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TAURON Polska Energia – Q1 2013 and recent events

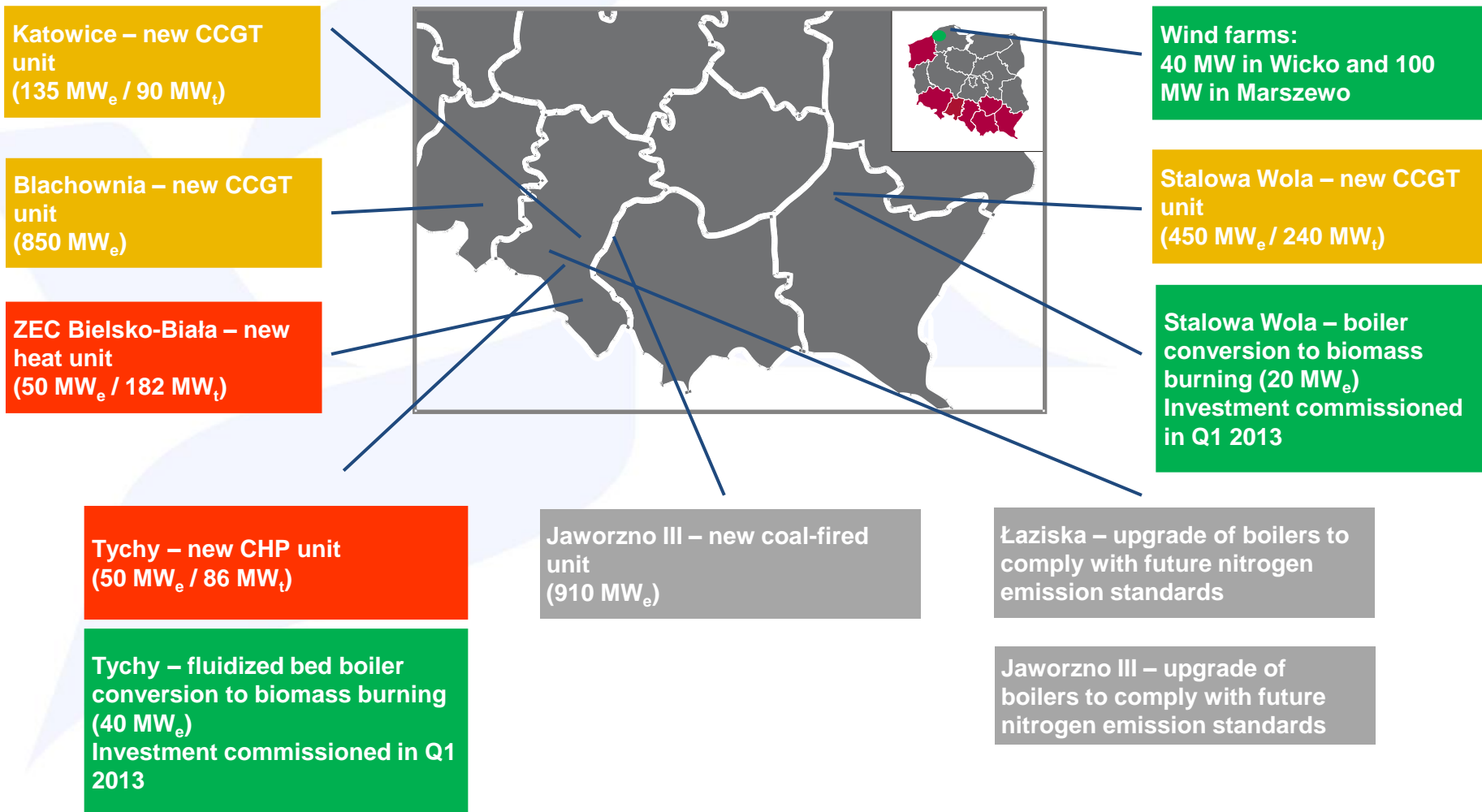
15 January	TAURON Group's Efficiency Improvement Program for 2013-2015 launched
24 January	Offer of consortium: RAFAKO and MOSTOSTAL WARSZAWA selected for construction of 910 MW coal-fired unit at Jaworzno III power plant
1 March	3-year long contract for hard coal supply signed with Kompania Węglowa. Estimated value of the contract from 2013 to 2015 is approx. PLN 2.4bn
15 March	Letter of Intent signed with Polska Telefonia Cyfrowa (T-Mobile) for strategic cooperation. The goal of the cooperation is to introduce new solutions (in terms of both, products and technologies) for telecommunication and energy markets
25 March	Polish Appeals' Chamber dismissed appeals against decision of TAURON Wytwarzanie S.A. concerning selection of contractor for construction of the unit at Jaworzno III power plant
11 April	Management Board issued recommendation on dividend payout in the amount of PLN 262 882 409.10 from net profit for the financial year 2012 attributable to the Company's shareholders (PLN 0.15 per share). On 17 April the Supervisory Board approved of the Management Board's recommendation
18 April	Ordinary General Meeting convened for 16 May 2013

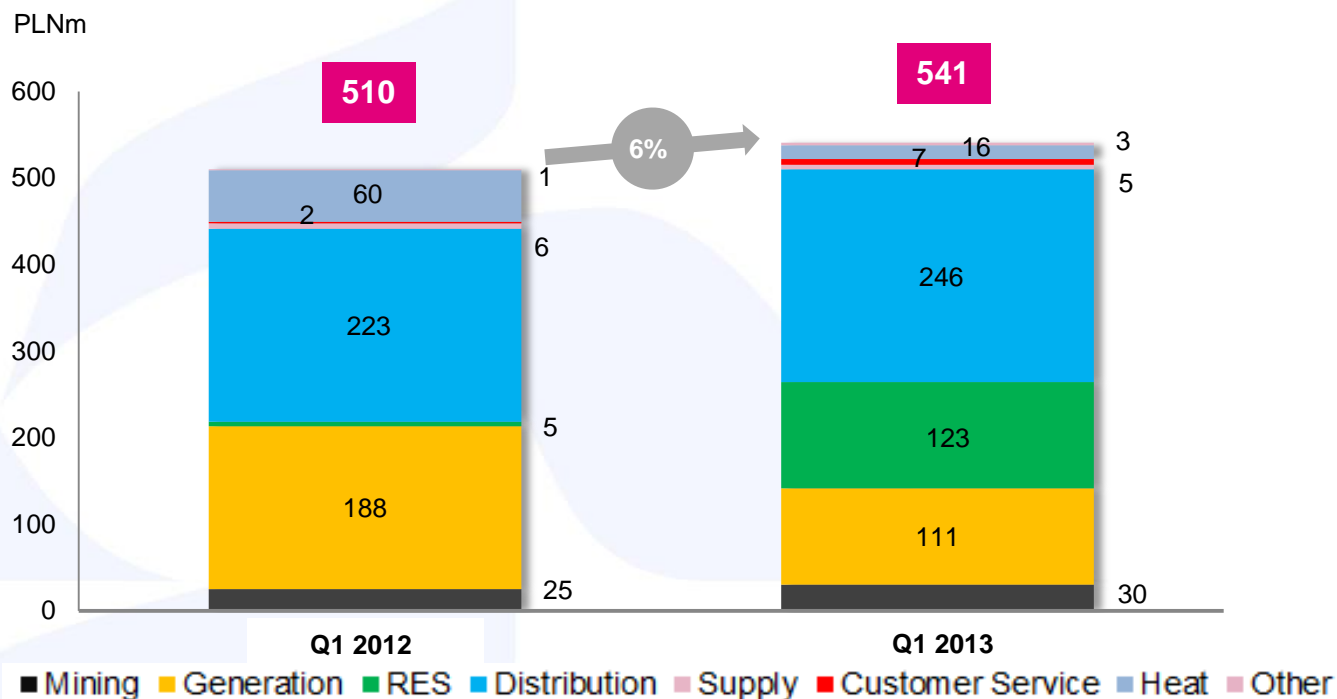
Energy market – Q1 2013 and recent events

4 April	President of Energy Regulatory Office adopted the model and method for calculation and recognizing WACC in heat tariffs for the years 2013-2015
5 April	PGE decided to quit construction of unit at Opole power plant
16 April	European Parliament rejected proposal of the European Commission for so-called backloading, i.e. rescheduling auctions for 900m CO ₂ emission allowances after 2013

Implementation of 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)





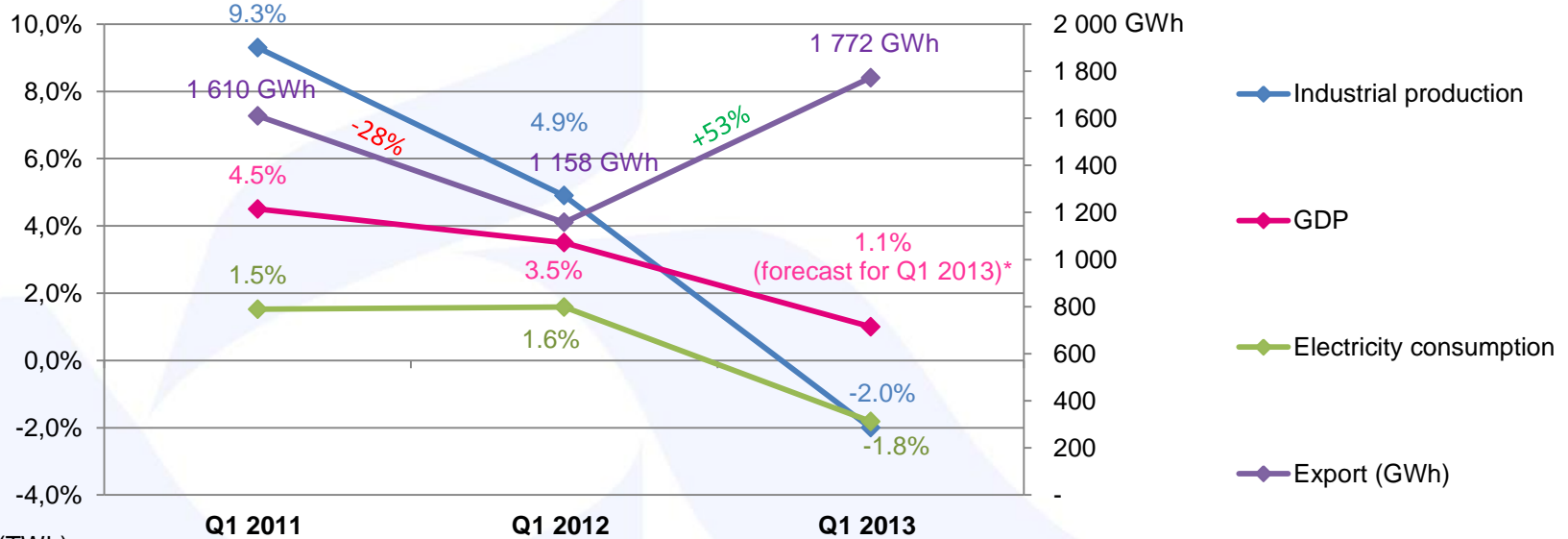
After Q1 2013 TAURON Group's CAPEX amounted to PLN 541m and was higher than in comparable period last year by approx. 6% (PLN 510m after Q1 2012). This was mainly due to increase of investments in Distribution and RES Segments.

