



9 November 2011

TAURON Group Results for Q1-3 2011

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Key Events

25 July	Signing a contract for supply and purchase of energy carriers, gas fuels and other products between EC Nowa and ArcelorMittal (current report No. 42/2011)
23 August	Concluding a preliminary agreement with Vattenfall AB for purchase of shares of Górnośląski Zakład Elektroenergetyczny (current report No. 44/2011)
26 August	Publication of announcement by Fitch rating agency on affirmation of long-term foreign and local currency ratings for the Company at BBB with stable outlooks in connection with acquisition of Górnośląski Zakład Elektroenergetyczny (current report No. 45/2011)
29 September	Signing an agreement between TAURON Ekoenergia and WSB Neue Energien concerning purchase of 100% shares of company Lipniki including 30.75 MW Lipniki wind farm
24 October	Signing an agreement with the European Investment Bank (EIB) for preferential loans at total value of PLN 510 million. The funds acquired will be allocated for two investment projects in the Generation segment
28 October	Signing an agreement with banks to increase the value of corporate bonds programme by PLN 3 billion. Funds from issue of the bonds shall be allocated for purchase of Górnośląski Zakład Elektroenergetyczny or for implementation of other investment projects (current report No. 53/2011)

Electric energy market price trends

Electric energy						
Platforms: TGE, TFS, GFI, GPW-POEE	2010		2011		2011/2010	
	Price PLN/MWh	Volume GWh	Price PLN/MWh	Volume GWh	Price %	Volume %
Forward BASE (Y+Q+M)	186.26	37 034	195.23	105 844	+4.8%	+185.8%
Forward PEAK (Y+Q+M)	208.22	4 432	218.81	14 604	+5.1%	+229.5%
Forward (weighted aver.)	188.62	41 466	198.09	120 449	+5.0%	+190.5%
SPOT (TGE + GPW-POEE)	191.86	13 061	197.57	19 592	+3.0%	+50.0%
Total weighted average	189.40	54 527	198.02	140 041	+4.5%	+156.8%

CO ₂ emission allowances (EUR/t):		Certificates (PLN/MWh)		
CO ₂ market analysts' survey*	Price (PLN)	Type of certificate	Estimated market price in December 2011	Substitution fee for 2011
Average in 2011	14.13	RES (green)	282.20	274.92
Average in 2012	15.11	Coal cogeneration (red)	10.00	29.58
Average in 2013	17.44	Gas cogeneration (yellow)	123.40	127.15
EUA DEC-11 price forecasted by TAURON at the end of 2011	10.30	Methane (violet)	56.00	59.16

* Source: MontelPowerNews

Ownership structure rearrangement

Completed

- Sale of assets unrelated to the core operation for the total sum of PLN 11.5 million, including:
 - recreational facilities – for the amount of PLN 5.9 million
 - stocks/shares – for the amount of PLN 5.6 million
- Merger of 2 companies from the field of electric network renovation
- Completion of stage I of consolidation of medical services in PŚZiPZ ELVITA
- Transfer of PEPKH shares from TAURON Wytwarzanie to TAURON PE

In progress

- Process of sale of assets unrelated to the core operation:
 - recreational facilities, scheduled completion – Q4 2011
 - stocks/shares of 10 companies from outside the value chain, scheduled completion – 2012
- Completion of stage II of consolidation of medical services, integration of Group structure and sale of PŚZiPZ ELVITA, scheduled completion – Q4 2011
- Process of coordination and integration of TAURON Group Structure:
 - merger of companies with the same core operations (meter servicing companies in Distribution segment)
 - process of separation, integration and supervision of operations unrelated to the core operation of the Group

Business model implementation

- Processes of merger of assets in the Group business areas and registration of the following companies in the National Court Register (KRS):
 - TAURON Sprzedaż sp. z o.o. – 3.01.2011
 - TAURON Obsługa Klienta sp. z o.o. – 3.01.2011
 - TAURON Dystrybucja S.A. – 1.09.2011
 - TAURON Wytwarzanie S.A. – 31.08.2011
 - TAURON Ciepło S.A. (stage I) – 1.09.2011

- Follow-up of integration of assets in the Heat segment by TAURON Ciepło:
 - Acquisition by TAURON Ciepło of companies: EC Tychy and EC Kamienna Góra; scheduled completion – Q1 2012
 - Contribution of shares of EC Nowa to TAURON Ciepło; scheduled completion – Q1 2012

Implementation of investment programme

ZEC Bielsko-Biała – new heating unit

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

Status as of 30 September 2011:

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

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

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

Status as of 30 September 2011 :

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

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

- Capacity – 20 MW_e
- Scheduled commissioning – 2012

Status as of 30 September 2011:

- Construction works in progress. General contractor: Rafako

Elektrociepłownia Tychy – new CHP unit and fluidized bed boiler reconstruction (biomass burning)

- Capacity – 50 MW_e / 86 MW_t
- Scheduled commissioning – end 2015 (new unit) and end 2012 (boiler reconstruction)

Status as of 30 September 2011:

- On 3 August – agreement signed for construction of WR 40 boiler for Elektrociepłownia Tychy with company Fabryka Kotłów SEFAKO
- On 14 September – call for tender for "Construction of new heating unit with fluidized bed boiler, heat condensation turbine including accompanying facilities at Elektrociepłownia Tychy S.A."

Wind farm – Marszewo

- Capacity – 100 MW_e
- Scheduled commissioning – 2014

Status as of 30 September 2011:

- On 21 July – public tender was announced for "Construction of Marszewo wind farm of 82 MW capacity including supply and installation of the wind farm". The selection of contractor is in progress
- On 3 August – public tender was announced for Contract Engineer. The selection process is in progress

Elektrownia Stalowa Wola – new gas and steam unit

- Capacity – 400 MW_e / 240 MW_t
- Commencement of the project – 2010; scheduled commissioning – 1st half of 2015

Status as of 30 September 2011:

- Process of selection of general contractor is in progress

Wind farm – Wicko

- Capacity – 40 MW_e
- Scheduled commissioning – 2013

Status as of 30 September 2011:

- Process of contractor selection in progress
- On 26 August the Contract Engineer was selected: consortium of Group Polska (leader) and Ingerieria IDOM International

Elektrociepłownia Katowice – new gas and steam unit

- Capacity – 135 MW_e / 90 MW_t
- Commencement of the project – 2nd half of 2015

Status as of 30 September 2011:

- Process of contractor selection is under preparation
- On 19 September contract was signed with Energoprojekt Katowice for preparation of technical documentation necessary to obtain construction permit

Elektrownia Blachownia – new gas unit

- Capacity – approx. 850 MW_e
- Commencement of the project – 2016

Status as of 30 September 2011:

- Establishment of special purpose vehicle is in progress as well as activities aimed at obtaining approval for concentration (European Commission approval for establishment of joint enterprise)

Implementation of investment programme (3)

Elektrownia Jaworzno III – modernization of boilers

- Scope – adjustment of six OP-650k type boilers to lower nitrogen oxides emission standards which will be binding in Poland from 2018
- Commencement of works – July 2010, scheduled completion – January 2016

Status as of 30 September 2011:

- Modernisation was completed as well as works related to construction of nitrogen removal system at unit No. 2 – adjustments are in progress
- General contractor: consortium of Fortum Power and Heat (consortium leader) and Zakłady Remontowe Energetyki Katowice (consortium member)

Elektrownia Jaworzno III – new coal-fired unit

- Capacity – 910 MW_e
- Scheduled commissioning – 2nd half of 2016

Status as of 30 September 2011:

- The process of selection of contractor and contract engineer is in progress. Negotiations with individual bidders were commenced
- On 11 August permit for construction of the unit was obtained

