

Results of the TAURON Group for 1-3Q 2010

9 November 2010

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Summary (1-3Q 2010 – 1-3Q 2009)

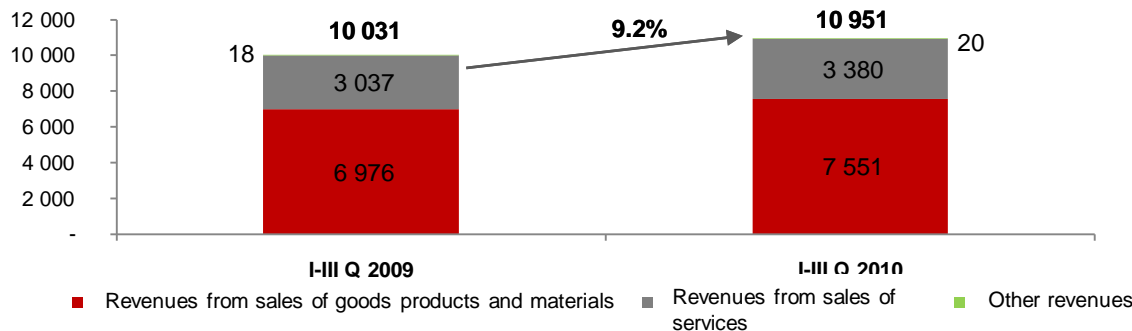
- During 1-3Q 2010 the demand for electricity in the area covered by the TAURON Group distribution companies increased by 4.3%
- The increase in the demand for electricity was covered to a large extent by the TAURON Group generation companies, for which the increase in electricity generation (net output) amounted to approx. 16.2%
- The increase in the electricity supply to end-users amounted to 14.2%
- The Group's revenue increased by 9.2% while the EBITDA by 4.8%
- Revenues from compensations for termination of PPAs in 1-3Q 2010 amounted to PLN 350 million
- The increased EBITDA was observed in key operational segments in the period of 1-3Q 2010: in the Distribution it amounted to 46.8%. while in Generation – 7.7%
- Net finance debt declined to PLN 131 million and the net finance debt / EBITDA rate at the end of 3Q 2010 (vs. EBITDA for 2009) amounted to 0.05
- The operating cost reduction plan for 2010-2012 is executed according to schedule. The cost reduction in 3Q amounted to approx. PLN 93 million and from the beginning of the year it reached PLN 235 million

Key operational data

	3Q 2009	3Q 2010	Change	1-3Q 2010	1-3Q 2010	Change
Hard coal mining (mln tons)	1.0	1.2	12.8%	3.5	3.4	-3.8%
Electricity generation (net output (TWh))	4.5	5.3	18.5%	13.4	15.5	16.2%
Including renewable sources	0.23	0.32	38.1%	0.73	0.85	17.7%
Heat generation (PJ)	1.0	1.3	33.0%	10.6	11.8	11.2%
Distribution (TWh)	8.8	9.2	4.2%	26.8	27.9	4.3%
Electricity supply (TWh)	6.8	8.5	25.9%	22.2	25.4	14.2%
No. of clients (thousands)	4 074	4 094	0.5%	4 074	4 094	0.5%

Financial results for 3Qs of 2010

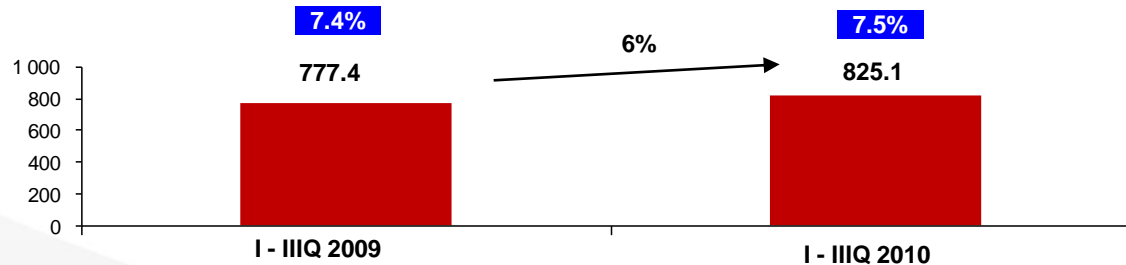
Revenues (PLN m)



