



Financial Results for Q1-3 2012

13 November 2012

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TAURON Polska Energia

5 September	Establishment of a special purpose vehicle Elektrownia Blachownia Nowa z o.o. by TAURON Wytwarzanie and KGHM Polska Miedź. The Company will be responsible for the process of preparation, construction and operation of 850 MW CCGT unit at Elektrownia Blachownia.
5 September	Signing a Letter of Intent concerning purchase of shares in a special purpose vehicle PGE EJ 1 sp. z o.o., established for construction and operation of a nuclear power plant. The parties to the Letter of Intent are: TAURON Polska Energia, PGE Polska Grupa Energetyczna, KGHM Polska Miedź and ENEA
1 October	Court registration of the mergers: <ul style="list-style-type: none">- TAURON Dystrybucja with TAURON Dystrybucja GZE- TAURON Ekoenergia with TAURON Ekoenergia GZE
19 October	Approval of the tariff for gas fuel trading for TAURON Polska Energia by the President of the Energy Regulatory Office
24 October	Selecting the consortium of investment banks which will support the TAURON in developing the financing strategy of TAURON Group as well as in the process of fund raising for the Group's investment program.

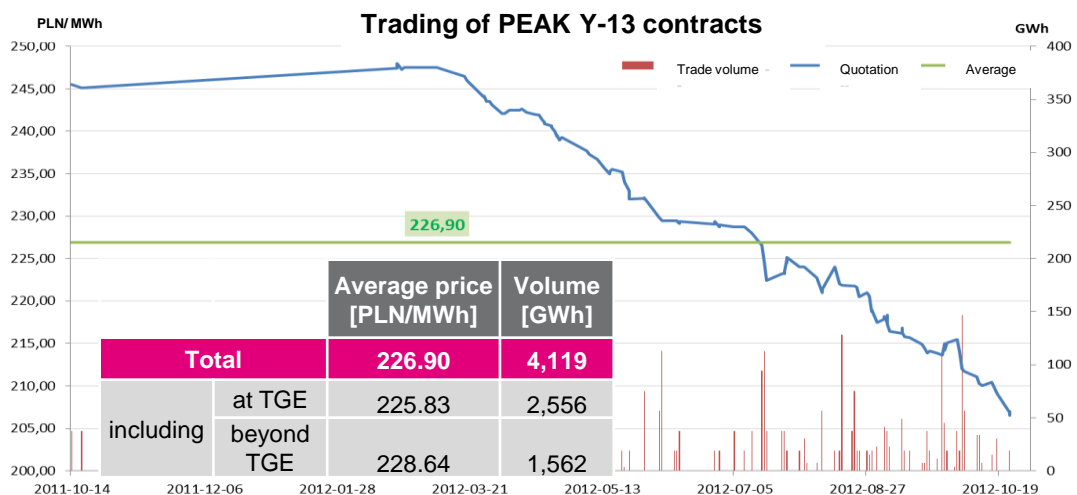
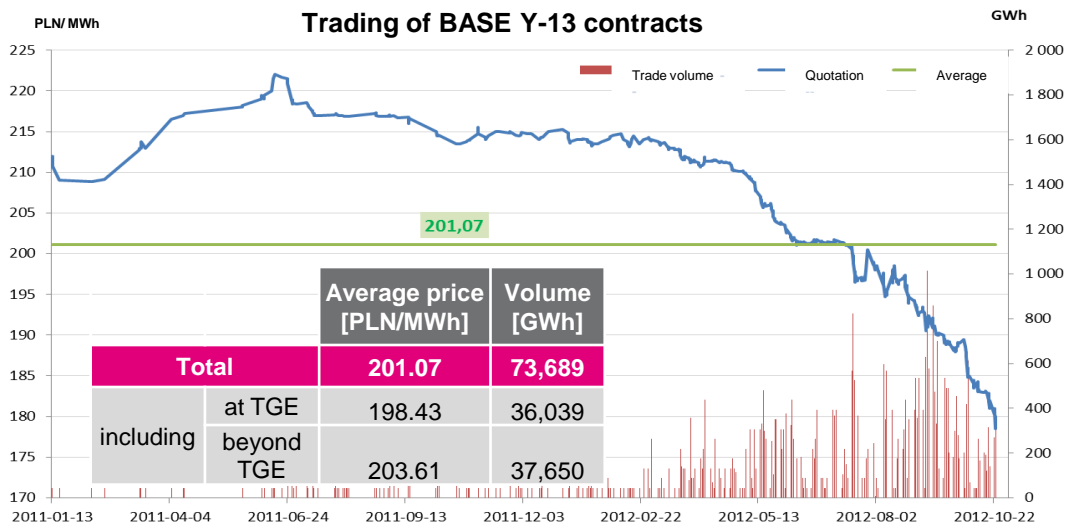
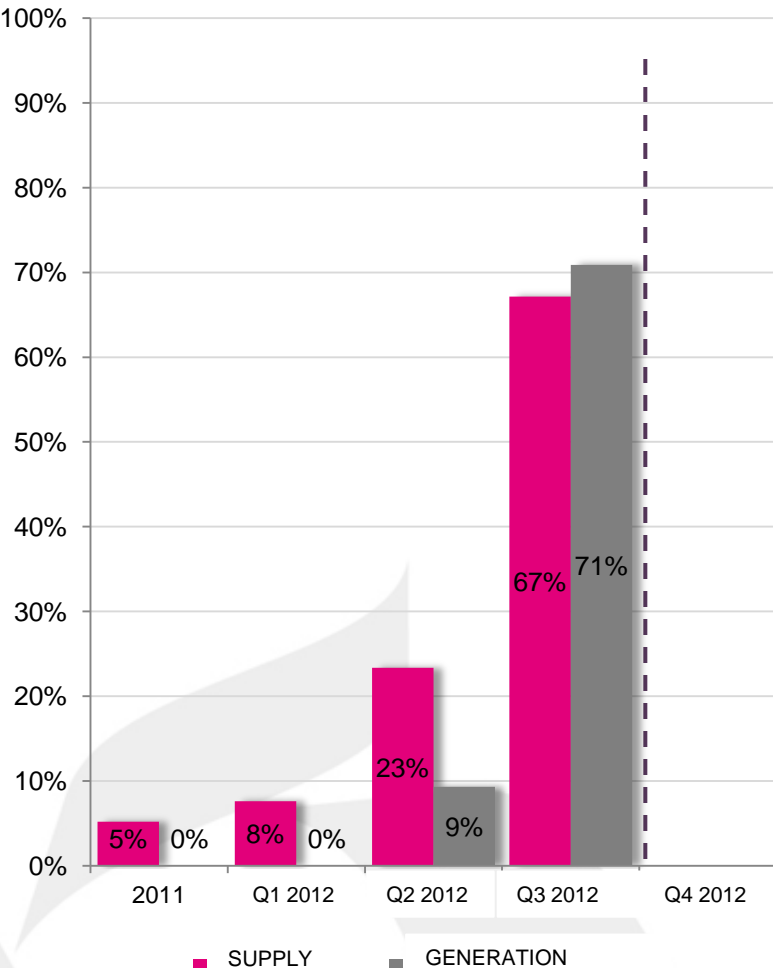
Energy Market

October	Ministry of Economy finished working on draft RES Law and Energy Law
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Contracts concluded for 2013

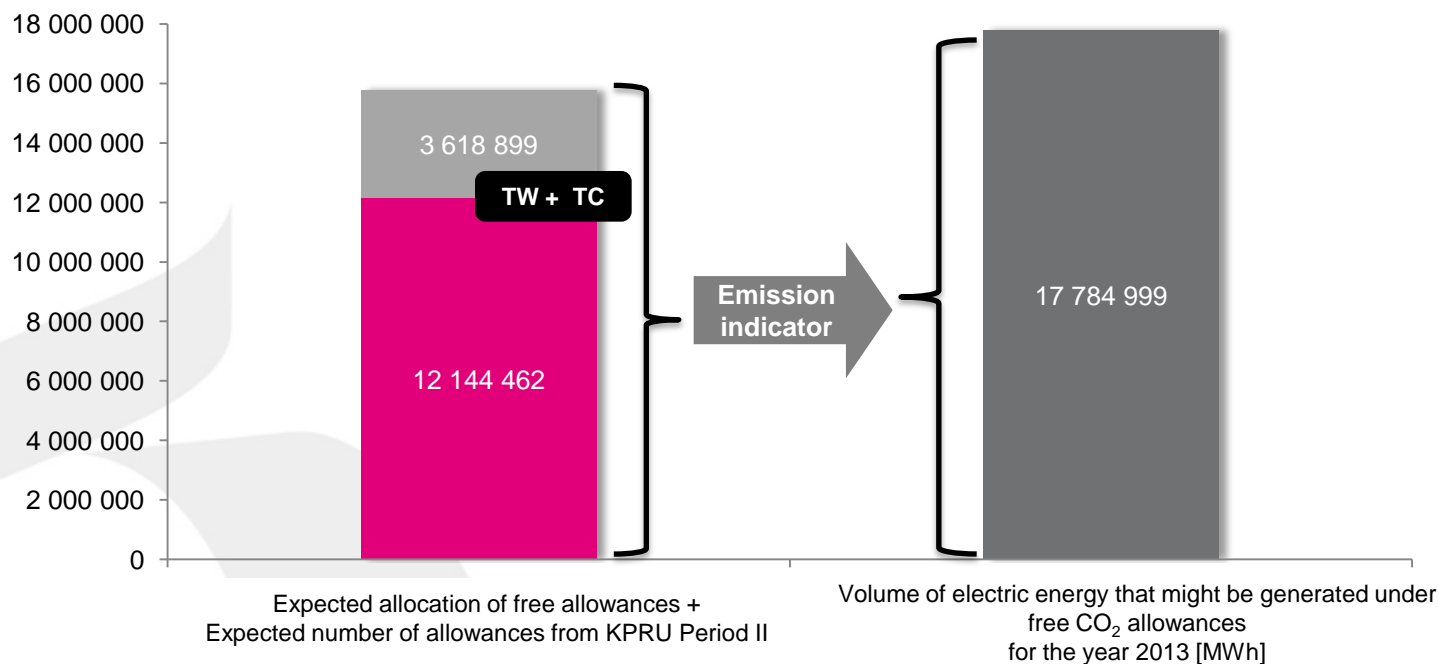


ELECTRICITY CONTRACTS for 2013 – cumulatively



Expected exposure to CO₂ in 2013

	TAURON Wytwarzanie	TAURON Ciepło	TOTAL
Emission related to electric energy generation [Mg]	11,327,021	817,441	12,144,462
Expected number of allowances from KPRU II Period	2,839,518	779,381	3,618,899
Total [Mg]	14,166,539	1,596,822	15,763,361
Average CO ₂ emission indicator [Mg CO ₂ /MWh] for electric energy generation	0.851	1.4031	
Volume of electrical energy that might be generated under free CO ₂ allowances for 2013	16,646,932	1,138,067	17,784,999
% of energy that might be generated under free CO ₂ allowances, against the total level of 2012 production	75%		



Implementation of the CAPEX program

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

Katowice – new CCGT unit (135 MW_e / 90 MW_t)

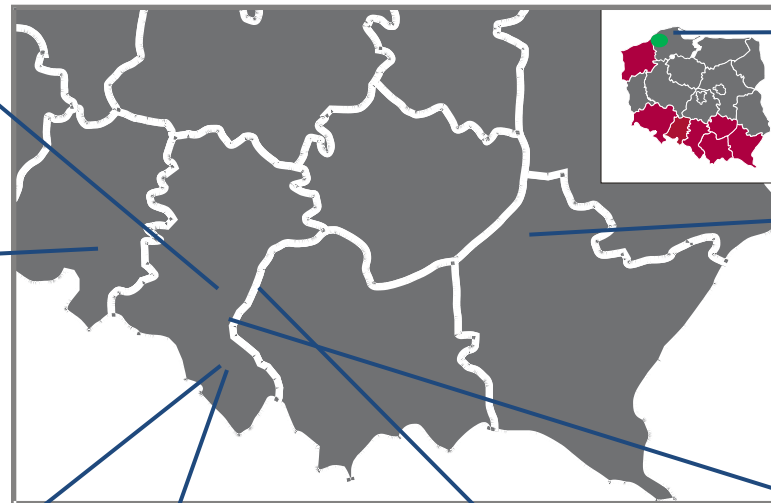
Blachownia

- Gas-fired unit located at Blachownia power plant
- JV Project with KGHM
- 850 MW_e
- Commissioning: 2017
- On 5 September 2012 – SPV was established under the name Elektrownia Blachownia Nowa sp. z o.o.

ZEC Bielsko Biala – new heating unit (50 MW_e / 182 MW_t)

Tychy – new CHP unit (50 MW_e / 86 MW_t)

Tychy – fluidized bed boiler's conversion to biomass (40 MW_e)



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

Stalowa Wola – new CCGT unit (450 MW_e / 240 MW_t)

Stalowa Wola – boiler's conversion to biomass (20 MW_e)

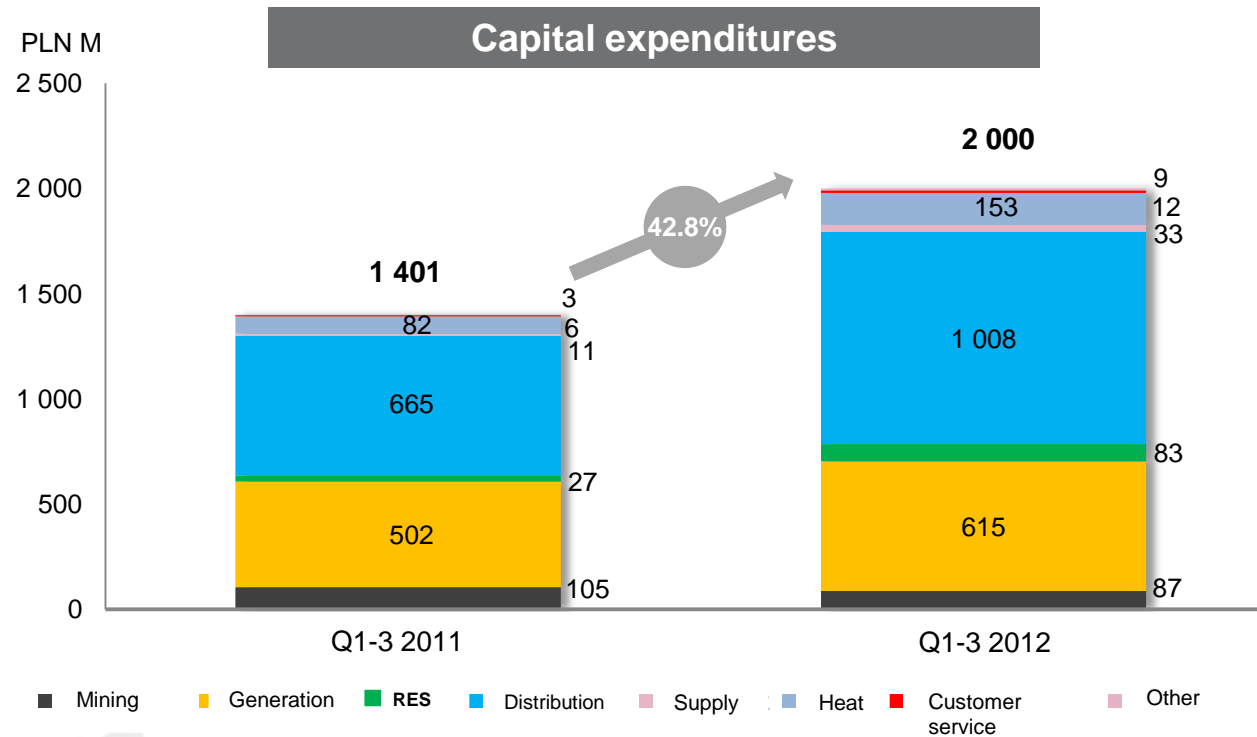
Jaworzno III – construction of biomass-fired fluidized bed boiler (50 MW_e / 45 MW_t)

Jaworzno III – new coal-fired unit (910 MW_e)

- Commissioning: 2018
- On 19 October the final bids were opened, submitted in the tender for general contractor

Łaziska – boilers upgrade to comply with the future nitrogen emission standards

Jaworzno III – boilers upgrade to comply with the future nitrogen emission standards



- After three quarters of 2012, TAURON Capital Group's CAPEX amounted to PLN 2bn and was higher than in the corresponding period of 2011 by almost 43% (after three quarters of 2011 it reached PLN 1.4bn). This was mainly due to significant increase of investment in the Generation, Distribution and Heat segments.
- The main investment projects in the three quarters of 2012 include:
 - in the Distribution segment: construction of new connections (capital expenditures: PLN 340m); upgrade and restoration of grid assets (capital expenditures: PLN 591m)
 - in the Generation segment: construction of new capacities (capital expenditures: PLN 333m) and installations for reduction of NO_x emission (capital expenditures: PLN 143m),
 - in the Heat segment: capacity restoration (capital expenditures: PLN 87m),
 - in RES segment: construction of Marszewo wind farm (capital expenditures: PLN 64m).