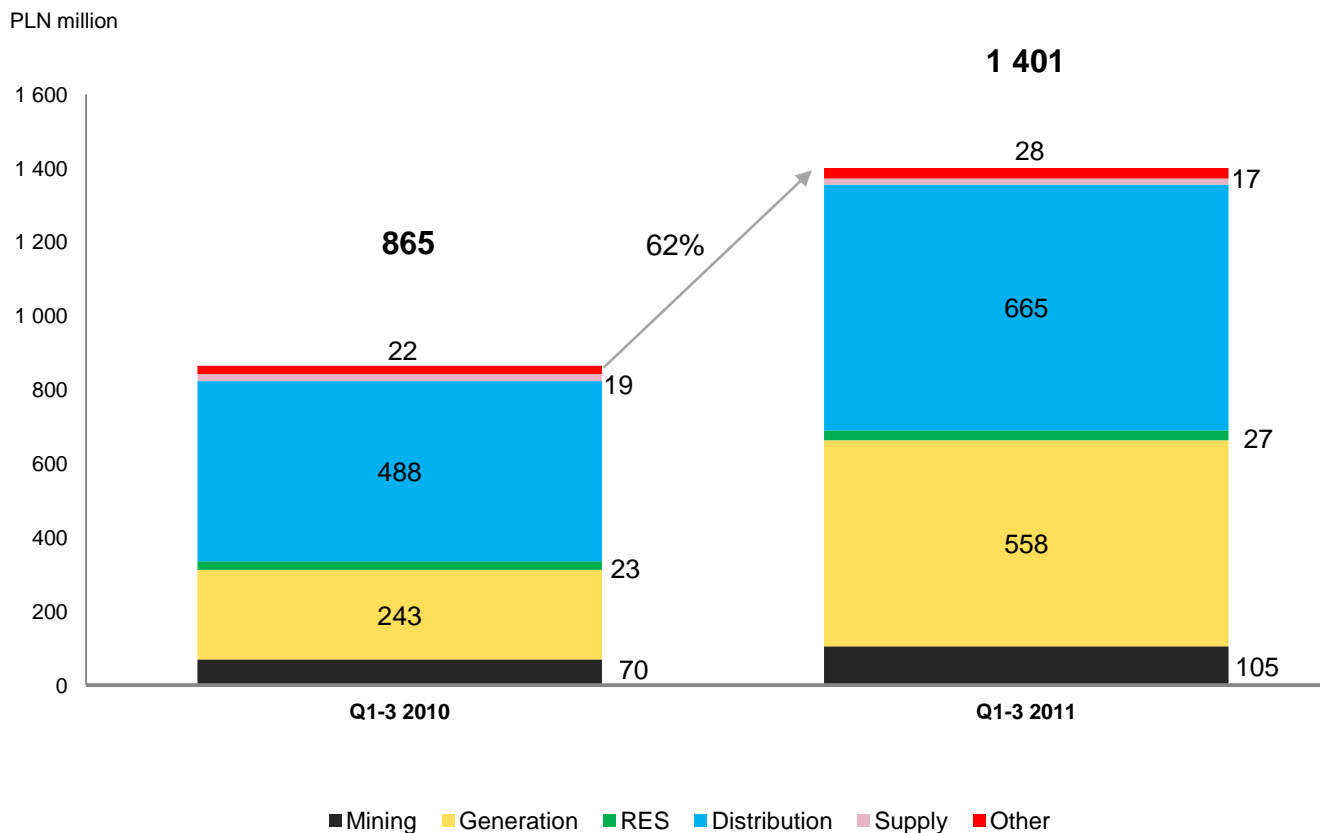
Elektrownia Łaziska – modernization of boilers

- Scope – adjustment of six OP-650k type boilers to standards of lower nitrogen oxides emission which will be binding in Poland from 2018
- Commencement of works – July 2010, scheduled completion – January 2015

Status as of 30 September 2011:

- Modernisation and construction of nitrogen removal system at unit No.12
- General contractor: STRABAG

Investment expenditure



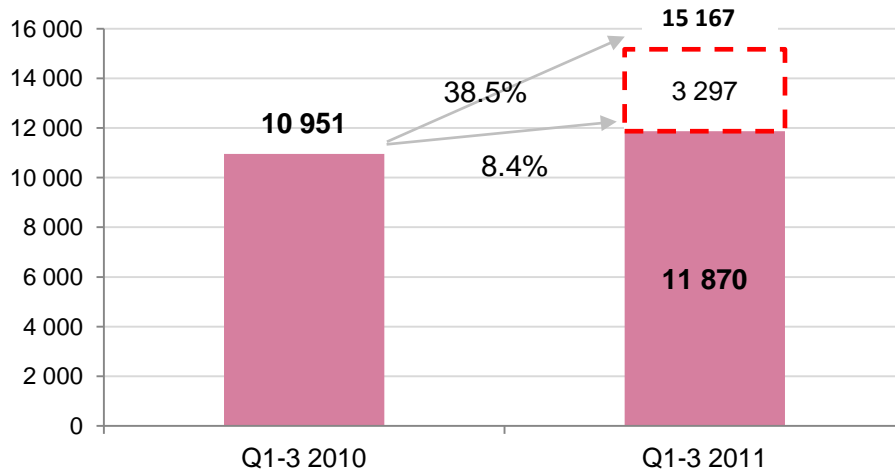
- In Q1-3 2011 the TAURON Group invested over PLN 1.4 billion, almost 90% of which constituted expenditures in Generation and Distribution segments
- A dynamic increase in expenditure in Generation segment results from increased expenditure on new generation units (from PLN 122 to 255 million) and other expenditures (including mainly NOx installations and modernisation of the existing boilers to biomass burning)
- Increase in expenditures in Distribution segment resulted from increased expenditures on modernisation of network assets (by approx. PLN 133 million). The increase in expenditure on new connections amounts to approx. PLN 93 million.

Key operational data

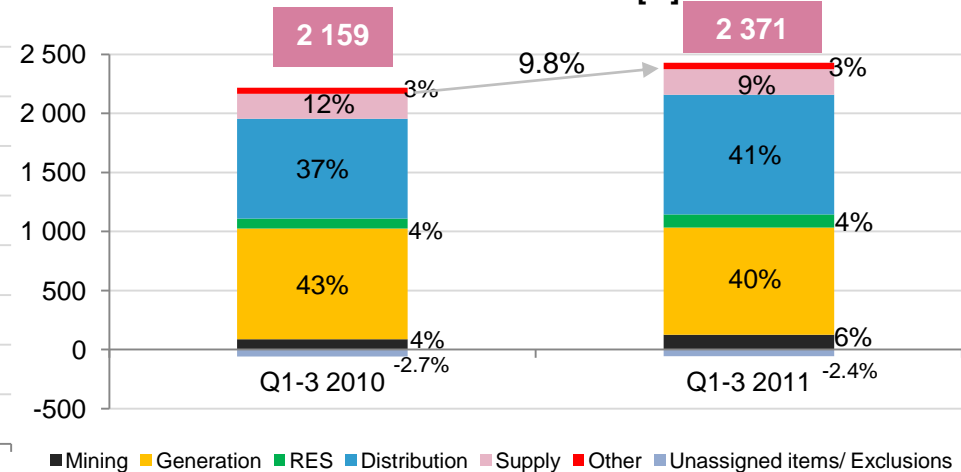
	Q3 2010	Q3 2011	Change (dynamics)	Q1-3 2010	Q1-3 2011	Change (dynamics)
Production of commercial coal (million tons)	1.17	1.18	0.9%	3.38	3.78	11.8%
Electricity generation (net production) (TWh)	5.33	5.09	-4.5%	15.54	16.30	4.9%
Including RES (TWh)	0.32	0.31	-4.3%	0.85	0.77	-9.8%
Heat generation (PJ)	1.28	0.99	-22.7%	11.80	10.39	-11.9%
Distribution (TWh)	9.18	9.41	2.5%	27.94	28.82	3.1%
Retail electricity supply (TWh)	8.54	8.54	0%	25.39	27.11	6.8%
Number of customers – Distribution (thousand)	4 129	4 137	0.2%	4 129	4 137	0.2%

Financial results for Q1-3 2011

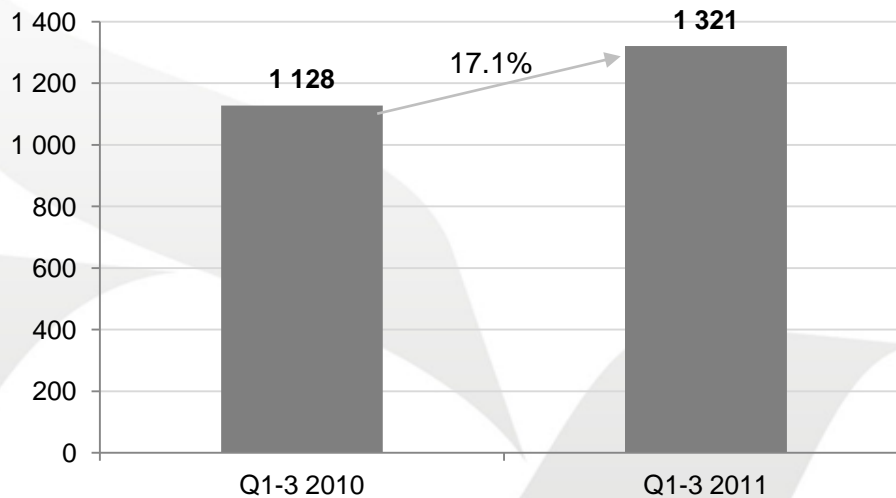
TAURON Group's revenues [PLN million]