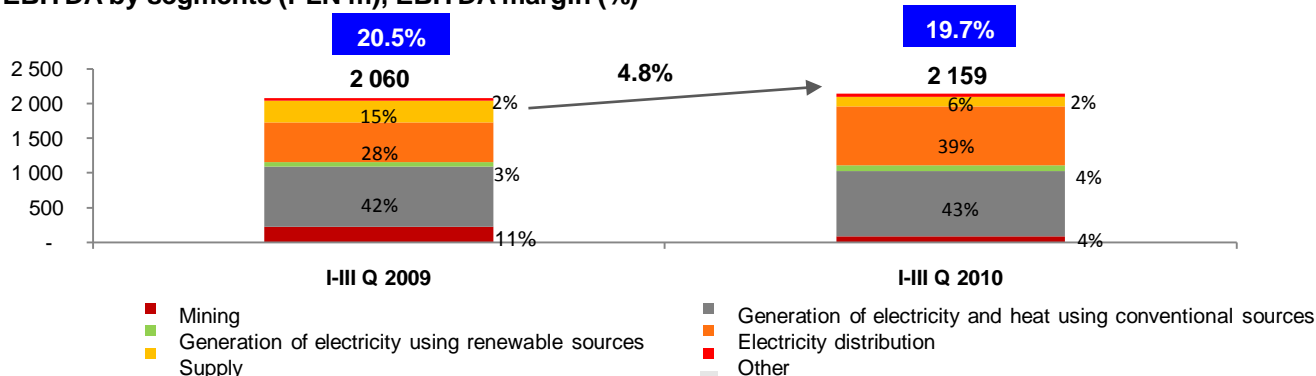
From the beginning of 2010 the TAURON Group recorded a considerable increase in the demand for electricity, which is a result of increased energy consumption and active acquisition of new clients.

The largest share in the increase in EBITDA after three quarters of 2010 is held by the segments of Distribution and Electricity Generation from conventional sources, which lead to an increase of these segments in the total EBITDA of the Group to over 80%.

Net profit (PLN m), Net margin (%)

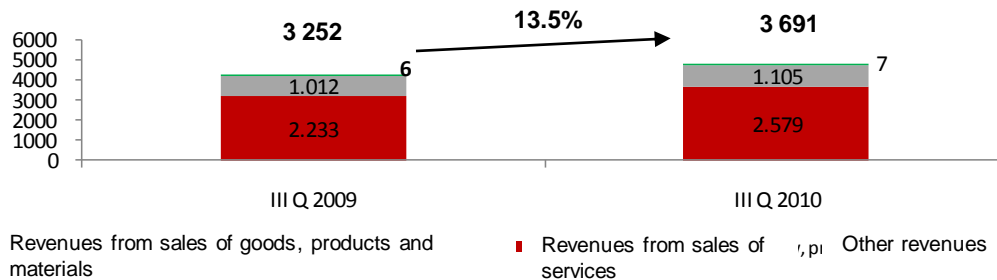


EBITDA by segments (PLN m), EBITDA margin (%)



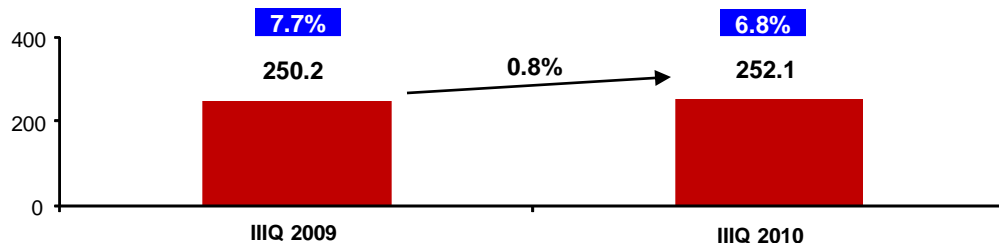
Financial results for 3Q 2010

Revenues (PLN m)



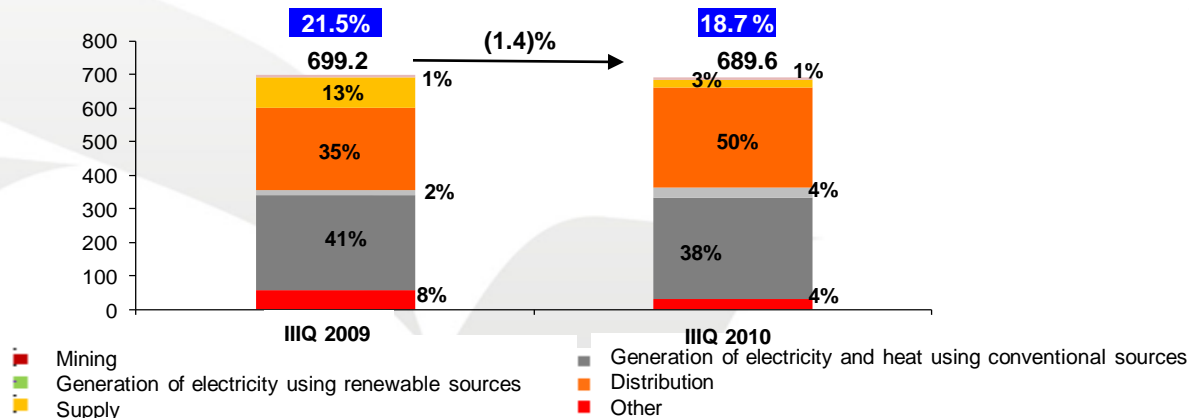
- Considerable growth in revenue in the 3rd quarter of 2010 was most affected by the increase in electricity supply volume thanks to gaining new clients and an increased demand for electricity.

Net profit (PLN m), net margin (%)



- Net profit in both quarters is at a comparable level.