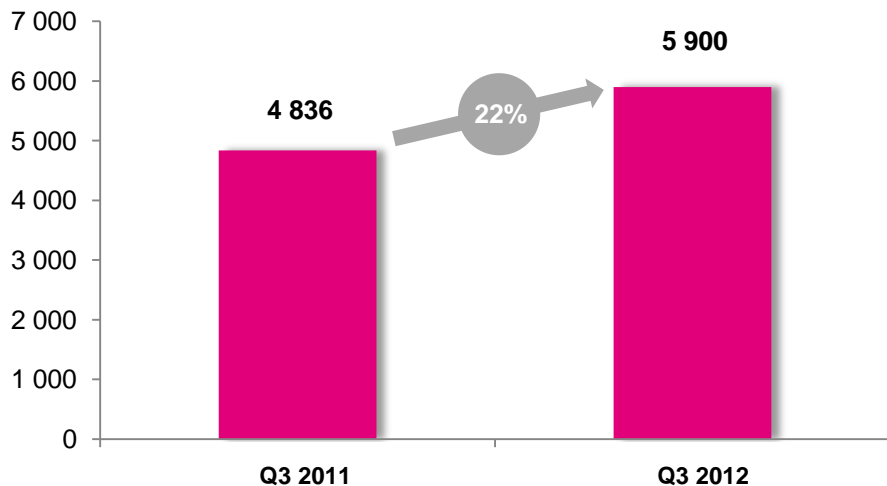
Key operating data

	Q3 2011	Q3 2012	Change	Q1-3 2011	Q1-3 2012	Change
Production of commercial coal (million t)	1.18	1.52	28.8%	3.78	4.09	8.2%
Electric energy generation (net production) (TWh)	5.09	4.85	-4.7%	16.3	14.09	-13.6%
Including: from renewable sources	0.31	0.28	-9.7%	0.77	0.92	19.5%
Heat Generation (PJ)	0.99	0.95	-4%	10.39	10.68	2.8%
Distribution (TWh)	9.34	11.54	23.6%	28.53	35.72	25.2%
Electricity supply (TWh)	8.28	10.61	28.1%	26.65	33.14	24.3%
Number of customers – Distribution (thousand)	4,137	5,294	28%	4,137	5,294	28%

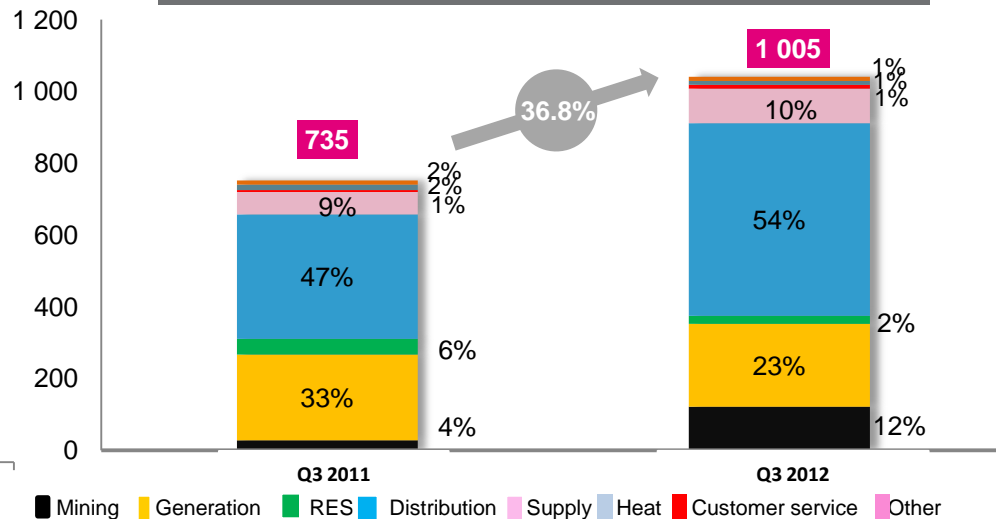
Financial Results for Q3 2012



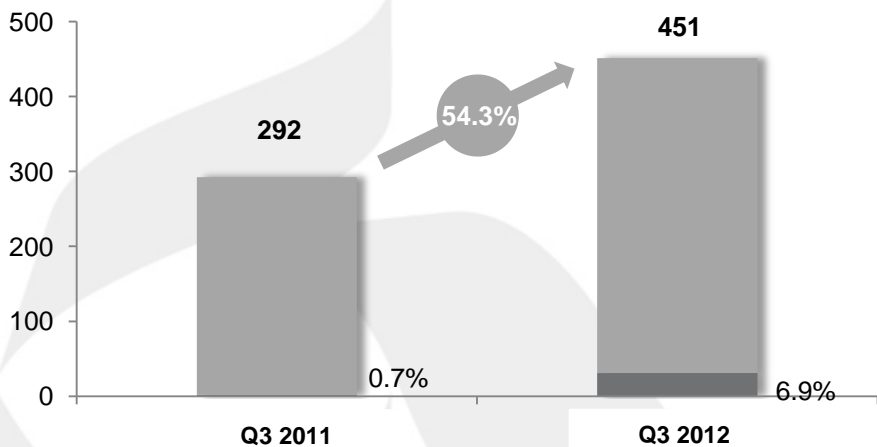
TAURON Group's revenue [PLN m]



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

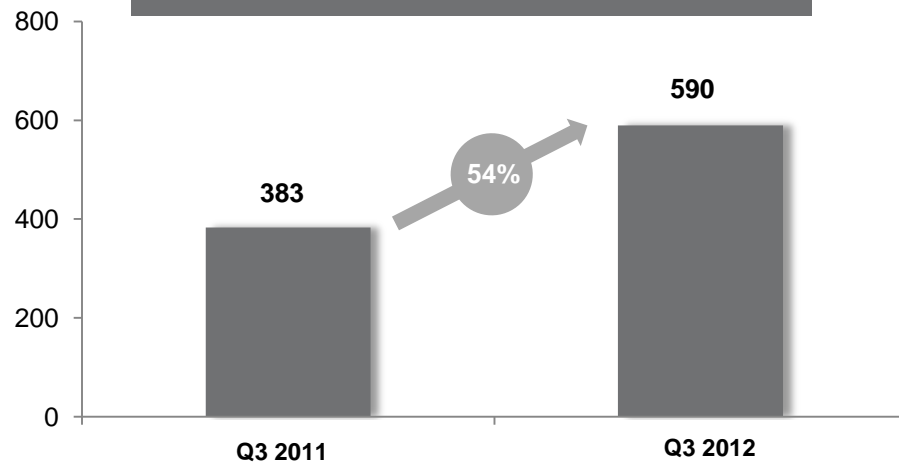


TAURON Group's net profit [PLN m]



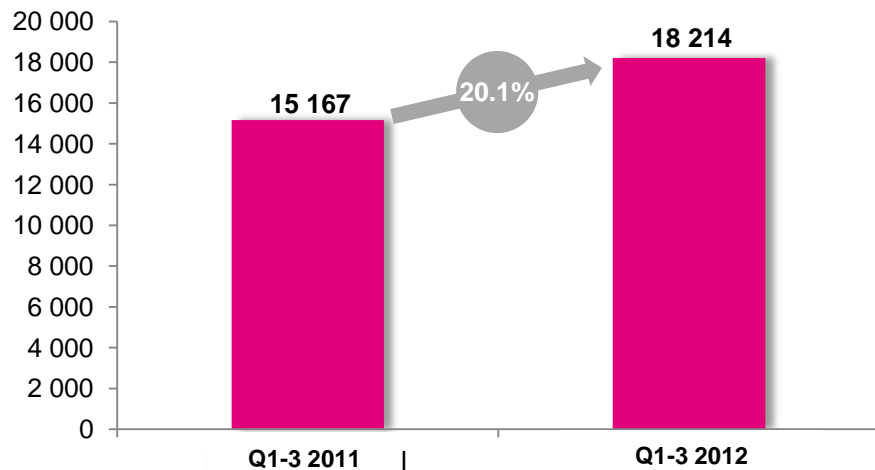
Share of minority shareholders in profit

TAURON Group's EBIT [PLN m]

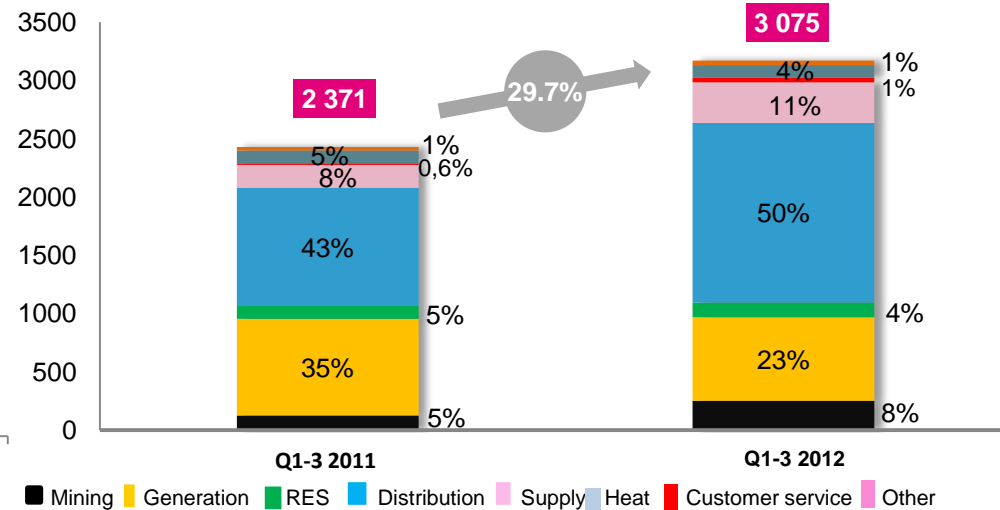


Financial Results for Q1-3 2012

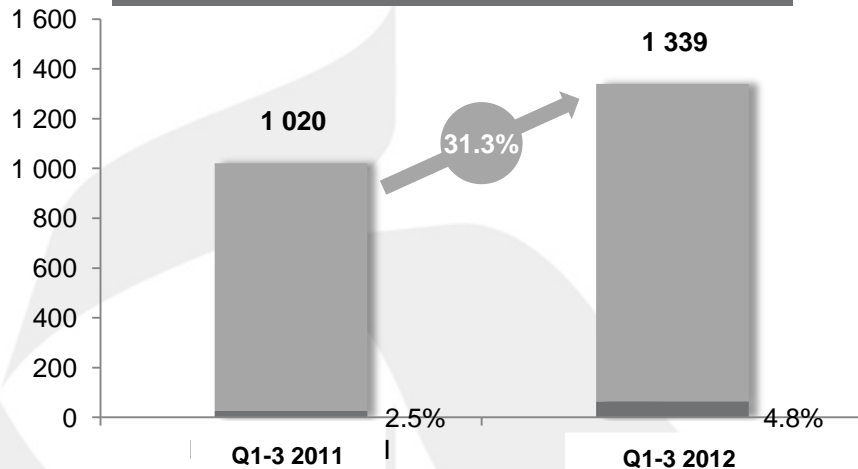
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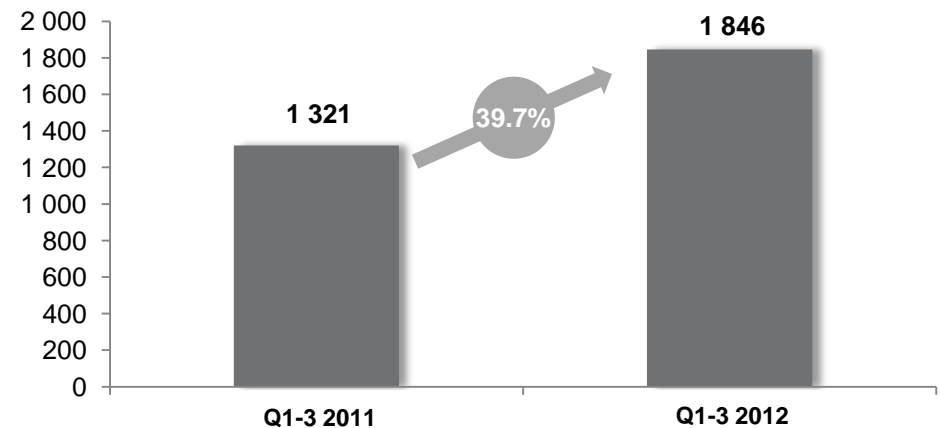


TAURON Group's net profit [PLN m]



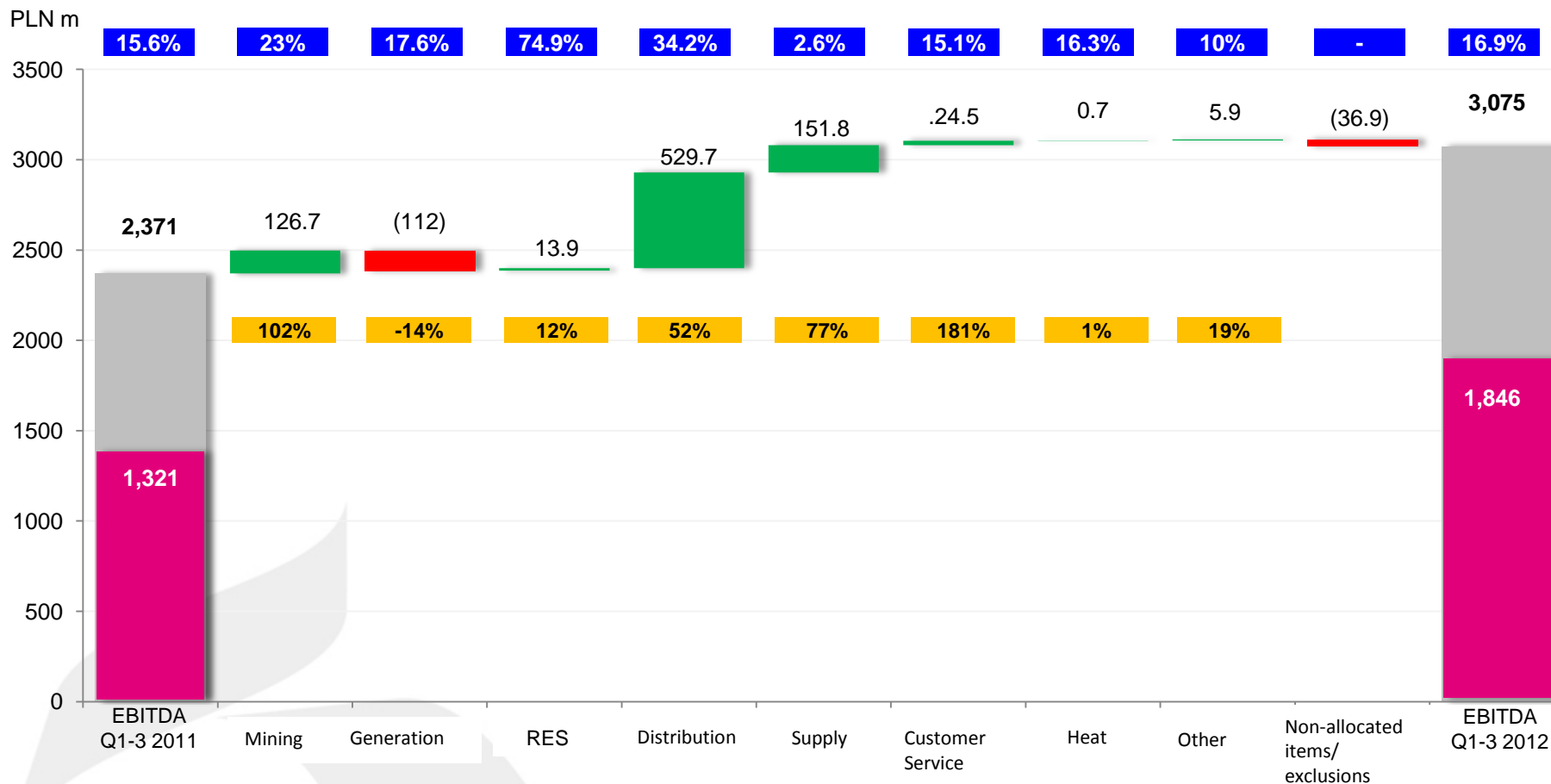
Share of minority shareholders in profit