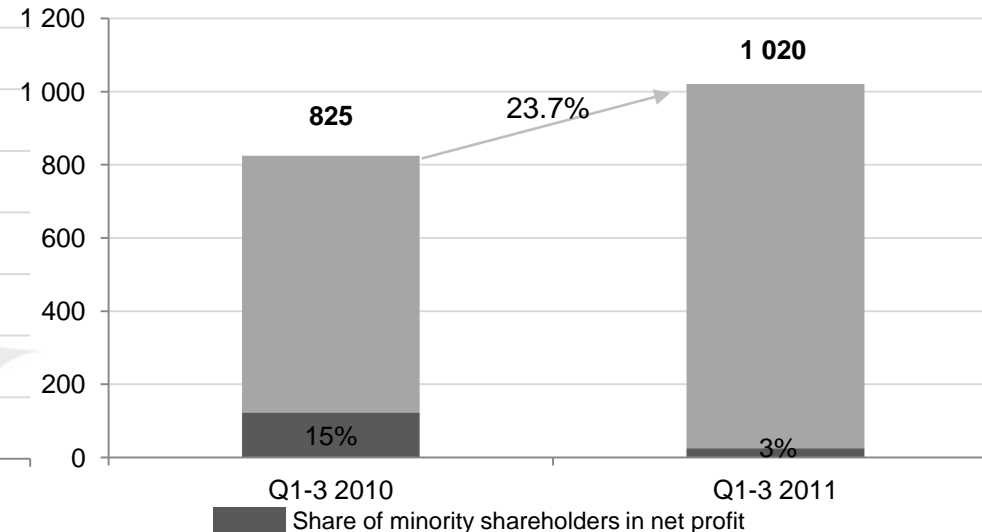
TAURON Group's EBITDA by segments [PLN million];
EBITDA structure [%]



TAURON Group's EBIT [PLN million]



TAURON Group's net profit [PLN million]

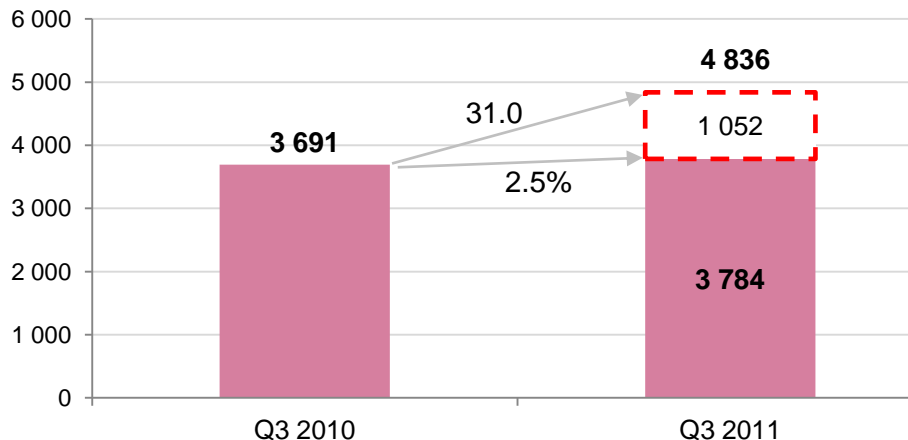


The data is presented in comparable form:

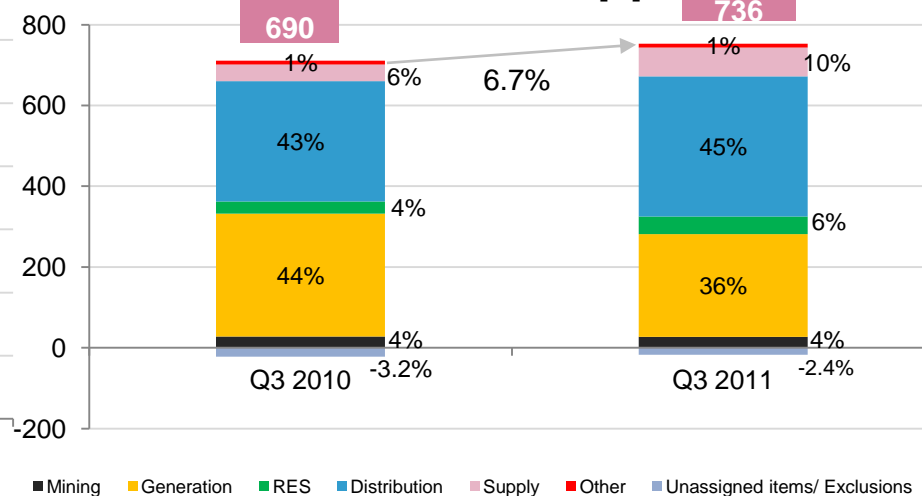
Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in Q1-3 2010 was treated as internal supply in the Group and it was consolidated.

Financial results for Q3 2011

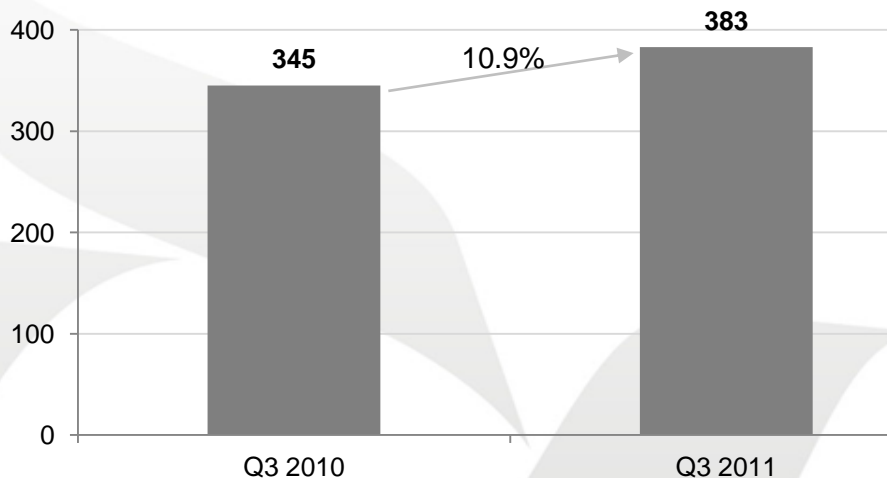
TAURON Group's revenues [PLN million]



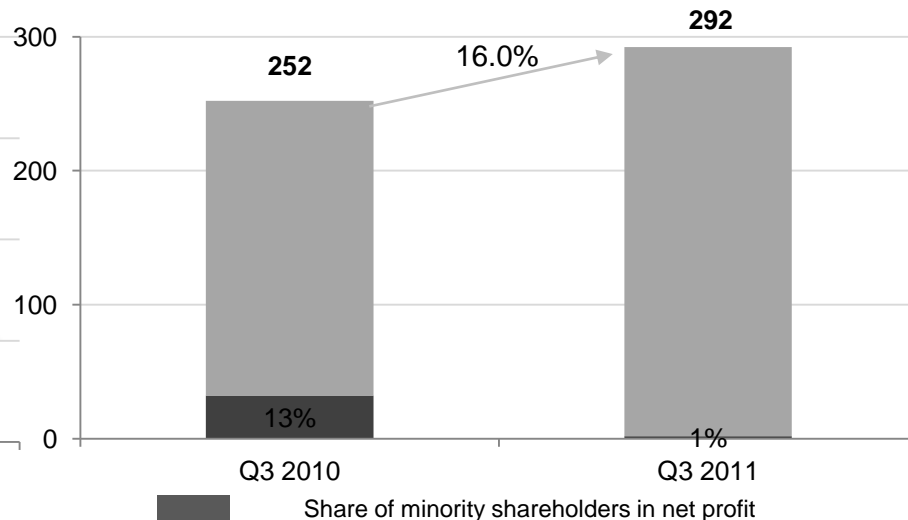
TAURON Group's EBITDA by segments [PLN million];
EBITDA structure [%]



TAURON Group's EBIT [PLN million]



TAURON Group's net profit [PLN million]