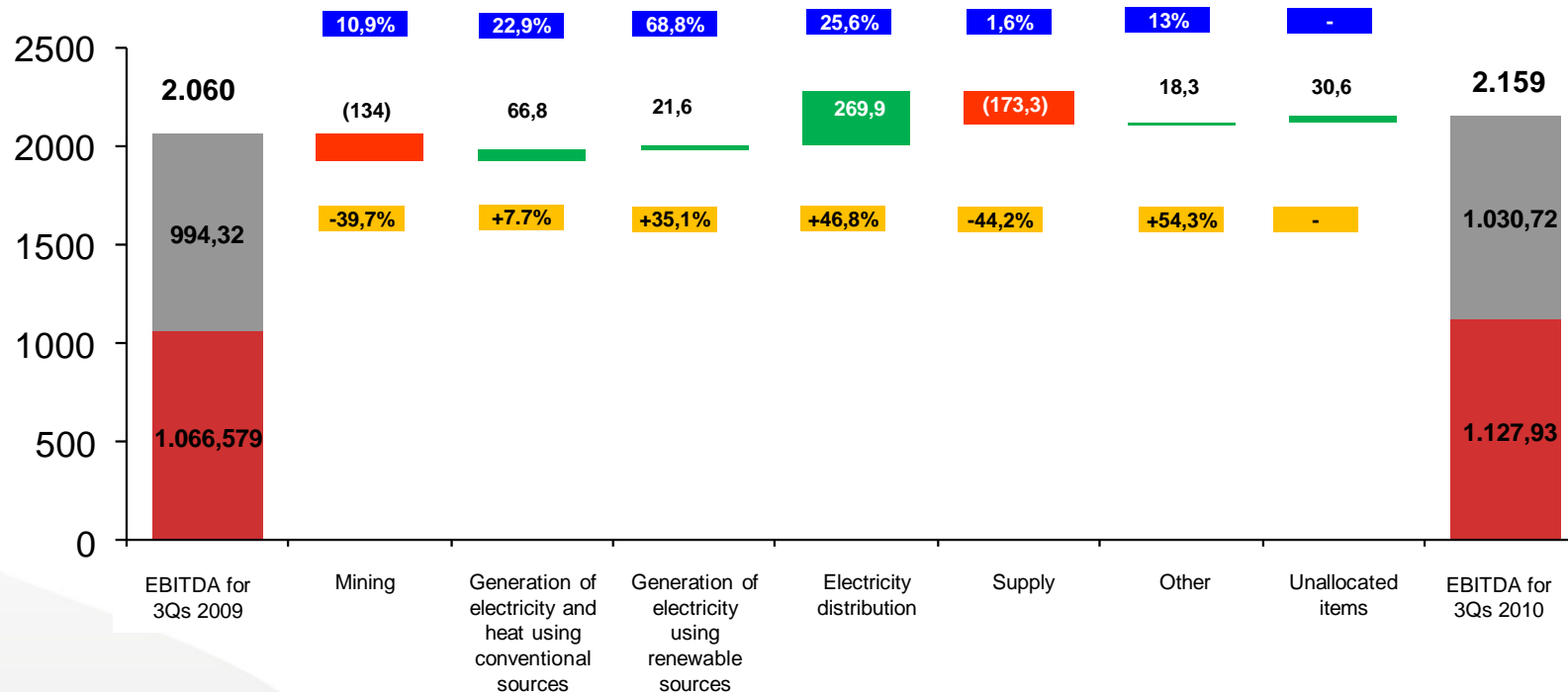
EBITDA by segments (PLN m), EBITDA margin (%)



- Slight decrease in EBITDA was mostly caused by lower result in the Supply segment, which is related to lower margin; as well as in the Mining segment, which is caused by the decrease in the sales level due to unfavourable geological conditions and a lower selling price.

Financial results for 3Qs of 2010

Change in EBITDA by segments (PLN m), EBITDA margin by segments (%)



MINING

- Lower production caused by unfavourable geological conditions (a tectonic fault)

GENERATION

- Total effect of volume increase and price decrease, as well as increase in stranded cost compensations in revenue

RES

- Increased green certificate revenue with a slightly increased output volume

DISTRIBUTION

- Increased supply volume, increased tariff prices and lower energy cost to cover balance sheet differences

SUPPLY

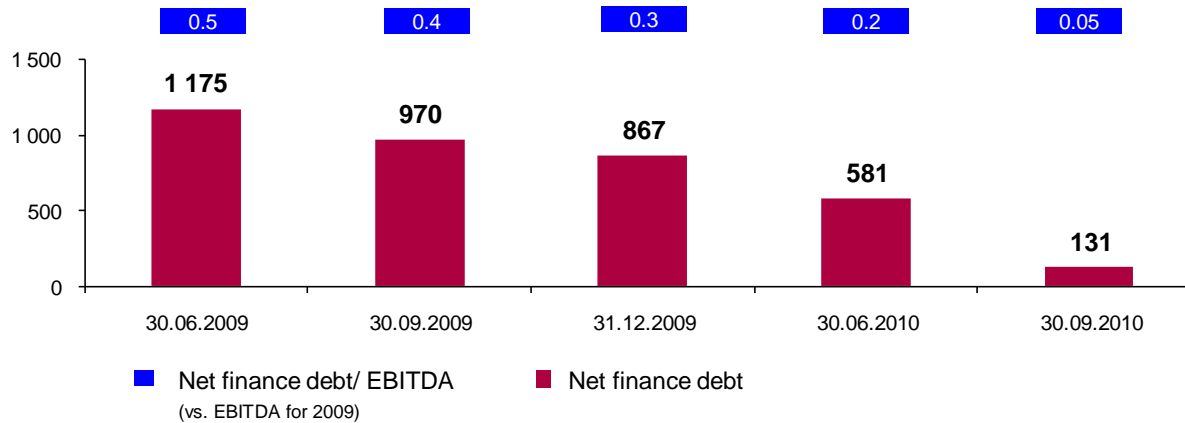
- Decreased margins to retain the existing clients