TAURON Group's EBIT [PLN m]



EBITDA – Q1-3 2012

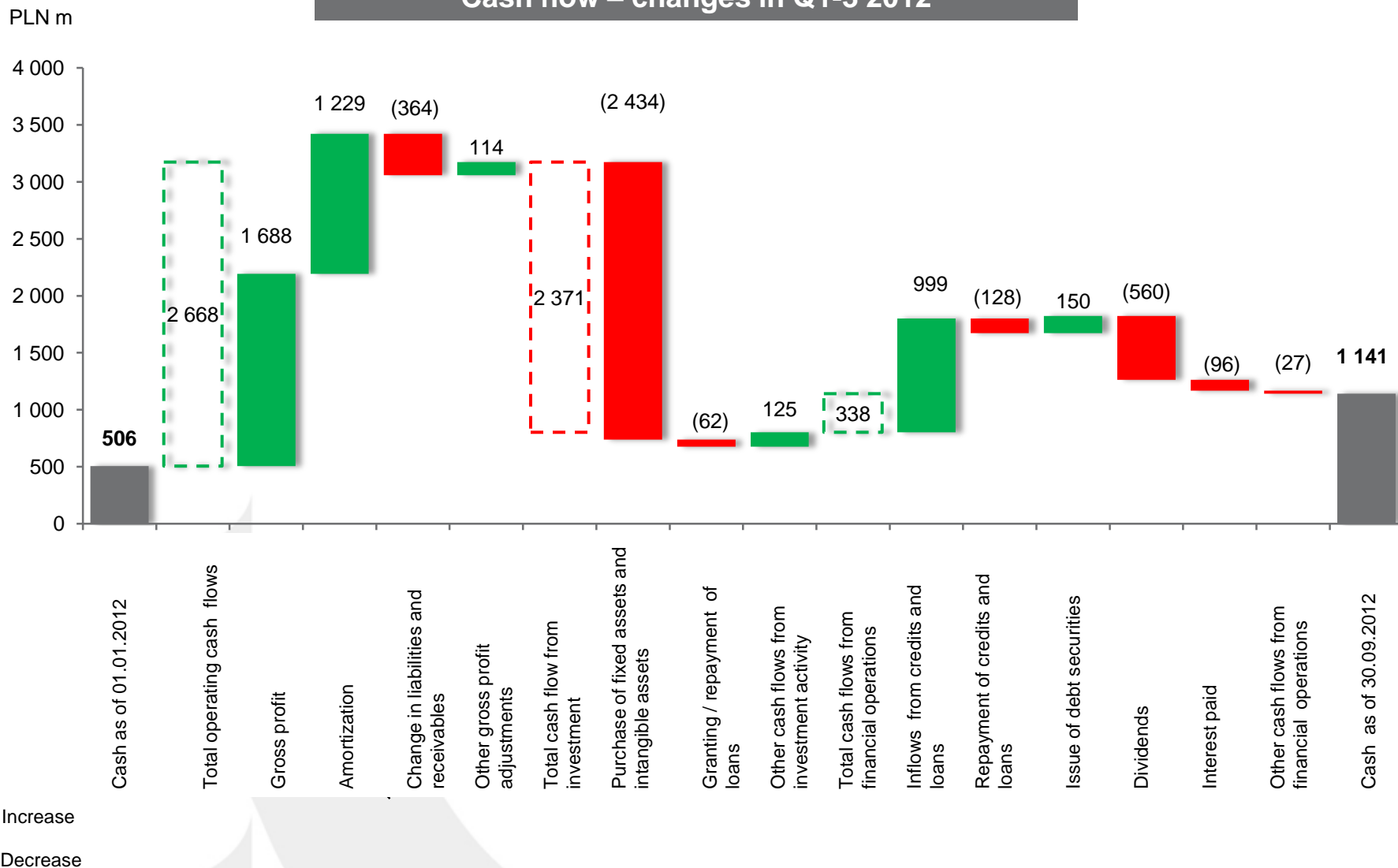
Change in EBITDA per segment [PLN m and %]; EBITDA margin per segment [%]



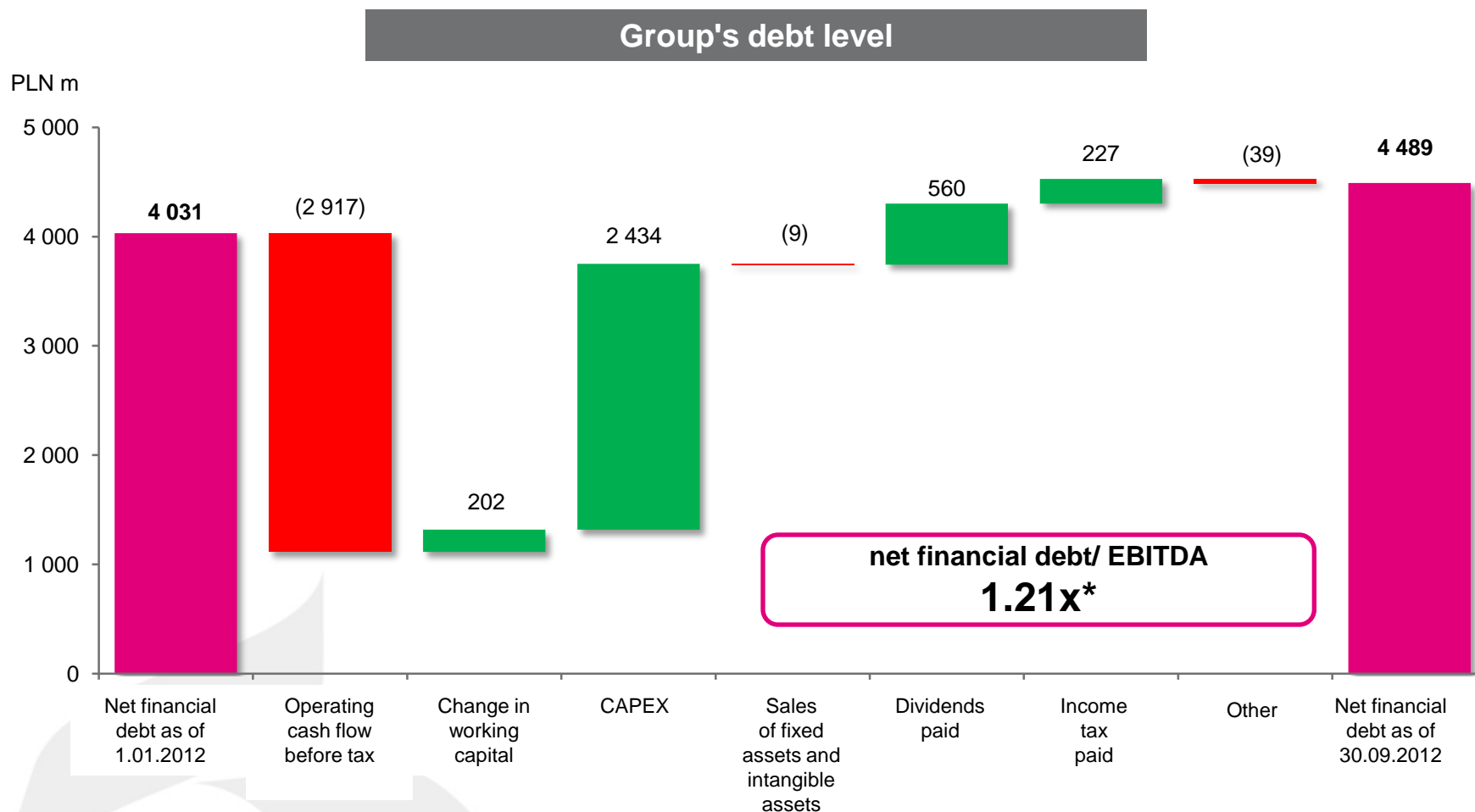
- EBIT
- Increase in segment
- Change in segment in %
- Amortisation
- Decrease in segment
- EBITDA Margin

Change in cash flows

Cash flow – changes in Q1-3 2012



Group's debt level

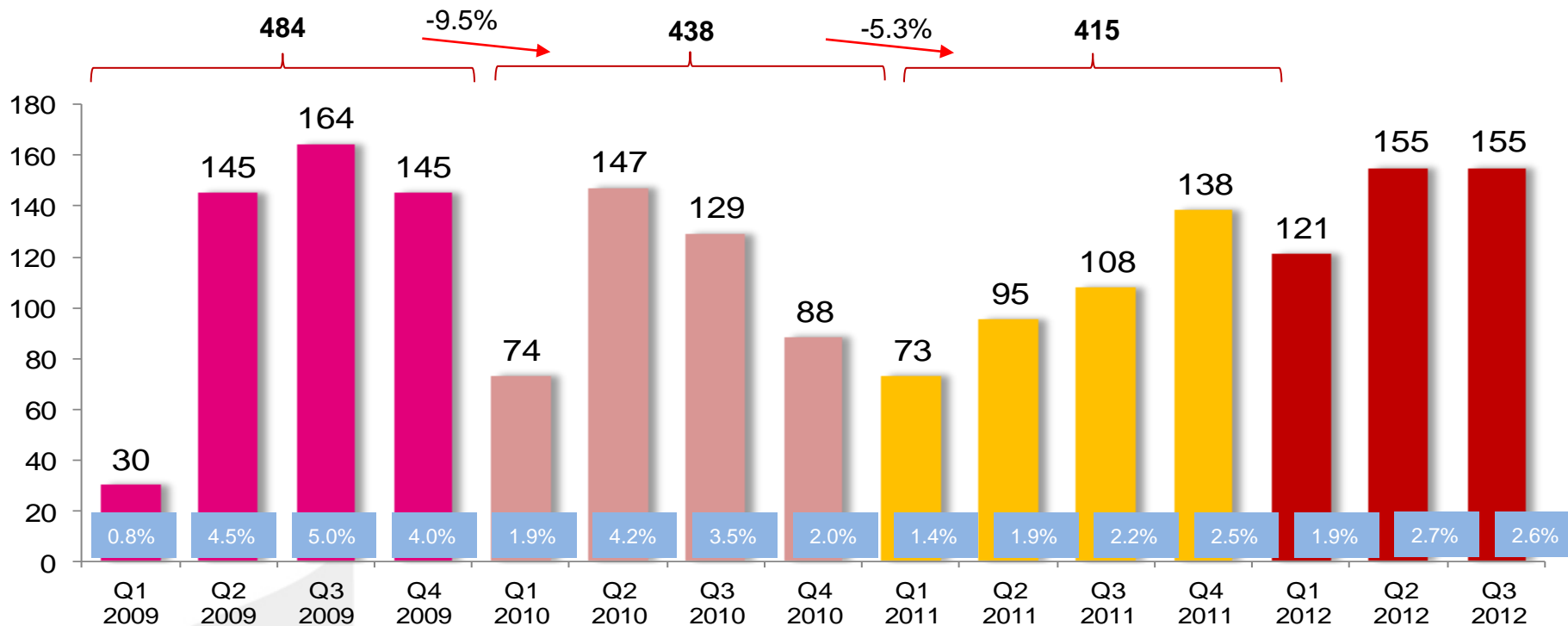


- In Q3 2012 net financial debt increased by approx. PLN 50m (among others, as a result of drawing the first tranche of a loan from EIB in July 2012, in the amount of PLN 450m)

* based on 12 month EBITDA for the period 1.10.2011 – 30.09.2012

Compensation due to termination of Long-Term Contracts

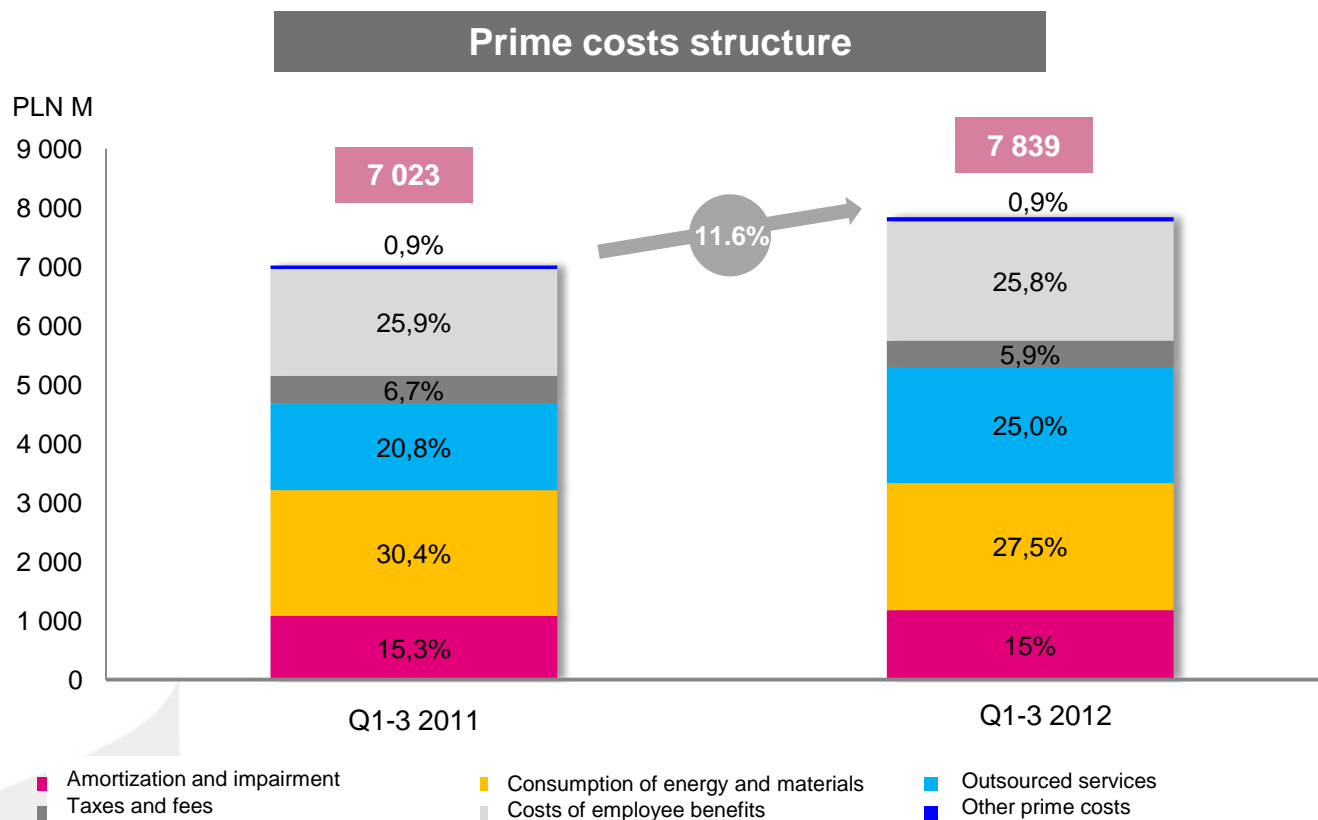
Revenue due to compensation



XX% Share of LTC in quarterly revenue

Revenue due to compensation consists of:

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



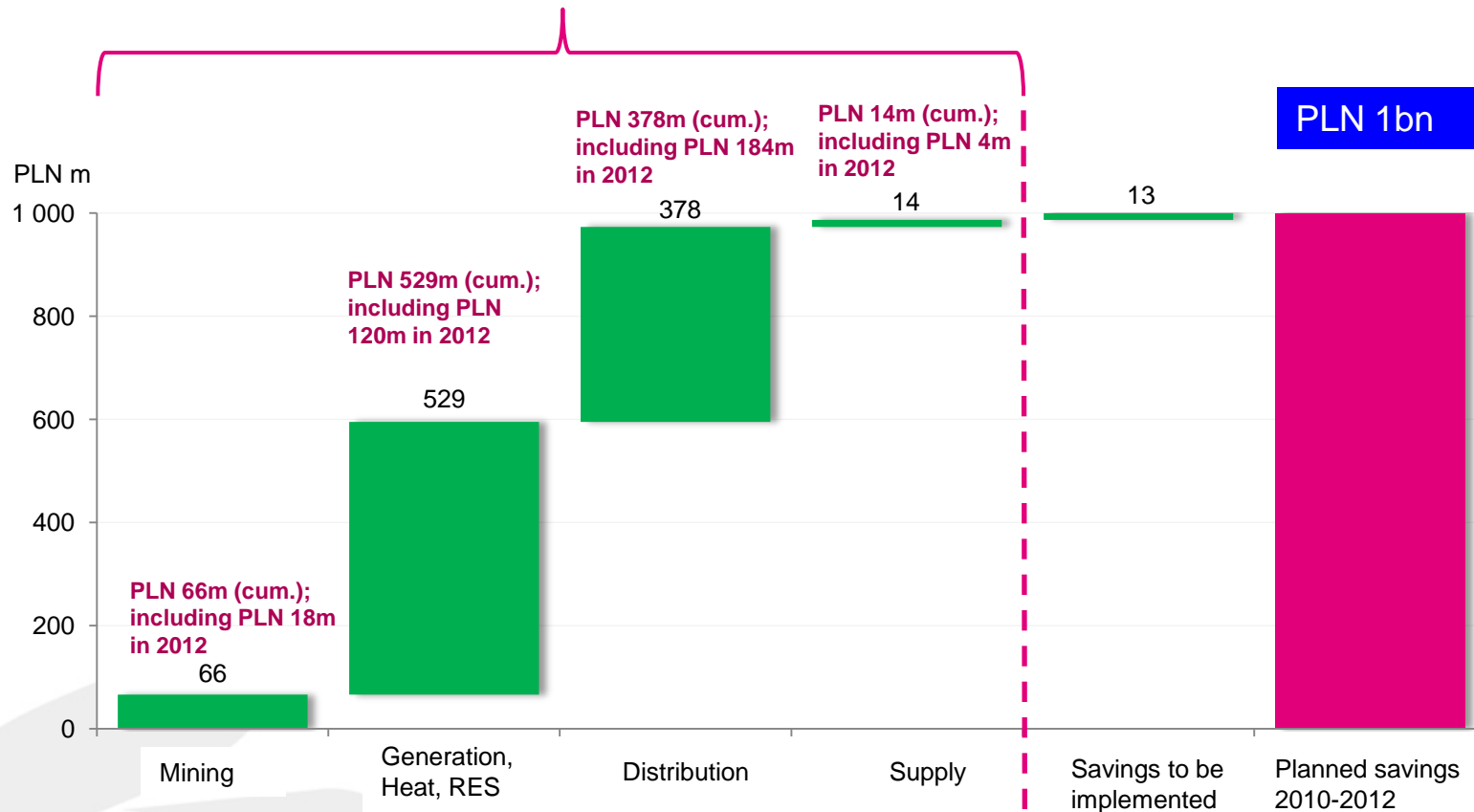
Cost increase in Q1-3 2012 is mainly attributable to:

- outsourced services, especially due to increased cost of distribution services
- costs of employee benefits – costs related to implementation of labour cost reduction programs for employees leaving the company voluntarily

In Q1-3 2012 the variable costs constituted approx. 46%, and fixed costs constituted approx. 54% of the total costs. As compared to the corresponding period of 2011, when variable costs constituted 43% and fixed costs constituted 57%, the cost structure has improved.

Efficiency improvement program almost completed...

By 30 September 2012 cumulative OPEX savings amounted to PLN 987m



30 September 2012

Voluntary Redundancy Program: 2,764 persons joined the program (since its launch) as of the end of Q3 2012, out of which in 2012 employment contracts were terminated with 524 persons (in total, since program launch: 1,953 persons). Savings resulting from redundancies, decreased by costs incurred to gain savings, are included in the amounts presented per segment.

...simultaneously, preparations to the new program for 2013-2015 are almost finished

Distribution of the planned savings in the new efficiency improvement program

Approx. 90%



▪ Generation and Distribution

Over 50%



▪ Generation

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

2012

- Progress of works related to the new efficiency improvement program: over 90%
- Works related to the program are carried out concurrently with drafting of the financial plan for the Group for 2013
- Information on the program is scheduled to be disclosed in December 2012

2013

2014

2015

- Savings will increase after each year of the program execution

Growth of GZE assets' value

Transaction value: PLN 3.6bn

EV/EBITDA(2010): 8x

Increased asset valuation approx. PLN 0.2bn¹⁾

Synergy value: approx. PLN 0.3bn

Increased asset valuation approx. PLN 0.5bn²⁾

Adjusted value: PLN 4.1bn

EV/EBITDA(2010): 7x

Adjusted value: PLN 4.4bn

EV/EBITDA(2010): 6x

¹⁾ Only the effect of historical results (2011 and 2012) was considered – higher than originally assumed

²⁾ Provided that the higher results will be maintained over the following four years

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

- Development of TAURON Group's financing strategy, in cooperation with investment banks
- Acquiring preferential funds 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 funds/ subsidies from the EU funds and environmental funds
- Planned net debt/EBITDA ratio at the end of 2012: approx. 1.5x



Thank You – Q&A



Investor Relations

Marcin Lauer

marcin.lauer@tauron-pe.pl

tel: + 48 32 774 27 06

Paweł Gaworzyński

pawel.gaworzynski@tauron-pe.pl

tel: + 48 32 774 25 34

Magdalena Wilczek

magdalena.wilczek@tauron-pe.pl

tel: + 48 32 774 25 38



Additional Information



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	200.24	138,581	+ 2.5%	+ 29.7%
Forward PEAK (Y+Q+M)	219.01	14,744	225.66	17,071	+ 3.0%	+ 15.8%
Forward (weighted average)	198.23	121,555	203.02	155,653	+ 2.4%	+ 28.1%
SPOT (TGE + GPW-POEE)	199.08	18,905	175.89 (Forecast)	19,695 (Forecast)	- 11.6%	+ 4.2%
Total weighted average	198.34	140,460	199.98	175,348	+ 0.8%	+ 24.8%

CO₂ emission allowances (EUR/t)

Questionnaire of CO ₂ market analysts *	Price (EUR/t)
Average in 2012	6.5 – 8 EUR/t
Average in 2013	7.5 – 10 EUR/t
Average in 2014	10 – 12 EUR/t
Average price forecast by TAURON – EUA in 2012	7 – 8 EUR/t

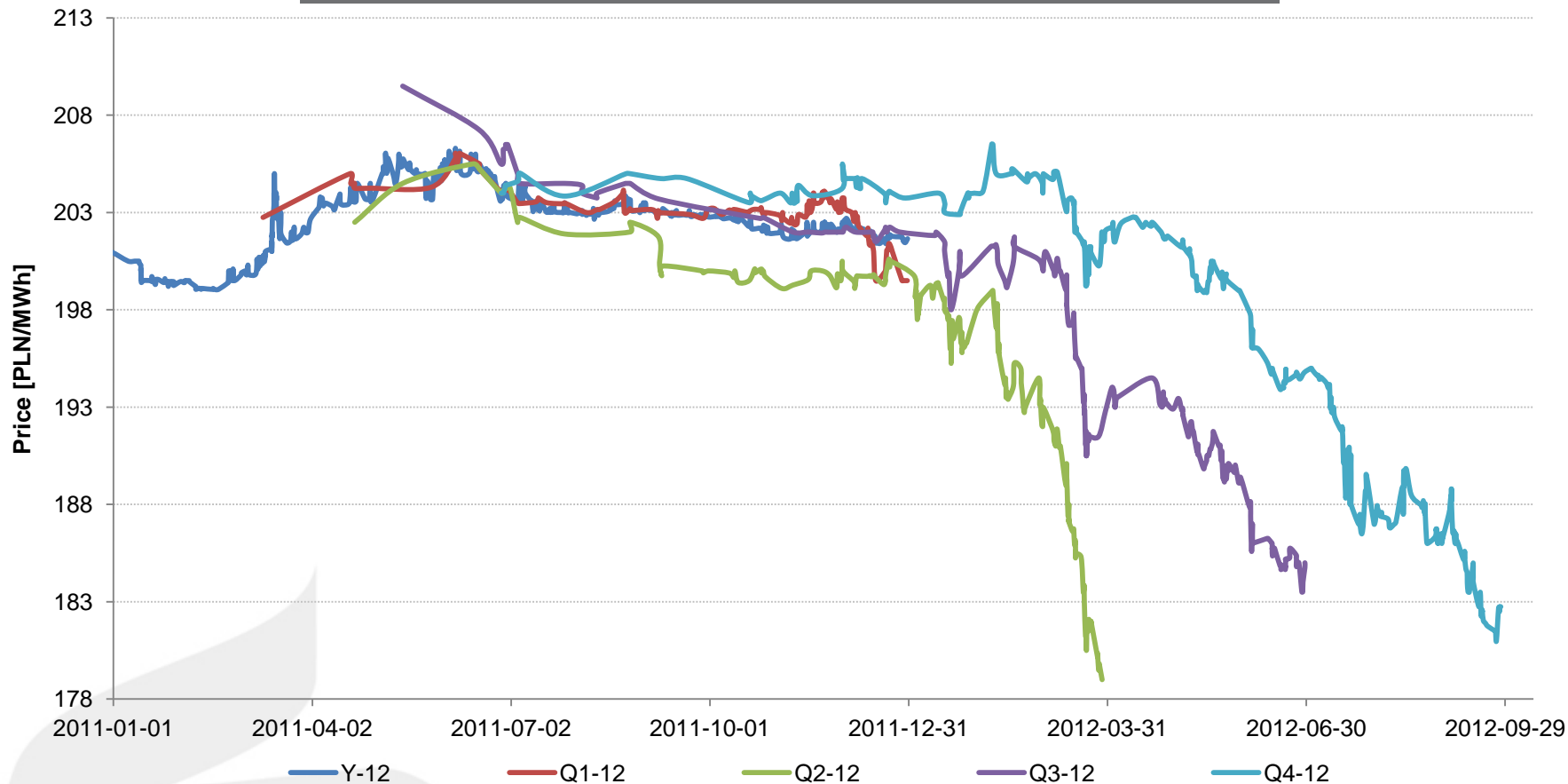
*Source: Deutsche Bank, Barclays Capital, Point Carbon

Certificates (PLN/MWh)

Type of certificate	Estimates of market prices for December 2012	Substitution fee and obligation for 2012
RES (green)	229.00	286.74 (10.4%)
Coal co-generation (red)	6.50	29.30 (23.2%)
Gas co-generation (yellow)	123.00	128.80 (3.5%)
Methane (violet)	57.50	60.00 (0.6%)

BASE contracts for 2012

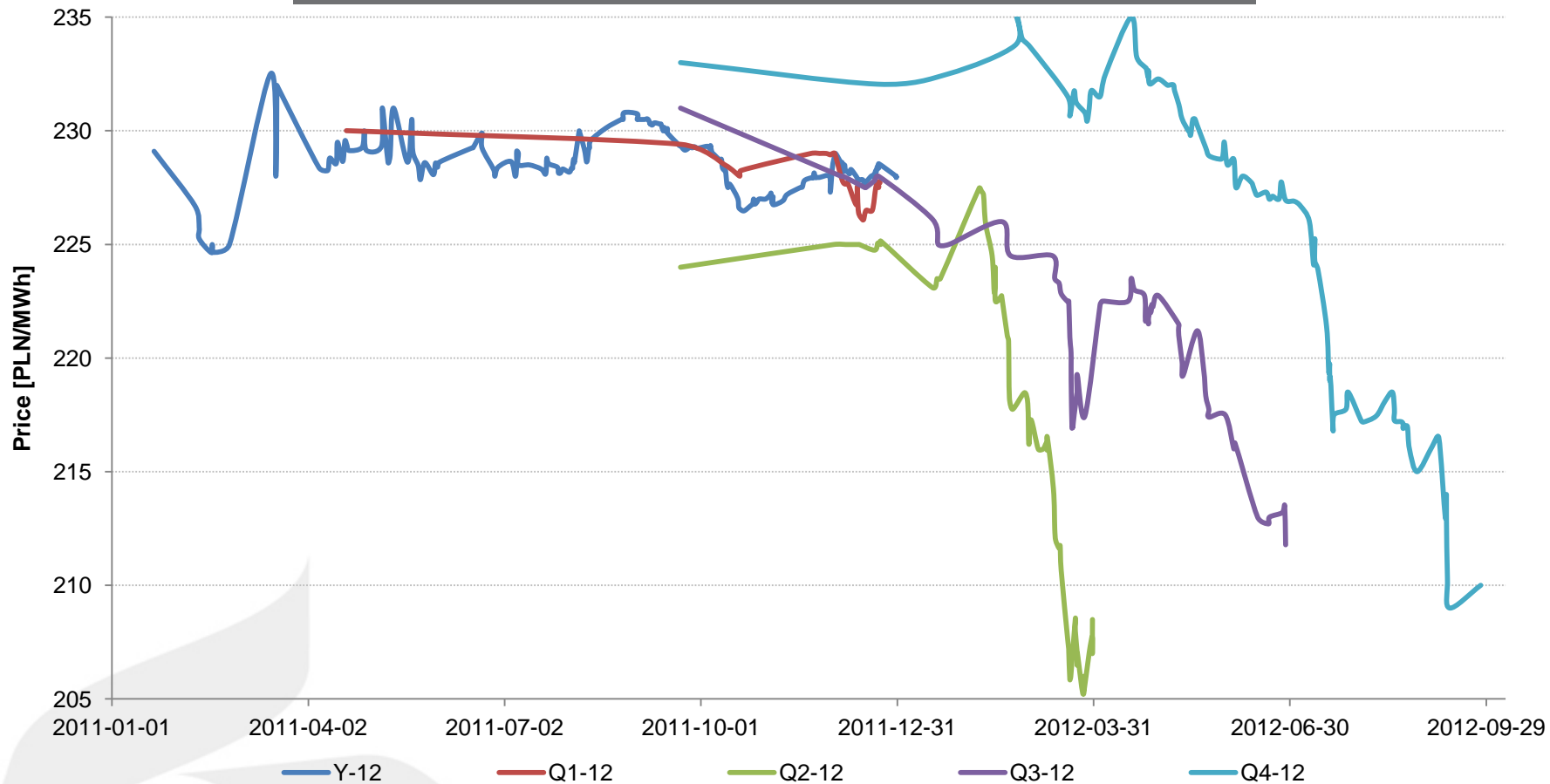
Prices of BASE contracts concluded for 2012



Average price of transactions concluded	[PLN/MWh]:	Volume [GWh]
Annual	202.61	100,796
Quarterly	195.95	26,345
Monthly	189.17	11,440
TOTAL	200.24	138,581