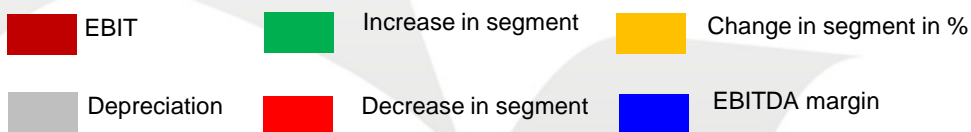
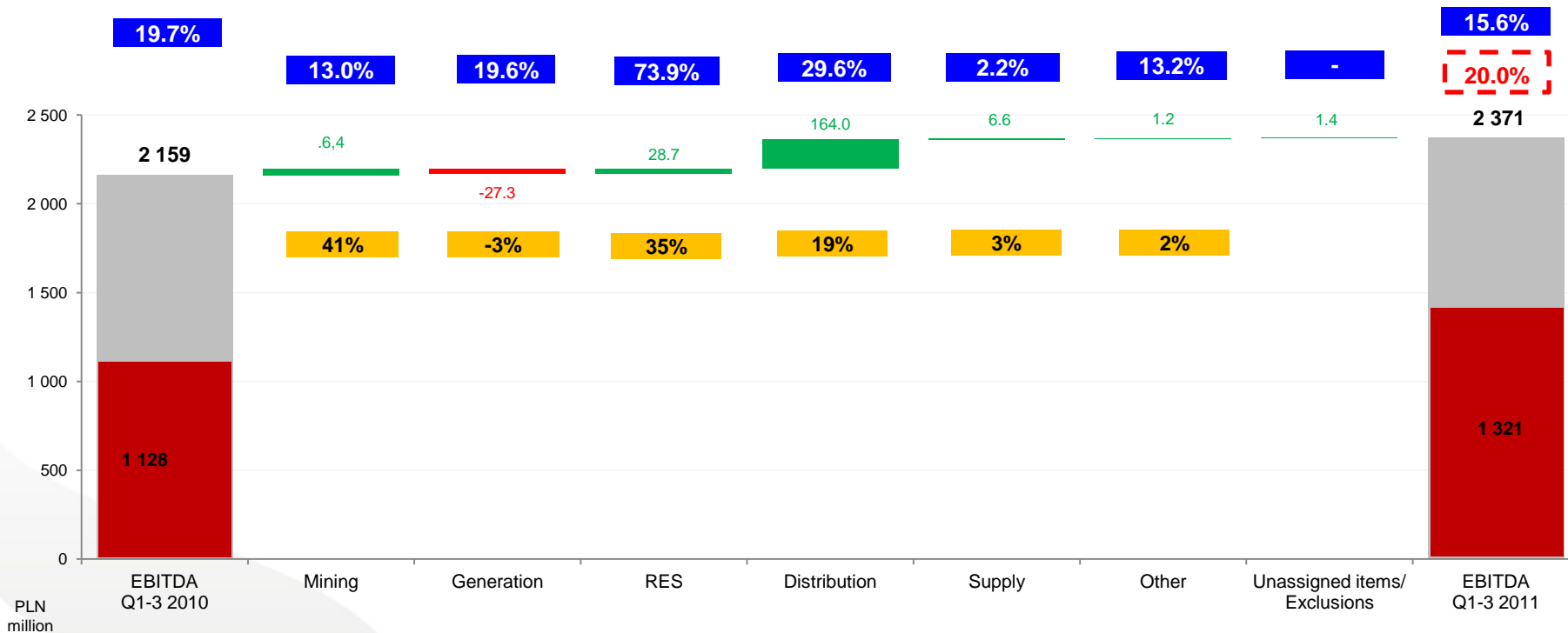


The data is presented under comparable form:

Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in Q3 2010 was treated as internal supply in the Group and it was consolidated.

Financial results for Q1-3 2011 - EBITDA

Changes in EBITDA by segments (PLN million and %), EBITDA margin per segment (%)

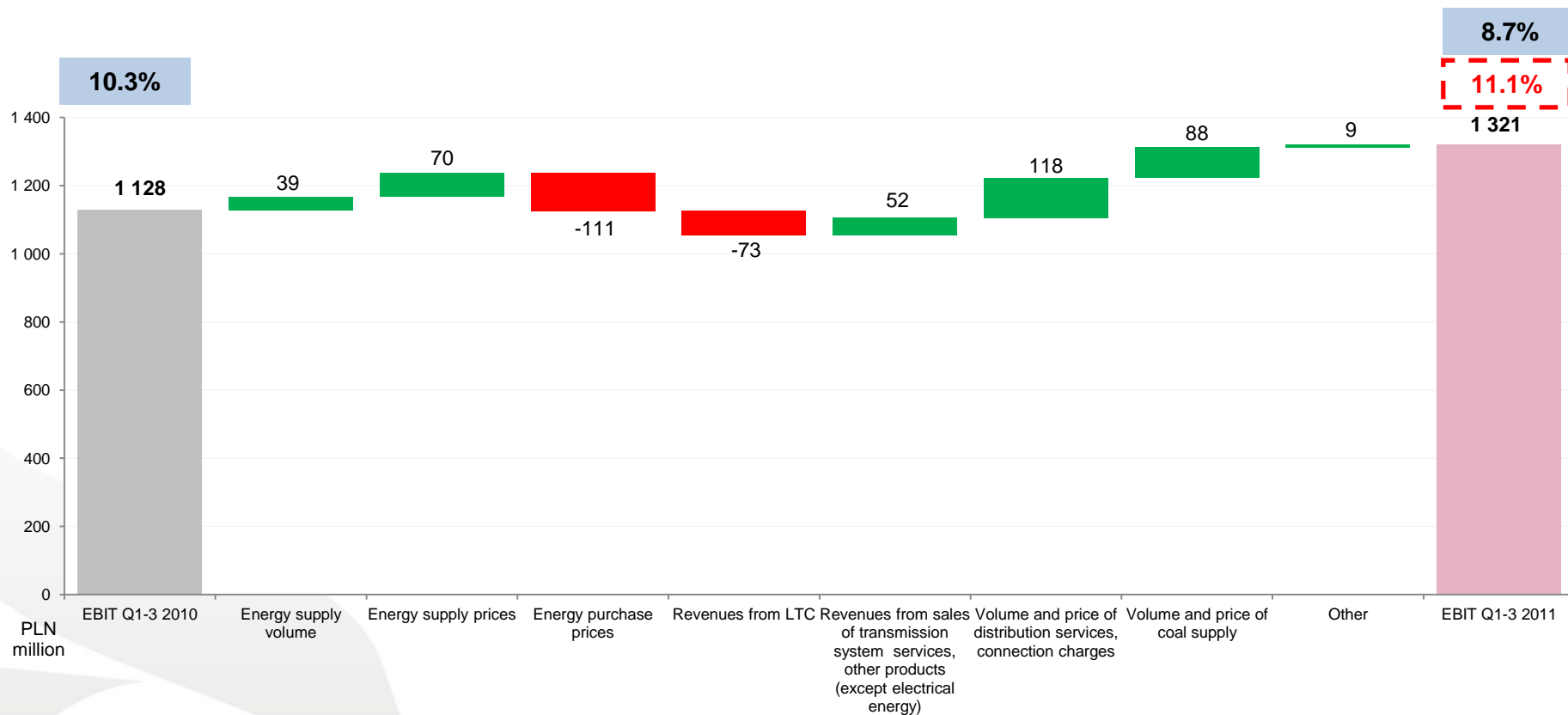


* During three quarters of 2011 in Supply segment the valuation of RES (green) energy certificates is recognized in the amount of approx. PLN 53.1 million. This did not occur during three quarters of 2011.

The data is presented under comparable form:
 Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in Q3 2010 was treated as internal supply in the Group and it was consolidated.

Financial results for Q1-3 2011 - EBIT

Change in EBIT vs. operational factors (PLN million); EBIT margin (%)