OTHER

- Increased revenue from heat supply thanks to increased volume

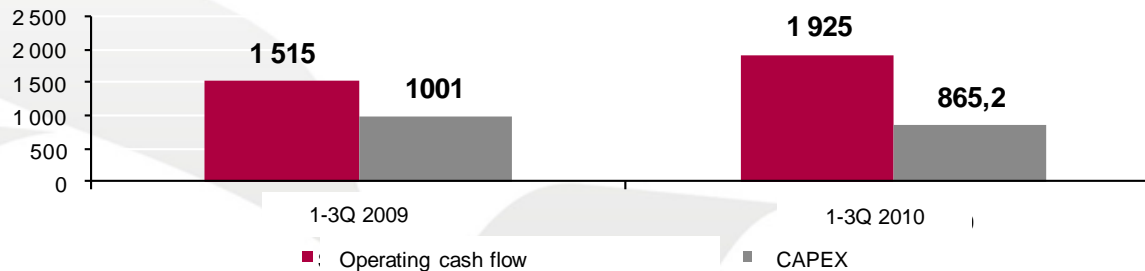
Financial results for 3Qs of 2010

Net finance debt (PLN m), net finance debt / EBITDA (x)



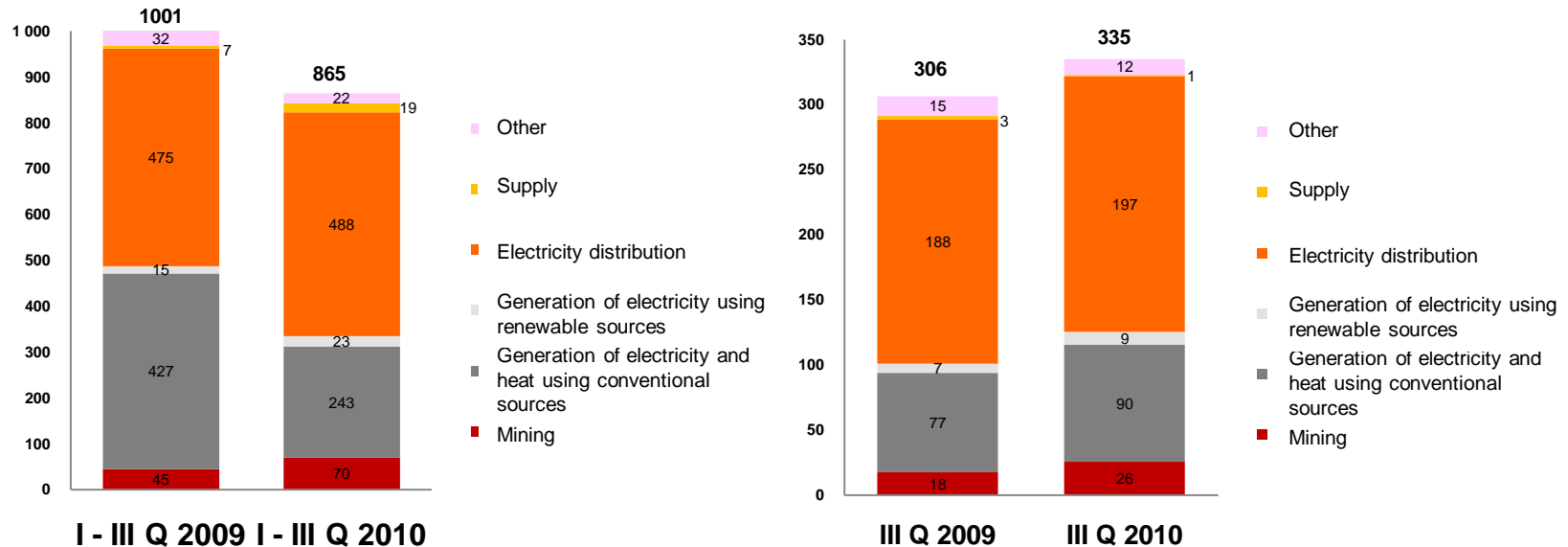
- Lowering total debt level by PLN 112 m with increase in cash by PLN 338 m at the same time resulted in lowering the net finance debt level by PLN 450 m (vs. the status as at the end of June 2010)
- Noticeable effects of introducing cash-pooling
- Gradual increase in the cash surplus generated by the Group from operating activities over investment expenditure