PEAK contracts for 2012

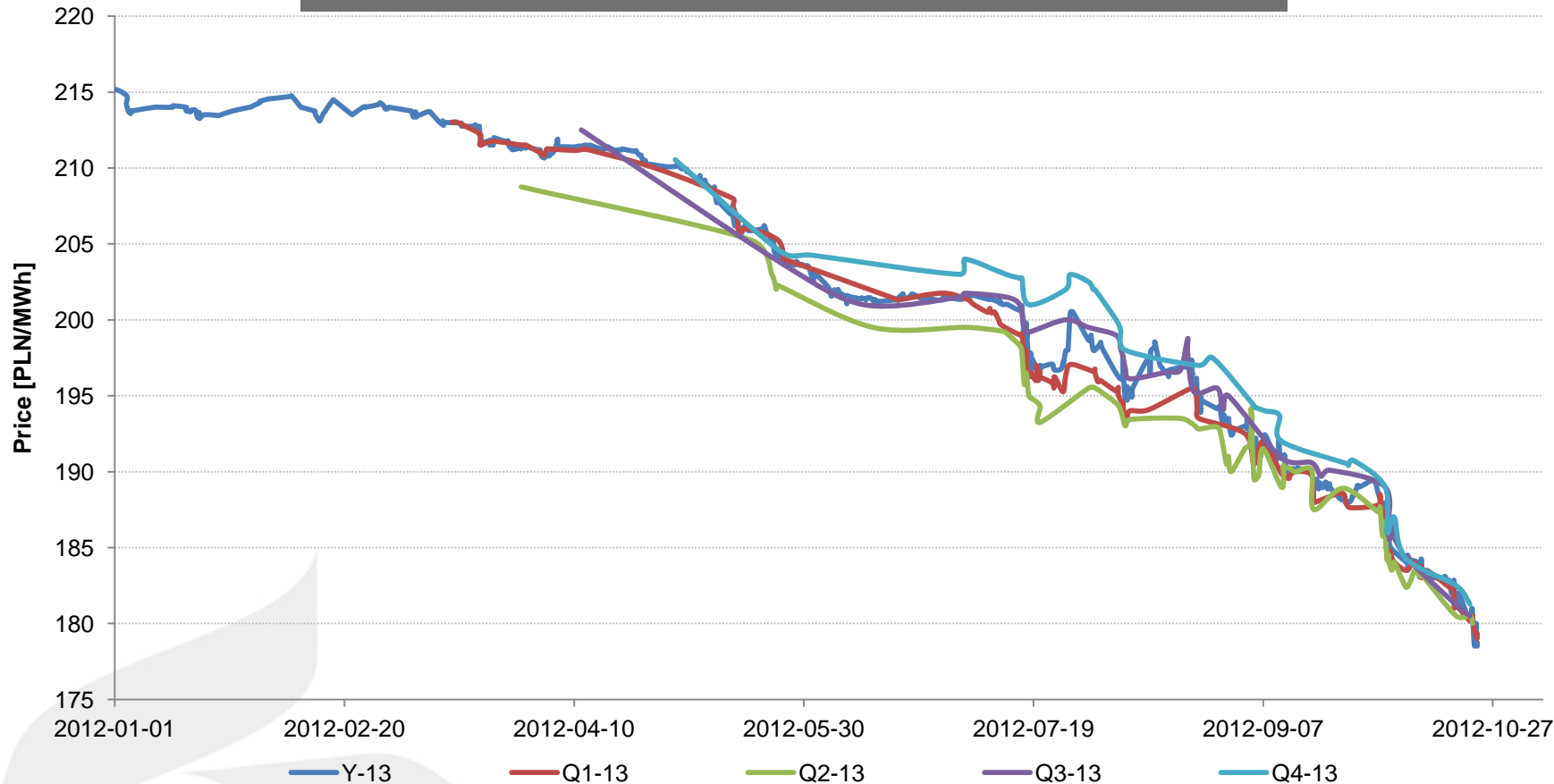
Prices of PEAK contracts concluded for 2012



Average price of contracts concluded	[PLN/MWh]:	Volume [GWh]
Annual	228.52	11,616
Quarterly	223.51	2,891
Monthly	215.12	2,564
TOTAL	225.66	17,071

BASE contracts for 2013

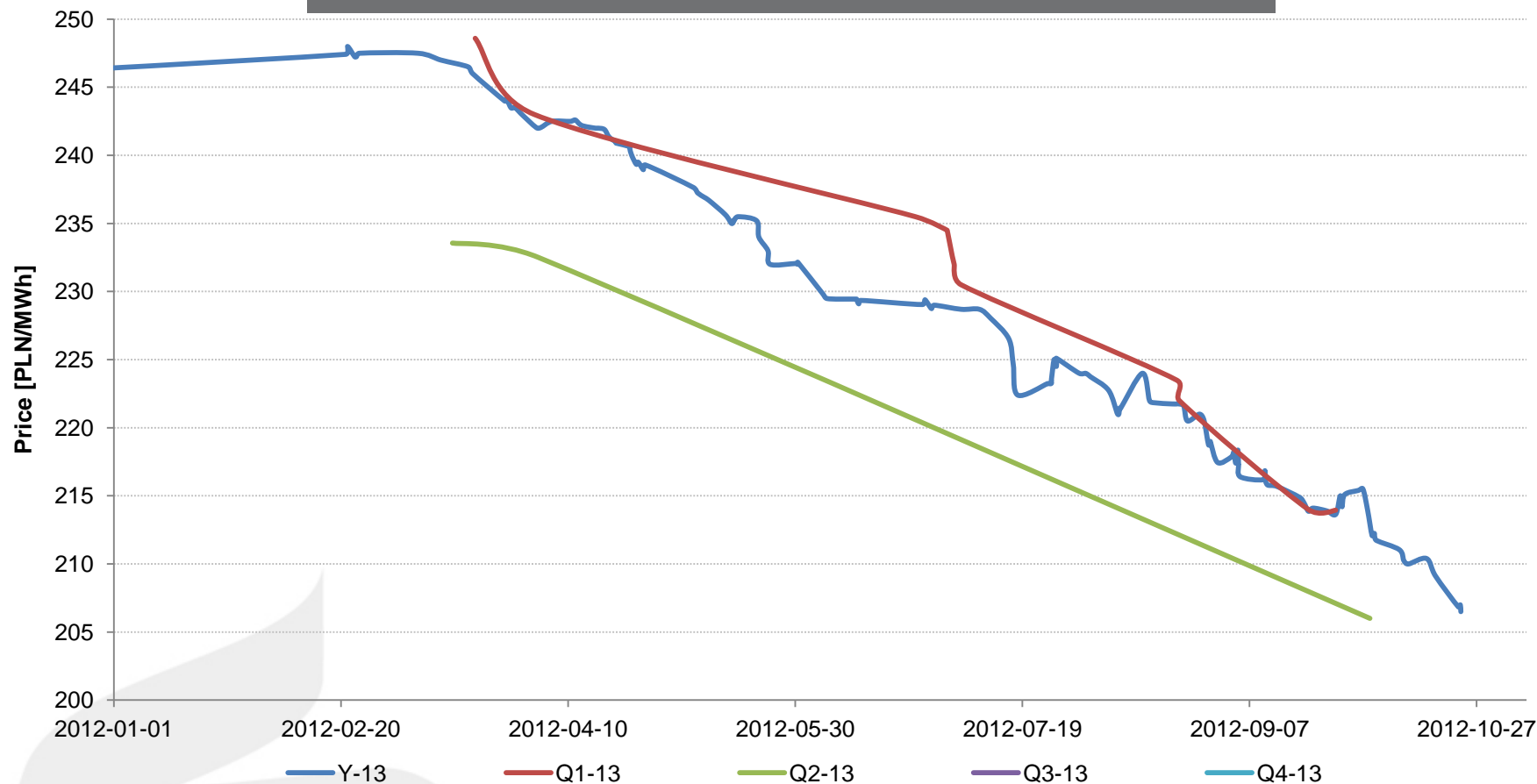
Prices of BASE contracts concluded for 2013



Average price of contracts concluded	[PLN/MWh]:	Volume [GWh]
Annual	201.07	73,689
Quarterly	193.83	4,937
Monthly		
TOTAL	200.62	78,626

PEAK contracts for 2013

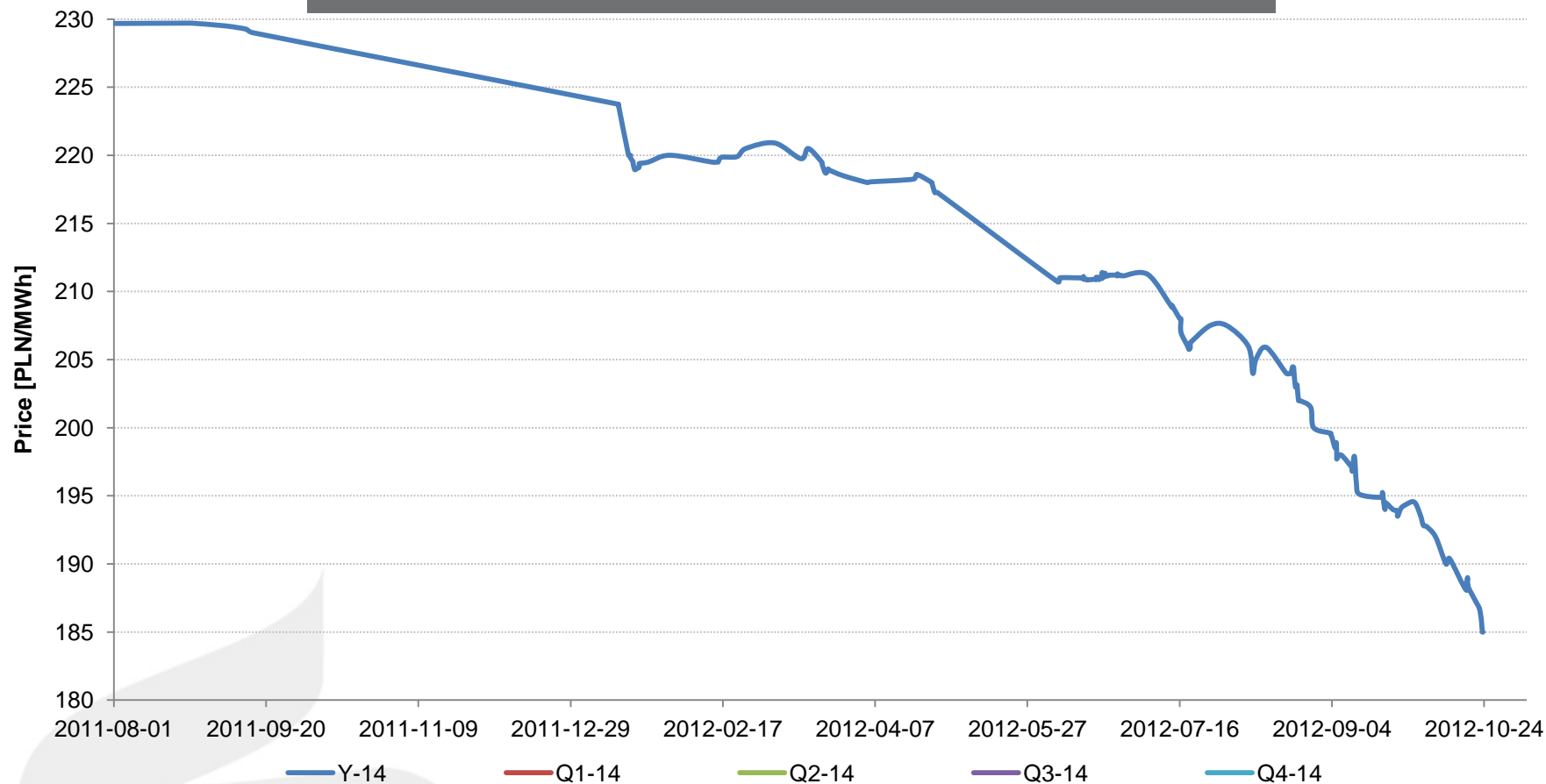
Prices of PEAK contracts concluded for 2013



Average price of contracts concluded	[PLN/MWh]:	Volume [GWh]
Annual	226.90	4,119
Quarterly	225.49	117
Monthly		
TOTAL	226.86	4,236

BASE contracts for 2014

Prices of BASE contracts concluded for 2014



Average price of contracts concluded	[PLN/MWh]:	Volume [GWh]
Annual	208.32	11,169
Quarterly		
Monthly		
TOTAL	208.32	11,169

ZEC Bielsko Biala – new heating unit

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

Status as of 30 September 2012:

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

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

- Capacity – 50 MW_e / 45 MW_t
- Scheduled commissioning – 2012

Status as of 30 September 2012:

- Works connected with commissioning of the unit are in progress. General contractor: Rafako and Omis consortium

Elektrownia Stalowa Wola – K-10 boiler upgrades (biomass burning)

- Capacity – 20 MW_e
- Scheduled commissioning – 2012

Status as of 30 September 2012:

- Final construction and assembly works are in progress
General contractor: Rafako

Elektrownia Tychy – new CHP unit

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

Status as of 30 September 2012:

- Selection of the contractor of the new unit is underway

Elektrociepłownia Tychy – fluidized bed boiler conversion (biomass burning)

- Capacity – 40 MW_e
- Scheduled commissioning – end of 2012

Status as of 30 September 2012:

- construction of a biomass type boiler:
 - Works connected with start-up system are in progress and insulation works are under completion, contractor Metso Power Oy
- construction of biomass feeding installation:
 - Construction works in progress, contractor: Mostostal Warszawa
- construction of WR 40 boiler:
 - Boiler construction and assembly has been completed, contractor: SEFAKO

Elektrownia Stalowa Wola – new CCGT unit

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

Status as of 30 September 2012:

General Contractor – Abener Energia

- On 31 July 2012 the site was handed over
- Design works in progress

Elektrownia Katowice – new CCGT unit

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

Status as of 30 September 2012:

- Contractor selection is ongoing.

Elektrownia Blachownia – new gas unit

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

Status as of 30 September 2012:

- On 23 July 2012 European Commission's clearance was obtained for capital concentration and establishment of an SPV
- On 5 September 2012 TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. established the special purpose vehicle under the name Elektrownia Blachownia Nowa sp. z o.o., with its seat in Kędzierzyn Koźle

Wind Farm – Wicko

- Capacity – 40 MW_e
- Scheduled commissioning – 2013

Status as of 30 September 2012:

- On 24 August 2012 the site was handed over to the General Contractor – consortium of Aldesa Nowa Energia from Kraków and Aldesa Construcciones from Madrid
- Engineering works for roads and assembly yards for 7 wind turbines are in progress

Wind Farm – Marszewo

- Capacity – 100 MW_e
- Scheduled commissioning – 2014

Status as of 30 September 2012:

- The first 7 foundations were laid, including access roads
- Works involving medium voltage and high voltage grid are ongoing. The Main Supply Station is under construction

Elektrownia Jaworzno III – boiler upgrades

- 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 – July 2010; scheduled commissioning – January 2016

Status as of 30 September 2012:

- Upgrade of units No. 2 and 4 was completed. The test run at unit No. 4 is ongoing
- 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 NO_x emission standards to be binding in Poland from 2018
- Commencement of the works – July 2010; scheduled commissioning – January 2015

Status as of 30 September 2012:

- Works at unit No. 12 are completed
- Modernisation works at unit No. 11 have commenced
- General contractor: STRABAG

Elektrownia Jaworzno III – a new coal-fired unit

- Capacity – 910 MW_e
- Scheduled commissioning – 2018

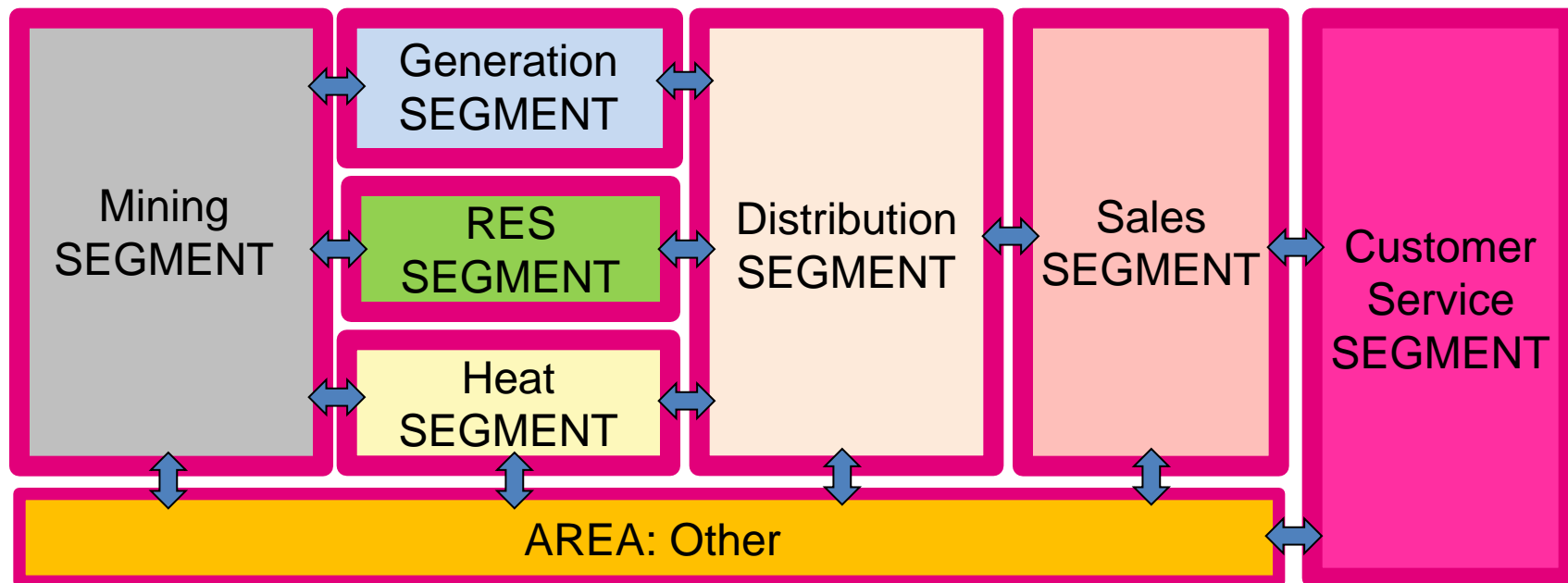
Status as of 30 September 2012:

- Selection of contractor and contract engineer is underway

Update: On 19 October final offer opening took place for the basic scope: turbine, boiler, de-sulphurization system, cooling station

Bidders – leaders of the consortia:

- Alstom Power
- Rafako
- SNC-Lavalin
- China Overseas Engineering Group



Mining Segment:
Południowy Koncern Węglowy

Generation Segment:
TAURON Wytwarzanie

Distribution Segment:
TAURON Dystrybucja
TAURON Dystrybucja GZE
TAURON Serwis GZE

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

Customer Service Segment:
TAURON Obsługa Klienta
TAURON Obsługa Klienta GZE

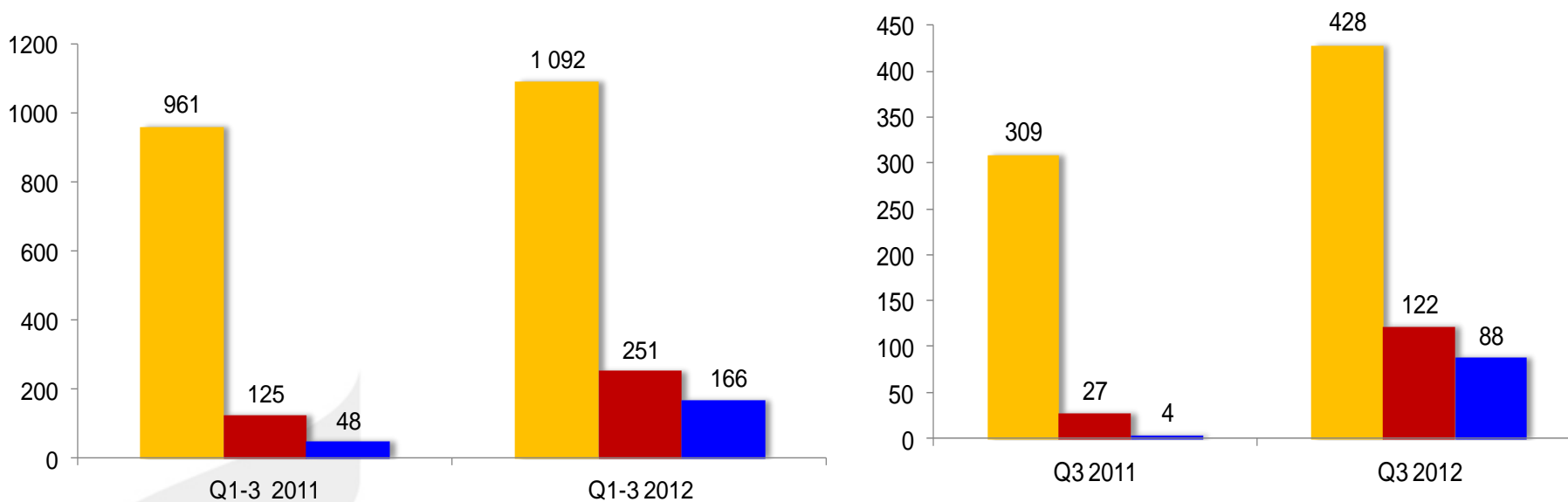
Other Segment:
Kopalnia Wapienia Czatkowice
PE-PKH

Heat Segment:
TAURON Ciepło
EC Tychy
EC Nowa

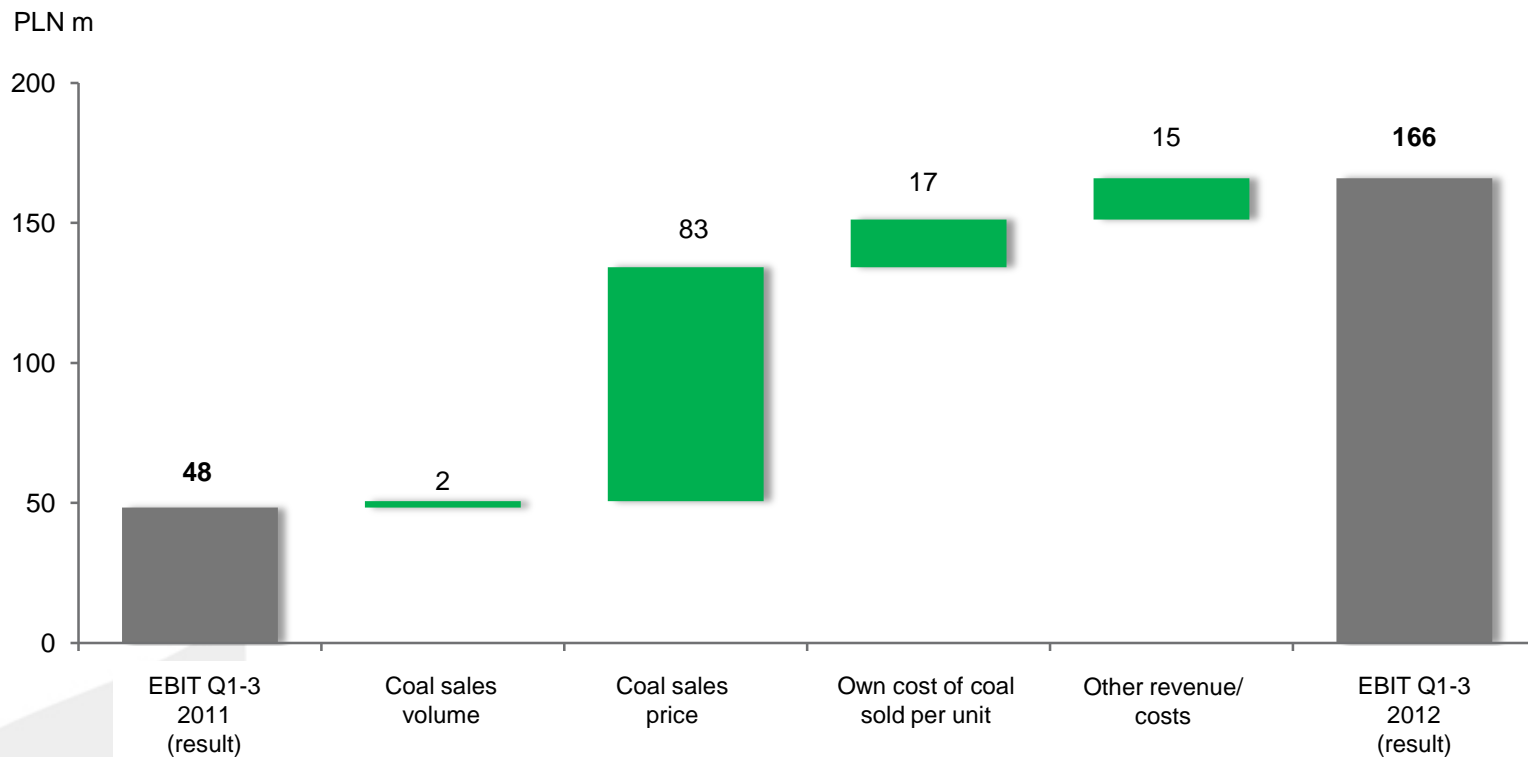
- In Q1 2012 TAURON introduced the new reporting model dividing the Group's operations into **eight segments**

Mining – key financial data

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



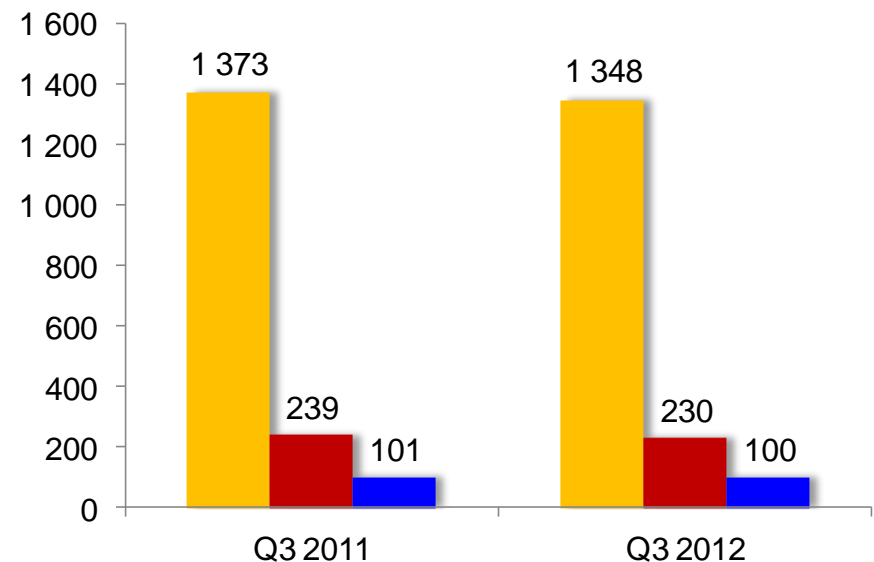
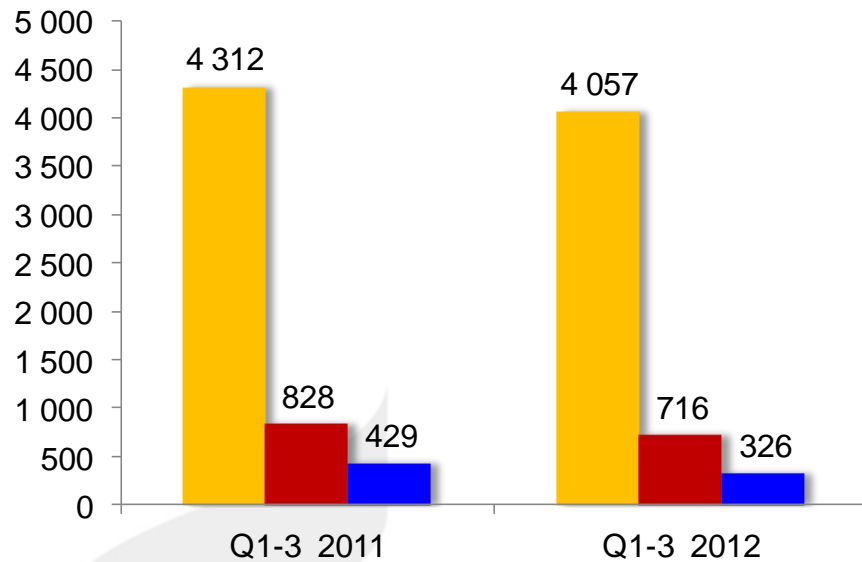
Mining – EBIT bridge



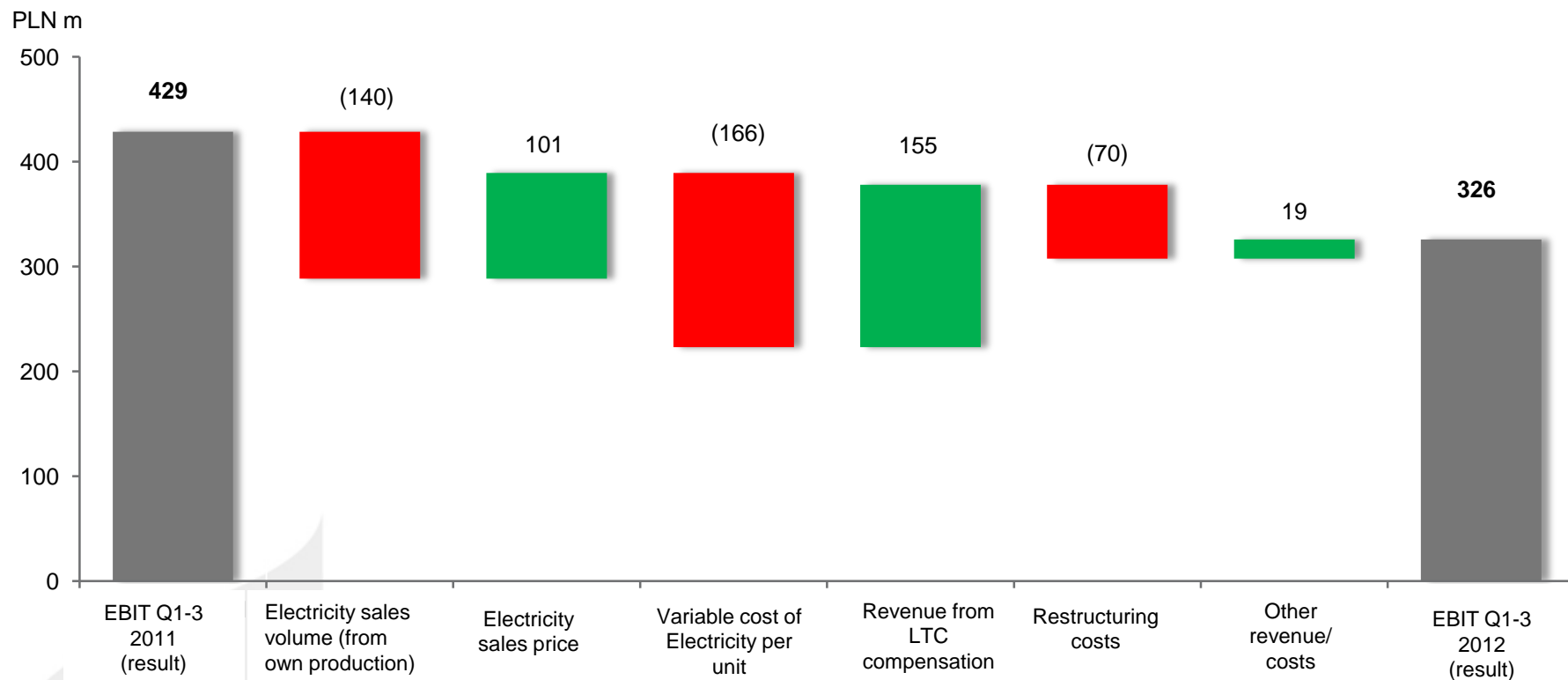
 Increase
 Decrease

Generation from conventional sources – key financial data

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



Generation from conventional sources – EBIT Bridge



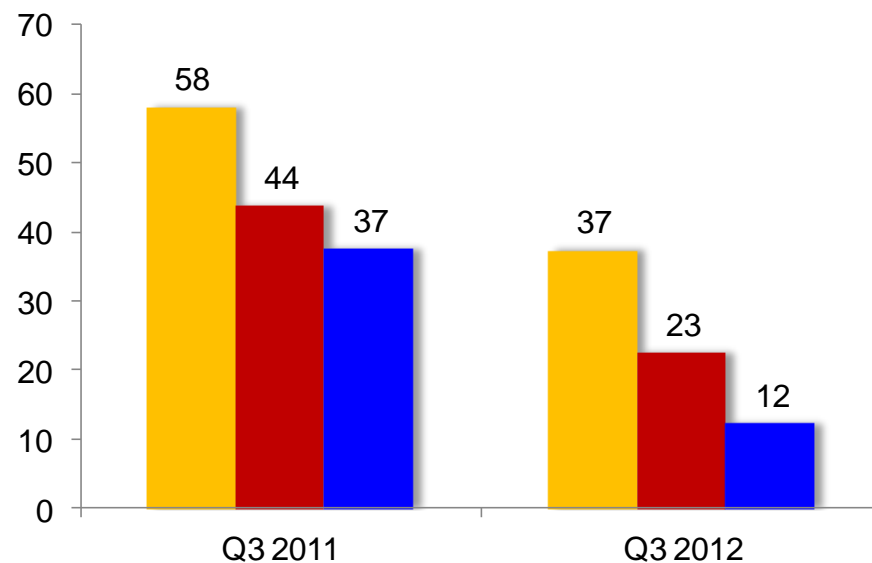
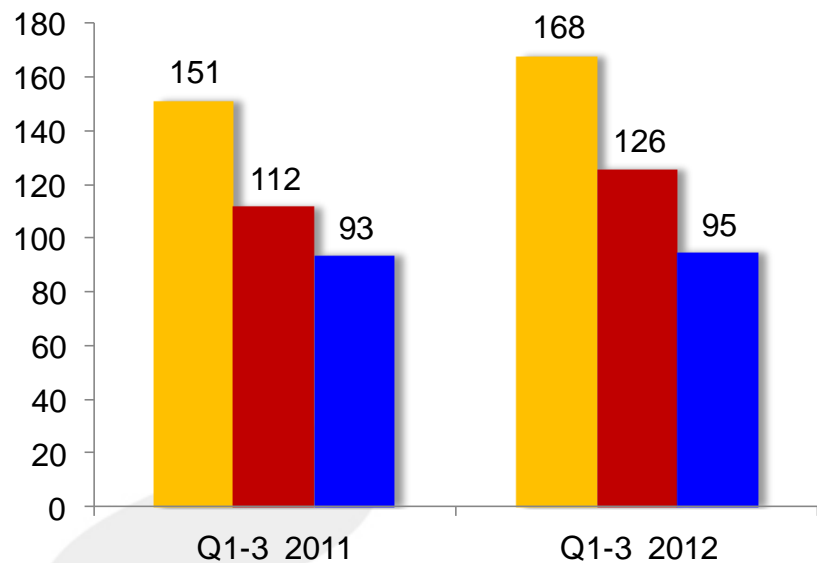
■ Increase