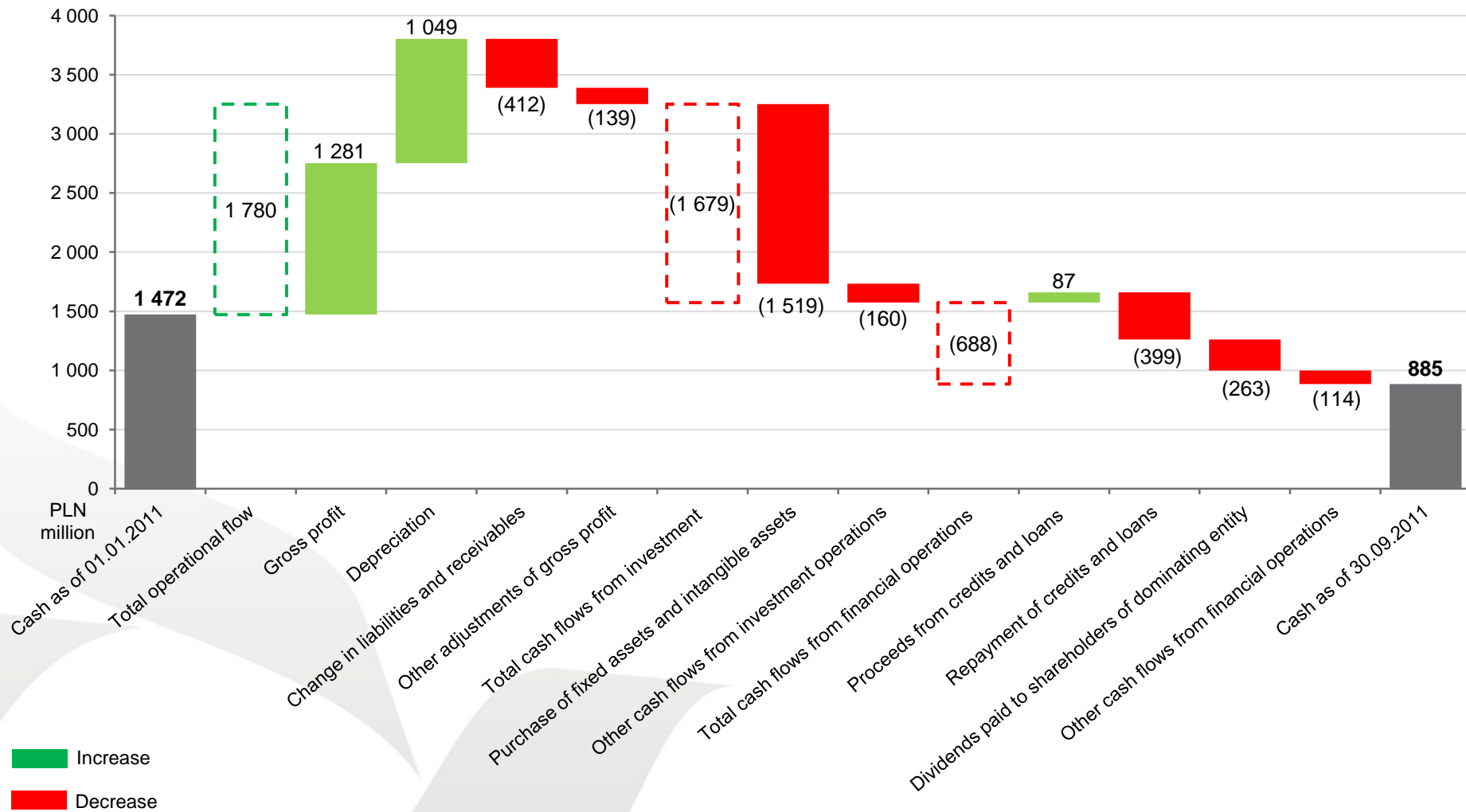
- EBIT
- Increase
- EBIT margin
- Decrease

The data is presented under comparable form:

Due to the change of electric energy supply model, the value of revenues from obligatory supply generated by public trade in Q3 2010 was treated as internal supply in the Group and it was consolidated.

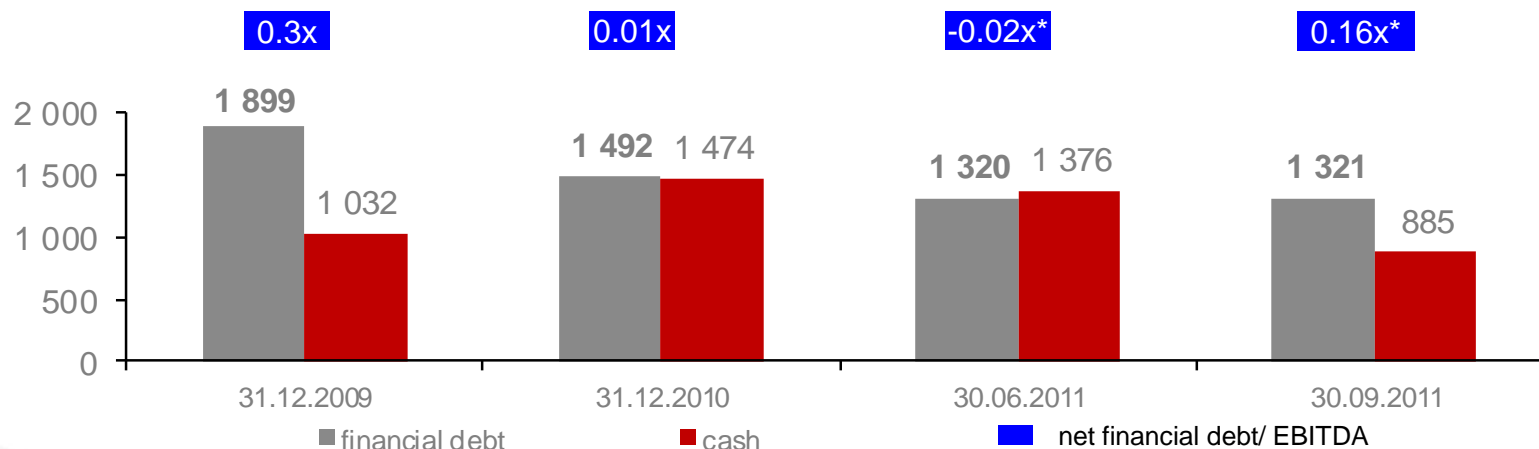
Changes in cash flow level

Cash – changes in the period of Q1-3 2011



Group's debt

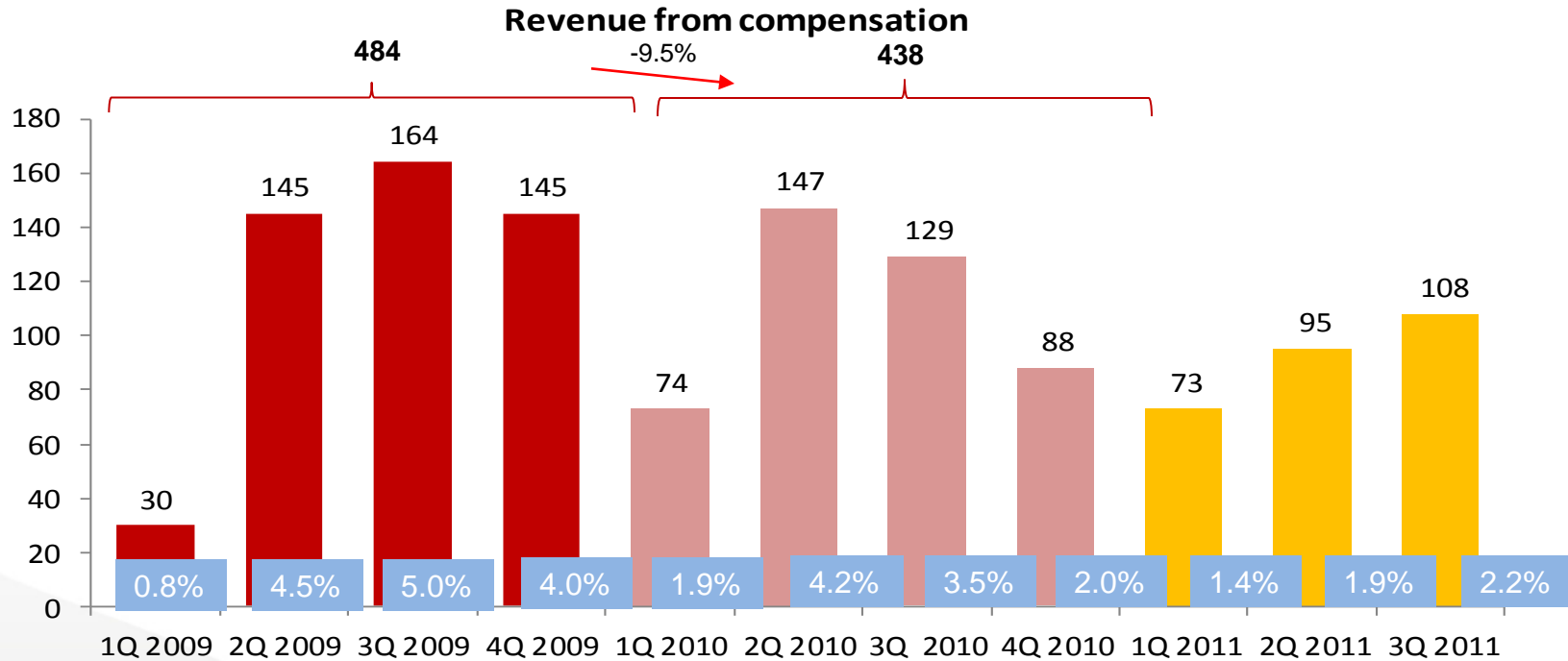
Net financial debt (PLN million), net financial debt/EBITDA (x)



* In relation to EBITDA value for 2010

- Decrease in cash level as of 30 September 2011, due to intensified implementation of investment projects in Q3 2011
- Assuming closing of transaction of GZE purchase, financed by debt (PLN 3.5 billion), the net financial debt to EBITDA ratio would amount to approx. 1.2x