Cash from operating activities, investment expenditure (PLN m)



Investment expenditure structure

Investment expenditure by segments (PLN m)



- Expenditure on construction of new generation units in the Generation segment in the amount of PLN 70m (1-3Q)
- Expenditure on construction of new connections in the Distribution segment in the amount of PLN 211m (1-3Q)
- Expenditure on developing technical underground infrastructure in the Mining segment in the amount of PLN 50m (1-3Q)
- Lower investment in 3Qs of 2010 (vs. 2009) is an effect of updated execution schedules and transferring some of the planned expenditure to 2H 2010 (among others, due to difficult weather conditions). Expenditure for 3Qs of 2009 was higher due to the final stage of the construction of 460MW unit in Elektrownia Łagisza
- The level of investment expenditure in 3Q 2010 was already by ca. 10% higher than in the same period of the previous year and amounted to PLN 335m vs. PLN 306m.**

Note:

1 Investment expenditure comprises expenditure on non-current assets and intangible assets, excluding the emission allowances rights and energy certificates

Implementation of investment programme

Bielsko-Biala – new heating unit

- Construction starting date – August 2010
- Capacity – 50 MW_e / 182MW_t
- Planned COD – mid 2013

III Q 2010:

- Permit for construction was received, the site was commissioned and the works are ongoing

Wind farm - 40 MW in Wicko

- The project will be financed by means of finance lease
- Estimated project value – PLN 250 million
- Planned COD – 2012

III Q 2010:

- I stage of the tender procedure for supply, assembly, commissioning, service and financing
- One Tenderer was admitted to the next stage of negotiations, they were given the Terms and Conditions of the Offer
- Deadline for submission of preliminary offers - 22 November
- Completion of tender procedure – December 2010/ January 2011

Jaworzno III – new CFB boiler (for biomass combustion)

- Signing a contract with a consortium, whose leader is Rafako, for the design, delivery, construction and commissioning of the biomass boiler as well as biomass storage and transmission system
- Planned commissioning date – September 2012

III Q 2010:

- Execution in accordance with the schedule

Tychy – a new cogeneration unit and the reconstruction of the fluidized bed boiler (for biomass combustion)

- Obtaining a project financing commitment from the Voivodship Environmental Protection and Water Management Fund in the amount of up to PLN 30 million for the reconstruction of the fluidized bed boiler
- The power of a new cogeneration unit – 55 MW_e / 86 MW_t
- Planned COD – end of 2015 (the new unit) and end of 2012 (boiler reconstruction)

III Q 2010:

- 11 participant registered for the tender procedure

Wind farm - 100 MW

- Negotiations for purchase of SPV having the design for construction of 100 MW wind farm ended on 5 November
- Application for corporate permits – November 2010
- Purchase of SPV (signing agreement) – December 2010
- Selection of General Contractor – December 2010
- Planned COD – 2014

Implementation of investment programme (2)

Stalowa Wola – new steam and gas power unit

- Investment executed on the territory adjacent to ESW plant
- Joint-Venture with PGNiG
- Capacity – 400 MW_e / 240MW_t
- Project starting date – 2010; planned COD - mid 2014

III Q 2010:

- 12 offers were submitted in the tender for the general contractor and 5 offers were submitted in the tender for the contract engineer
- Approval from UOKiK (Office for Consumer and Competition Protection) for concentration was received

Jaworzno III – boiler modernization

- Contract concluded with the consortium established by Fortum Power and Heat Oy and Zakłady Remontowe Energetyki Katowice
- Estimated project value – PLN 224 million
- Scope – adaptation of six OP-650k boilers to lower nitrogen emission standards which will be binding in Poland from 2018
- Project starting date - July 2010 r., planned COD - August 2016

III Q 2010:

- Execution in accordance with the schedule

Jaworzno III – new 800-900MW coal fired unit

- 9 of the top global and European companies filed applications for participation in the project implementation/ stage I completed
- Planned contractor selection – Q2 2011
- Planned commissioning date – 2016

III Q 2010:

- Execution in accordance with the schedule

”Kędzierzyn” Polygeneration Plant

- Actions were initiated to sell 50% shares in Ecocarbon to ZAK
- Purpose – to establish a Joint-Venture in order to build and operate the ”Kędzierzyn” Polygeneration Plant
- The project should be finally started after the European Commission has issued a decision on its co-financing

III Q 2010:

- Preparation of materials for the Ministry of Economy to submit documents and assumptions for installations applying for grants for demonstrative CCS installation

Efficiency improvement programme

The TAURON Group has been implementing the efficiency improvement programme, mainly through optimization of operating costs

GENERATION – the effect in 3Q 2010: PLN 70 million; from the beginning of the year – PLN 176 million

- Increased production efficiency
- Increased by-product utilisation
- Lower expenditure related to pollution emissions

MINING – the effect in 3Q 2010: PLN 4 million; from the beginning of the year – PLN 17 million

- Lower costs of energy purchase
- Lower costs of mine headings development

RES + OTHER – the effect in 3Q 2010: PLN 2 million; from the beginning of the year – PLN 4 million

