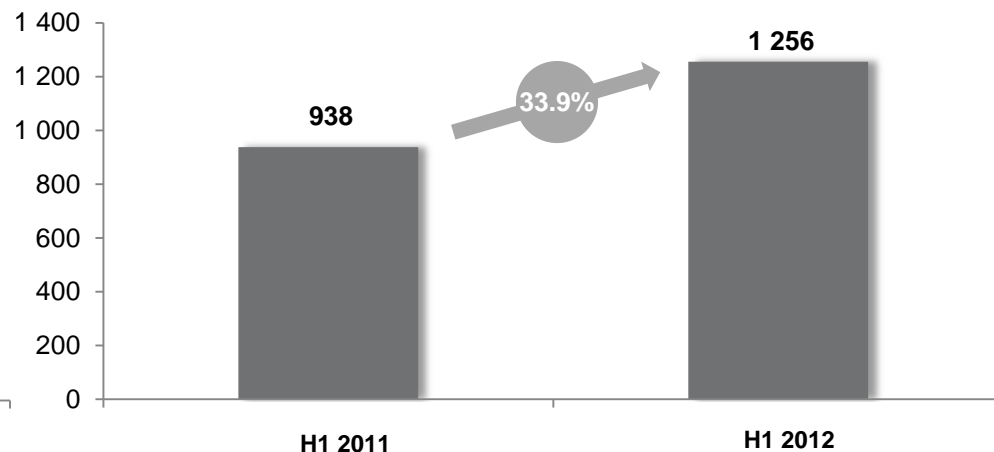
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TAURON Group's net profit [PLN m]



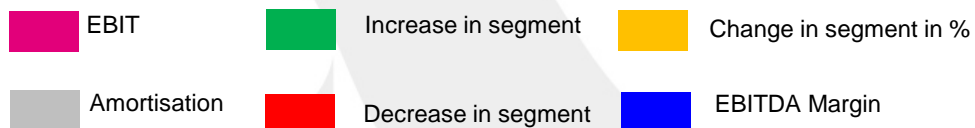
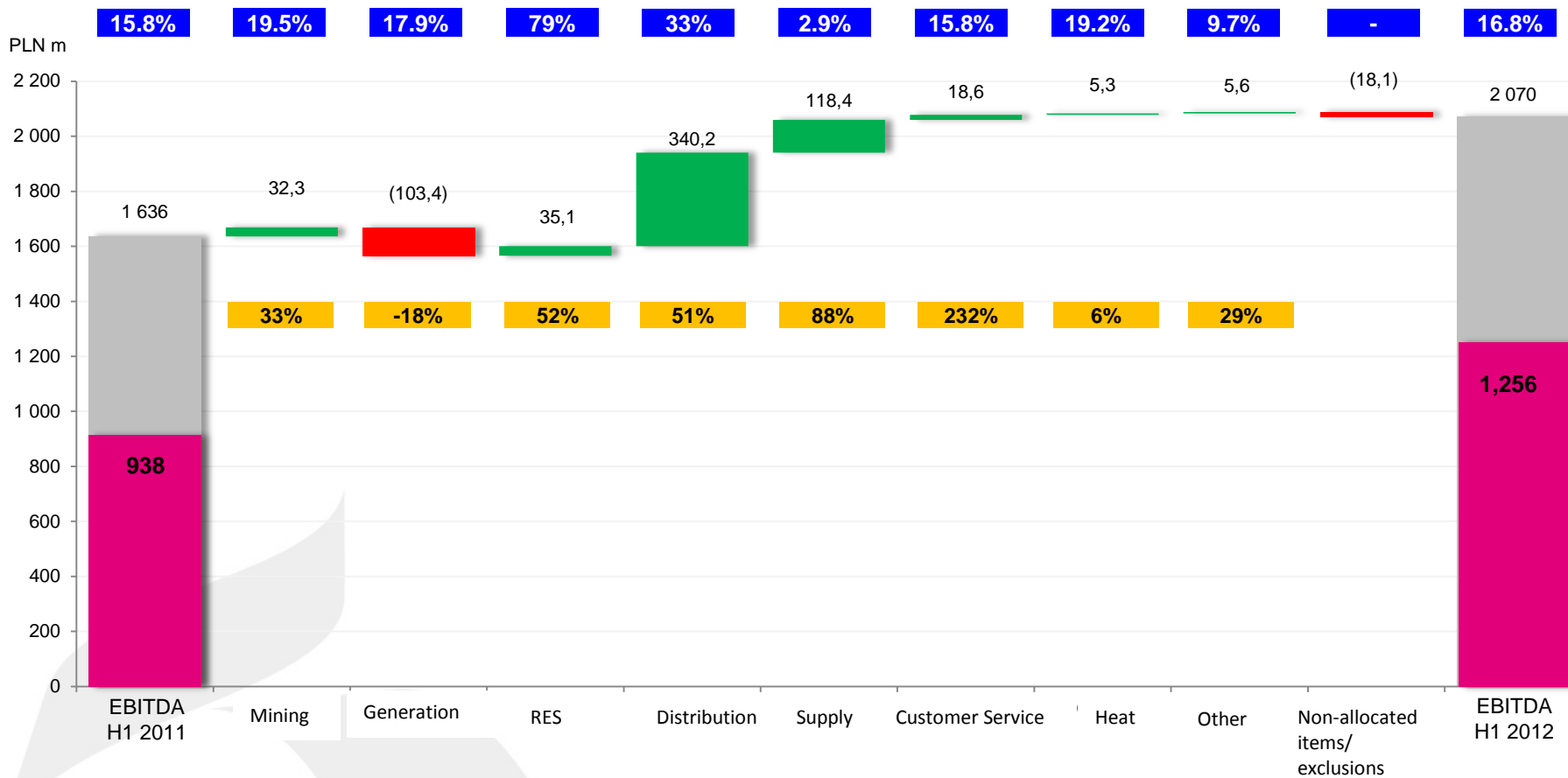
TAURON Group's EBIT [PLN M]



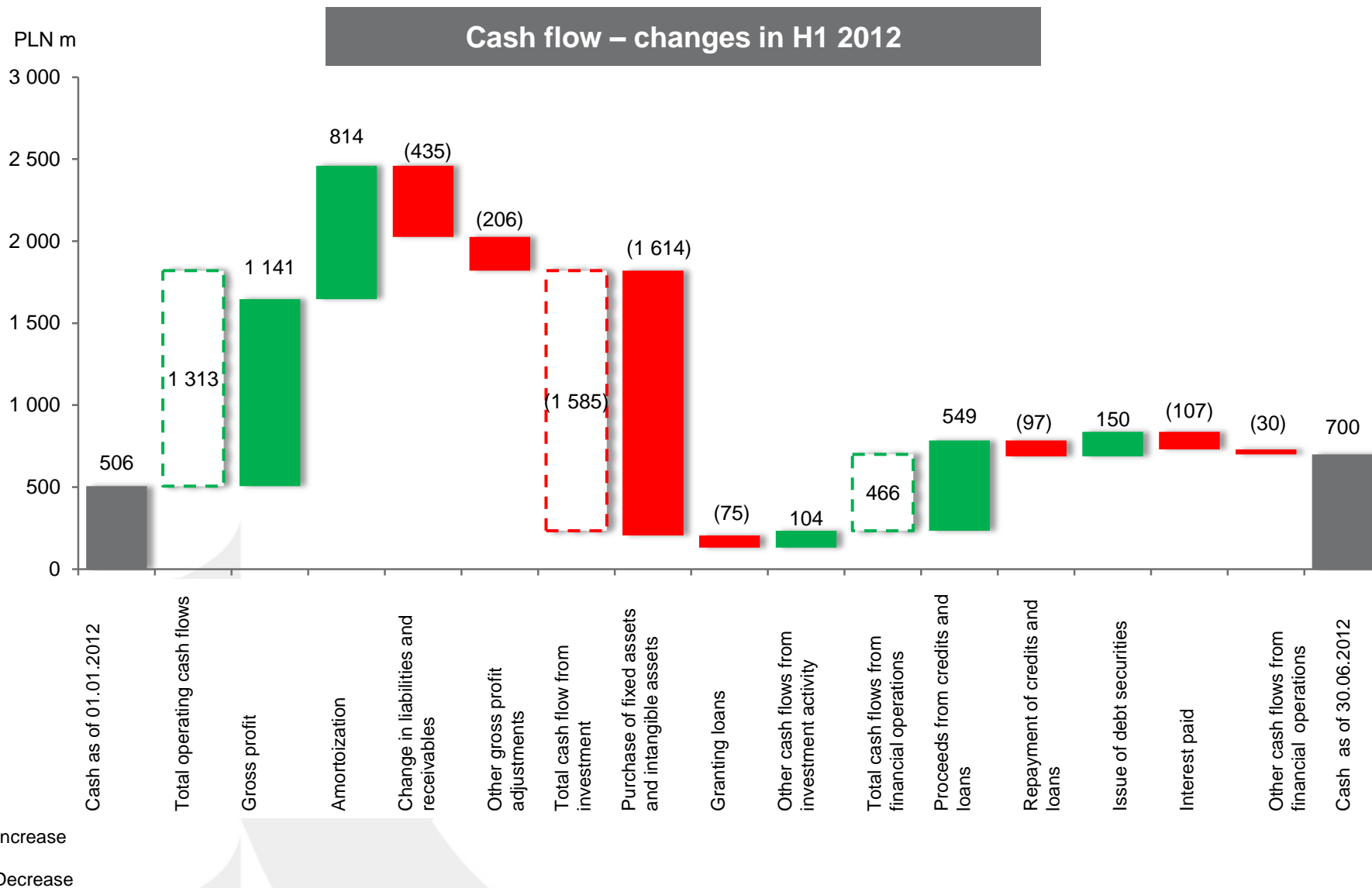
Share in profit of minority shareholders

# EBITDA – H1 2012

Change in EBITDA per segment [PLN m and %]; EBITDA margin per segment [%]