The main investment projects executed in Q1 2013 included:

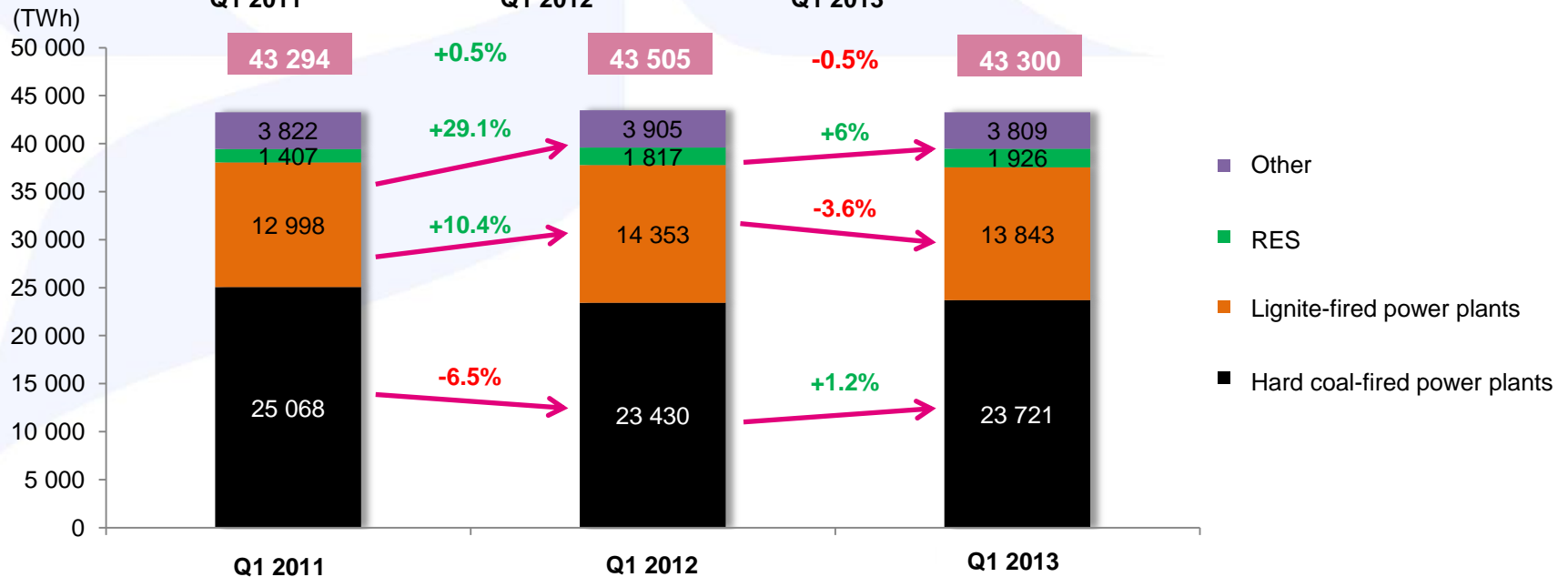
- construction of new generation assets (capital expenditures: PLN 48m) and construction of installations for No_x emission reduction (capital expenditures: PLN 45m) in Generation
- construction of wind farms: Marszewo and Wicko (capital expenditures: PLN 108m) in RES
- construction of new connections (capital expenditures: PLN 78m); upgrade and restoration of grid assets (capital expenditures: PLN 147m) in Distribution

Macroeconomic and market figures

Macroeconomic figures

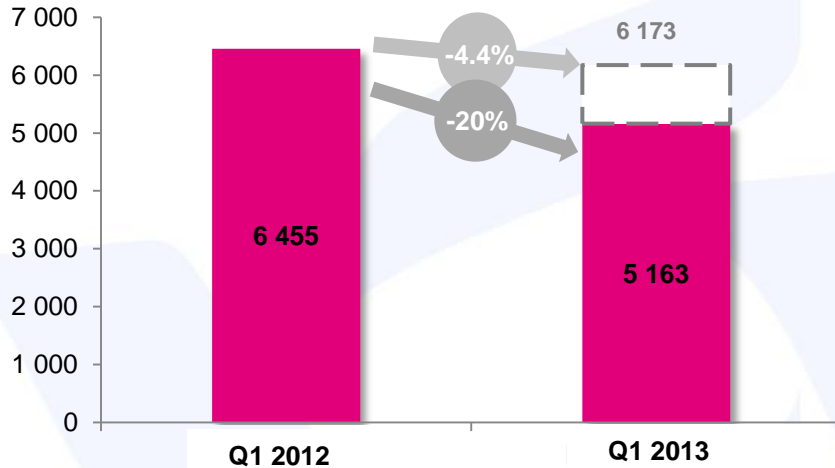


Electricity generation



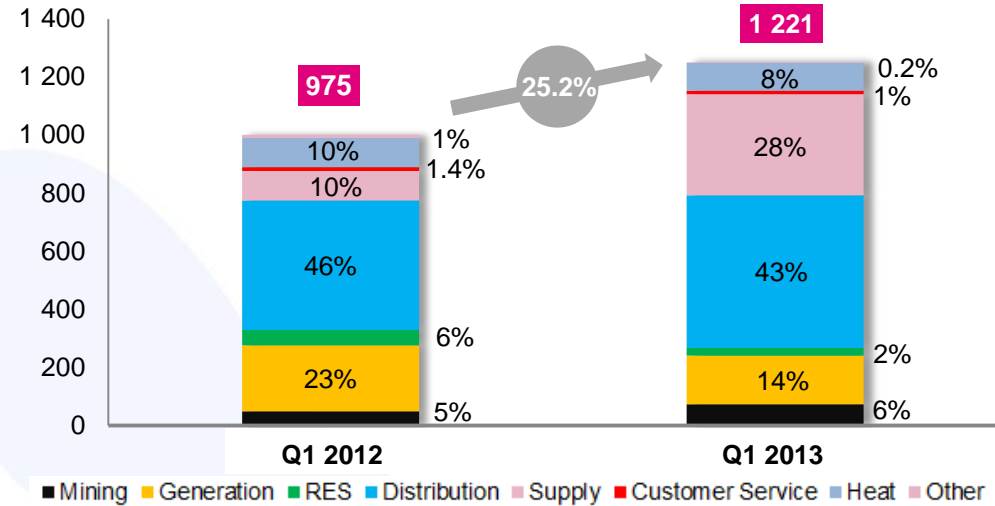
	Q1 2012	Q1 2013	Change
Production of commercial coal (million t)	1.21	1.52	25.6%
Electricity generation (net production) (TWh)	4.98	5.15	3.4%
including: from renewable sources	0.30	0,28	-6.7%
Heat generation (PJ)	7.80	7.70	-1.3%
Distribution (TWh)	12.70	12.42	-2.2%
Electricity supply (TWh)	11.89	10.93	-8.1%
Number of customers – Distribution (thousand)	5 284	5 307	+23 thousand

TAURON Group's revenue (PLNm)

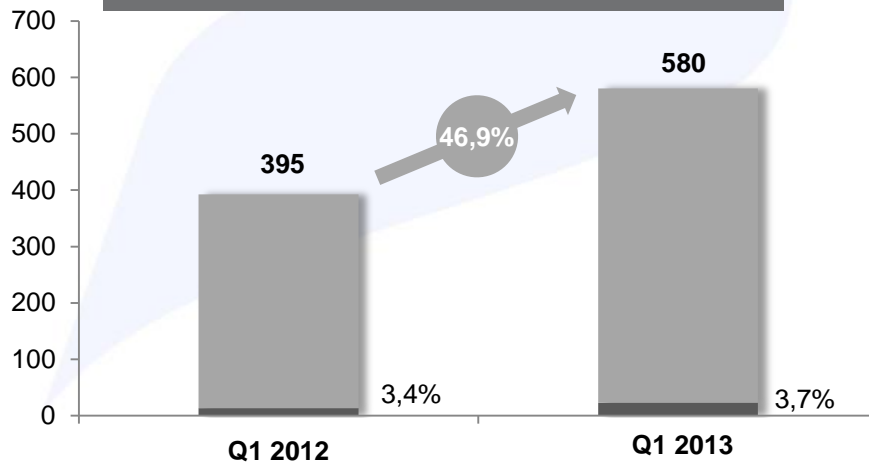


--- Comparable sales level (including: revenue from LTC and sale of 100% generated electricity through power exchange, similar to Q1 2012)

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

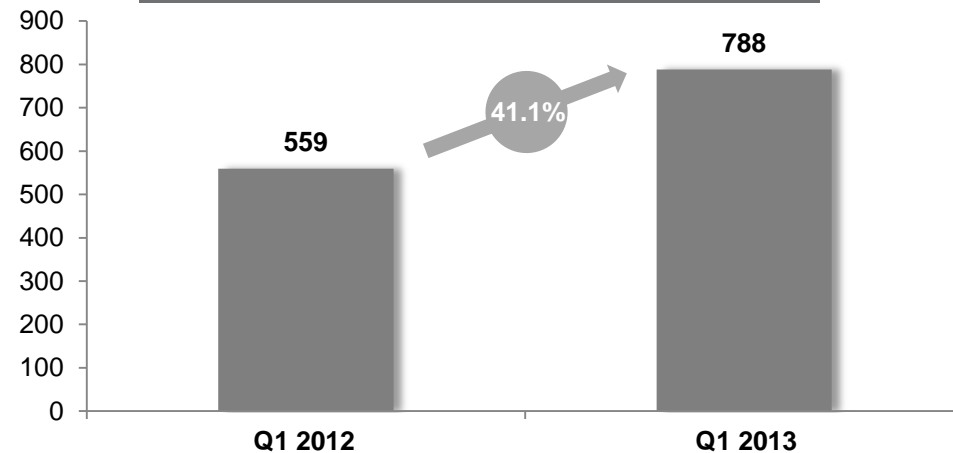


TAURON Group's net profit (PLNm)

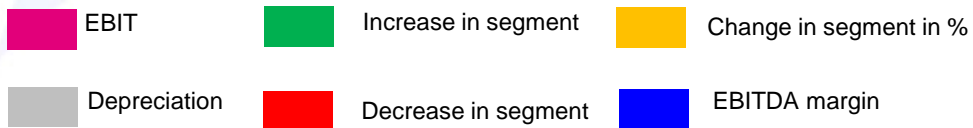
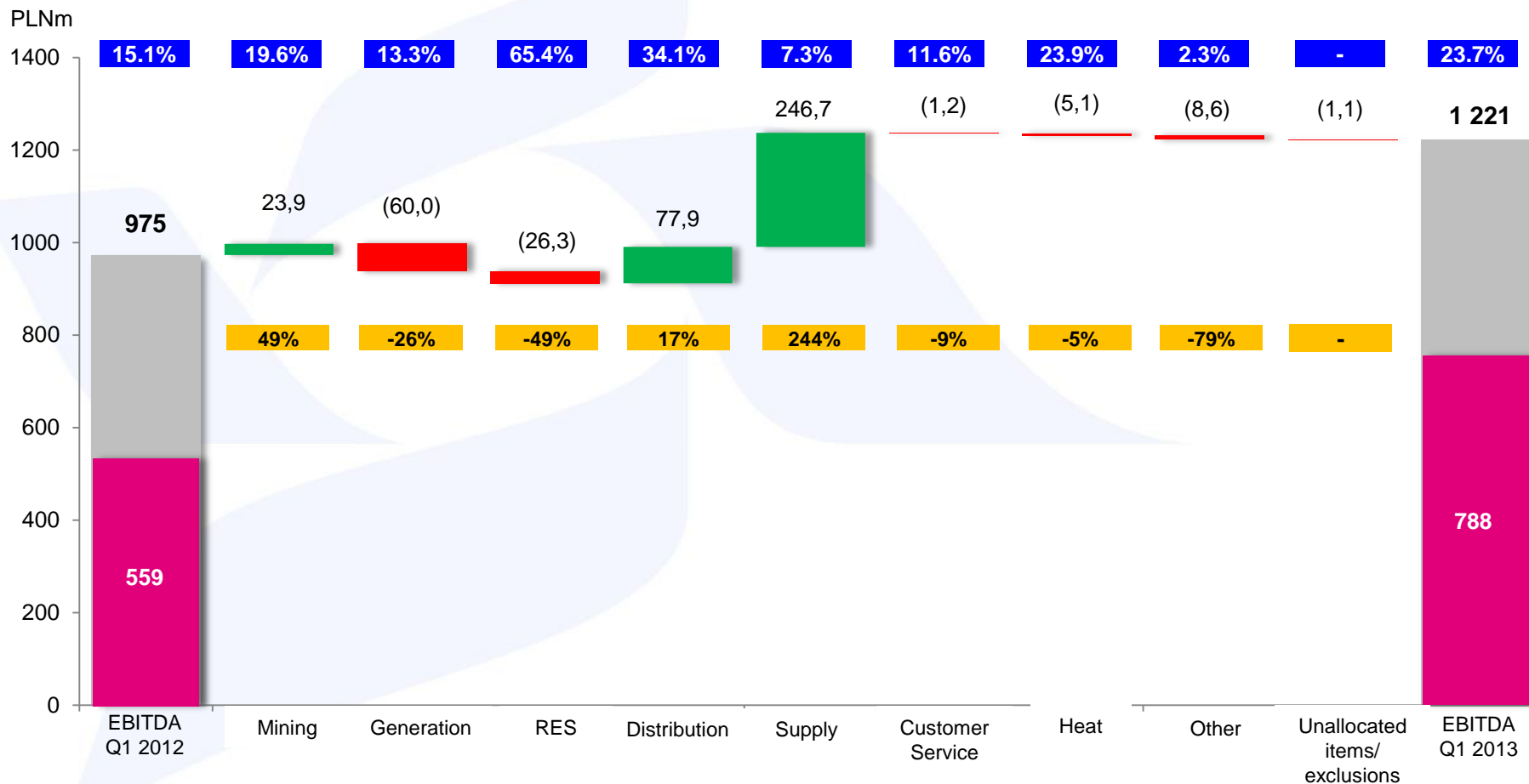