- Reduction of heat losses
- Lower employment costs

DISTRIBUTION – the effect in 3Q 2010: PLN 14 million; from the beginning of the year – PLN 35 million

- Optimized purchase costs
- Improved management and operating processes
- Optimized balance sheet differences

SUPPLIES – the effect in 3Q 2010: PLN 3 million; from the beginning of the year – PLN 3 million

- Change in the customer billing system
- Optimized costs of mail service

VOLUNTARY REDUNDANCY PROGRAMME

As at the end of 3Q 2010 approx. 800 persons signed for the programme. Out of that employment contracts were terminated with approx. 400 persons. The savings resulting from reduced employment are included in the numbers for particular segments

The savings programme for the years 2010-2012, which assumes reduction of operating costs in the amount of approx. PLN 1 billion is underway according to the plan

More transparent ownership

- Works connected with the rearrangement of Tauron Group subsidiaries:
 - ✓ Sales of shares in approx. 30 subsidiaries – ongoing
 - ✓ Completion of medical assets rearrangement – their acquisition by a specialized medical company from the Elvita Group (taking over of medical assets belonging to Enion registered in the National Court Register, the transfer of medical assets from EnergiaPro is underway)
- Completion of the process of contributing minority interest share in PKE S.A., Enion S.A., EnergiaPro S.A. and ESW S.A. by the State Treasury – registered on 2 November 2010

Business model implementation

- Integration of business activity in the area of supply and customer service; to be completed by the end of 2010:
 - Establishment of a power trading company on the basis of Enion Energia – a division of EnergiaPro Gigawat, and transferring a part of its assets related to electricity trading to Enion Energia
 - Transfer of employees specializing in customer service from Enion Energia to EnergiaPro Gigawat
- Reorganization of RES area by transfer of generation assets of hydroelectric power plants from Enion Energia to TAURON Ekoenergia
- The undergoing process of consolidation of generation companies under the segment of Generation from conventional sources
- The process of merging two distribution companies under the Distribution segment has been initiated
- Establishment of Heat area as part of TAURON Group

Summary

- Strong financial position confirmed by the financial results for the 3rd quarter 2010 and during the 1st-3rd quarter 2010 period
 - Low indebtedness and high operating cash flow allowing for effective execution of the investment programme
 - Undergoing effectiveness growth / cost reduction programme: the results have material impact on the Group's financial results
 - Consistently executed capital group restructuring
 - Good financial standing, positively assessed by the market: positive recommendations and a gradual increase in the share price
-

Thank you – Q&A

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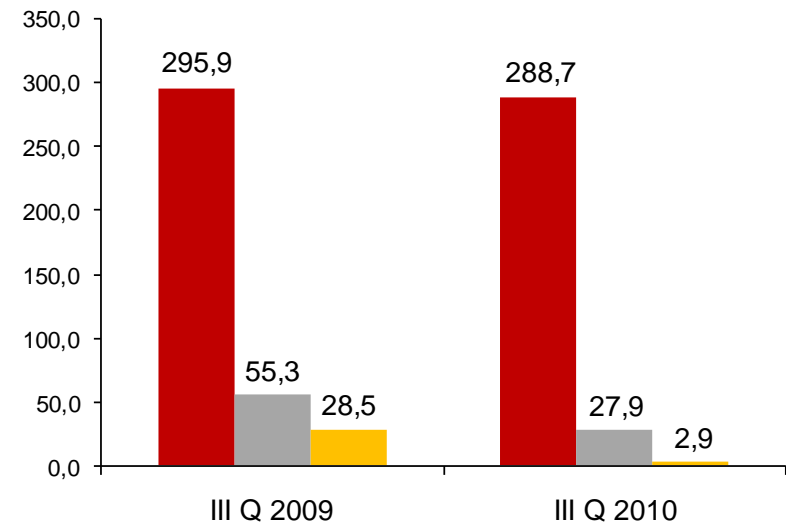
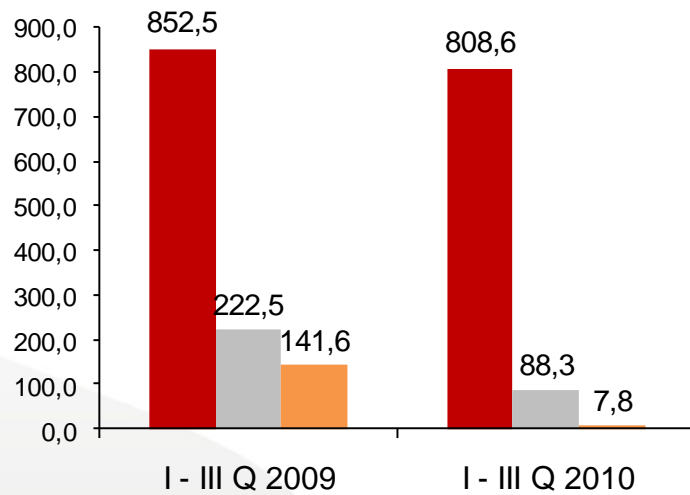
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Additional information