Compensation due to termination of Long-Term Contracts

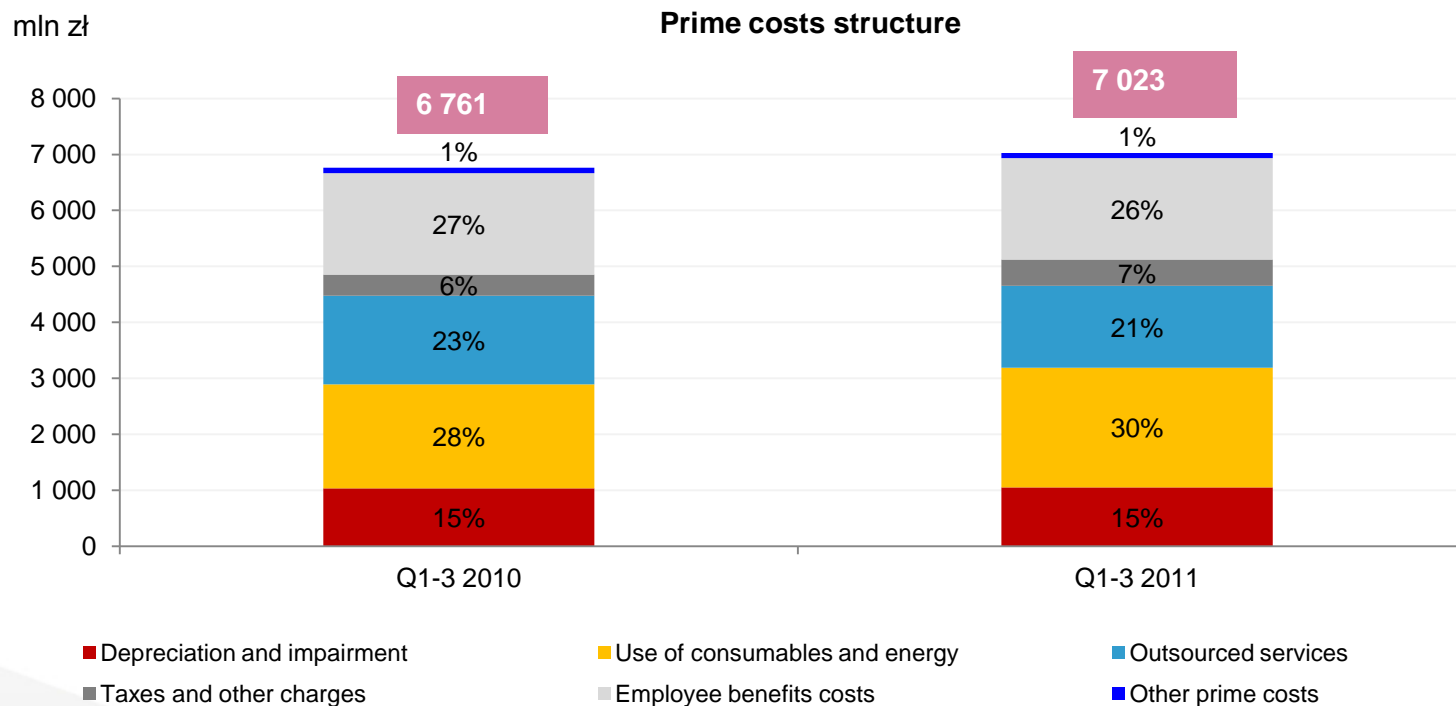


XX% Share of LTC in quarterly revenue

Revenue due to compensation consists of:

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

Prime costs structure



Cost increase during Q1-3 2011 applies mainly to:

- use of consumables and energy, including mainly coal consumption caused by the increase in electricity generation
- increase of taxes and other charges, including environmental fees related to the increase in electricity generation

During Q1-3 2011, variable costs made 45%, and fixed costs made 55% of the total amount of costs, similar to the period of Q1-3 2010

Efficiency improvement programme

TAURON Group implements cost efficiency improvement plan

**GENERATION – result in Q3 2011: – PLN 59 million;
cumulated result since programme implementation – PLN 369 million**

Increased production efficiency
Increased by-product utilization
Reduced expenditure related to emission of pollution

**MINING – result in Q3 2011: – PLN 7 million;
cumulated result since programme implementation – PLN 42 million**

Reduced energy purchase costs
Reduced lateral development costs

**RES + OTHER – result in Q3 2011: PLN 0 million;
cumulated result since programme implementation – PLN 8 million**

Reduced heat losses
Reduced employment costs

**DISTRIBUTION – result in Q3 2011: – PLN 11 million
cumulated result since programme implementation – PLN 144 million**

Purchase costs optimization
Improvement of management and operating processes
Optimization of balance sheet differences

**SUPPLY – result in Q3 2011: – PLN 1 million;
cumulated result since programme implementation – PLN 9 million**

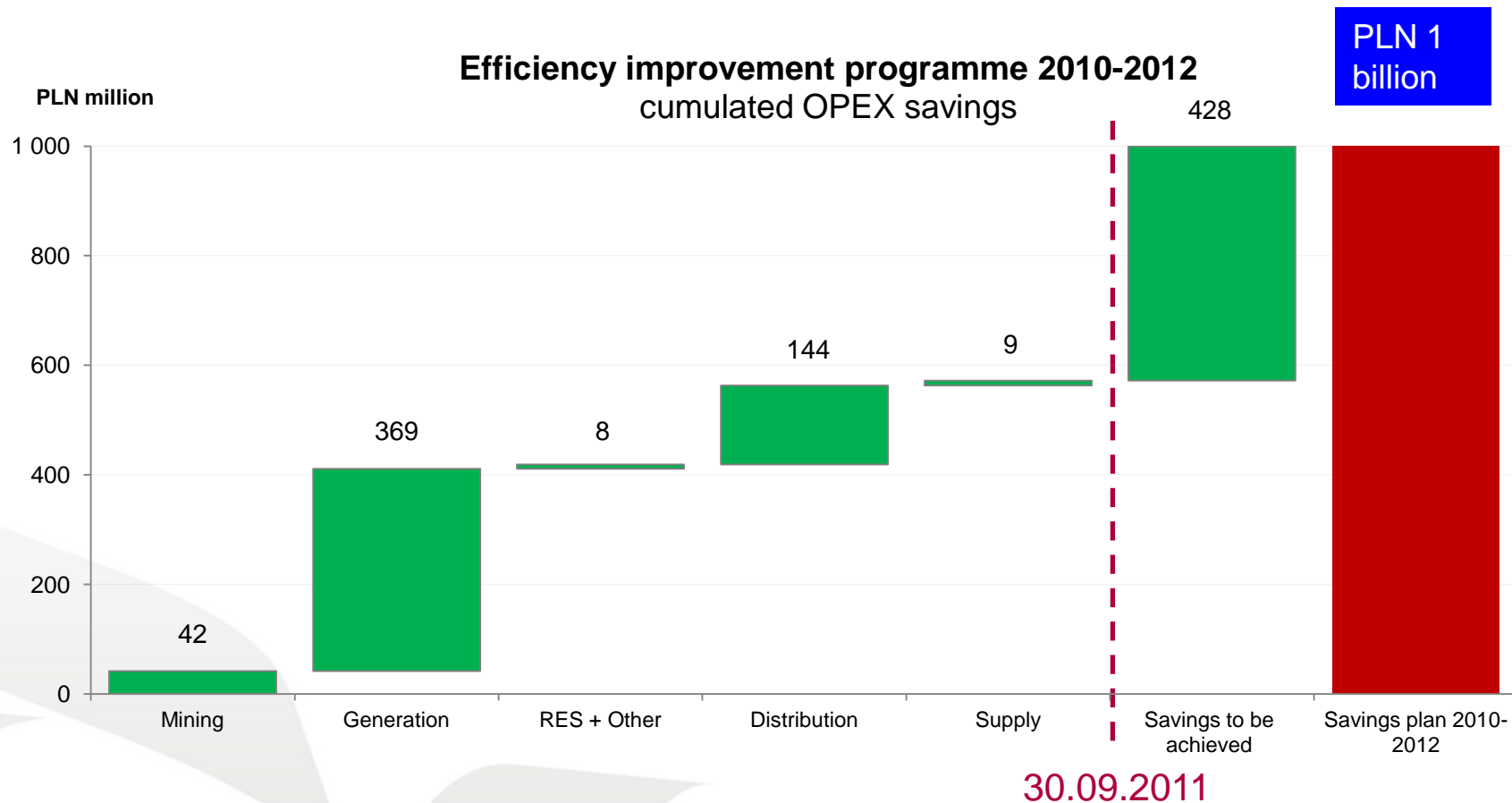
Change of consumers settlement system
Optimization of mail service costs

VOLUNTARY REDUNDANCY PROGRAMME

As of the end of Q3 2011, 1241 persons participated in the programme (since its implementation), out of which 611 terminated their employment contracts in 2011 (total since the programme implementation: 1169 persons). Savings resulting from reduced employment have been included in the amounts shown for individual segments.