■ Decrease

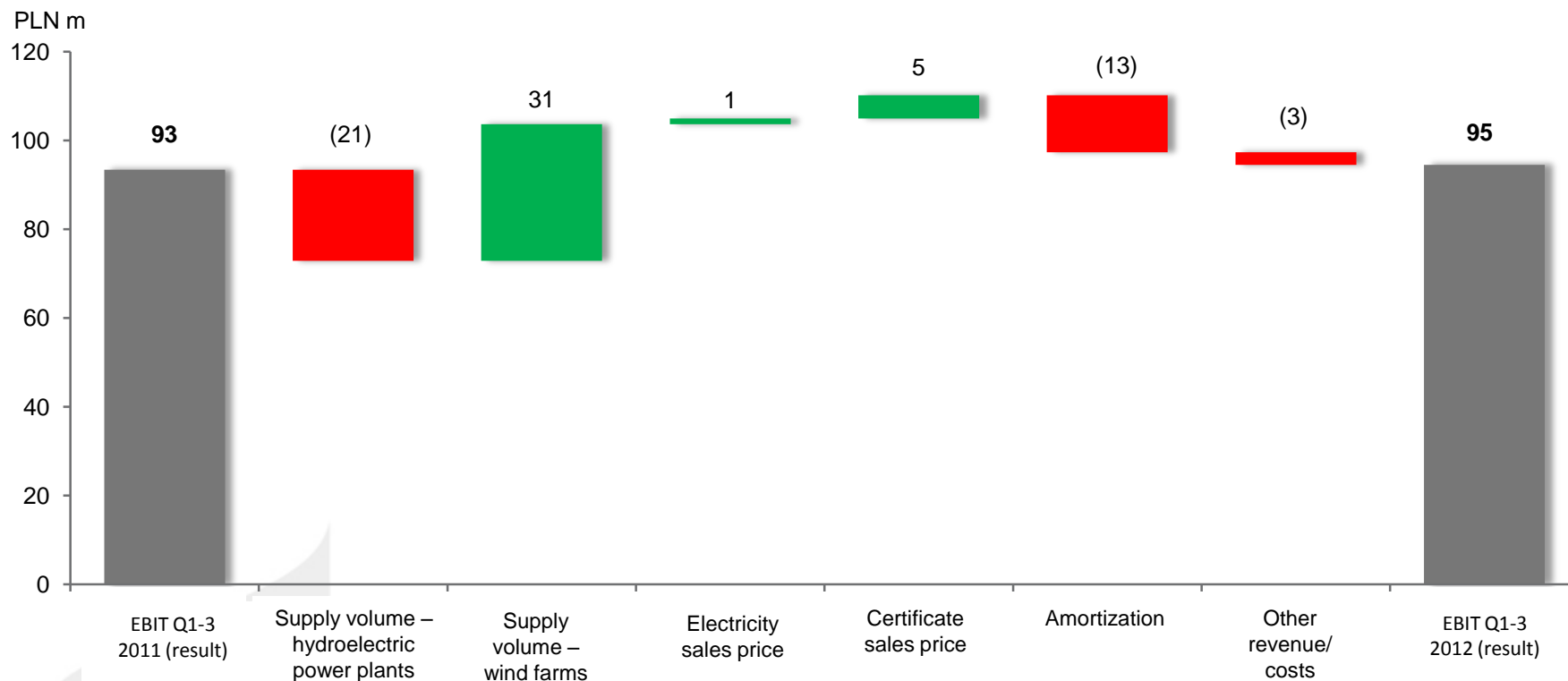


Generation from renewable sources – key financial data

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



RES – EBIT bridge

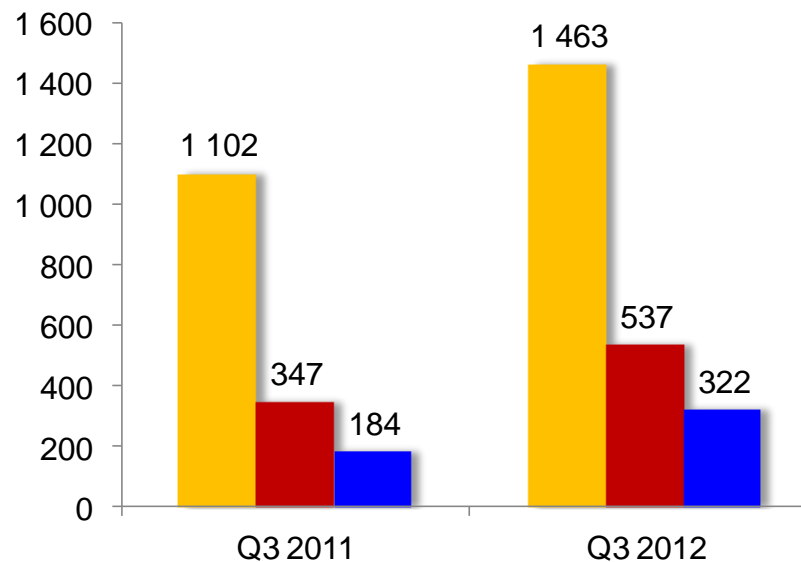
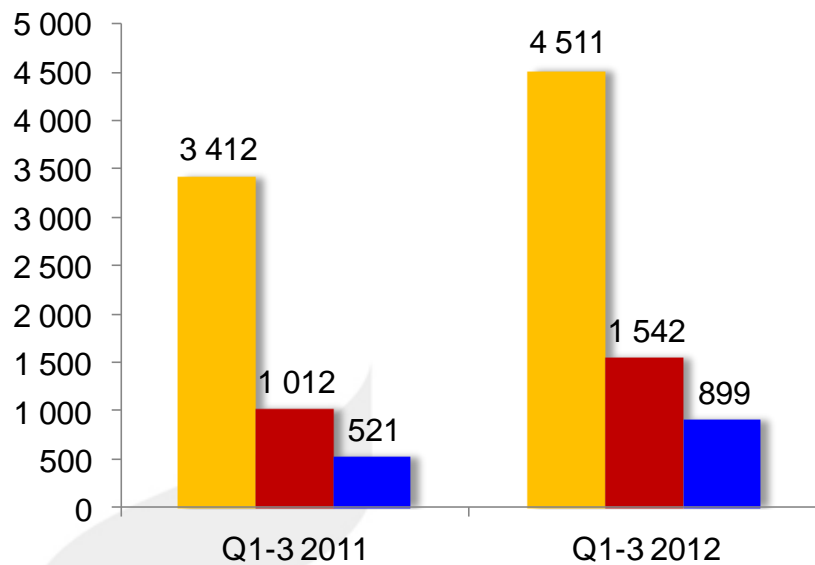


■ Increase
■ Decrease

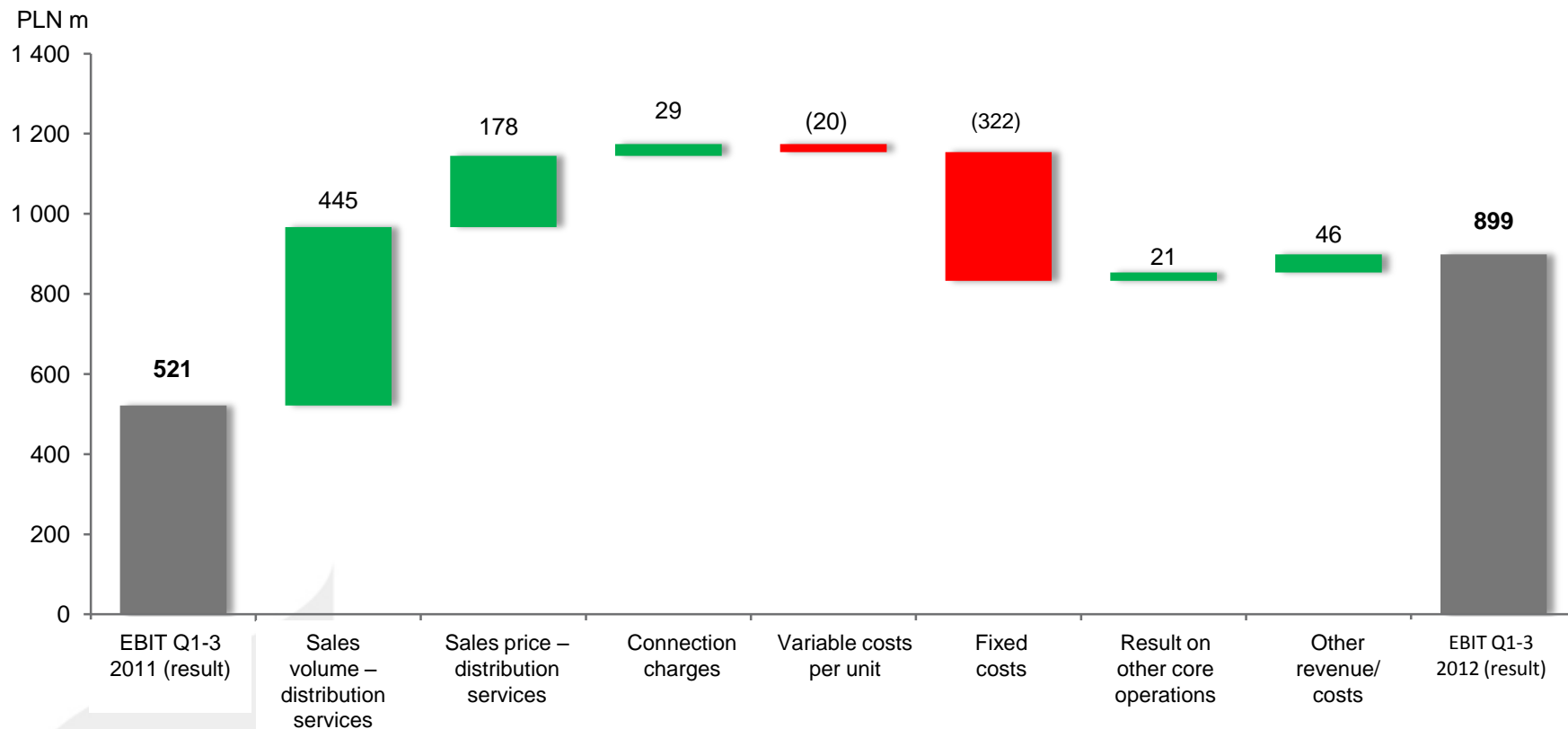
Distribution – key financial data



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



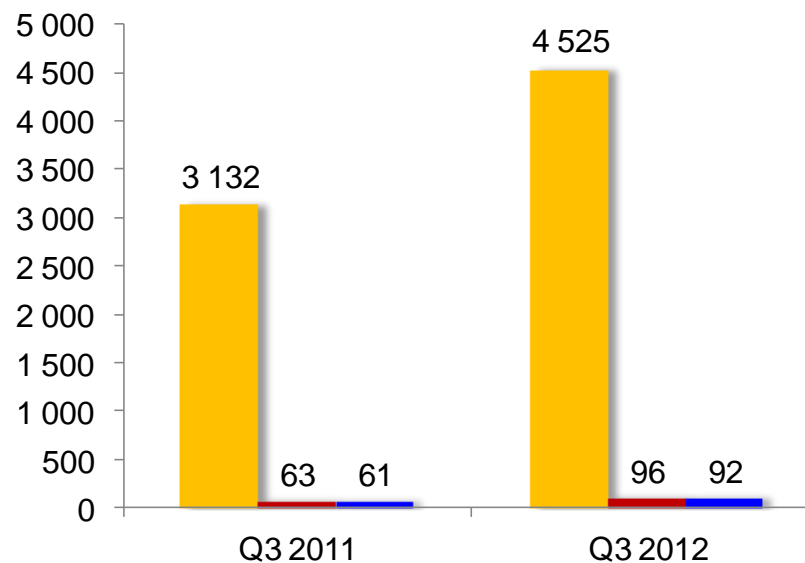
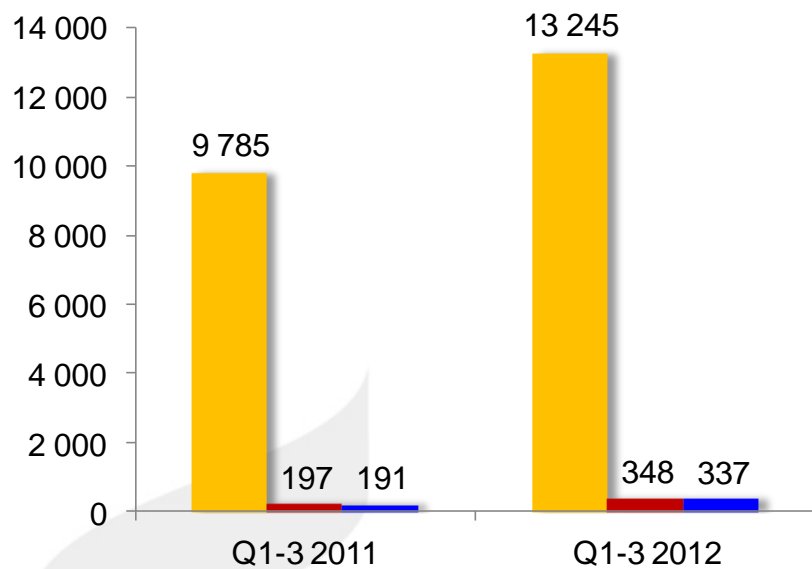
Distribution – EBIT bridge