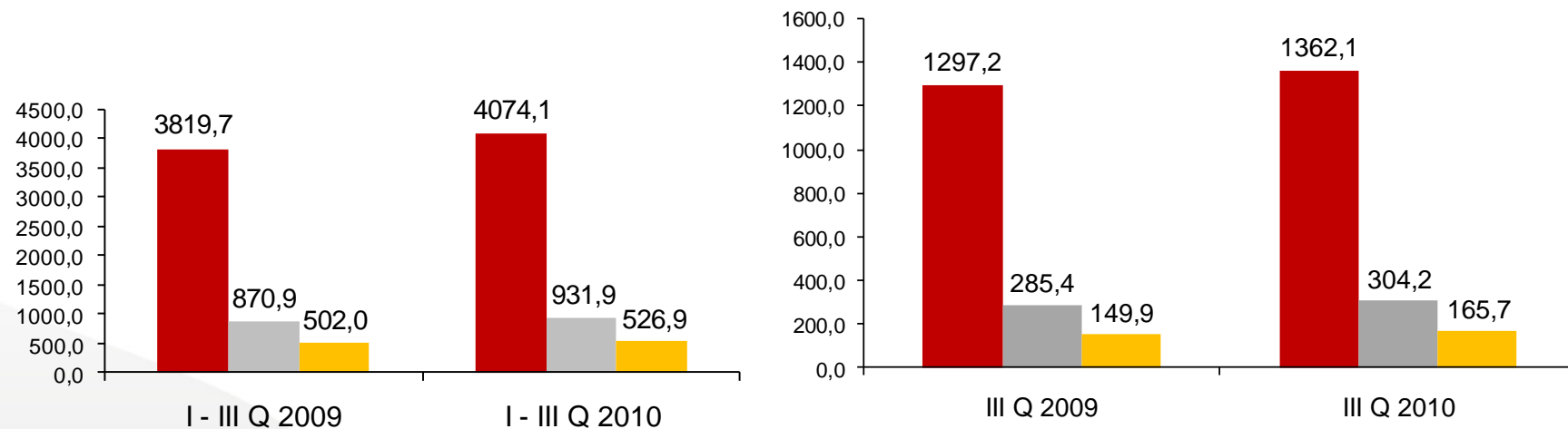
Mining – key financial data

Change in the revenue, EBITDA, operating profit in the segment (in PLN m)



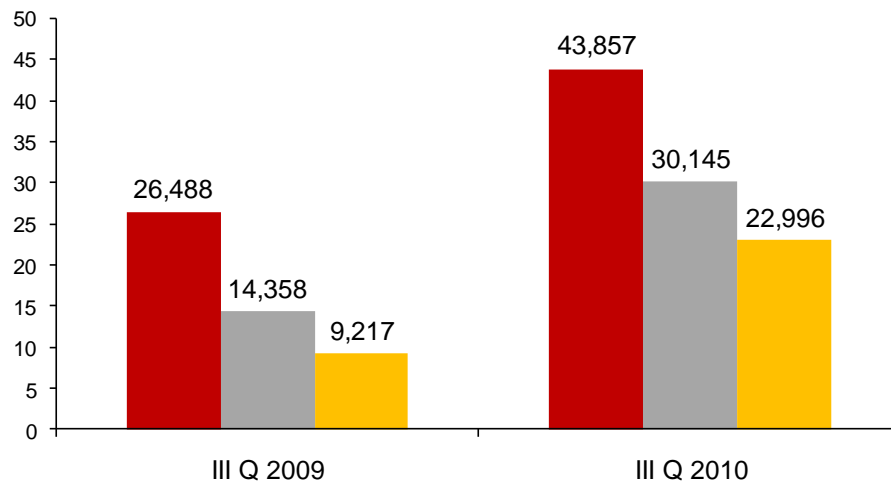
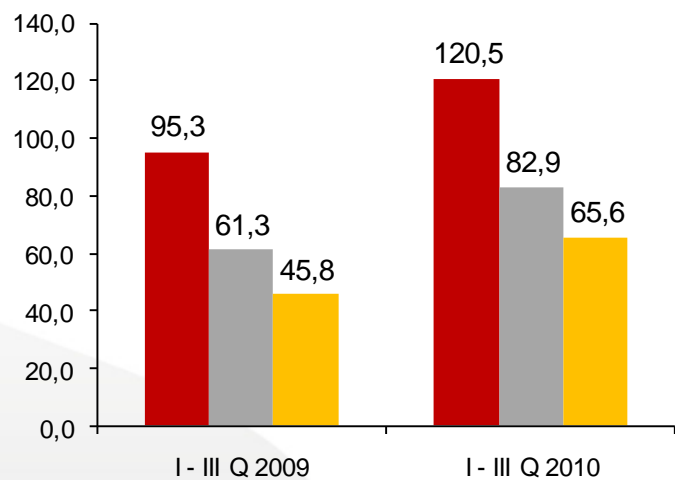
Generation from conventional sources – key financial data

Change in the revenue, EBITDA, operating profit in the segment (in PLN m)