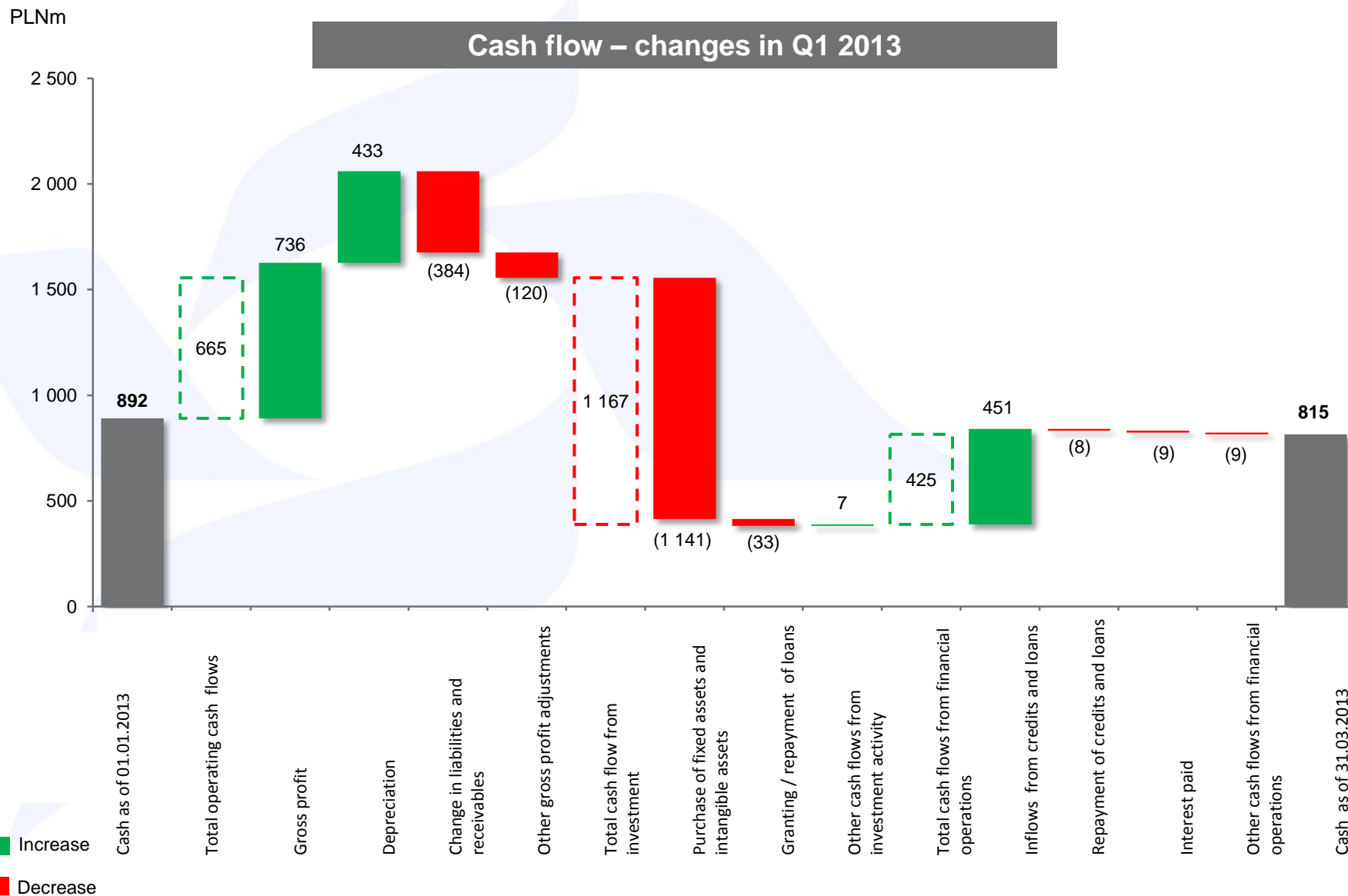
■ Share of minority shareholders in profit

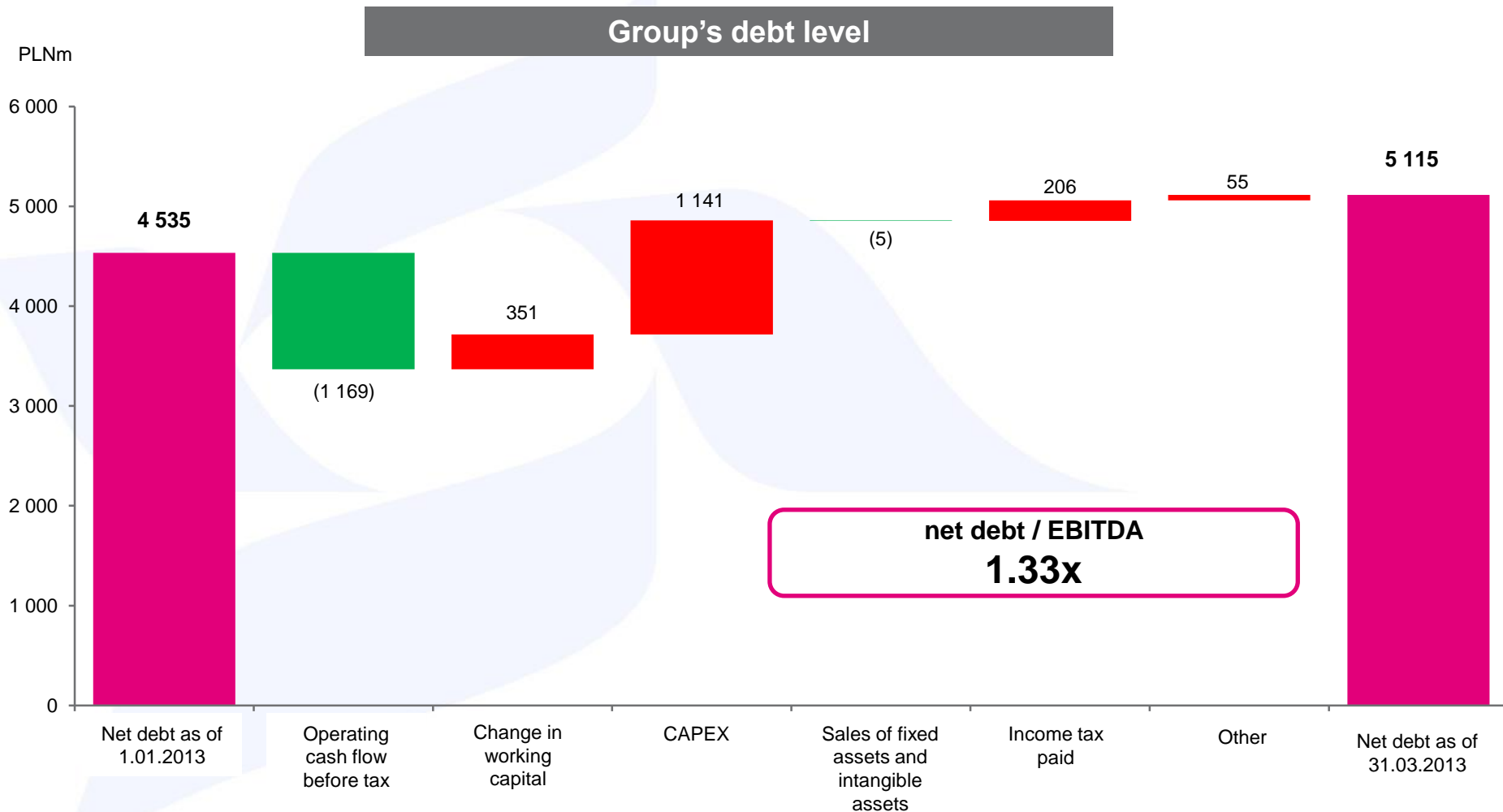
TAURON Group's EBIT (PLNm)



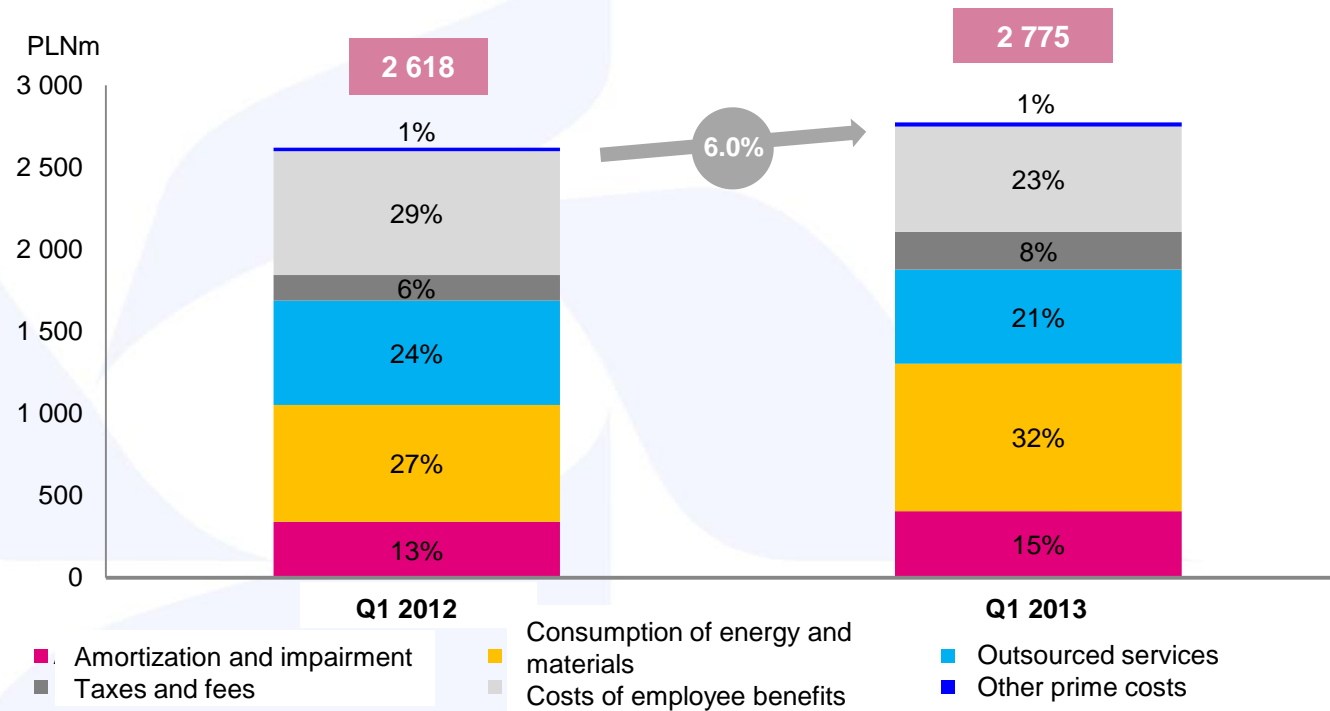
Change in EBITDA per segment (PLN and %); EBITDA margin per segment (%)