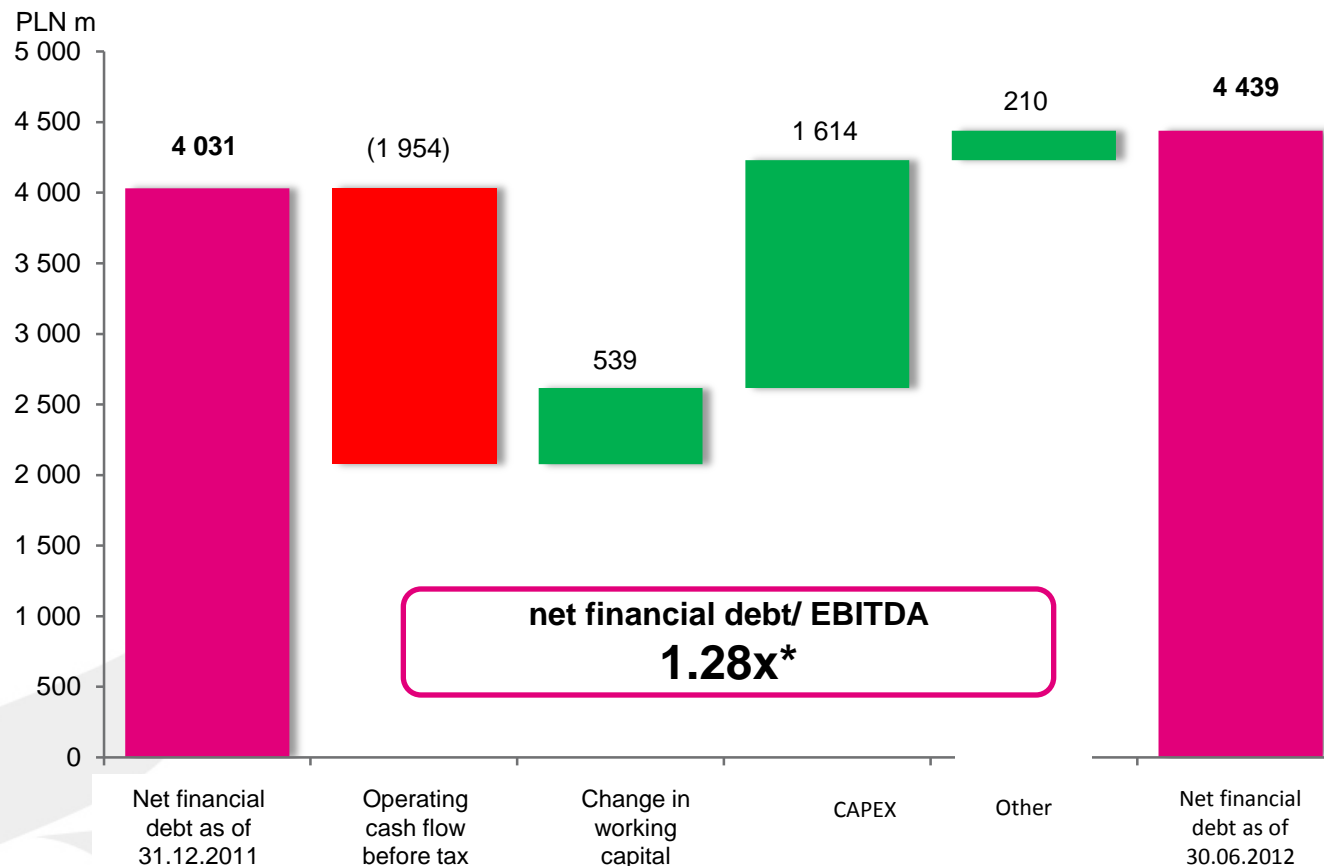


# Change in cash flows



# Group's debt level

## Group's debt level

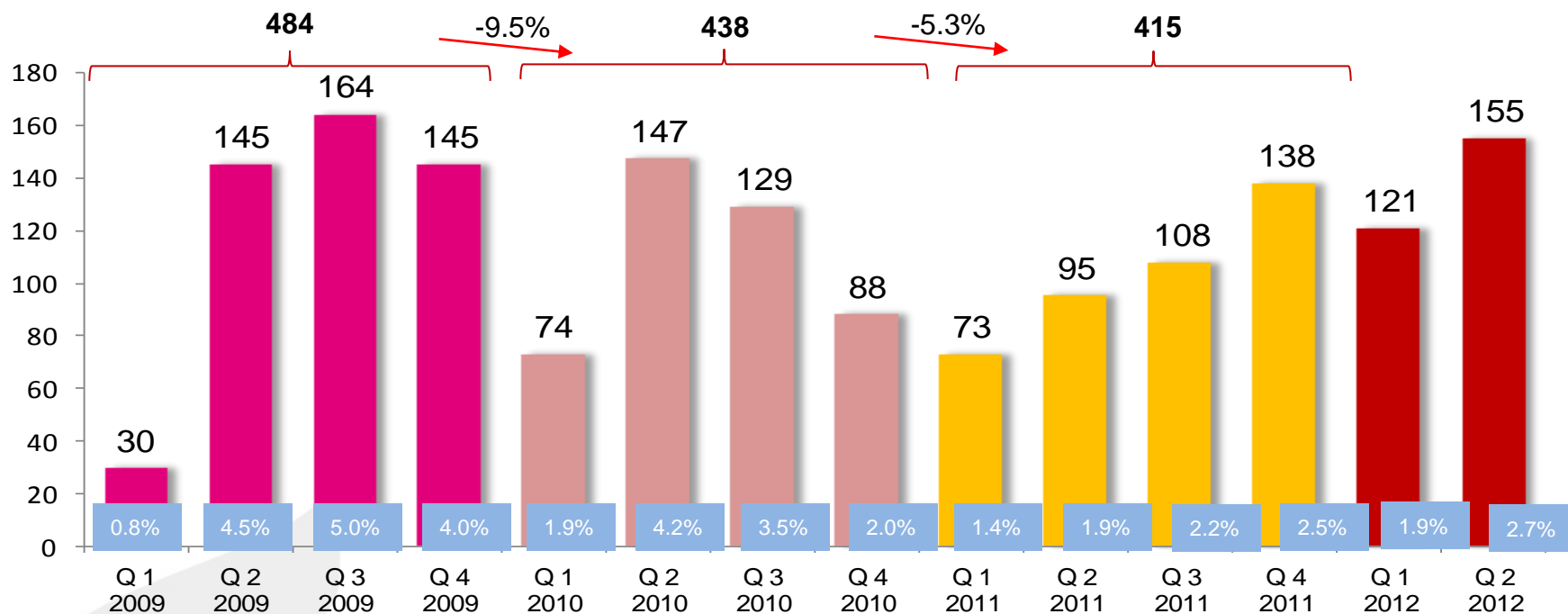


- Net financial debt decreased in the Q2 2012 by PLN 279m due to an increase in cash by PLN 158m and a partial repayment of short-term debts

\* based on the 12 month EBITDA for the period 30.06.2011 – 30.06.2012

# Compensation due to the termination of Long-Term Contracts

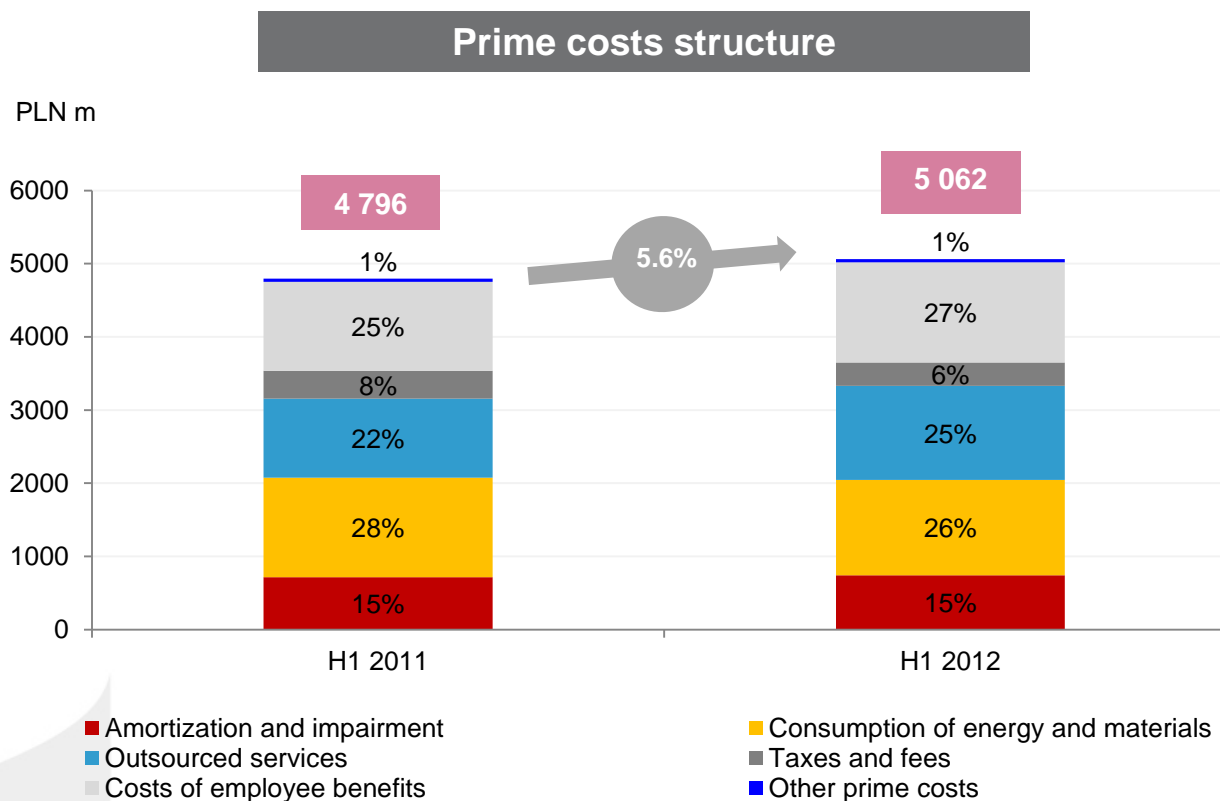
## Revenue due to compensation



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



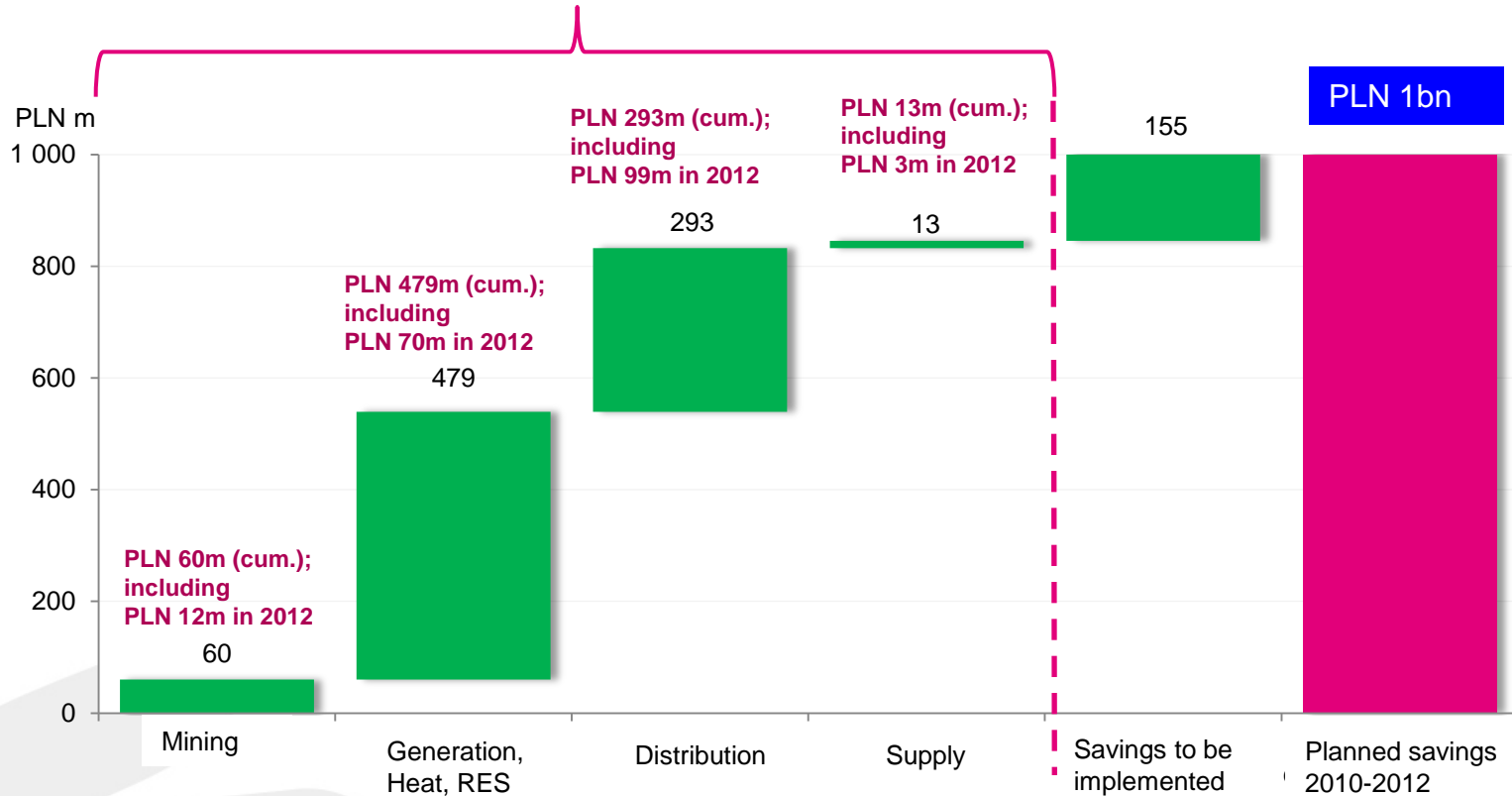
Cost increase in H1 2012 is mainly applicable to:

- outsourced services, especially due to increased cost of distribution services
- costs of employee benefits – recognizing the provision for severance payment for employees leaving the company voluntarily due to the implementation of the labor cost reduction programs

In H1 2012 variable costs constituted approx. 47% and fixed costs constituted approx. 53% of the total costs. As compared to the corresponding period of 2011, when variable costs constituted 45% and fixed costs constituted 55%; the cost structure has improved