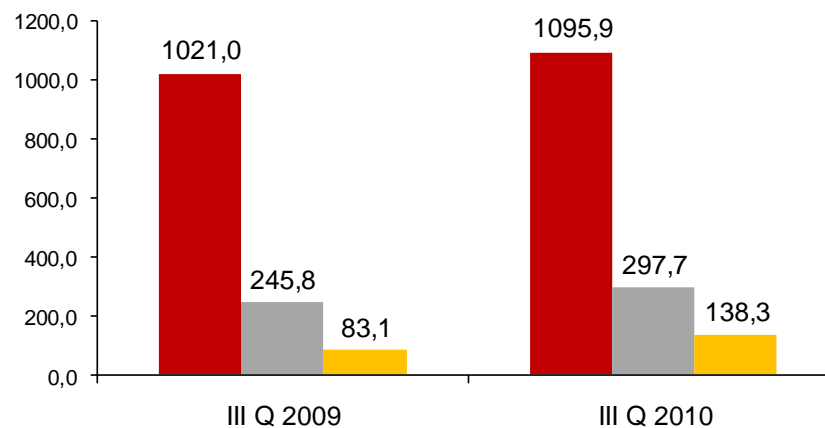
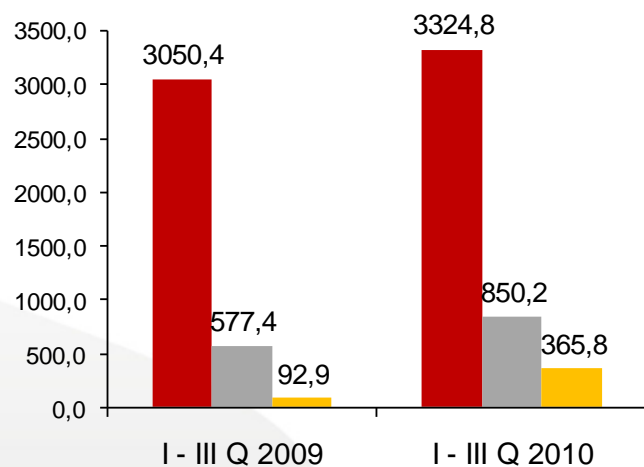
Generation from renewable sources – key financial data

Change in the revenue, EBITDA, operating profit in the segment (in PLN m)



Distribution – key financial data

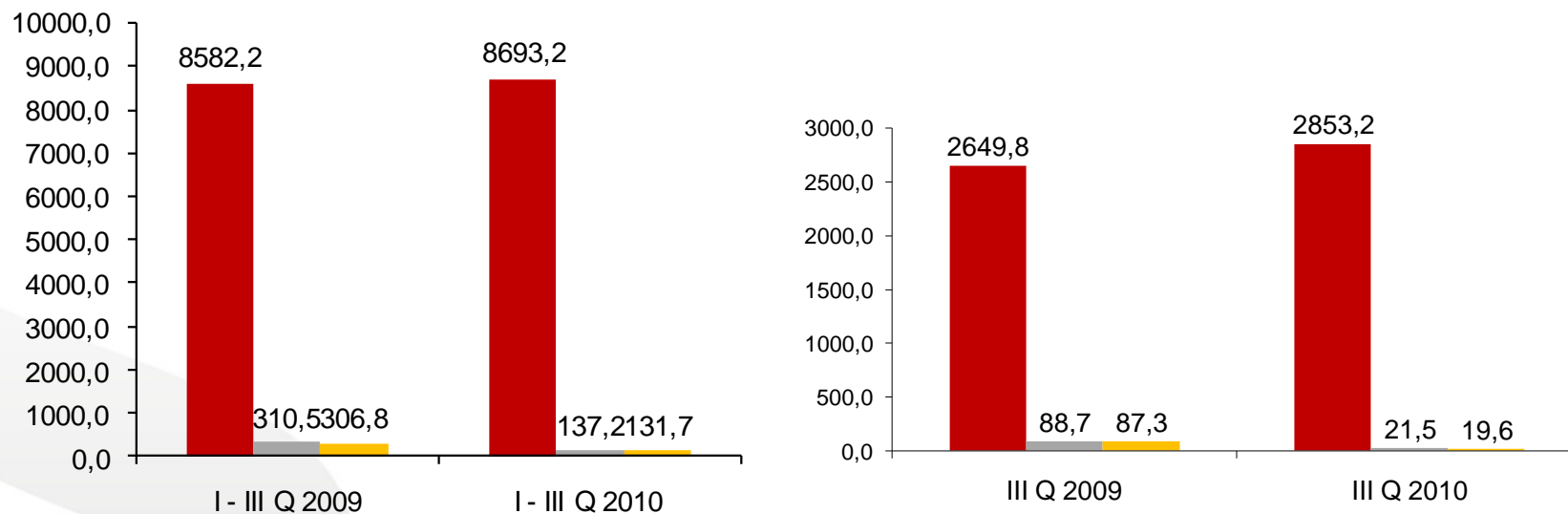
Change in the revenue, EBITDA, operating profit in the segment (in PLN m)



Revenue EBITDA Operating profit

Supply – key financial data

Change in the revenue, EBITDA, operating profit in the segment (in PLN m)



Revenue EBITDA Operating profit