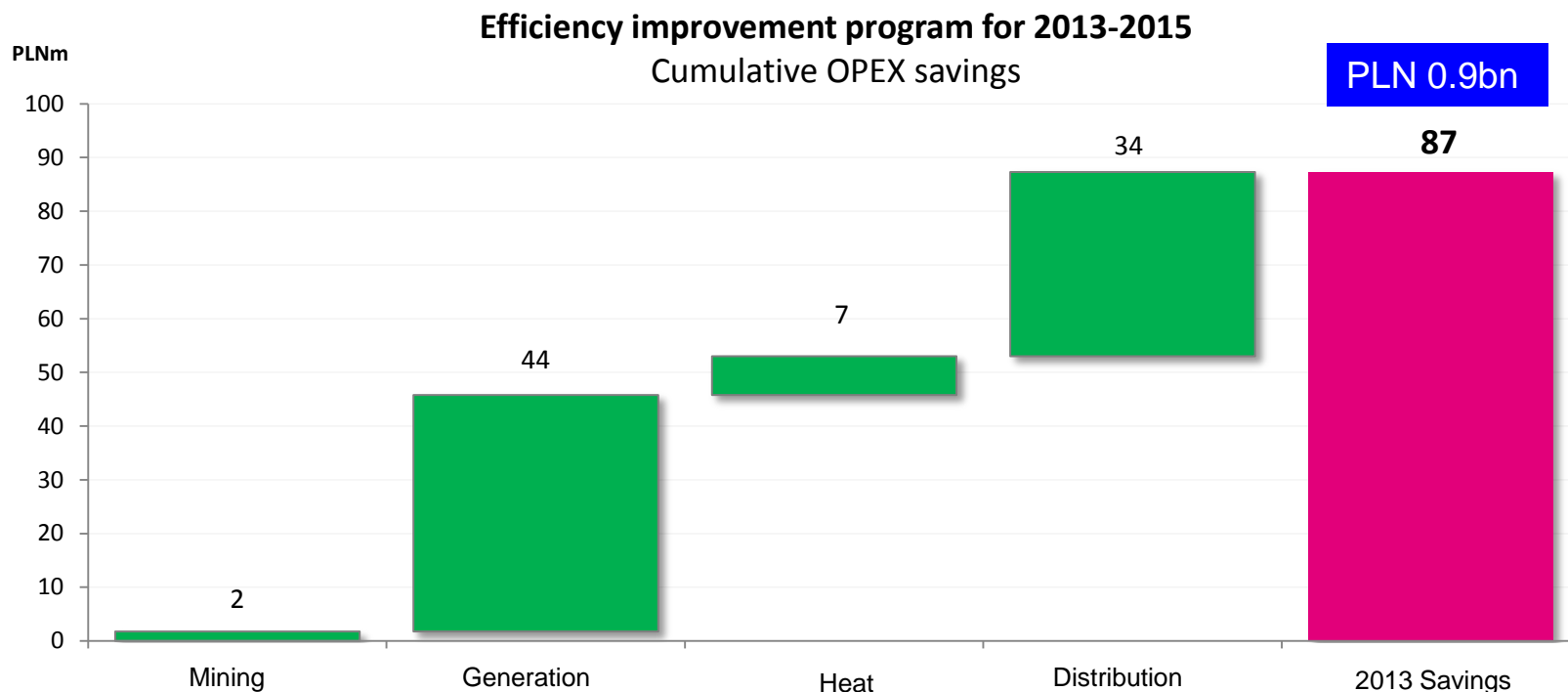
- In Q1 2013 net debt increased by approx. PLN 570m (among others, as a result of drawing new tranches of the loan from EIB in the amount of PLN 542m)



Cost increase in Q1 2013 is mainly attributable to:

- consumption of energy and materials
- taxes and fees – cost of provision set up in Q1 2013 for CO₂ emission allowances
- depreciation

In Q1 2013 variable costs (excluding the value of goods and materials sold) constituted approx. 37% and fixed costs constituted approx. 63% of the total costs. Change in comparison to Q1 2012 when variable costs constituted 46% and fixed costs constituted 54% results from lower variable costs of Generation and Heat (lower fuel costs) and Distribution (lower costs of transmission fee)



- Voluntary Redundancy Program: since the program's launch 89 persons enrolled, as of the end of Q1 2013. Over that period employment contracts were terminated with 297 persons. Savings resulting from redundancies, decreased by costs incurred to generate those 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 program implementation the Group expects OPEX reduction in most segments – with the biggest savings coming from Distribution and Generation.

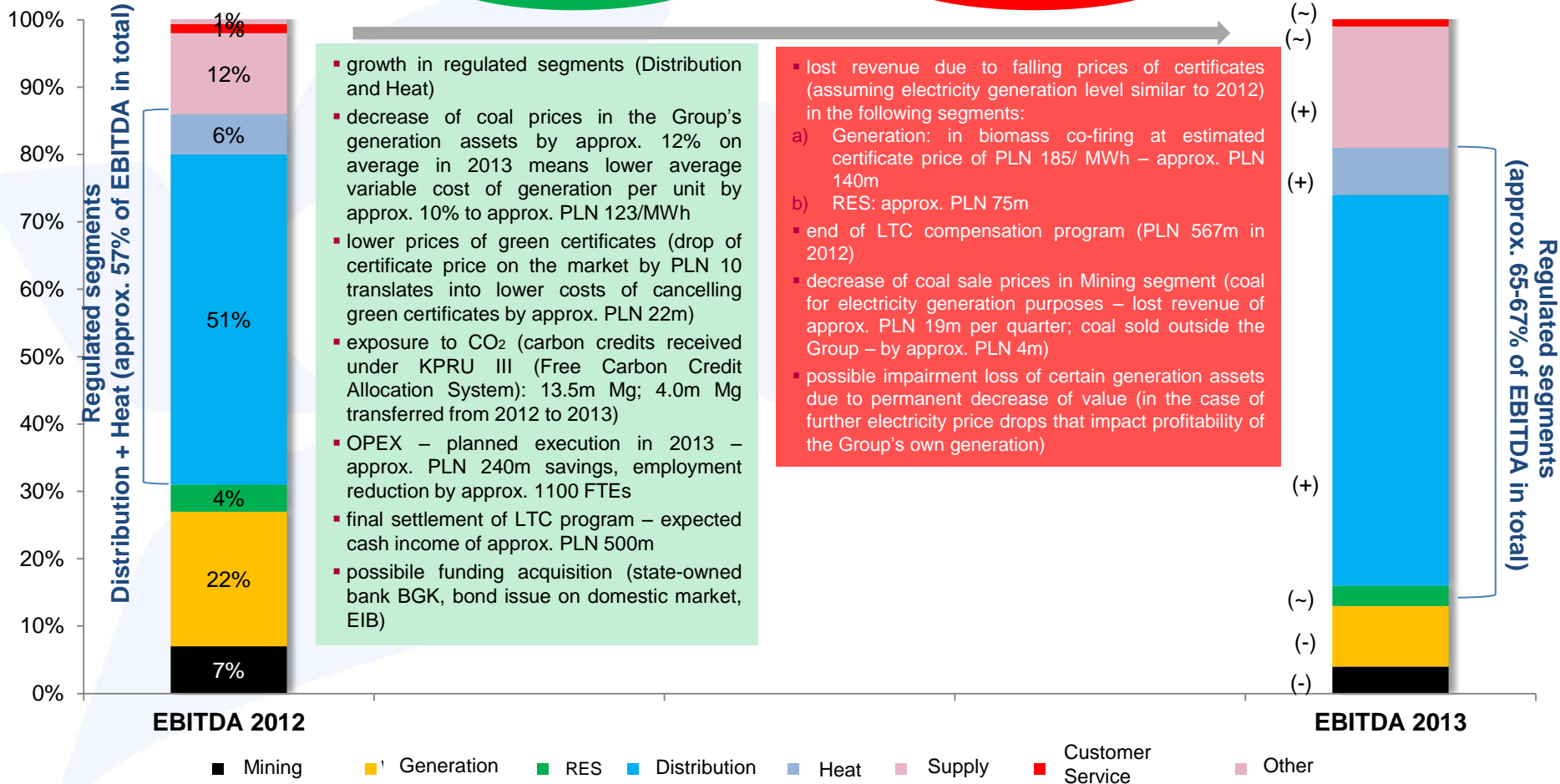
Outlook for 2013 (1)

PLN 3.84bn

Strengths

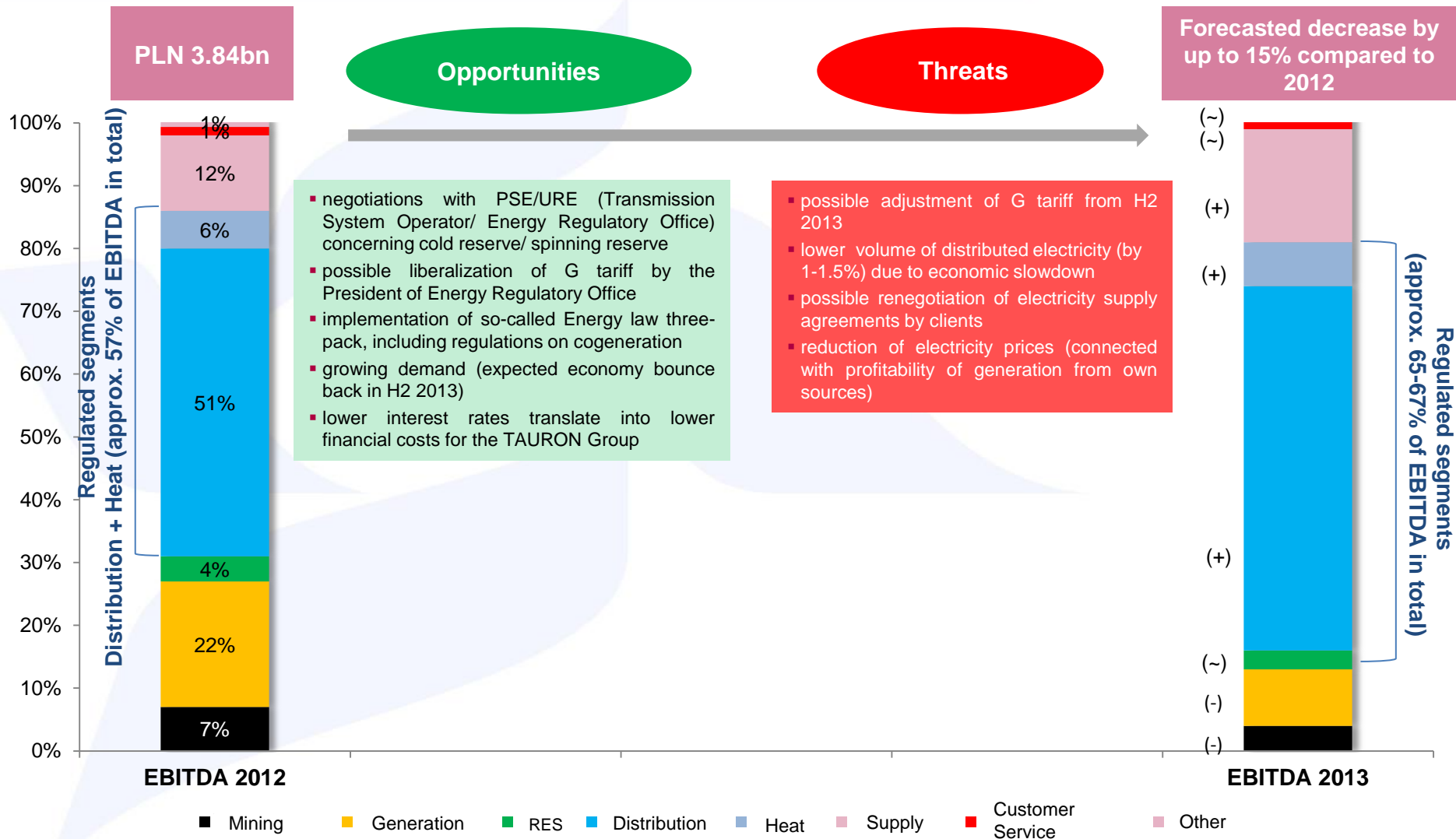
Weaknesses

Forecasted decrease by up to 15% compared to 2012



(+) forecasted increase in segment
 (-) forecasted decrease in segment
 (~) forecasted stability in segment

Outlook for 2013 (2)



(+) forecasted increase in segment
 (-) forecasted decrease in segment
 (~) forecasted stability in segment

A close-up photograph of a white wind turbine nacelle and hub against a blue sky.

Thank you – Q&A

A photograph showing the wooden scaffolding and concrete structure of a wind turbine tower under construction.