The savings programme for the years 2010-2012 which assumes operational costs reduction by approximately PLN 1 billion has been implemented according to the plan

Implementation of the efficiency improvement programme



Key directions of development and growth

Increased Group's value

- Continuation of costs efficiency improvement programme
- Achieving synergies from integration of areas
- Commencement of integration with GZE group following concluding of transaction with Vattenfall
- Implementing and execution of liquidity management policy in the Group
- Tax optimisation – the analysis of TAURON PE application on registering of tax capital group is in progress

Fund raising

- Obtaining of preferential financing/ subsidies from the EU funds and environmental funds (NFOŚiGW i WFOŚiGW)
- Obtaining of preferential funding from EBI/EBOiR for projects in Distribution and Generation segments

Thank You – Q&A

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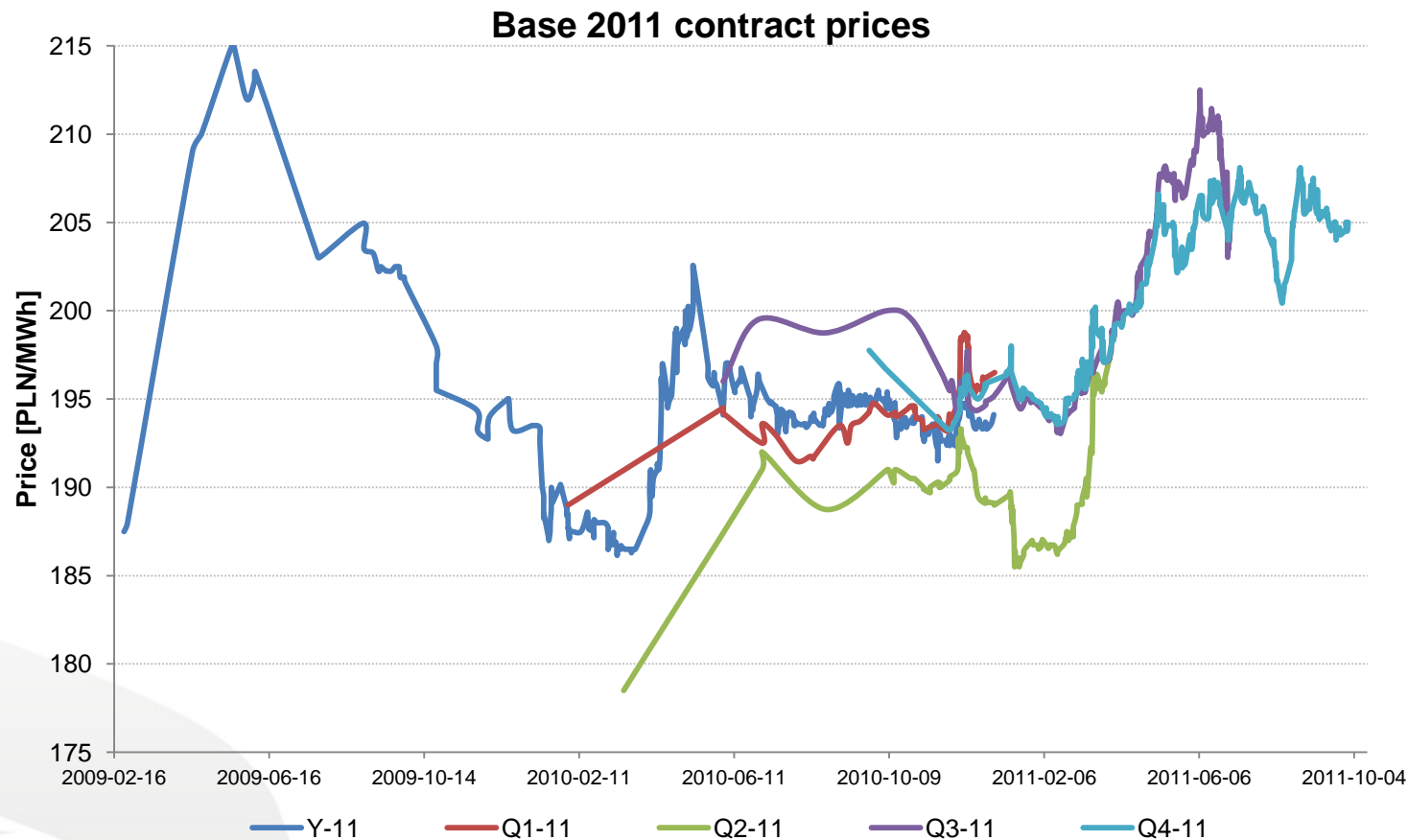
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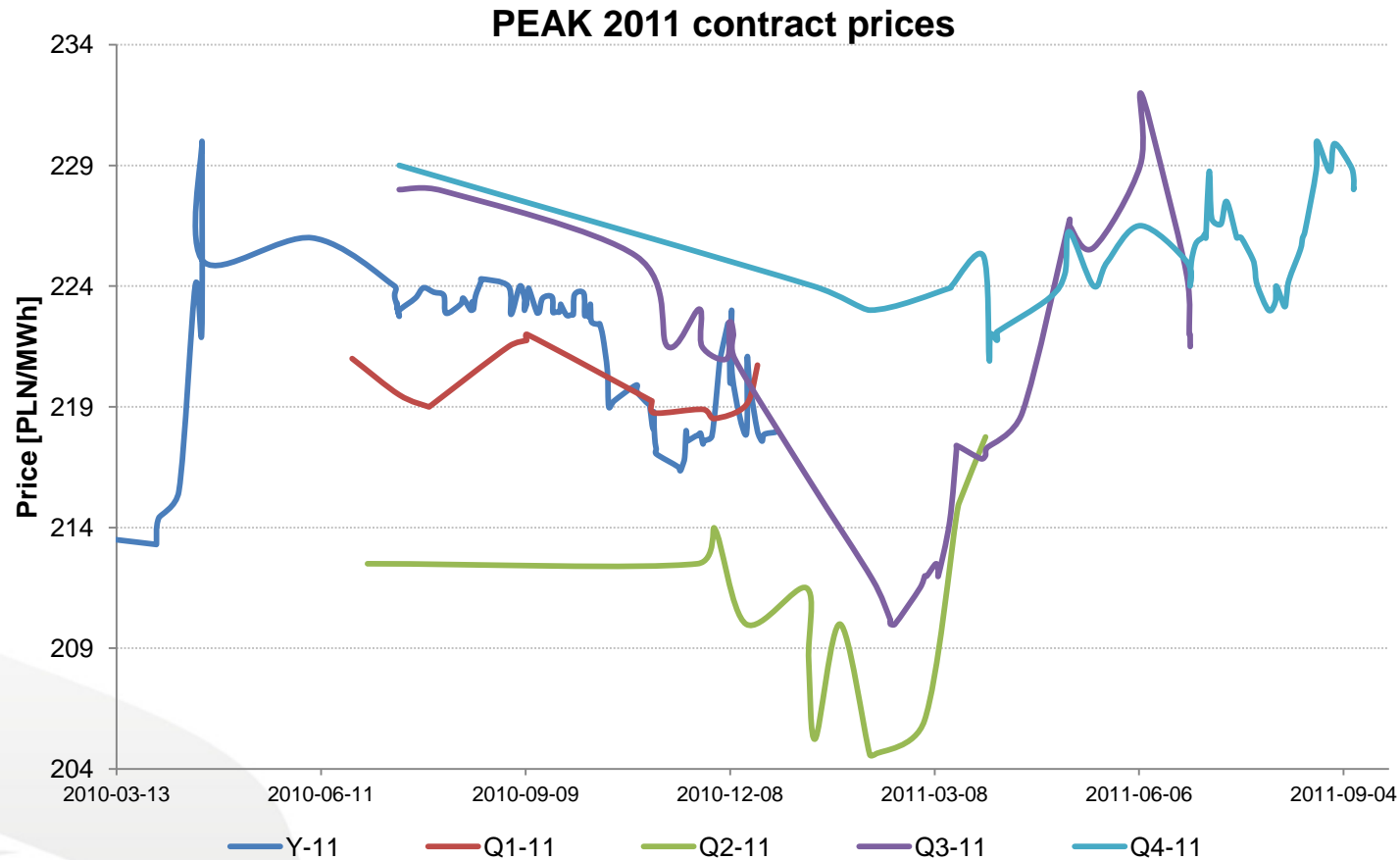
Additional Information