# Implementation of the efficiency improvement program

By 30 June 2012 cumulative OPEX savings reached PLN 845m



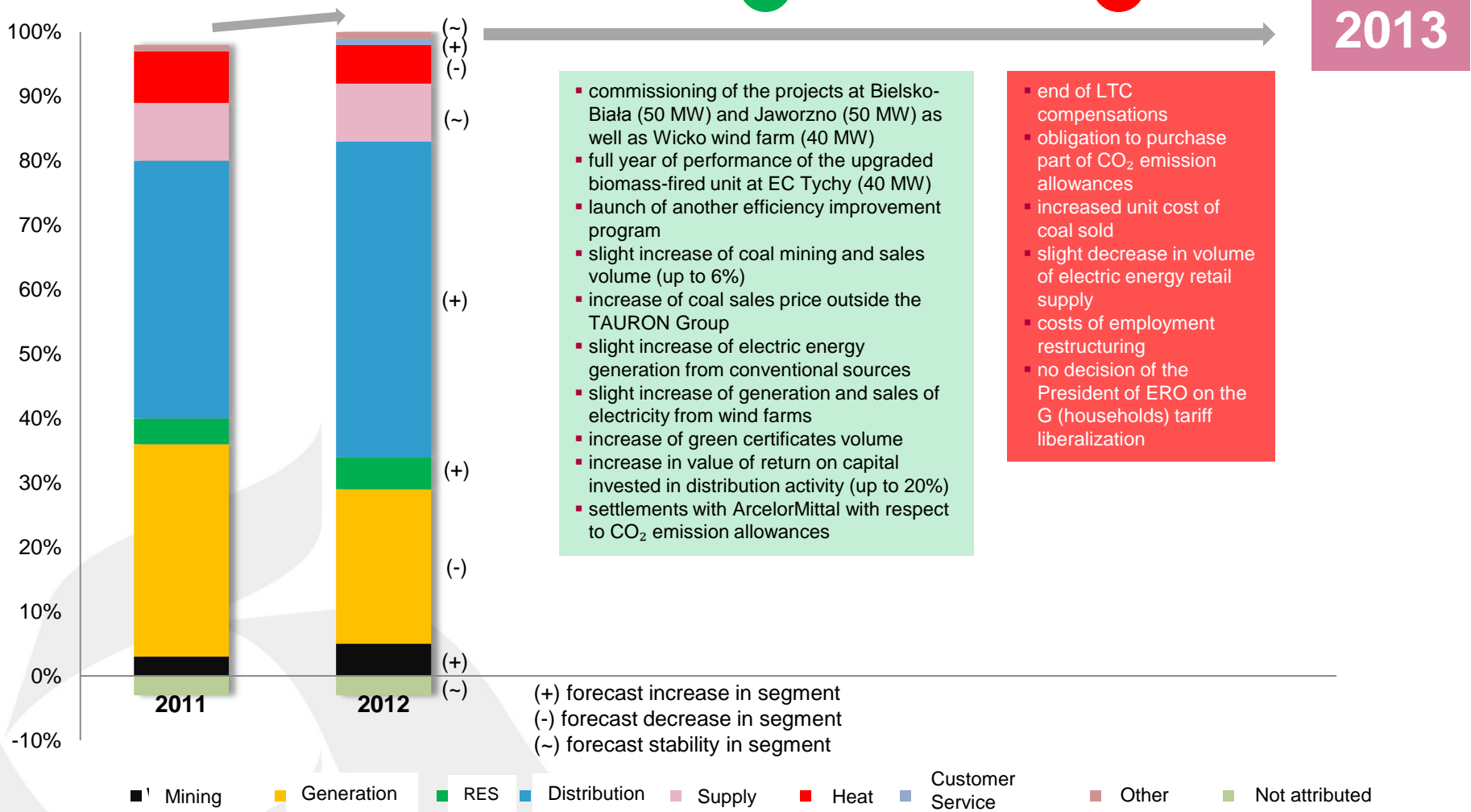
30 June 2012

Voluntary Redundancy Program: 2,297 persons joined the program (since its launch) as of the end of H1 2012, out of which in 2012 employment contracts were terminated with 276 persons (in total, since the program launch: 1,953 persons). Savings resulting from redundancies minus costs incurred to gain savings are included in the amounts presented per segment

# EBITDA perspectives for 2012 and 2013

PLN 3bn

Increase by up to 20% vs. 2011





## 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 Generation
- Continued integration with the GZE Group companies – synergy resulting from integration of business areas

### Fund raising

- Obtaining preferential funding from EIB
- Issue of bonds on the domestic market addressed mainly to financial institutions
- Issue of Eurobonds after the second rating is assigned
- Acquiring preferential funding / subsidies from the EU funds and environmental funds
- Net debt/EBITDA ratio at the end of 2012: approx. 1.5x



## Thank You – Q&A



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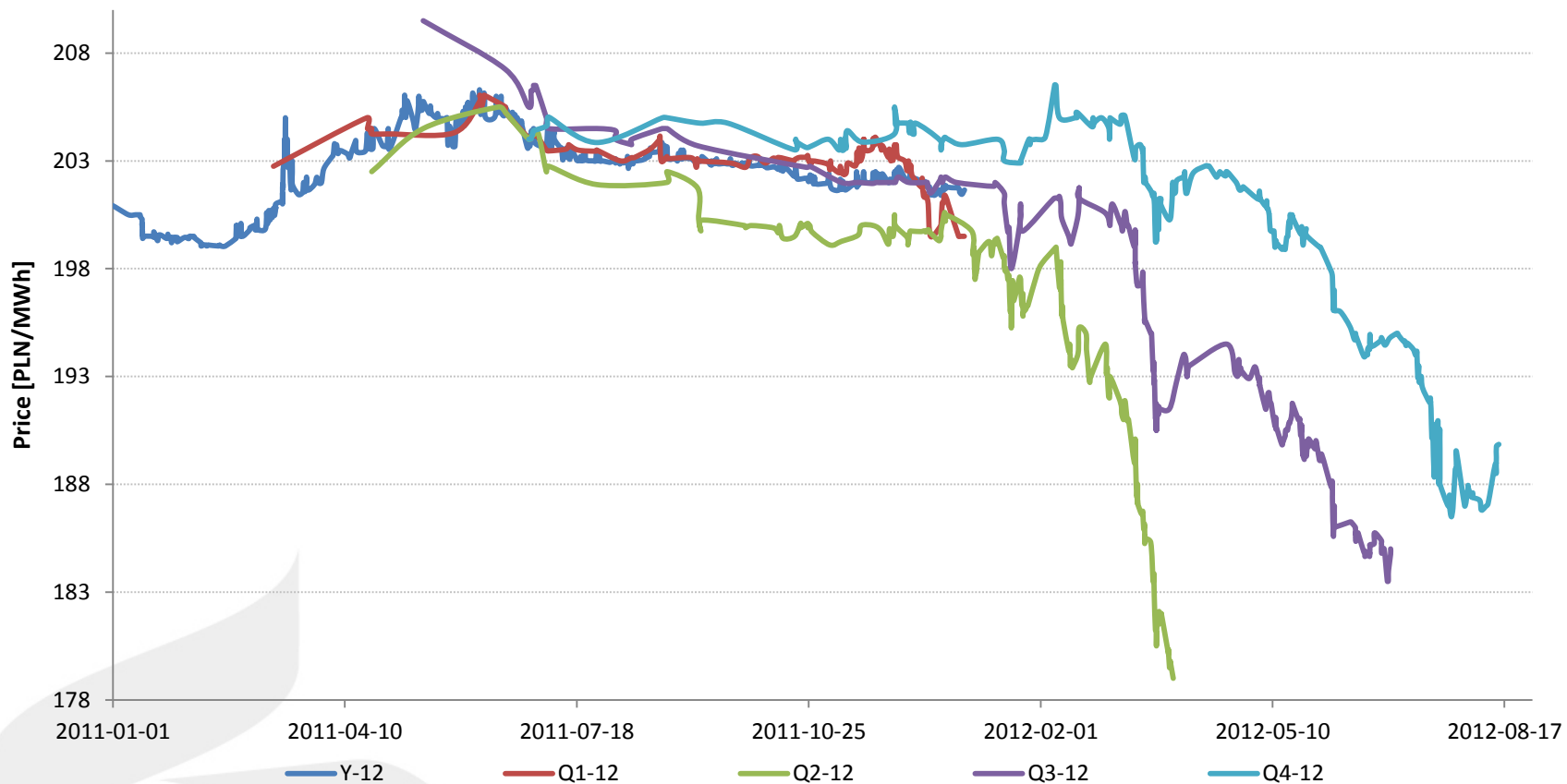


## Additional Information



# BASE transactions for 2012

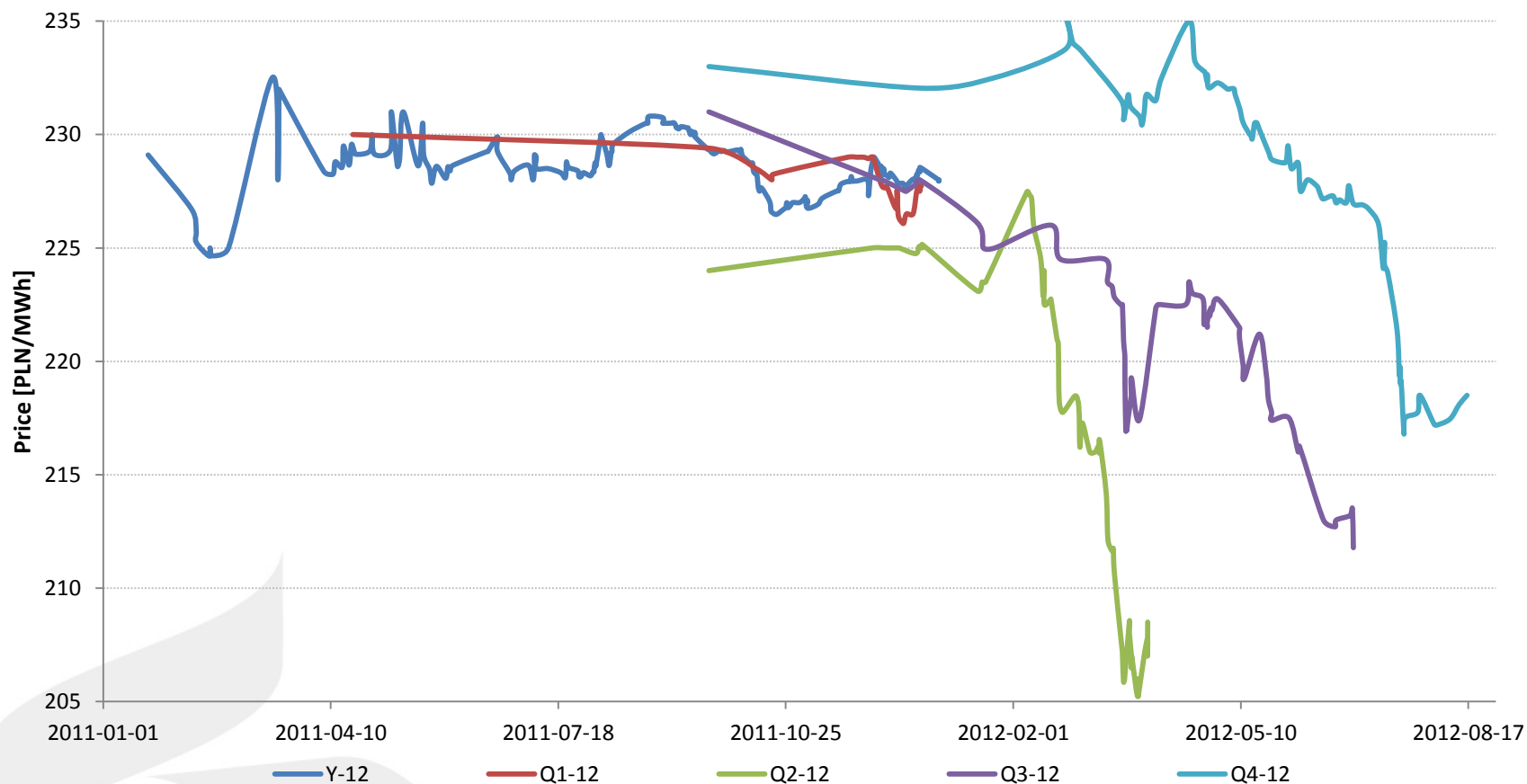
## Prices of BASE contracts concluded for 2012



Average price of transactions concluded	[PLN/MWh]	Volume [GWh]
Annual	202.61	100,796
Quarterly	197.02	23,811
Monthly	190.01	9,997
<b>TOTAL</b>	<b>200.69</b>	<b>134,604</b>

# PEAK transactions for 2012

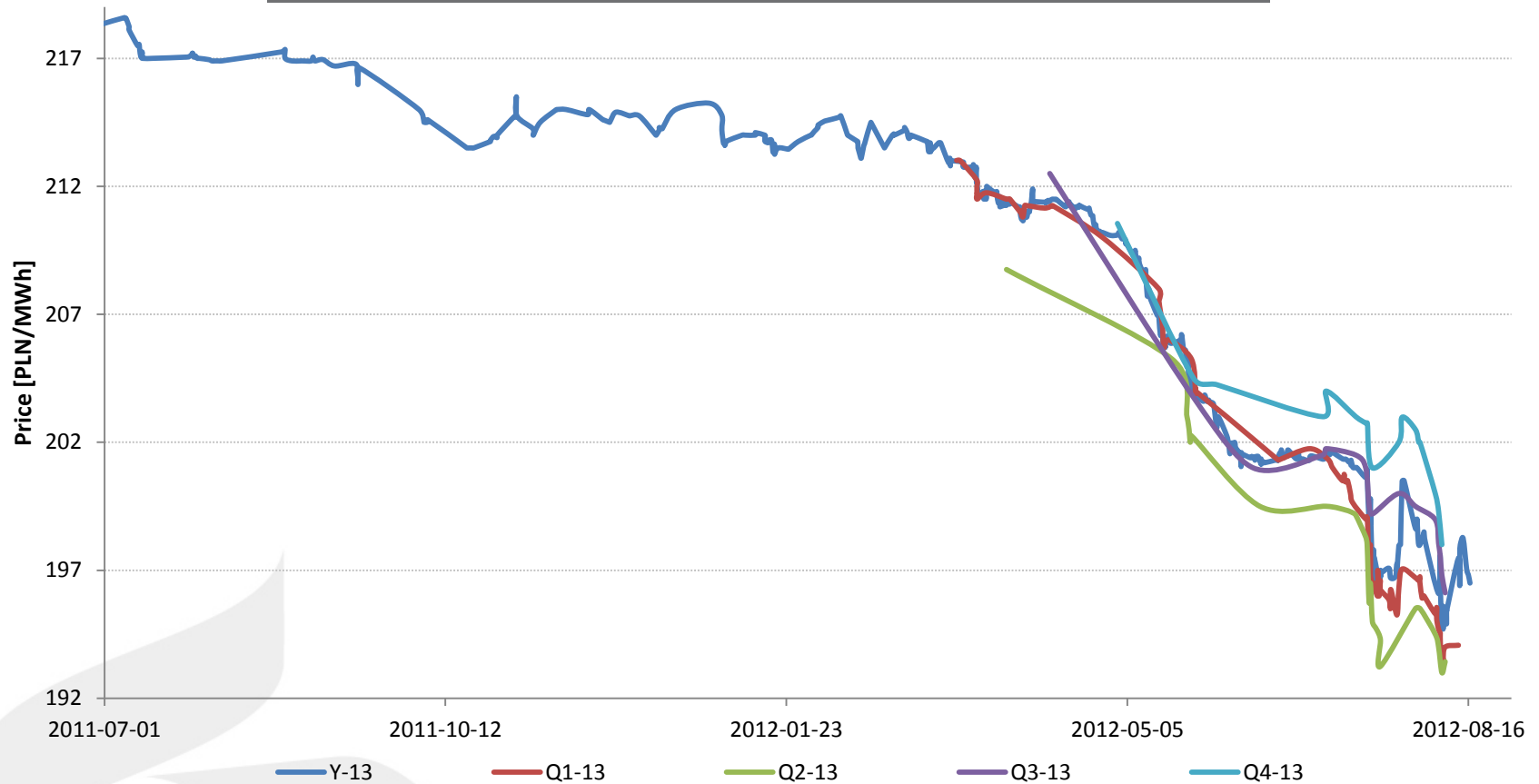
## Prices of PEAK contracts concluded for 2012