Investor Relations

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Additional Information



Electric energy

Platforms: TGE, TFS, GFI, GPW-POEE	2012		2013 (until 17.04.2013)		2013/2012	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
Forward BASE (Y+Q+M)	200.08	139 358	188.37	127 764	- 5.9%	- 8.4%
Forward PEAK (Y+Q+M)	225.56	17 161	207.35	13 377	- 8.1%	- 22.1%
Forward (weighted average)	202.88	156 519	190.17	141 140	- 6.3%	- 9.8%
	173.58	20 388	155.00 (Forecast)	21 000 (Forecast)	- 10.7%	+ 3%
SPOT (TGE + GPW-POEE)	199.50	176 907	185.62	162 140	- 7.0%	- 8.3%

Total weighted average

CO₂ emission allowances (EUR/t):

Survey of CO ₂ market analysts*	Price (EUR/t)
Average in 2013	2 – 5 EUR/t
Average in 2014	5 – 9 EUR/t
Average in 2015	6 – 10 EUR/t
EUA average price in 2013 (TAURON forecast)	2 – 4 EUR/t

*Source: Deutsche Bank, Barclays Capital, Point Carbon

Certificates (PLN/MWh)

Type of certificate	Market prices (average in April 2013)	Substitution fee and obligation for 2013
RES (green)	120.06	297.35 (12.0%)
Coal co-generation (red)	0.84	29.84 (not announced)
Gas co-generation (yellow)	44.44	149.30 (not announced)
Methane (violet)	58.00	60.00 (0.9%)

Prices of BASE contracts concluded for 2013



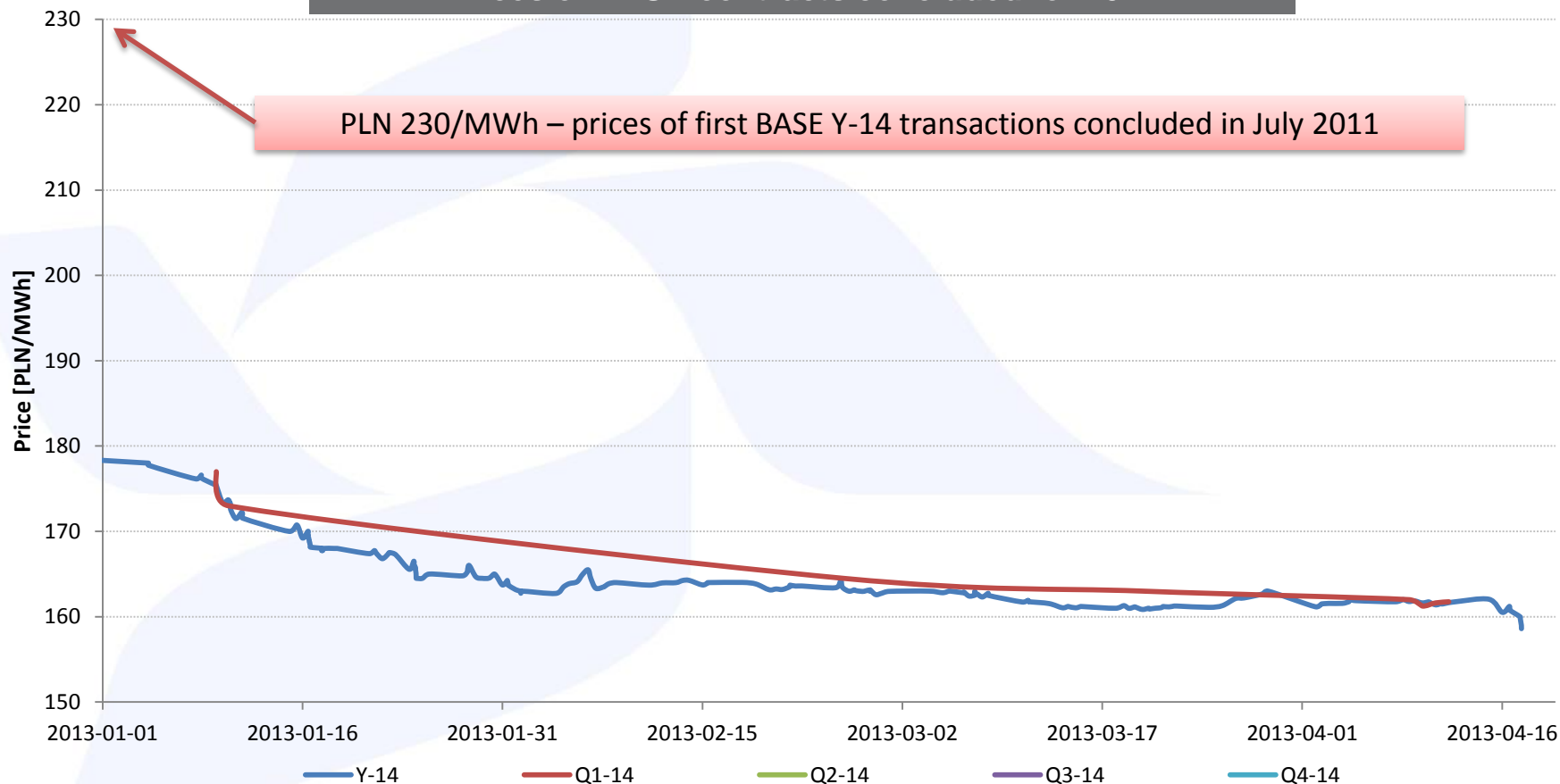
Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	191.60	108 861
Quarterly	171.69	15 578
Monthly	161.02	3 325
TOTAL	188.37	127 674

Prices of PEAK contracts concluded for 2013



Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	209.09	12 037
Quarterly	191.37	834
Monthly	192.21	506
TOTAL	207.35	13 337

Prices of BASE contracts concluded for 2014



Average price of concluded contracts [PLN/MWh]:

Volume [GWh]

Annual	174.90	51 596
Quarterly	163.99	149
Monthly		
TOTAL	174.87	51 745

Prices of PEAK contracts concluded for 2014



Average price of concluded contracts [PLN/MWh]:		Volume [GWh]
Annual	188.84	639
Quarterly		
Monthly		
TOTAL	188.84	639

ZEC Bielsko-Biala – new heat unit

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

Status as of 31 March 2013:

- 15 March – adjustment completed, trial run commenced.
General Contractor: Polimex-Mostostal

Elektrociepłownia Tychy – new CHP unit

- Capacity – 50 MW_e / 86 MW_t
- Scheduled commissioning – H1 2016

Status as of 31 March 2013:

- Contractor selection for the new unit is underway

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

- Capacity – 20 MW_e
- Scheduled commissioning – Q1 2013

Status as of 31 March 2013:

- 28 March – K-10 boiler was commissioned. General Contractor: Rafako

Wind farm – Wicko

- Capacity – 40 MW_e
- Scheduled commissioning – 2013

Status as of 31 March 2013:

General Contractor – Consortium: Kraków-based Aldesa Nowa Energia and Madrid-based Aldesa Construcciones

- Engineering works are completed for access roads and assembly sites for 12 wind turbines
- Production of gondolas, towers and blades for 20 wind turbines

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

- Capacity – 40 MW_e

Status as of 31 March 2013:

- biomass boiler construction:
 - 15 February – licence for energy generation granted by the Energy Regulatory Office, 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 installation for warranty measurements, trial operation underway, 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 March 2013:

General Contractor – Abener Energia

- Construction works have started
- Detailed design works are completed: for the river bar on San river and foundations of the main buildings. Works on remaining detailed designs are underway

Wind farm – Marszewo

- Capacity – 100 MW_e
- Scheduled commissioning – 2014

Status as of 31 March 2013:

- Finish works and tests of the Main Supply Station are underway
- Works involving medium-voltage grid have been completed and commissioned
- Wind turbine assembly underway (33 out of 41 turbines have been assembled)

Elektrociepłownia Katowice – new CCGT unit

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

Status as of 31 March 2013:

- Contractor selection is underway
- 5 March – final Terms of Reference and invitations to submit final offers were sent

Elektrownia Blachownia – new gas unit

- Capacity – rzędu 850 MW_e
- Scheduled commissioning – 2017

Status as of 31 March 2013:

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

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 March 2013:

- Upgrade of units No. 2 and No. 4 is completed. Works on unit No. 6 have commenced
- General contractor: consortium of Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

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 March 2013:

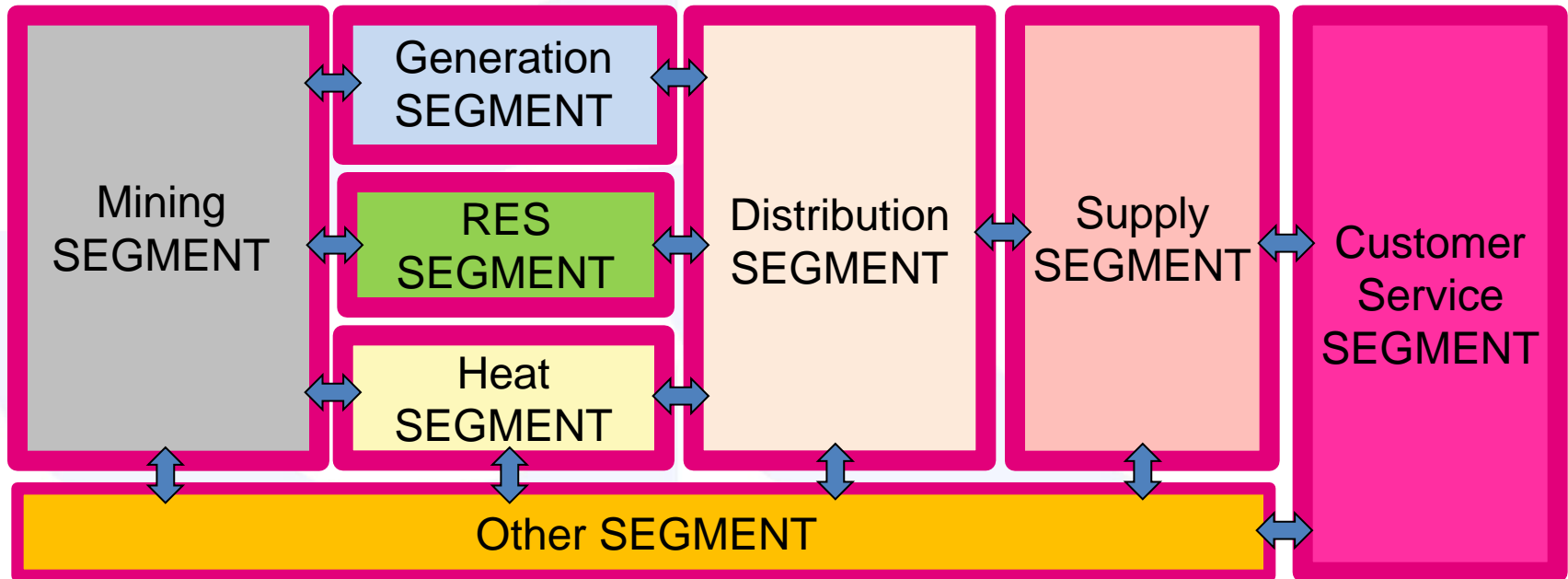
- Works at units No. 12 and No. 11 are completed
- Warranty measurements at unit No. 11 are underway
- General contractor: STRABAG

Elektrownia Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled commissioning – 2018

Status as of 31 March 2013:

- 24 January – TAURON Wytwarzanie selected the offer submitted by consortium of Rafako and Mostostal Warszawa as the winning bid in the tender for construction of the unit at Jaworzno
- 25 March – Polish Appeals Chamber dismissed appeals filed by consortium: SNC-Lavalin Polska, SNC-Lavalin Inc. And Hitachi Power Europe GmbH and consortium: China National Electric Engineering and China Overseas Engineering Group



Mining Segment:

Południowy Koncern Węglowy

Generation Segment:

TAURON Wytwarzanie

RES Segment:

TAURON Ekoenergia
BELS INVESTMENT
MEGAWAT MARSZEWO
Lipniki

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

Other Segment:

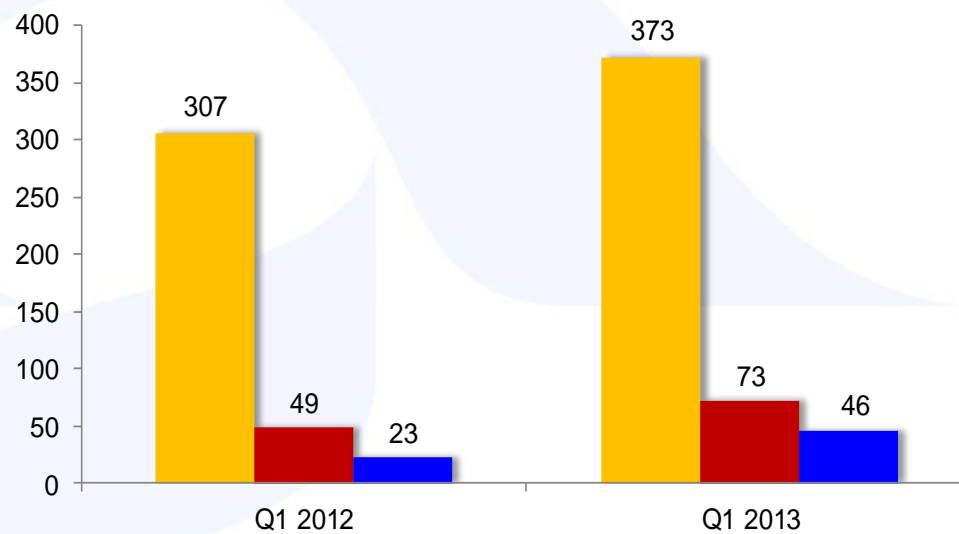
Kopalnia Wapienia Czatkowice
PE-PKH

Heat Segment:

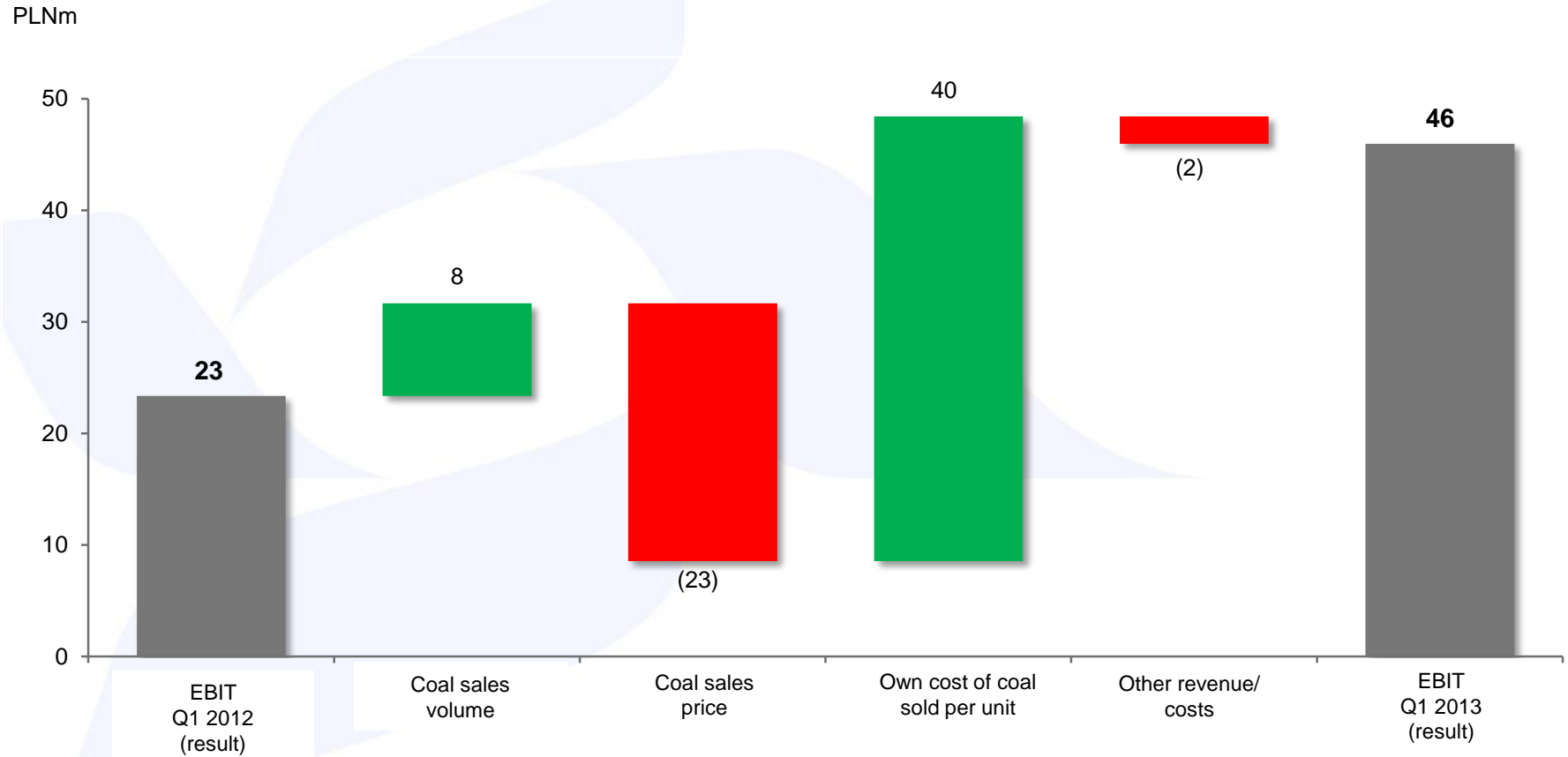
TAURON Ciepło
EC Tychy
EC Nowa


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

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



Mining – EBIT bridge

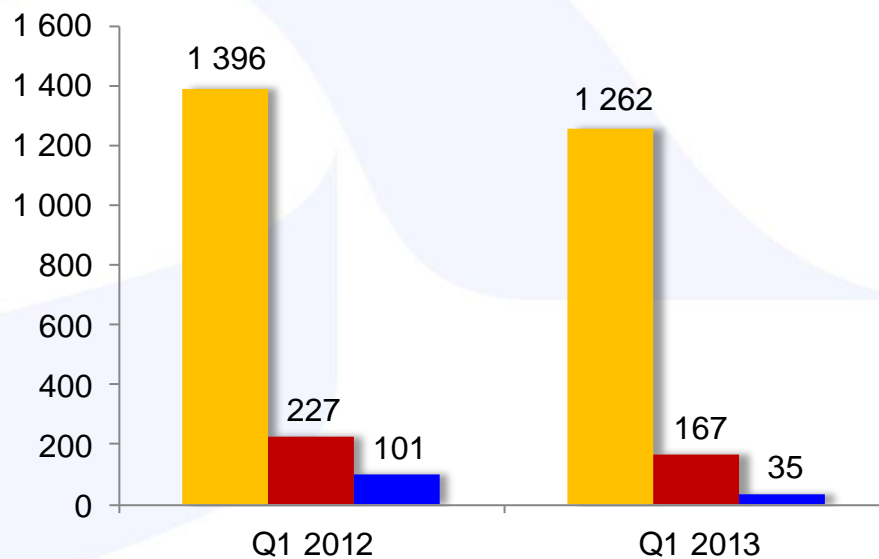


 Increase

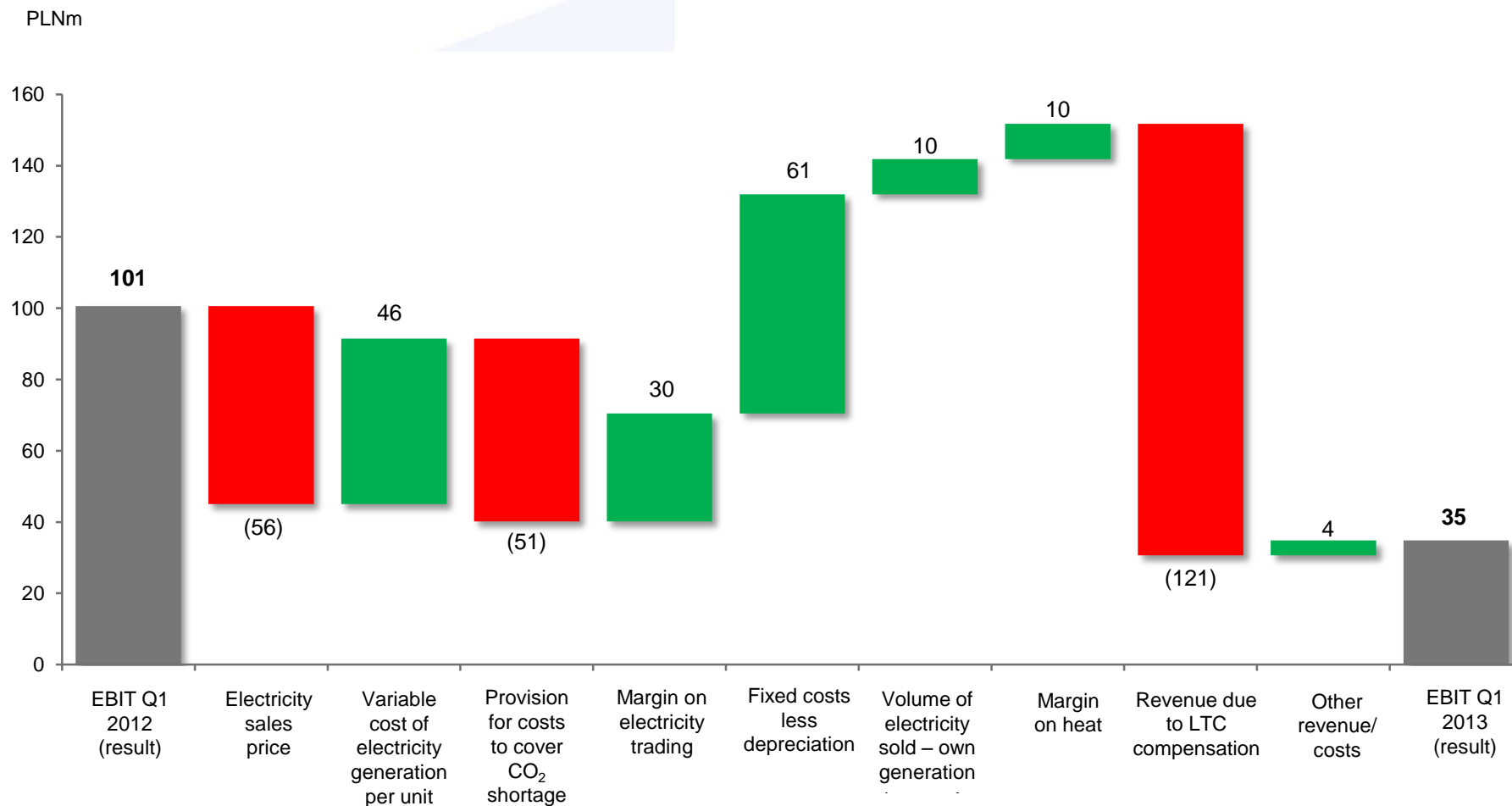
 Decrease


Generation from conventional sources – key financial data

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



Generation from conventional sources – EBIT bridge

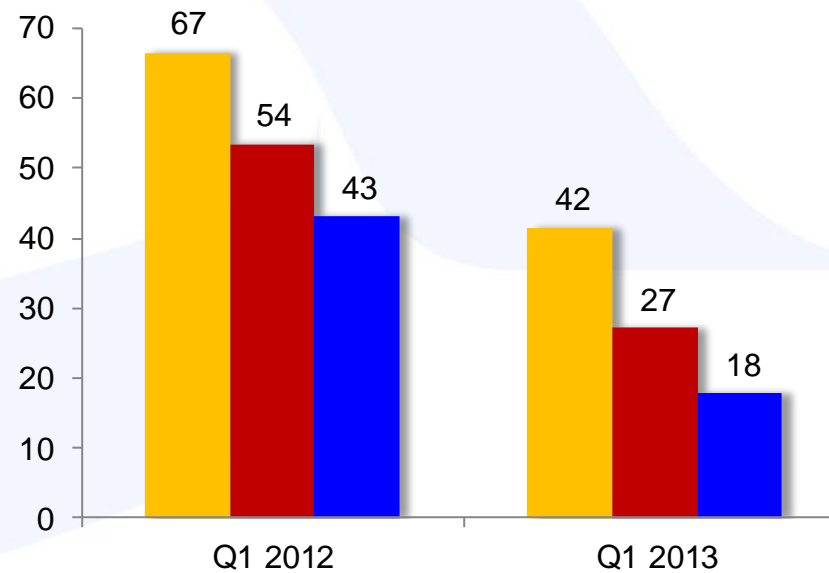


 Increase

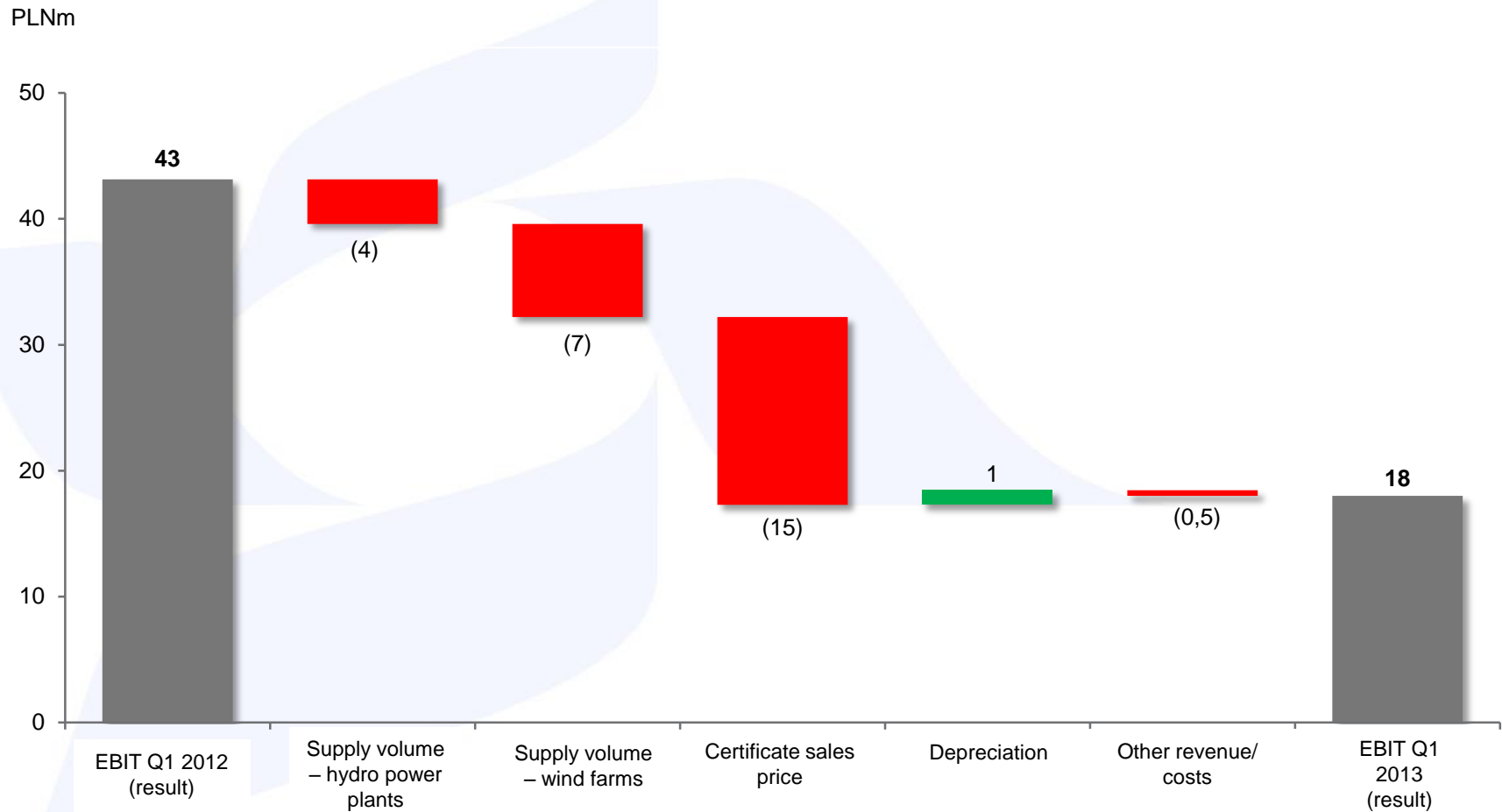
 Decrease


Generation from renewable sources – key financial data

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



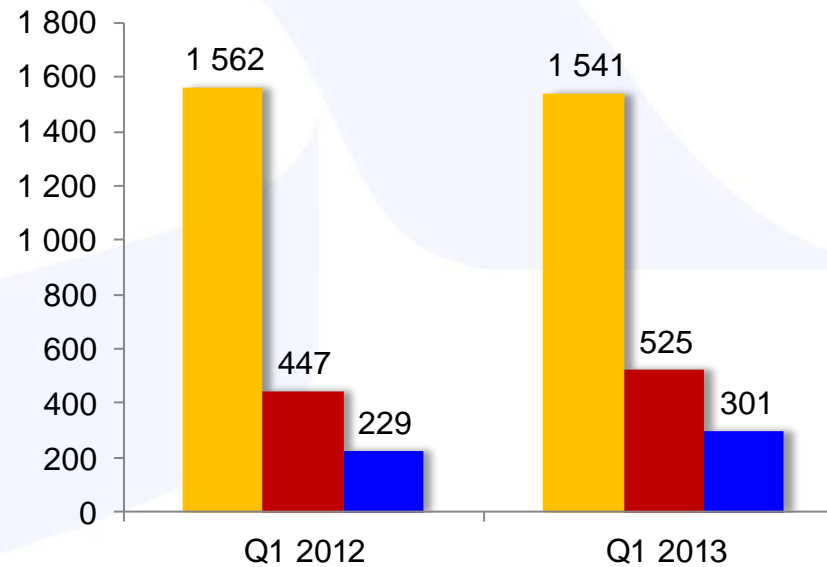