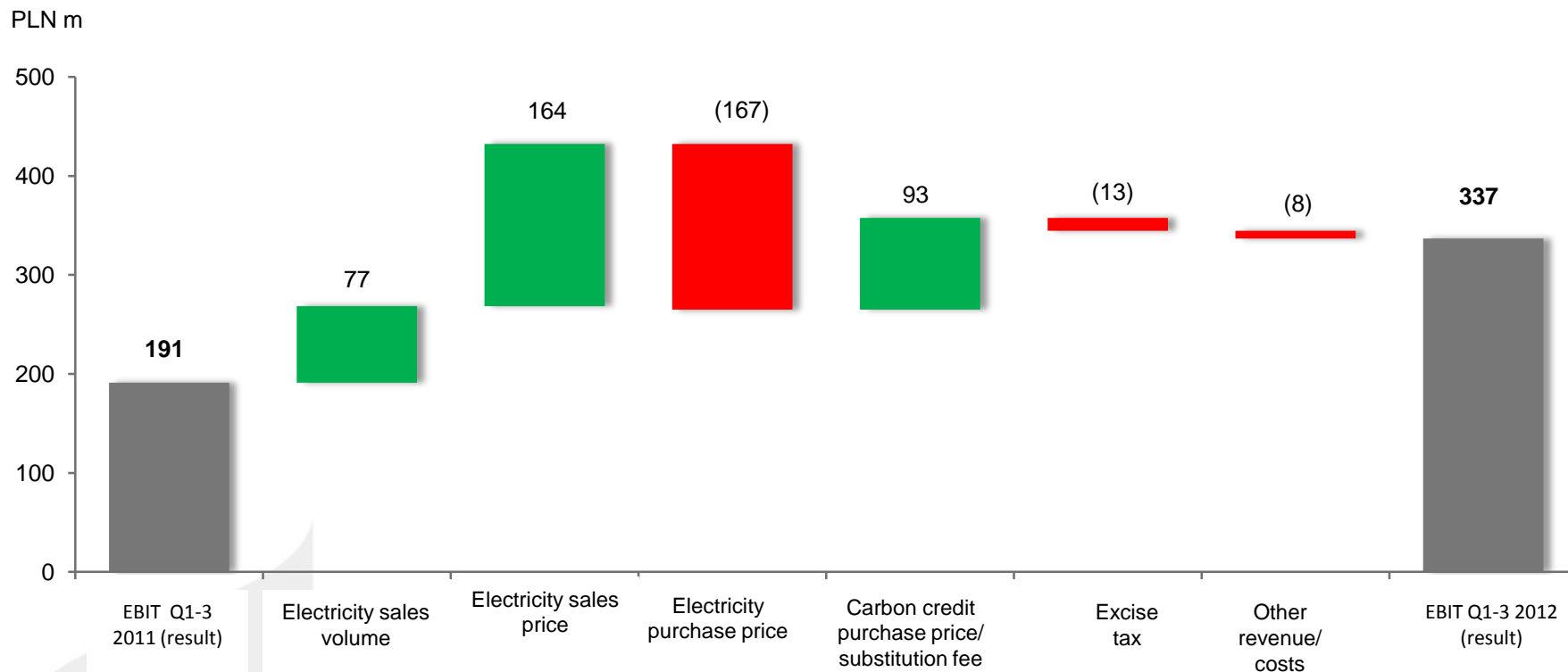
■ Increase
■ Decrease

Supply – key financial data

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



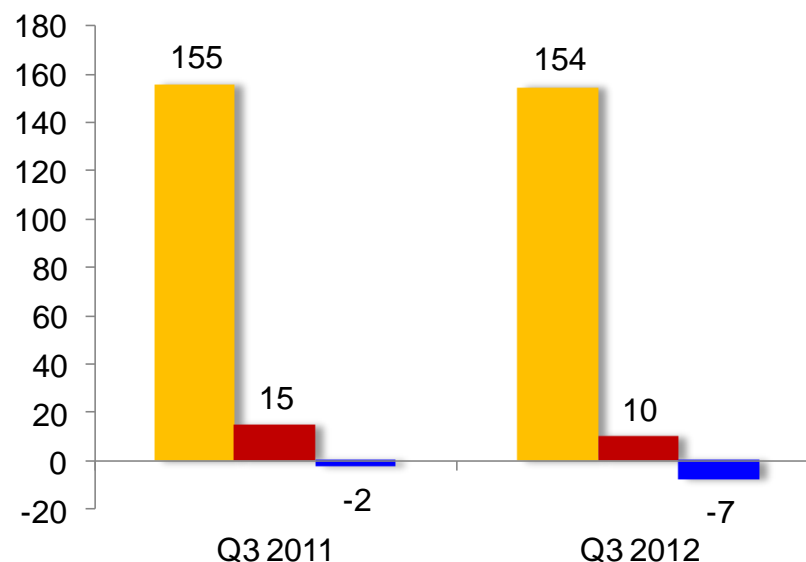
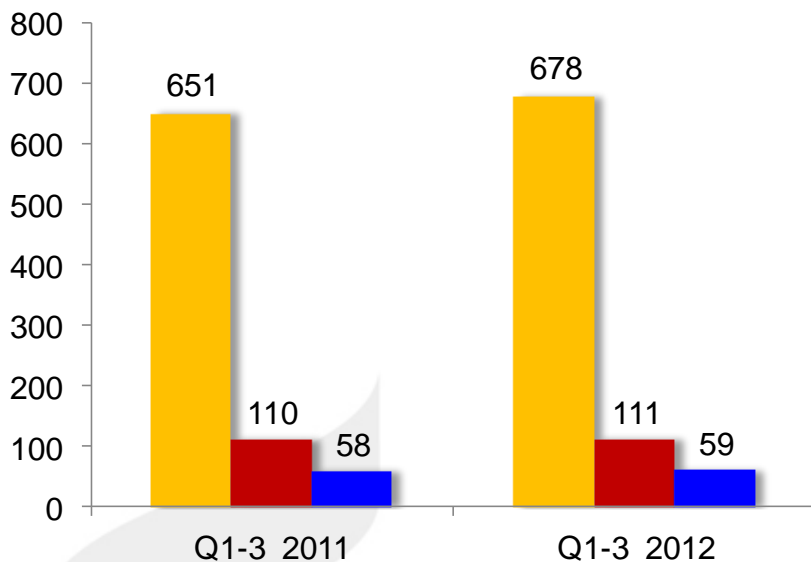
Sales – EBIT bridge



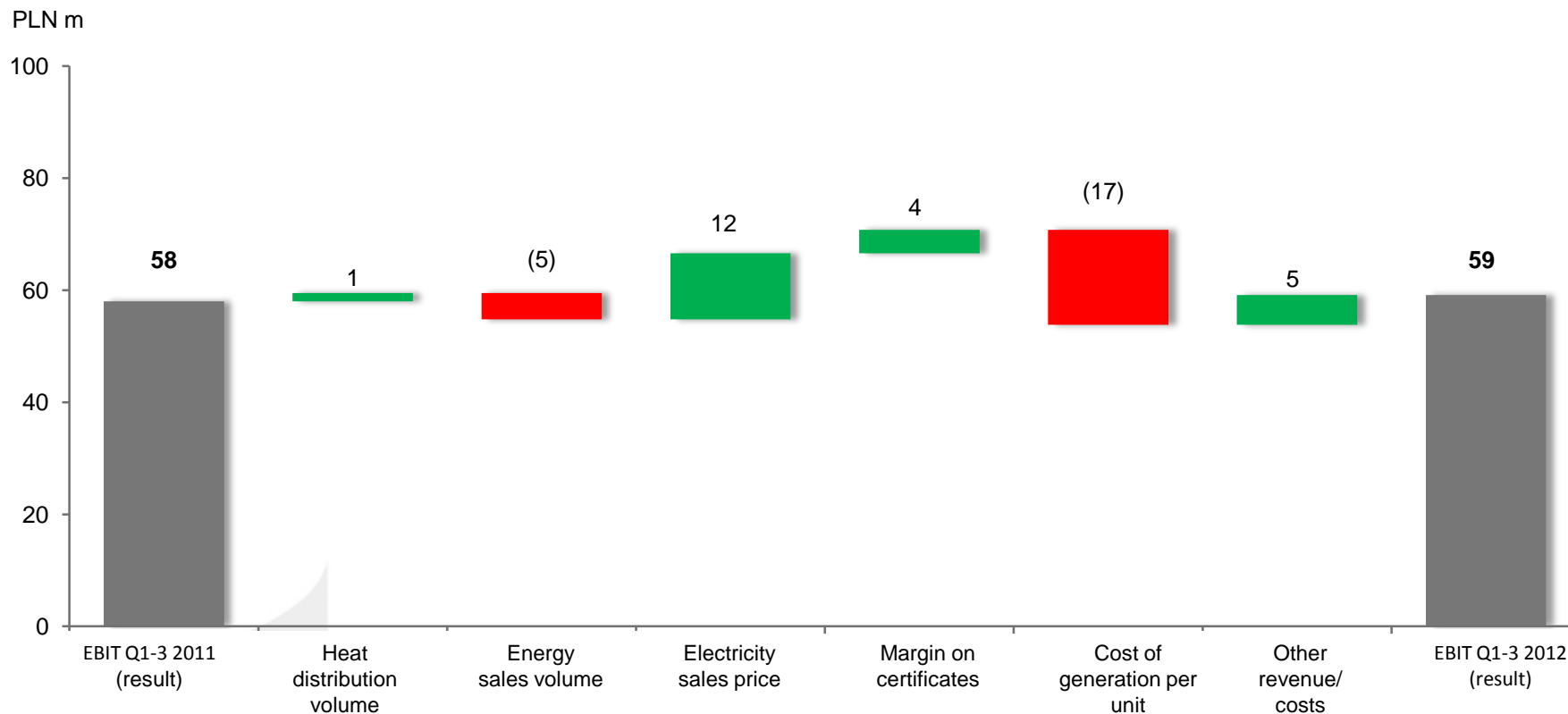
■ Increase
■ Decrease

Heat – key financial data

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



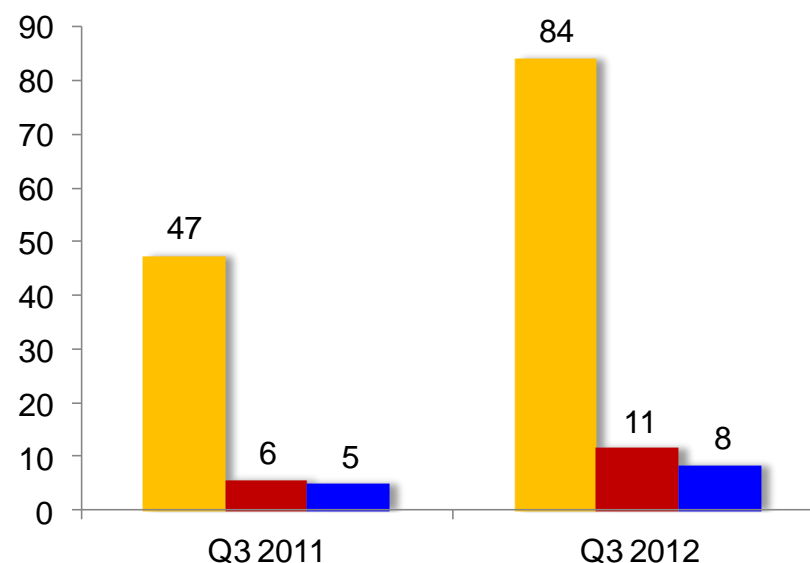
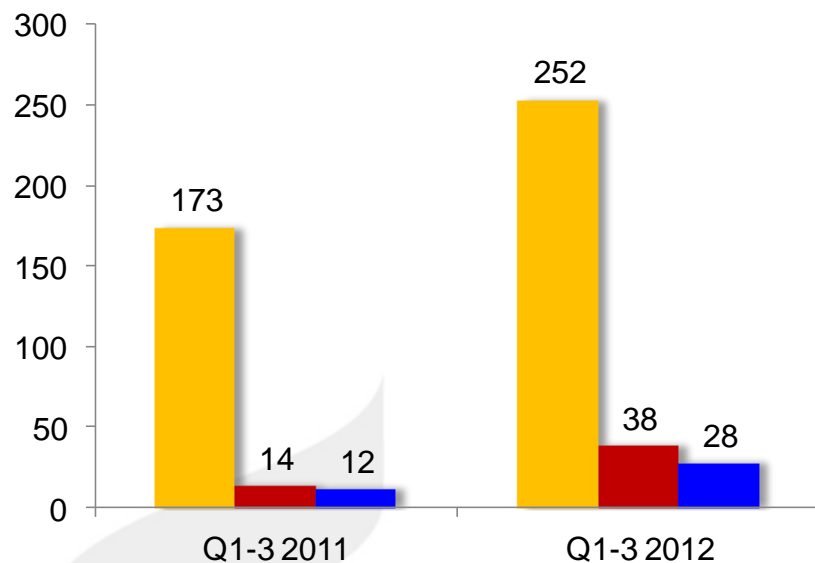
Heat – EBIT bridge



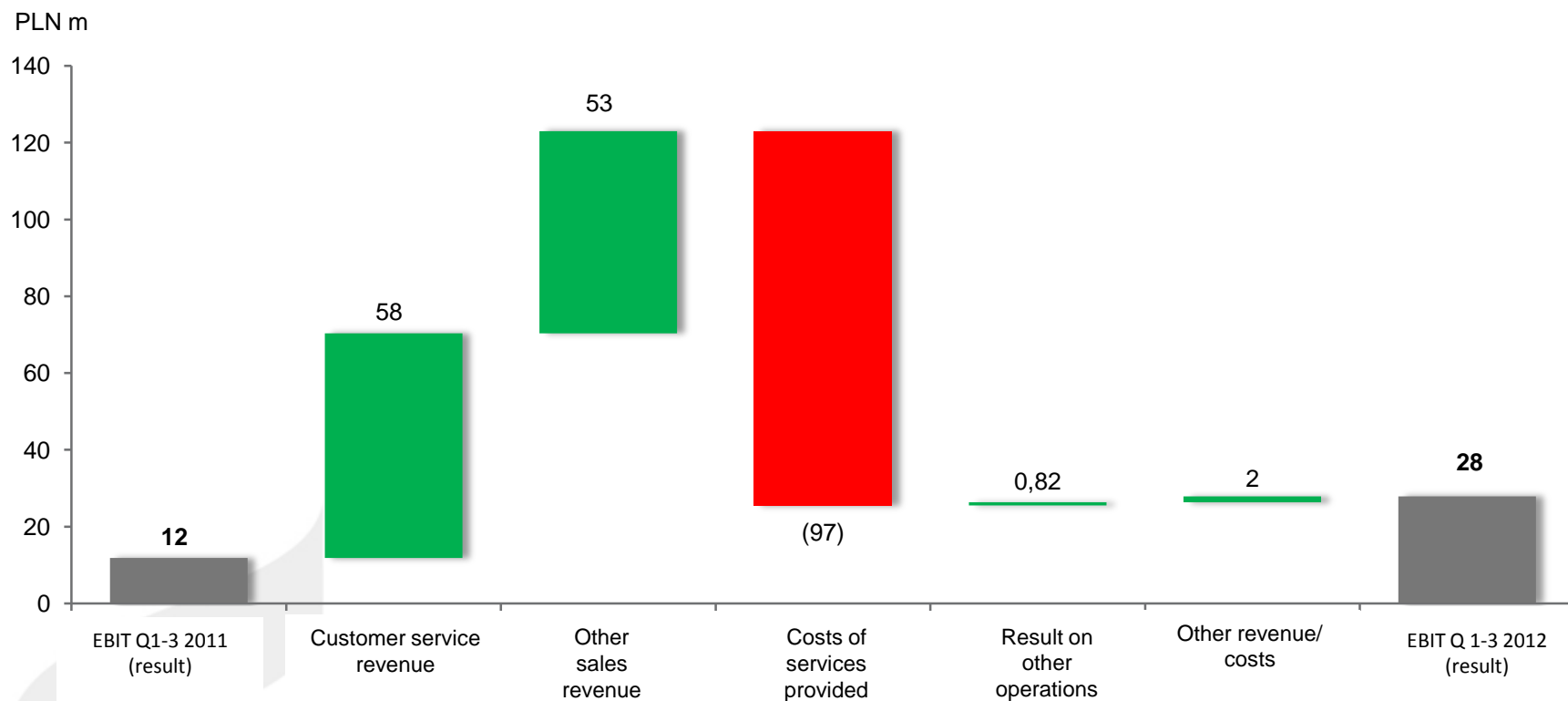
█ Increase
█ Decrease

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)