Average price of contracts concluded	[PLN/MWh]	Volume [GWh]
Annual	228.52	11,616
Quarterly	223.92	2,765
Monthly	215.76	2,289
<b>TOTAL</b>	<b>226.01</b>	<b>16,671</b>

# BASE transactions for 2013

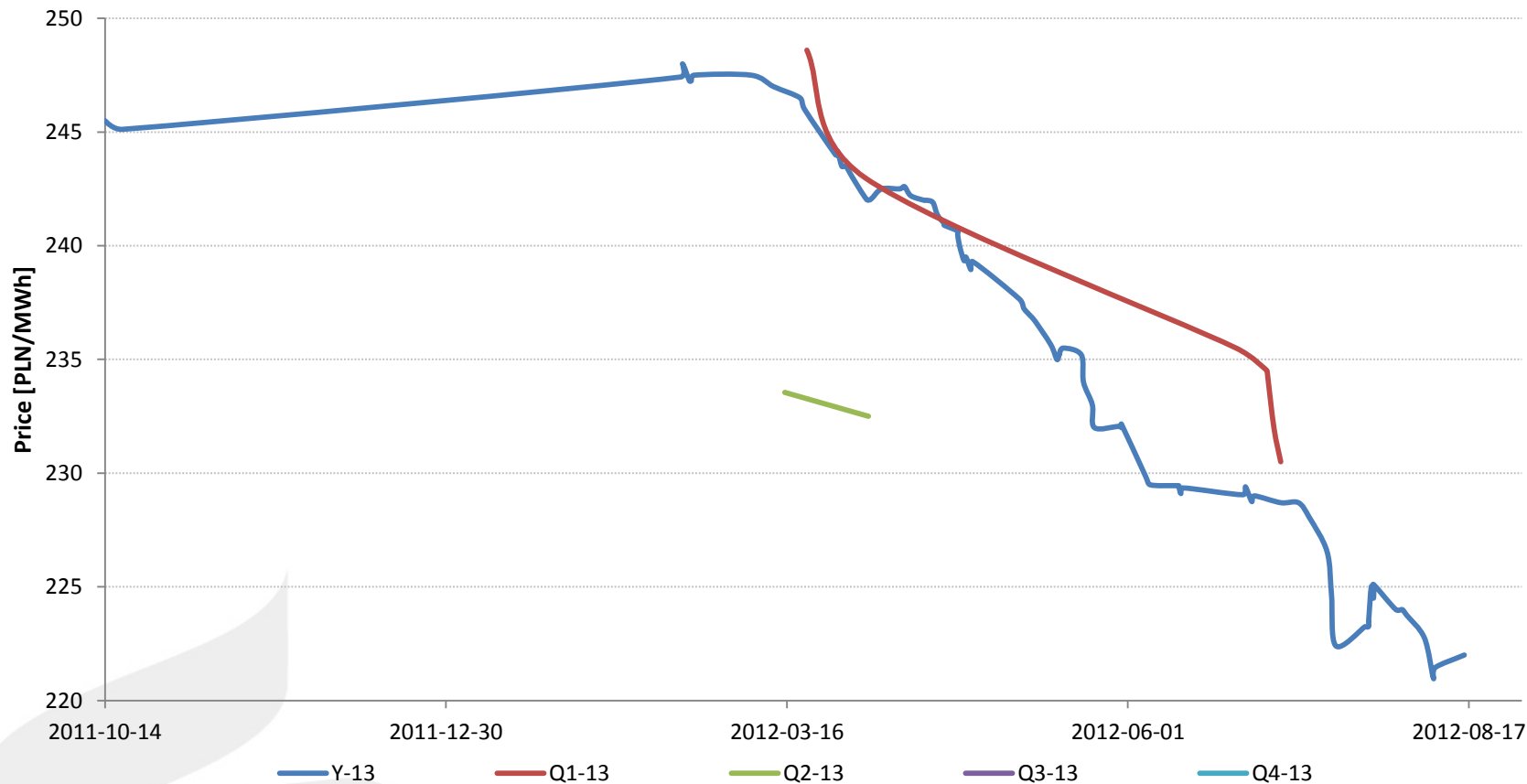
Prices of BASE contracts concluded for 2013



Average price of contracts concluded	[PLN/MWh]	Volume [GWh]
Annual	206.95	48,276
Quarterly	200.06	2,511
Monthly		
<b>TOTAL</b>	<b>206.61</b>	<b>50,788</b>

# PEAK transactions for 2013

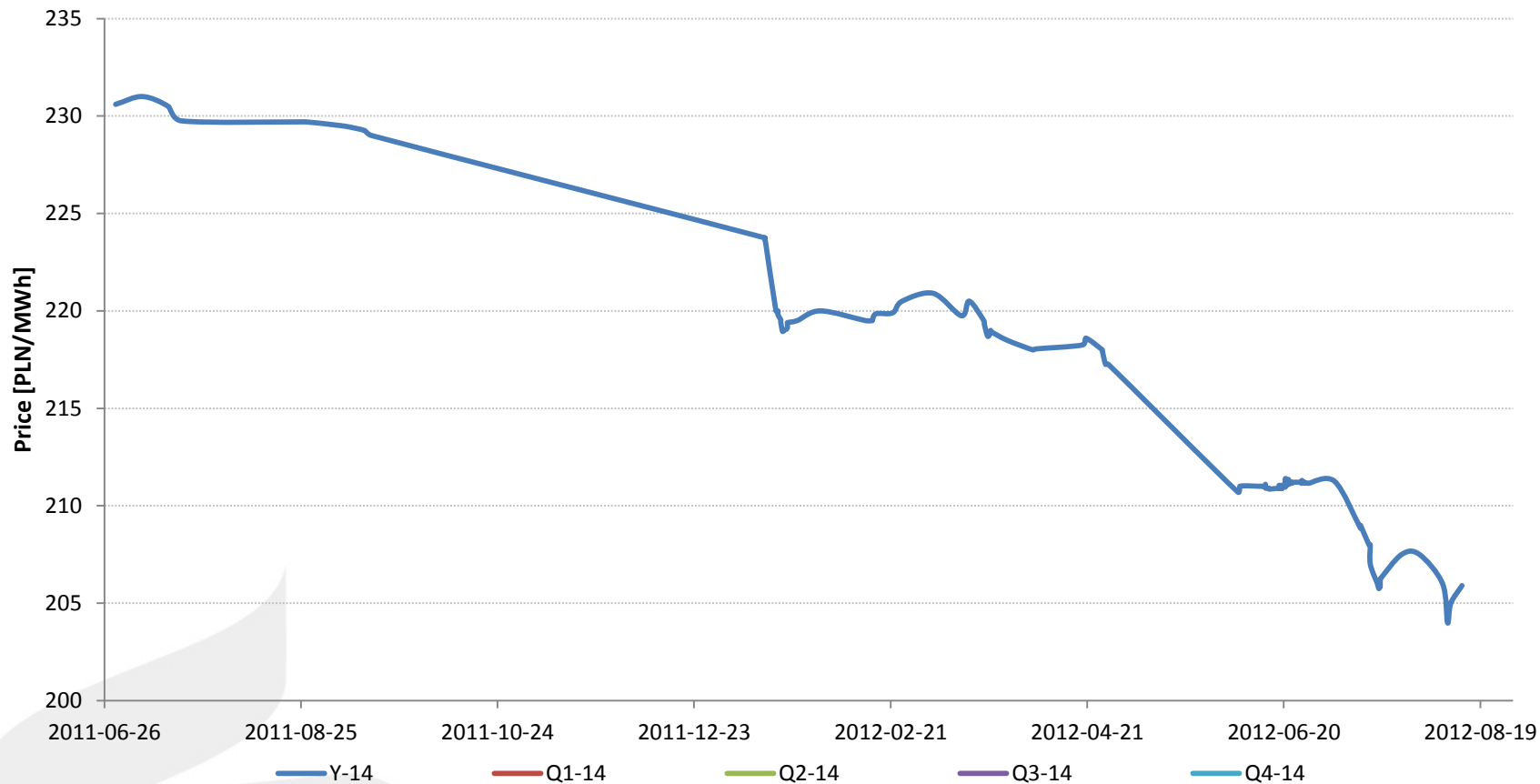
Prices of PEAK contracts concluded for 2013



Average price of contracts concluded	[PLN/MWh]	Volume [GWh]
Annual	234.21	2,455
Quarterly	235.80	61
Monthly		
<b>TOTAL</b>	<b>234.25</b>	<b>2,516</b>

# BASE transactions for 2014

## Prices of BASE contracts concluded for 2014



Average price of contracts concluded	[PLN/MWh]	Volume [GWh]
Annual	213.48	7,910
Quarterly		
Monthly		
<b>TOTAL</b>	<b>213.48</b>	<b>7,910</b>



## ZEC Bielsko Biala – new heating unit

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

Status as of 30 June 2012:

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

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

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

Status as of 30 June 2012:

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

## Elektrownia Stalowa Wola – K-10 boiler's upgrade (biomass fired)

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

Status as of 30 June 2012:

- Construction works in progress. General contractor: Rafako

## Elektrownia Tychy – new CHP unit

- Capacity – 50 MW<sub>e</sub> / 86 MW<sub>t</sub>
- Scheduled commissioning – end of 2015

Status as of 30 June 2012:

- Selection of the contractor of the new unit is underway

## Elektrociepłownia Tychy – fluidized bed boiler's conversion (biomass fired)

- Capacity – 40 MW<sub>e</sub>
- Scheduled commissioning – end of 2012

Status as of 30 June 2012:

- construction of biomass type boiler:
  - construction and assembly works in progress, contractor: Metso Power Oy
- construction of biomass feeding installation:
  - design and construction works in progress, contractor: Mostostal Warszawa
- construction of WR 40 boiler:
  - design and construction works in progress, contractor: SEFAKO

## Elektrownia Stalowa Wola – new CCGT unit

- Capacity – 440 MW<sub>e</sub> / 240 MW<sub>t</sub>
- Scheduled commissioning – 2015

Status as of 30 June 2012:

- On 26 April 2012 the agreement with the general contractor, Abener Energia, was signed

## Elektrownia Katowice – new CCGT unit

- Capacity – 135 MW<sub>e</sub> / 90 MW<sub>t</sub>
- Scheduled commissioning – 2016

Status as of 30 June 2012:

- Contractor selection is ongoing

## Elektrownia Blachownia – a new gas unit

- Capacity – approx. 850 MW<sub>e</sub>
- Scheduled deadline for commissioning – 2017

Status as of 30 June 2012:

- In June, the pre-notification procedure was completed related to the European Commission clearance for capital concentration and establishment of an SPV

Update: on 23 July 2012 European Commission's clearance was obtained

## Wind Farm – Wicko

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

Status as of 30 June 2012:

- On 29 June 2012 agreement with general contractor – consortium of Aldesa Nowa Energia from Kraków and Aldesa Construcciones from Madrid was signed

## Wind Farm – Marszewo

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

Status as of 30 June 2012:

- The construction site was handed over to the contractor
- Documentation works were completed (geo-technical survey, detailed implementation designs, etc.)