RES – EBIT bridge



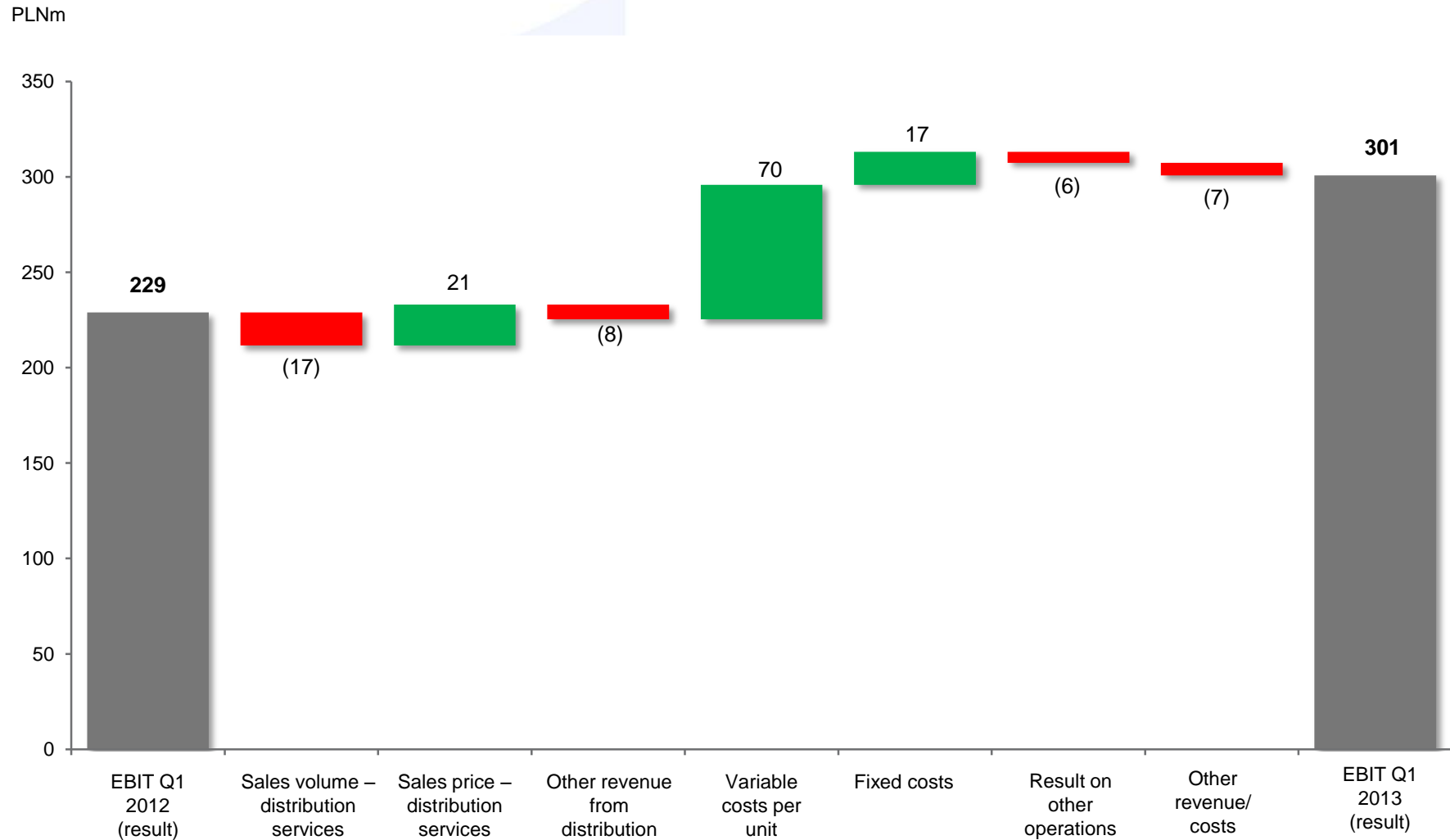
 Increase

 Decrease

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



Distribution – EBIT bridge

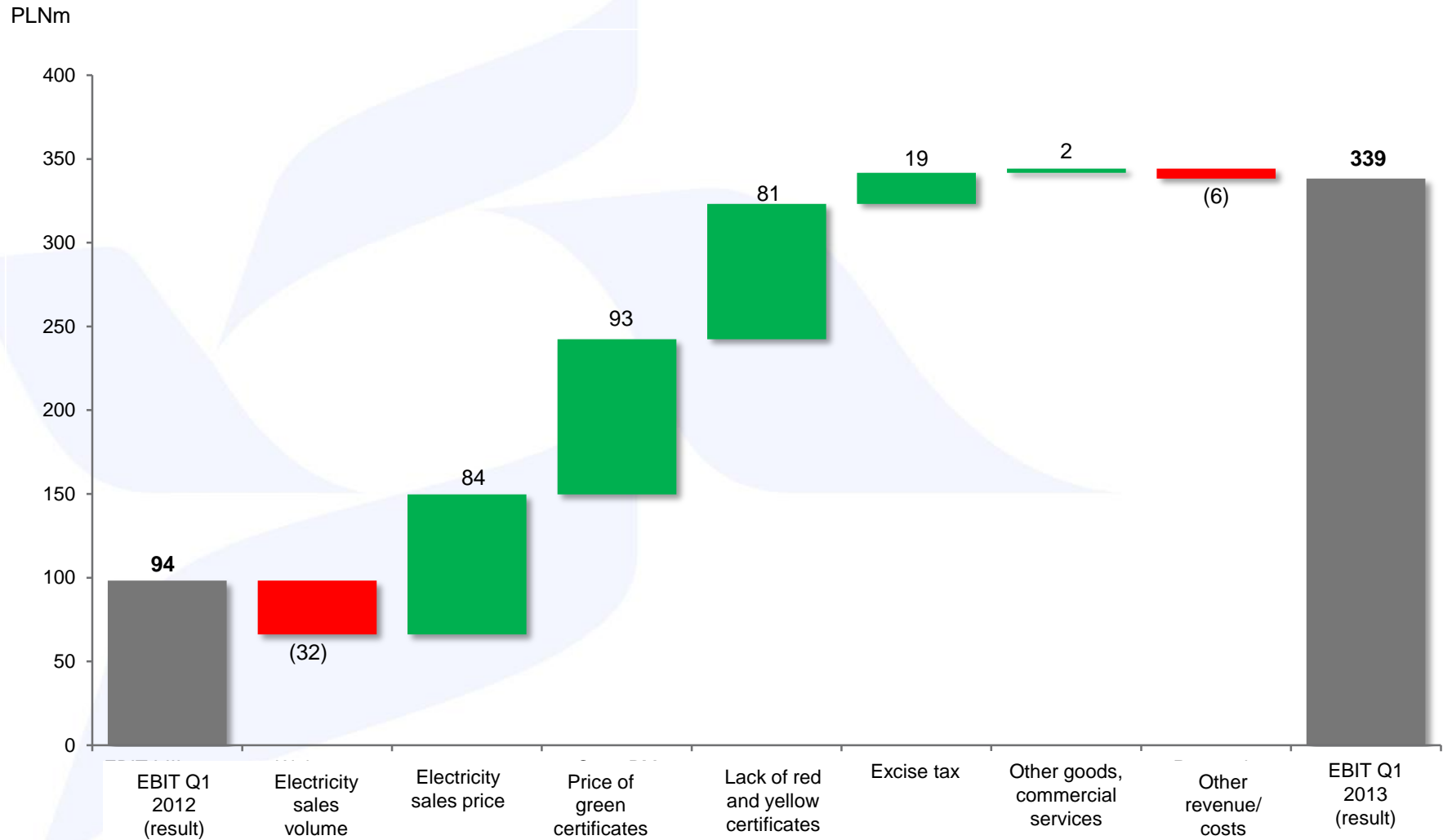


■ Increase
■ Decrease

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

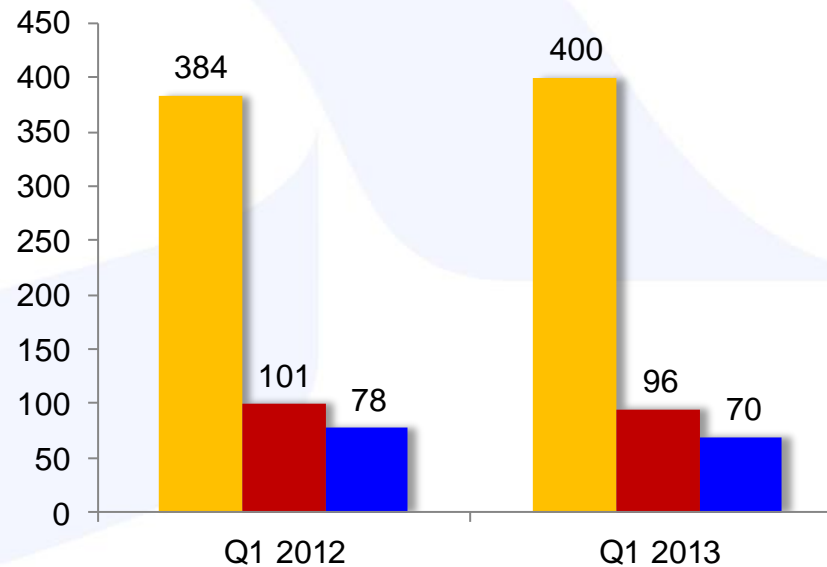


Supply – EBIT bridge

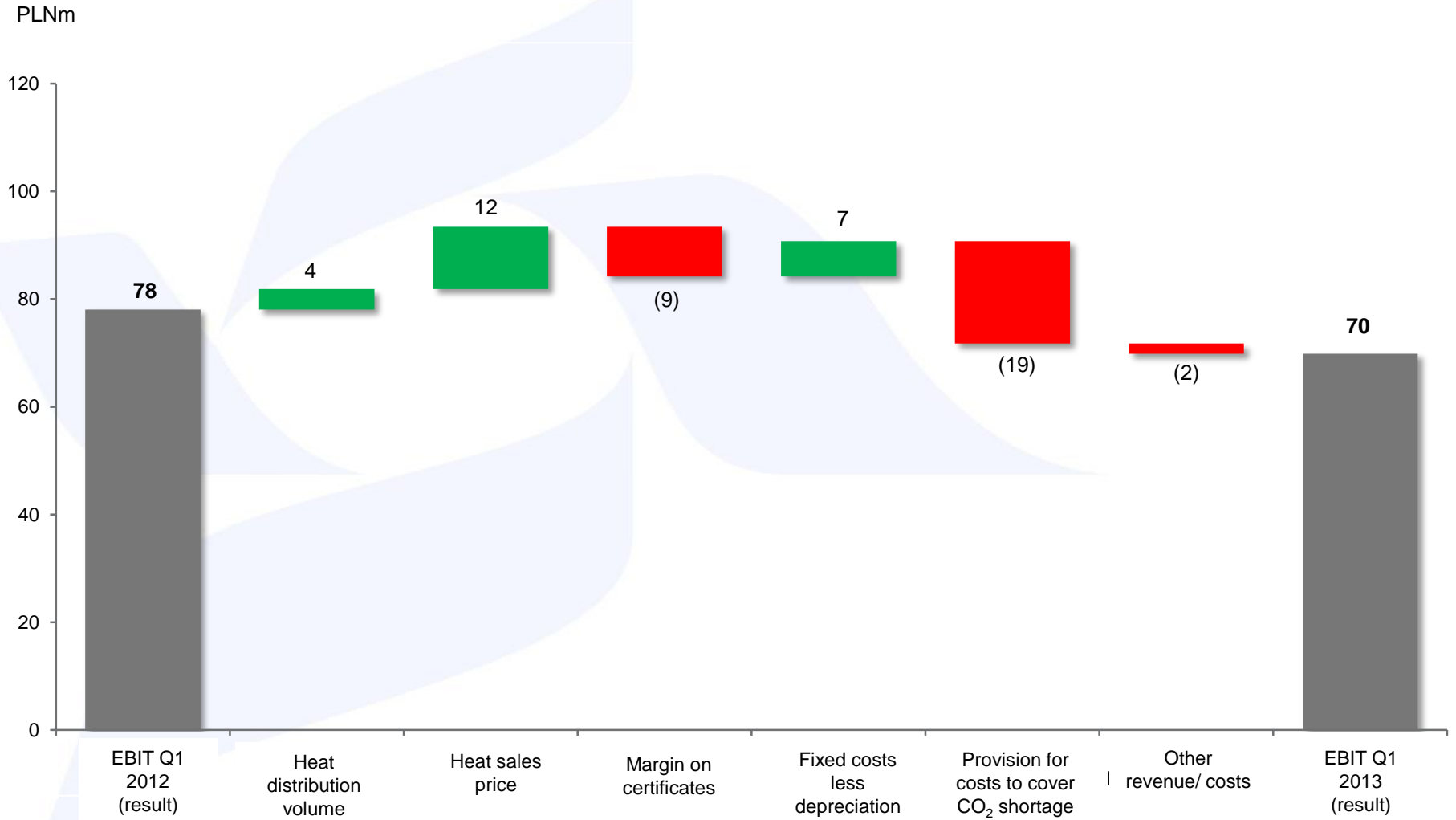


 Increase
 Decrease

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

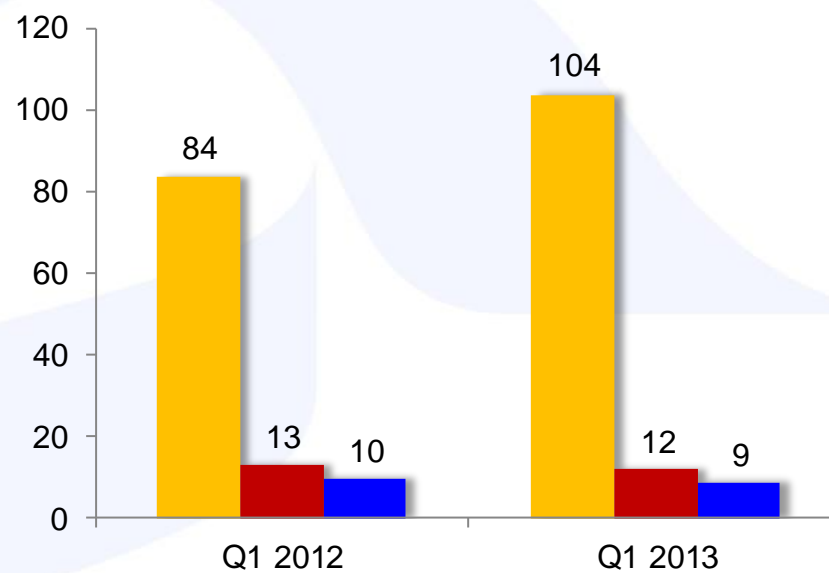


Heat – EBIT bridge

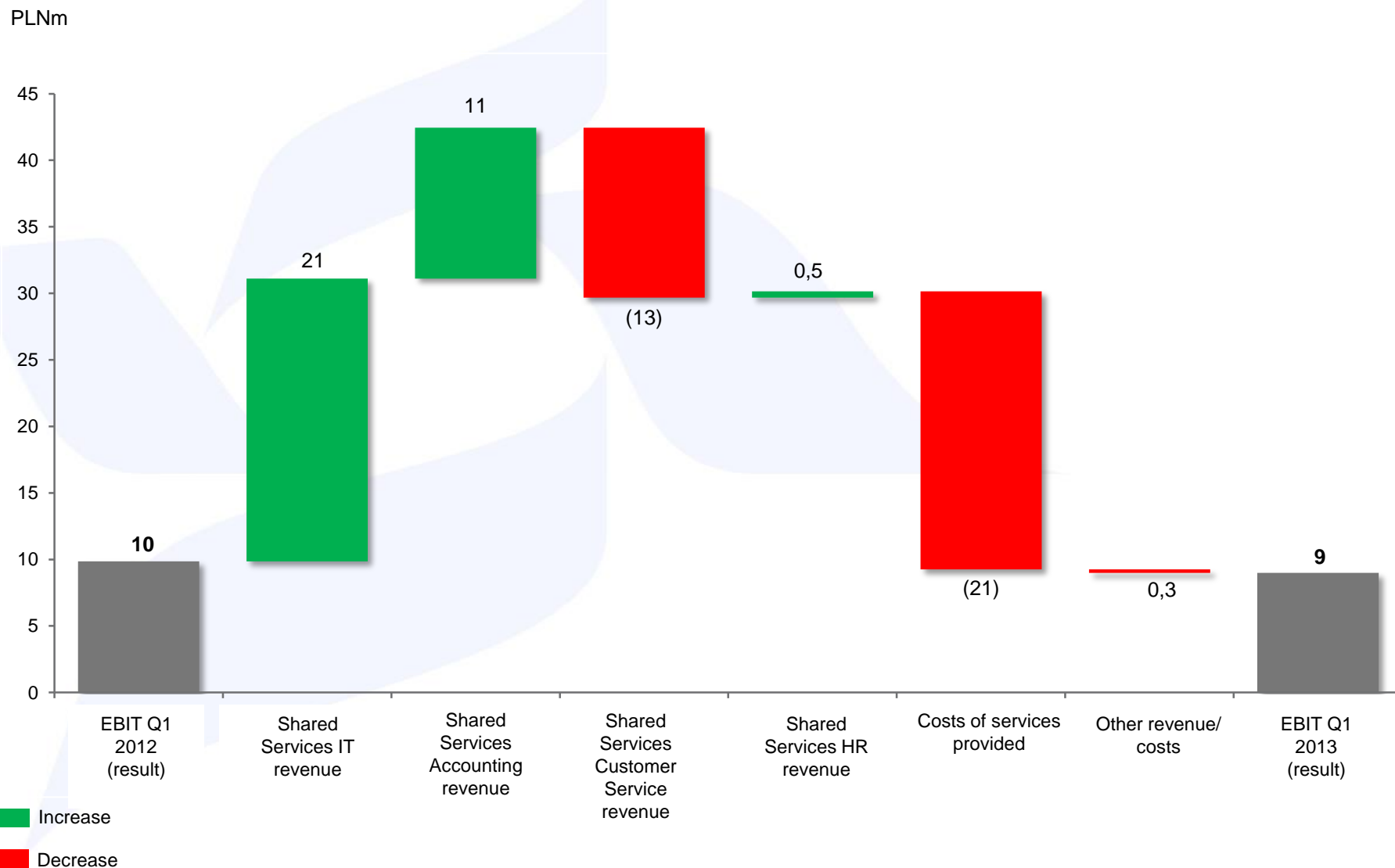


■ Increase
■ Decrease

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



Customer Service – EBIT bridge



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