## Elektrownia Jaworzno III – boiler upgrades

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

Status as of 30 June 2012:

- Upgrades of units no. 2 and no. 4 were completed The test run of unit no. 4 is in progress
- General contractor: consortium of Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

## Elektrownia Łaziska – boiler upgrades

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

Status as of 30 June 2012:

- Upgrade works were completed and the works related to the construction of flue gas de-nitrification installation at unit no. 12 – warranty related measurements in progress
- General contractor: STRABAG

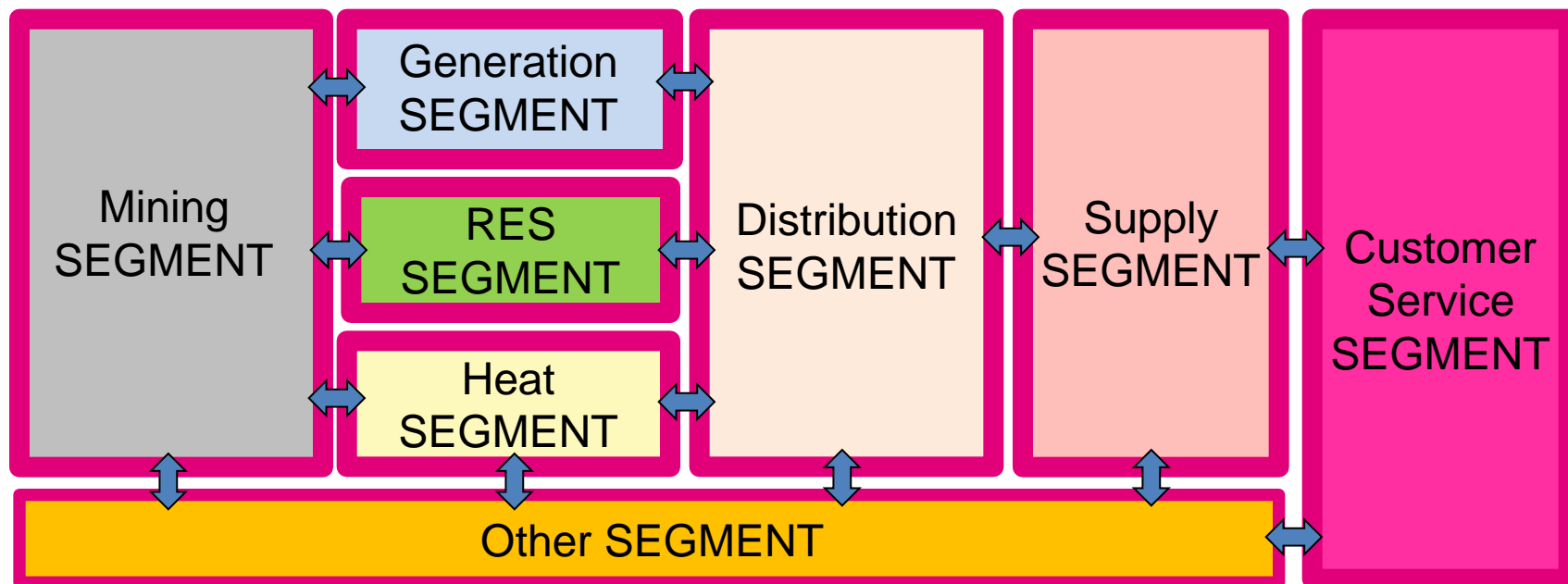
## Elektrownia Jaworzno III – a new coal-fired unit

- Capacity – 910 MW<sub>e</sub>
- Scheduled commissioning – 2018

Status as of 30 June 2012:

- Selection of contractor and contract engineer is underway
- Invitations to submit offers were sent, including the final Terms of Reference for the tender procedure to select the Contractor. In response to the bidders' request the deadline for offer submission was extended until 20 August this year

Update: in August the deadline for offer submission was extended until 10 September 2012



**Mining Segment:**  
Południowy Koncern Węglowy

**Generation Segment:**  
TAURON Wytwarzanie

**Distribution Segment:**  
TAURON Dystrybucja  
TAURON Dystrybucja GZE  
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  
TAURON Ekoenergia GZE

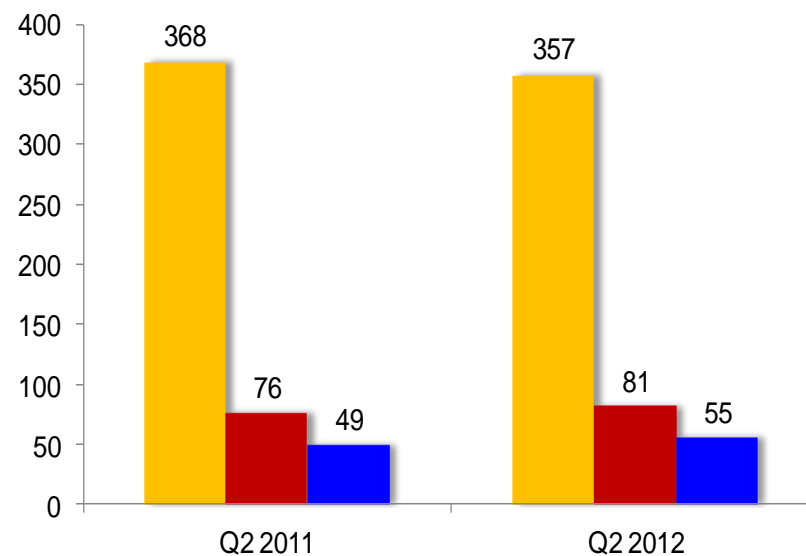
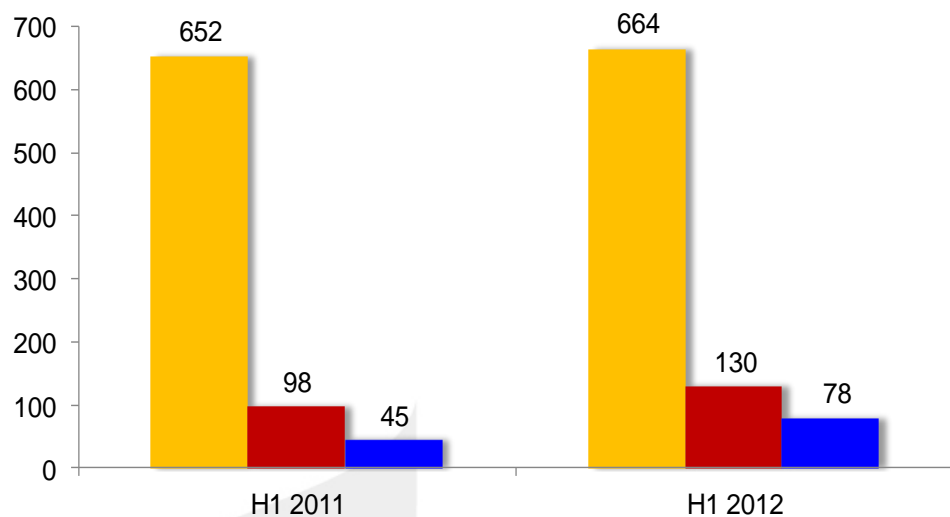
**Other Segment:**  
Kopalnia Wapienia Czatkowice  
PE-PKH

**Heat Segment:**  
TAURON Ciepło  
EC Tychy  
EC Nowa

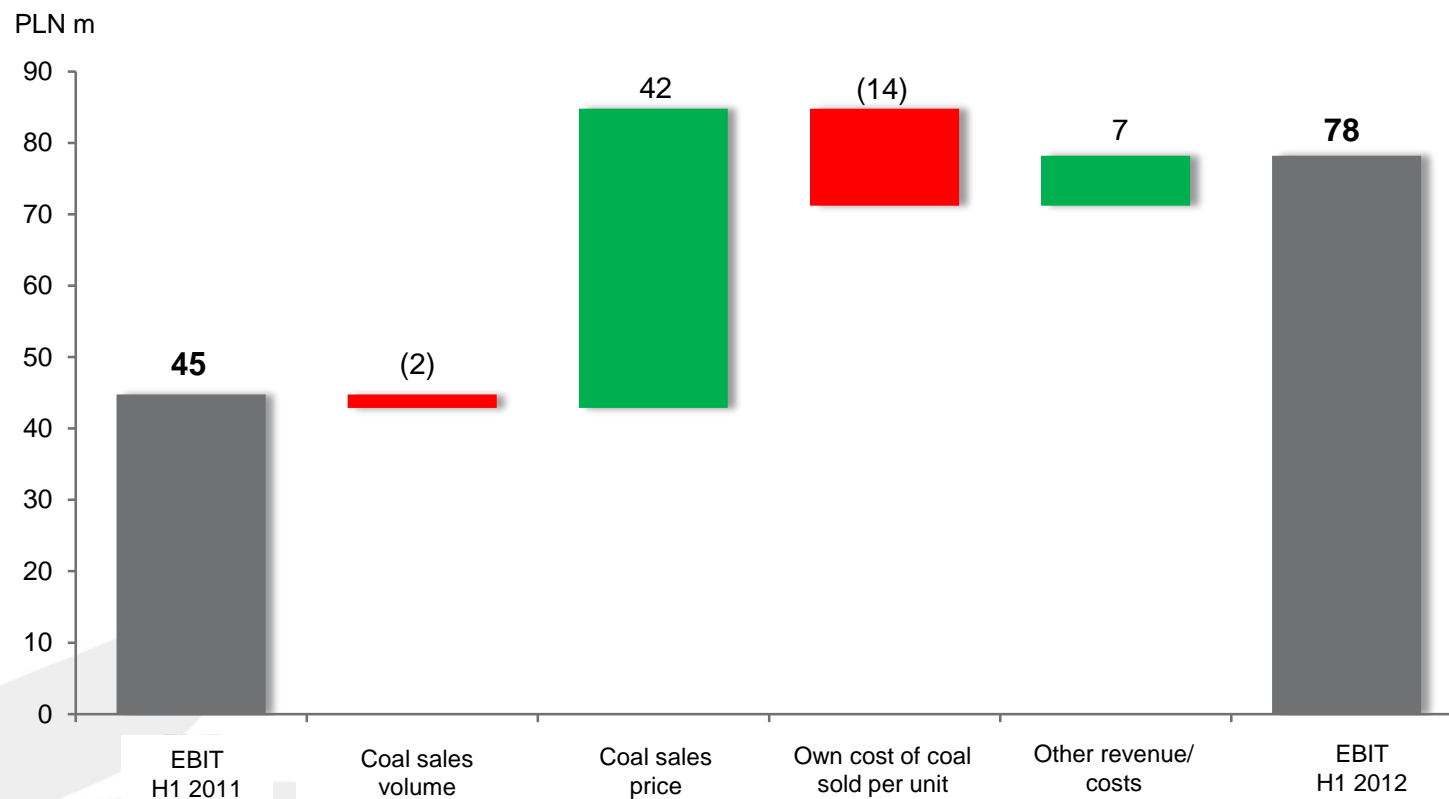
- In Q1 2012 TAURON introduced the new reporting model dividing the Group's operations into **eight segments**

# Mining – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



# Mining – EBIT bridge

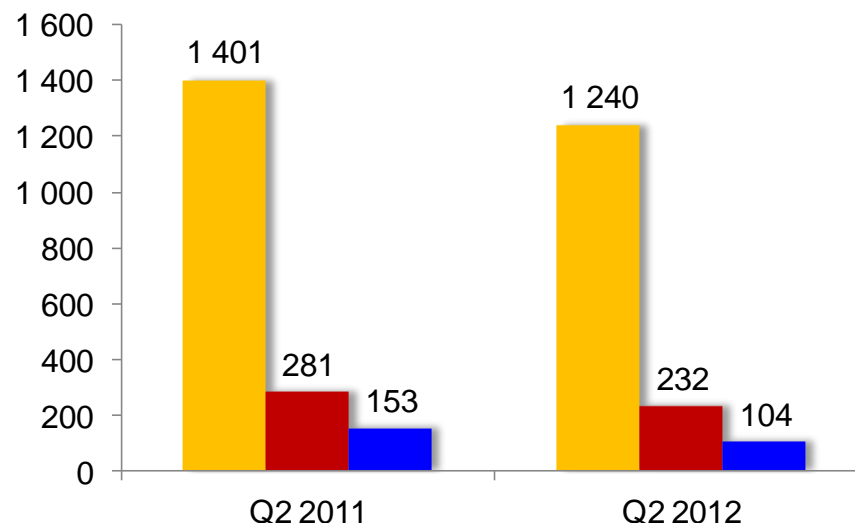
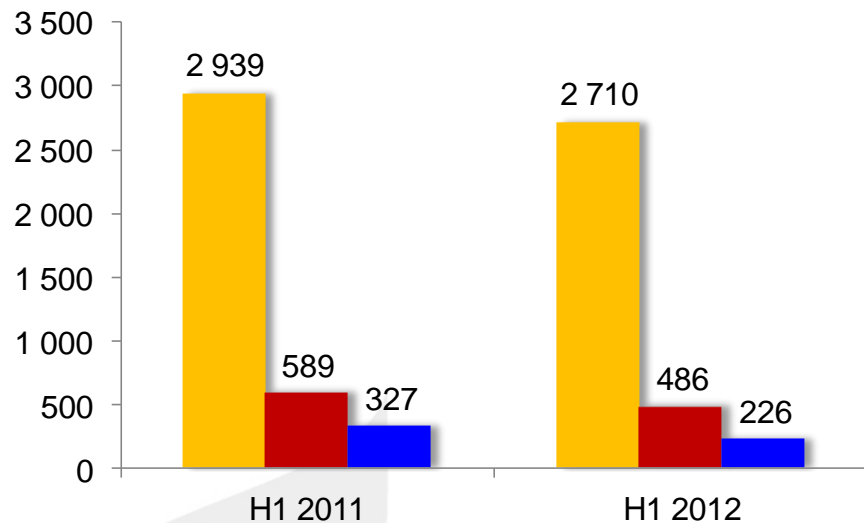


 Increase  
 Decrease

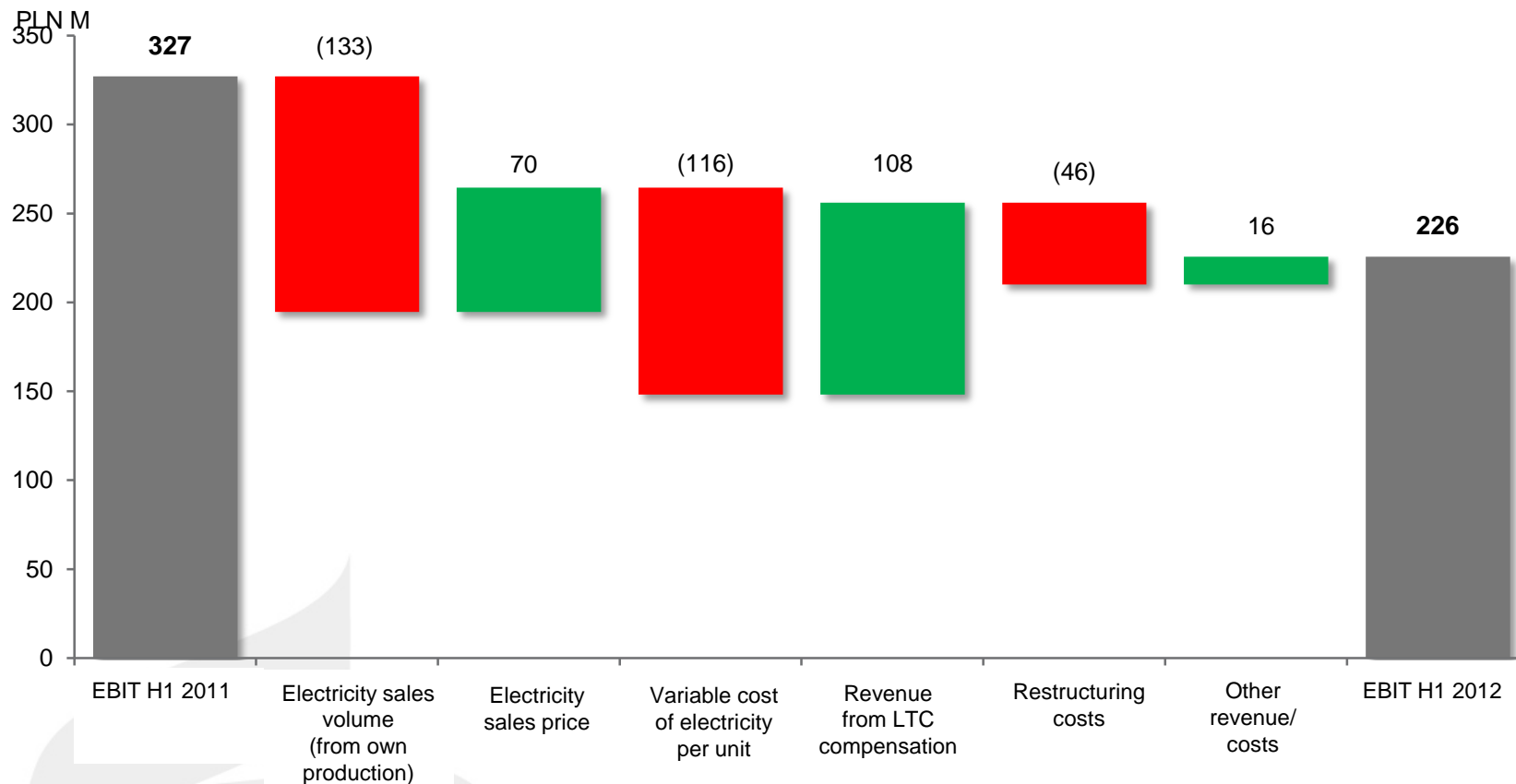




# Generation from conventional sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



# Generation from conventional sources – EBIT Bridge



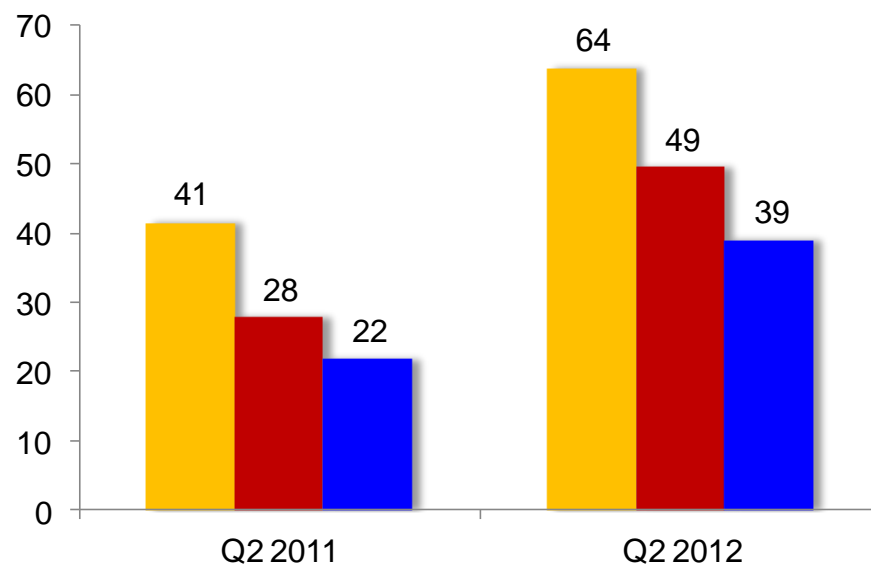
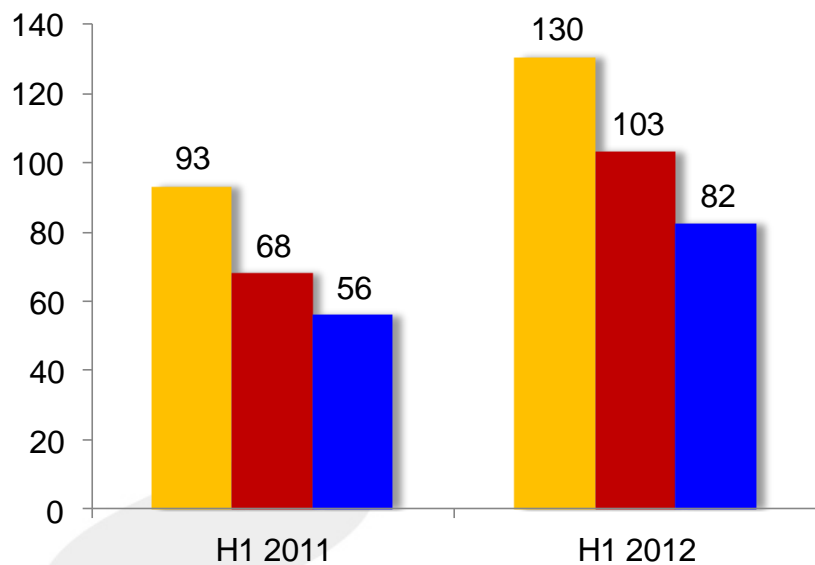
 Increase  
 Decrease



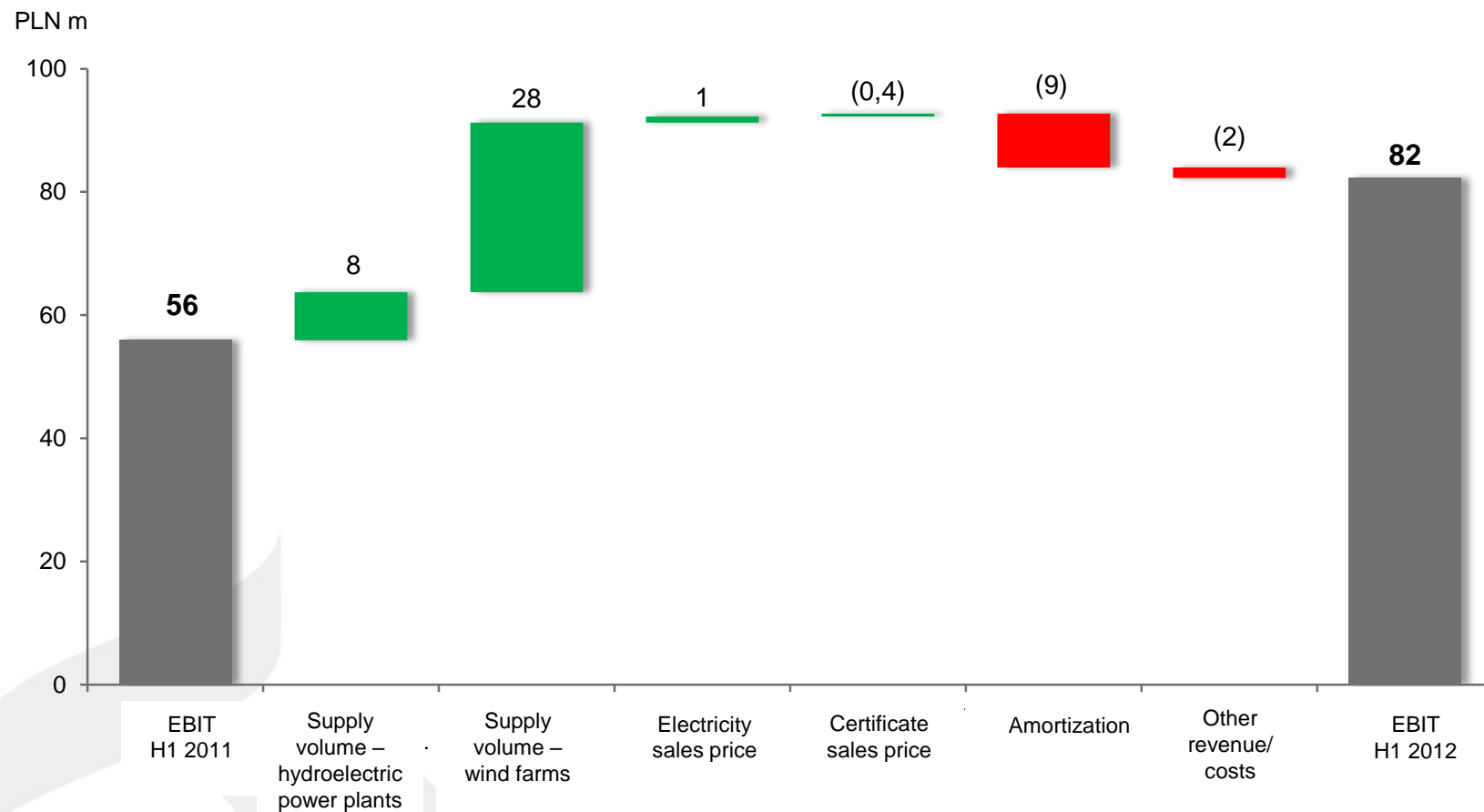


# Generation from renewable sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



# RES – EBIT bridge

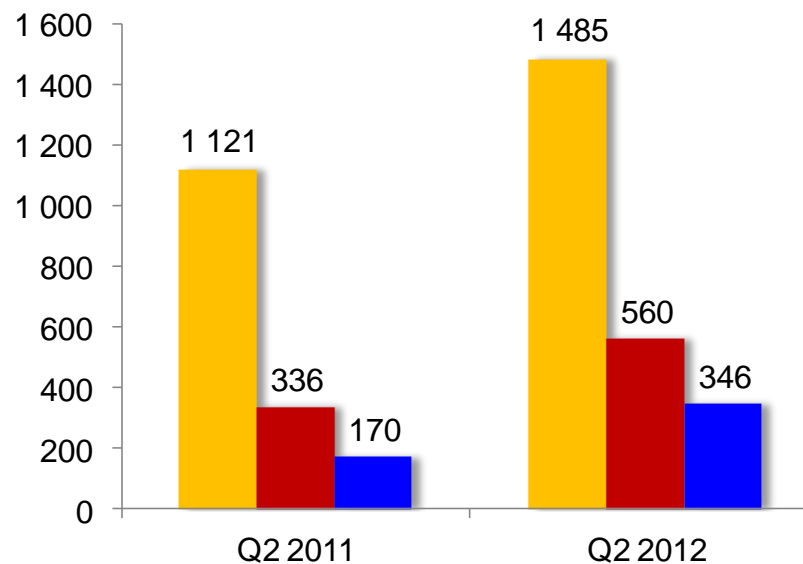
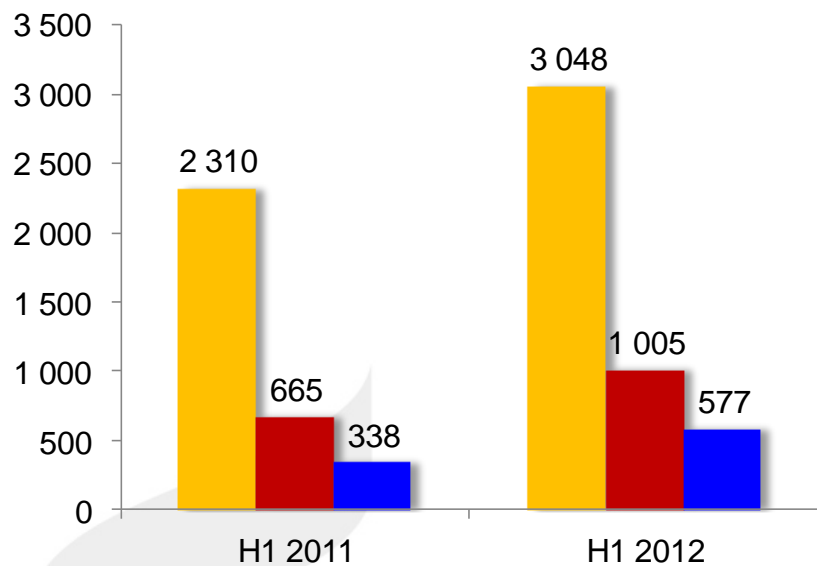


■ Increase  
■ Decrease

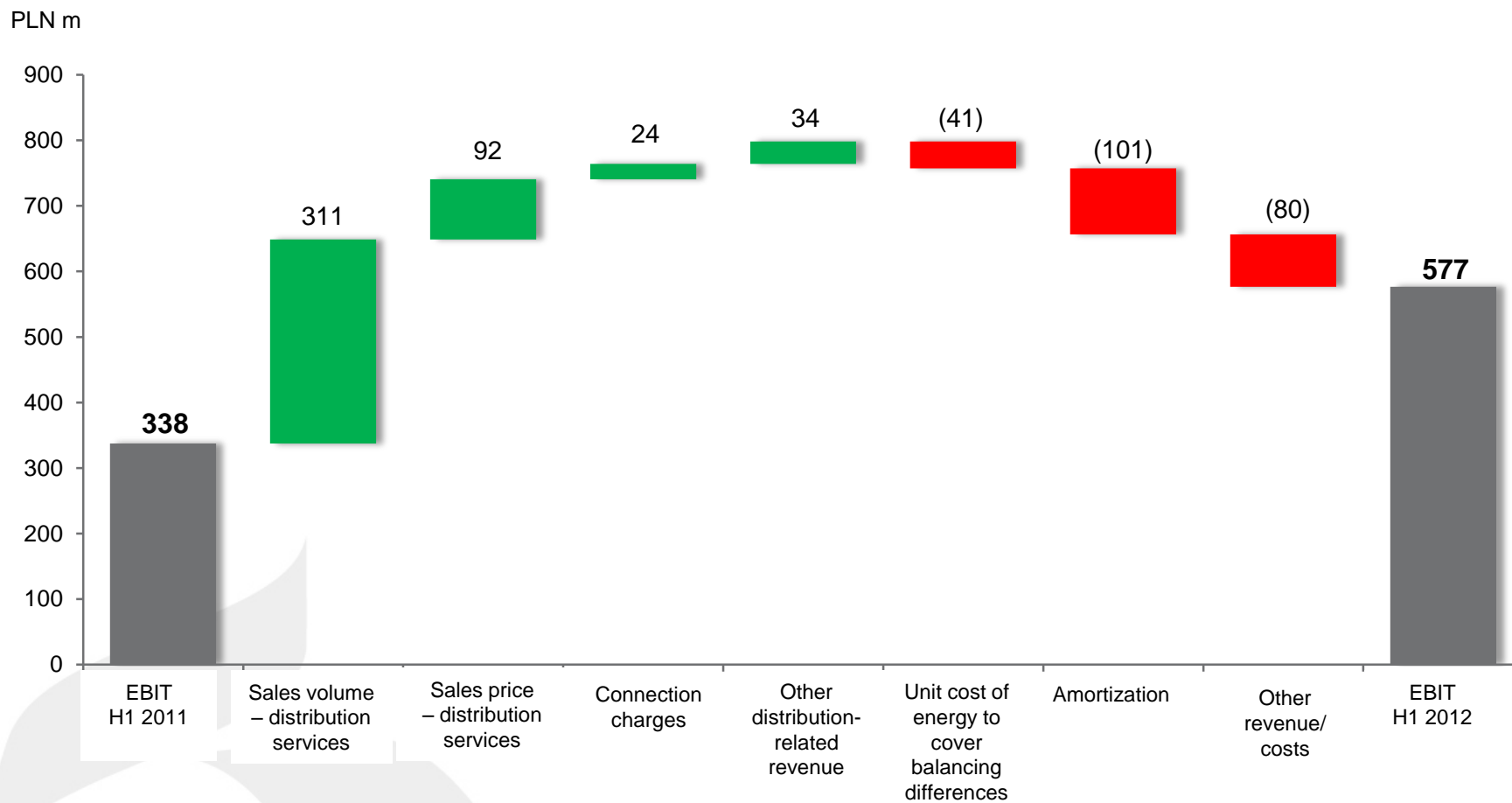
# Distribution – key financial data



Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



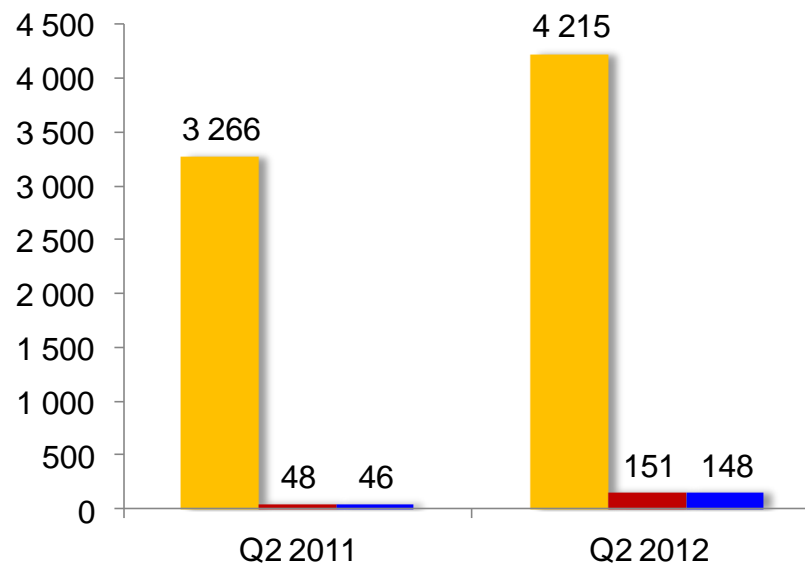
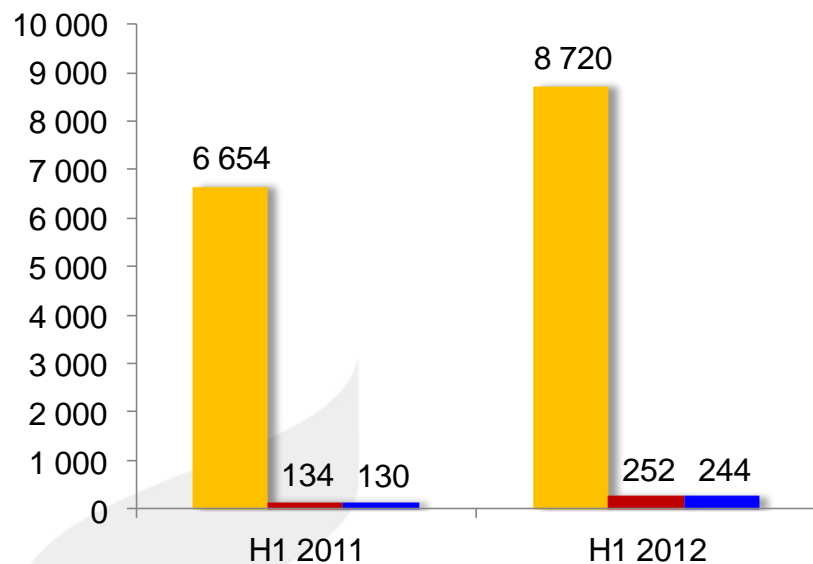
# Distribution – EBIT bridge



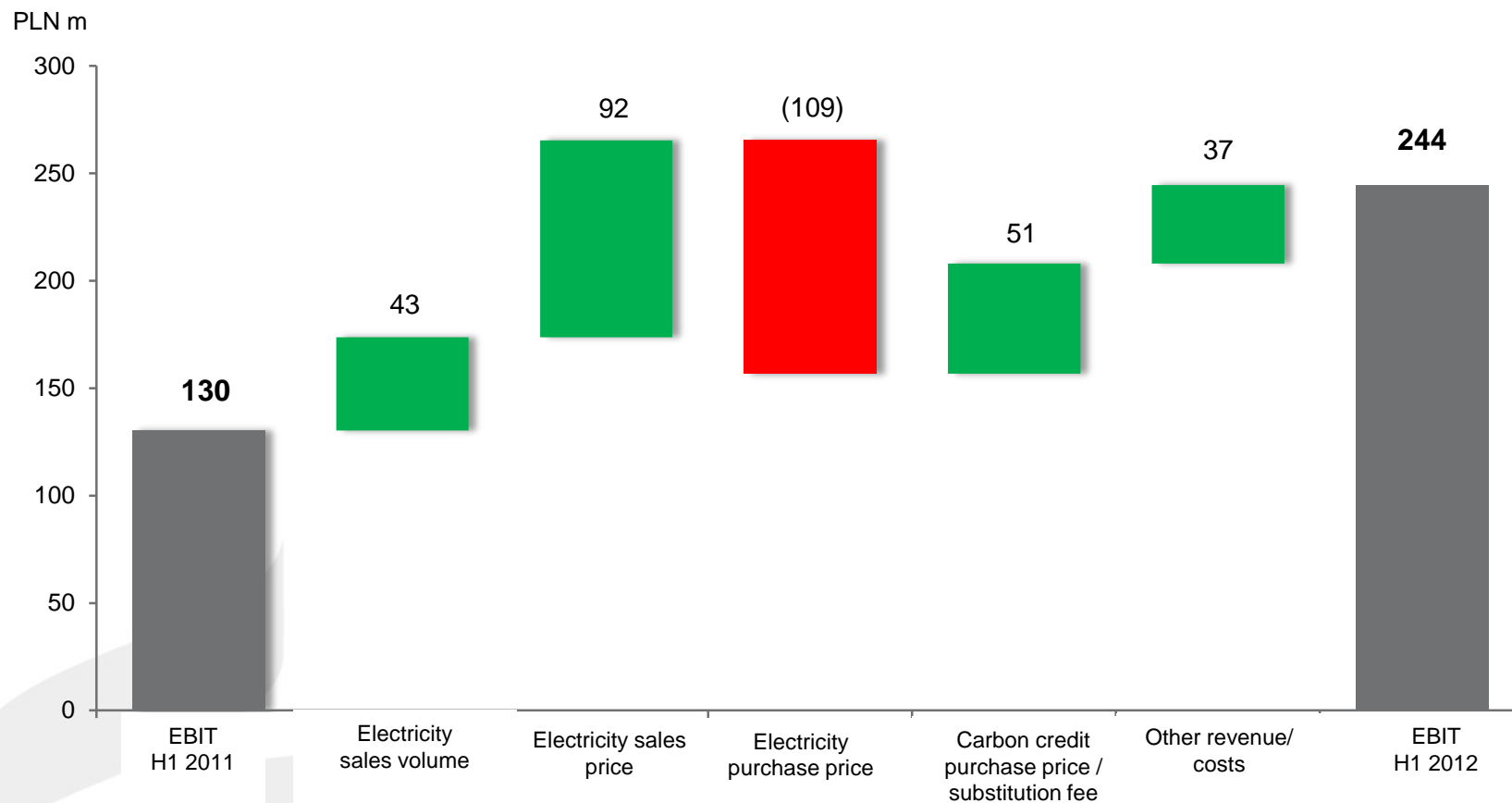
█ Increase  
█ Decrease

# Supply – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



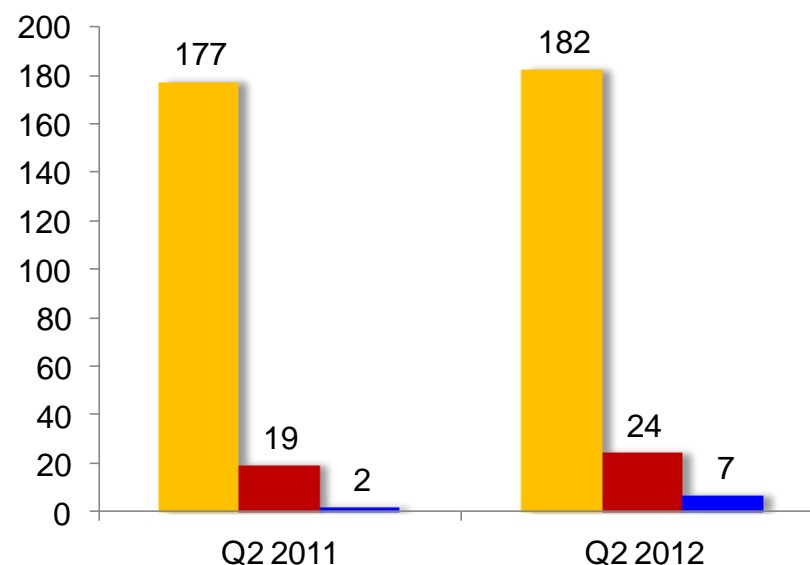
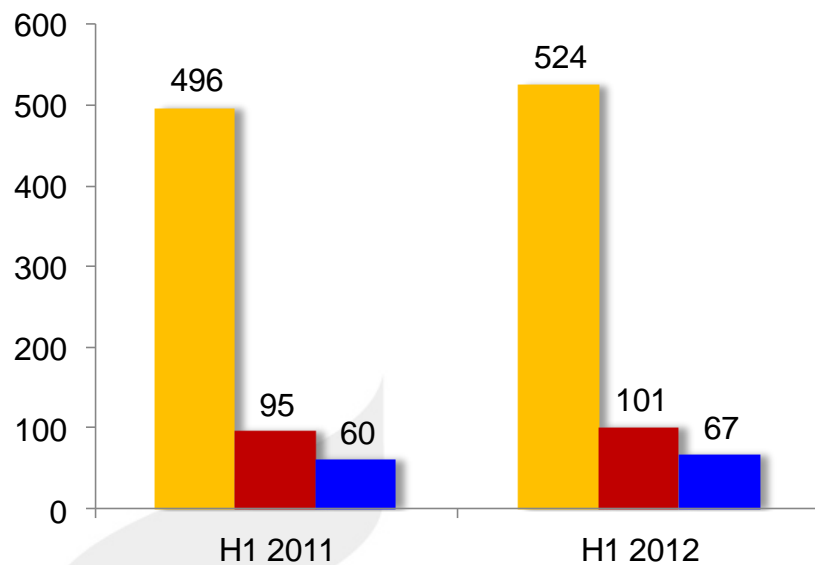
# Supply – EBIT bridge



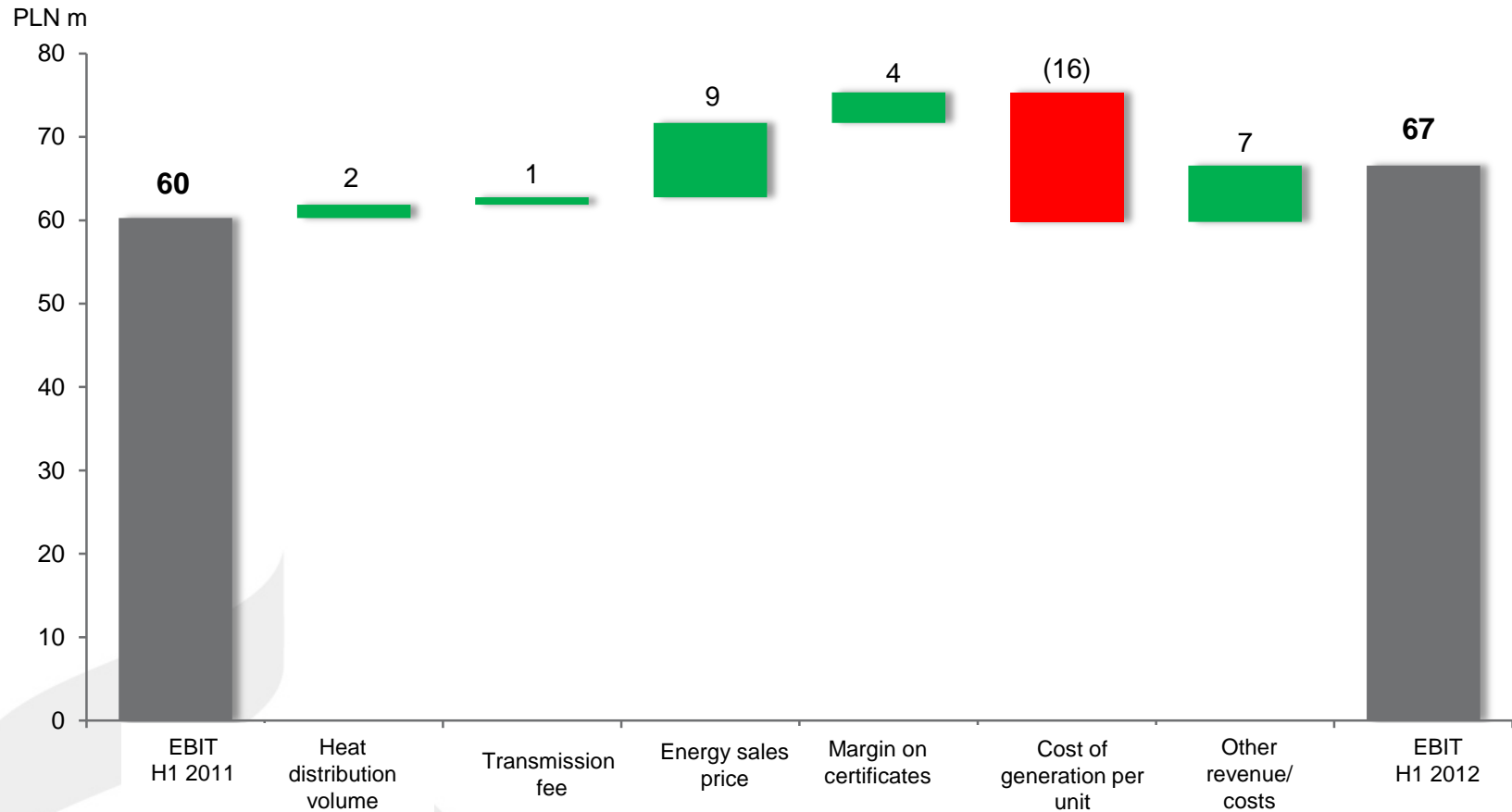
■ Increase  
■ Decrease

# Heat – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



# Heat – EBIT bridge

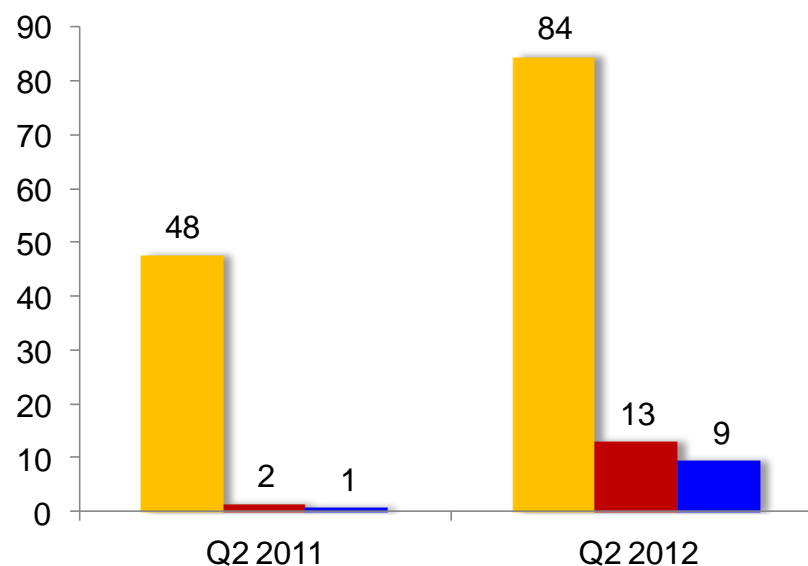
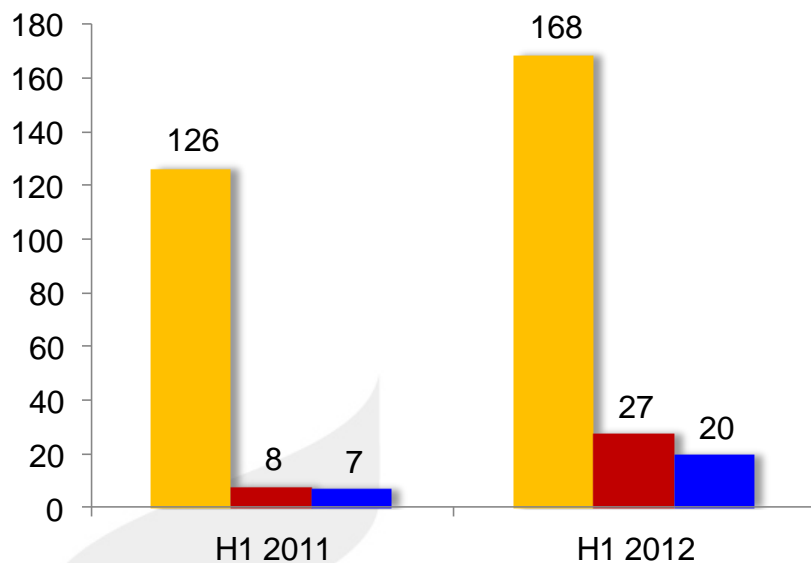


■ Increase  
■ Decrease

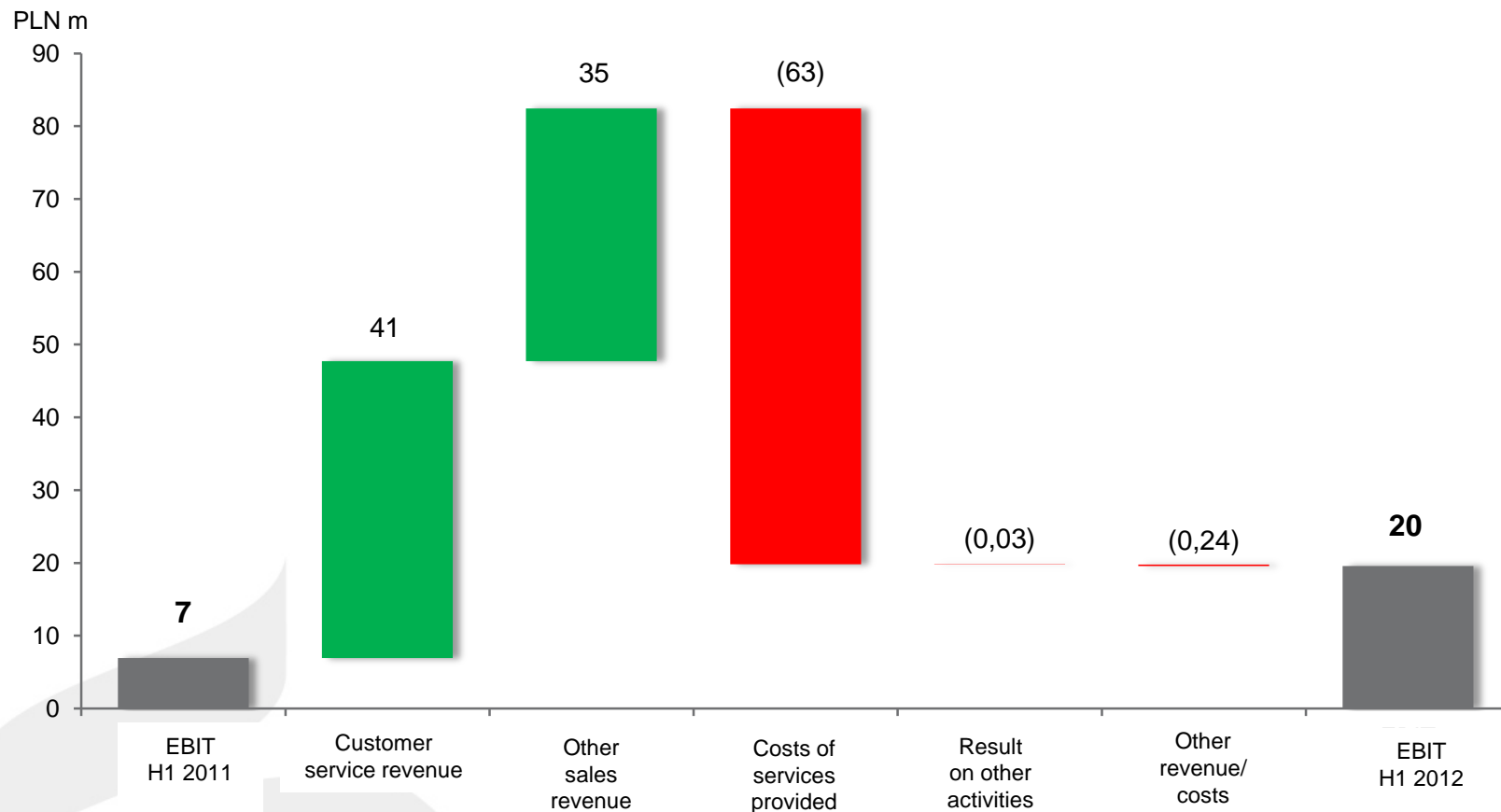


# Customer Service – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)



# Customer Service – EBIT bridge



■ Increase  
■ Decrease

# Other – key financial data

Change: **Revenue** **EBITDA** **EBIT** in segment (in PLN m)