BASE 2011 transactions



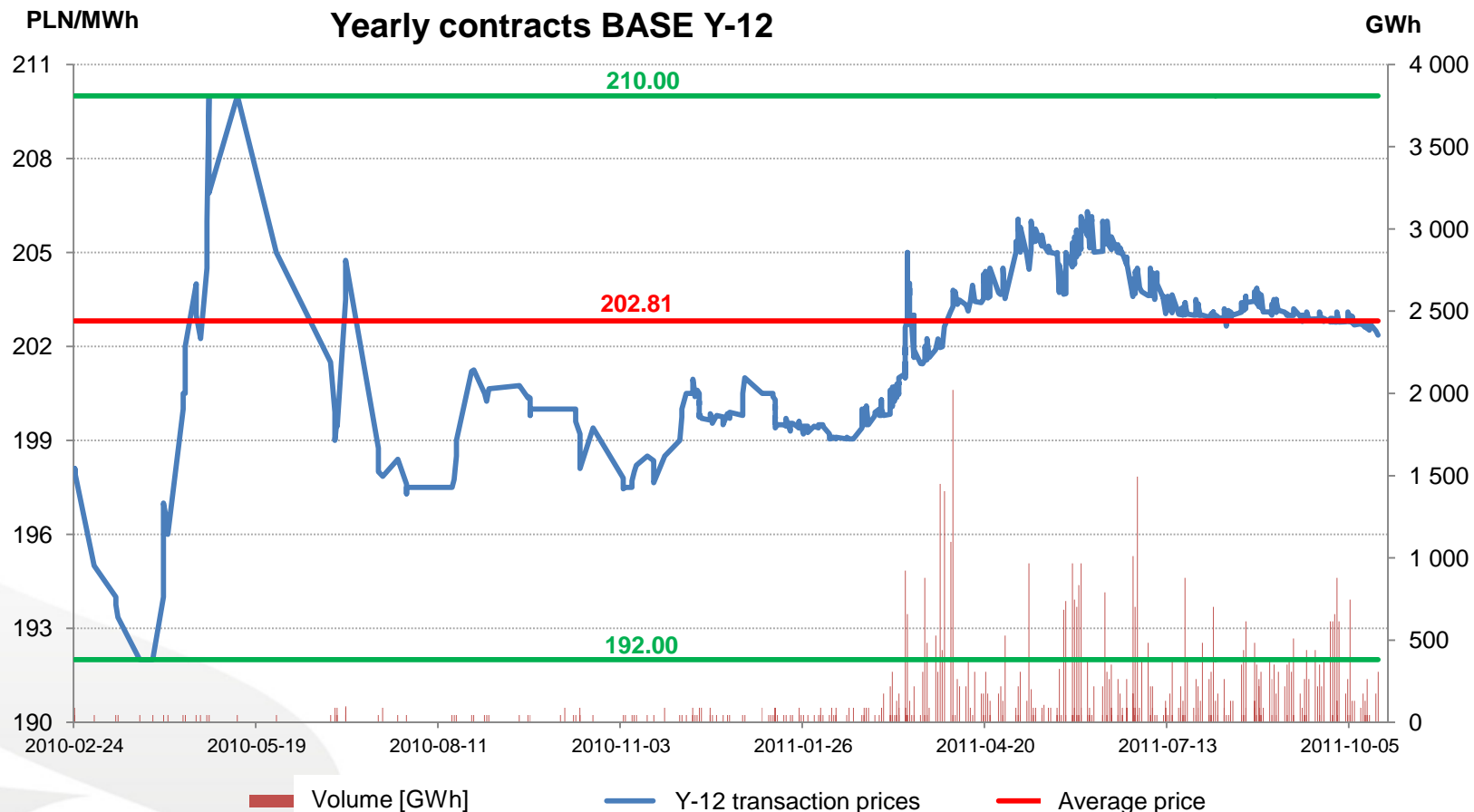
Average price of concluded transactions [PLN/MWh]:		Volume [GWh]
Yearly	193.48	75 914
Quarterly	199.69	20 263
Monthly	199.64	9 667
TOTAL	195.23	105 844

PEAK 2011 Transactions



Average price of concluded transactions [PLN/MWh]:		Volume [GWh]
Yearly	218.94	12 172
Quarterly	220.37	1 225
Monthly	215.85	1 208
TOTAL	218.81	14 604

BASE 2012 transactions



Average price [PLN/MWh]

202.81

Contracts [MW]

8 868

Prices min-max [PLN/MWh]

192 – 210

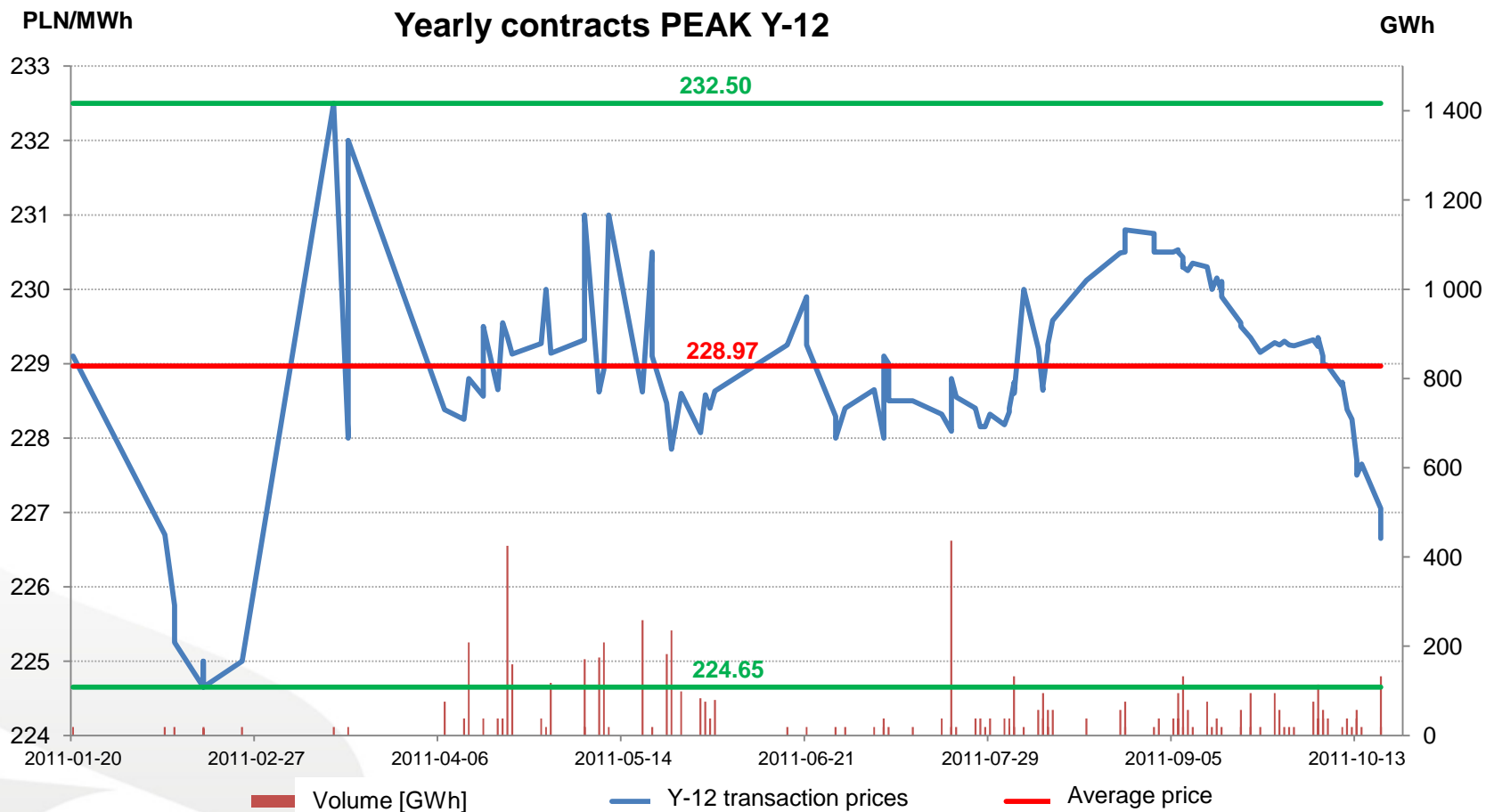
Volume [GWh]

77 897

Last price [PLN/MWh]

202.36

PEAK 2012 transactions



Average price [PLN/MWh]

228.97

Contracts [MW]

1 902

Prices min-max [PLN/MWh]

224.65 – 232.50

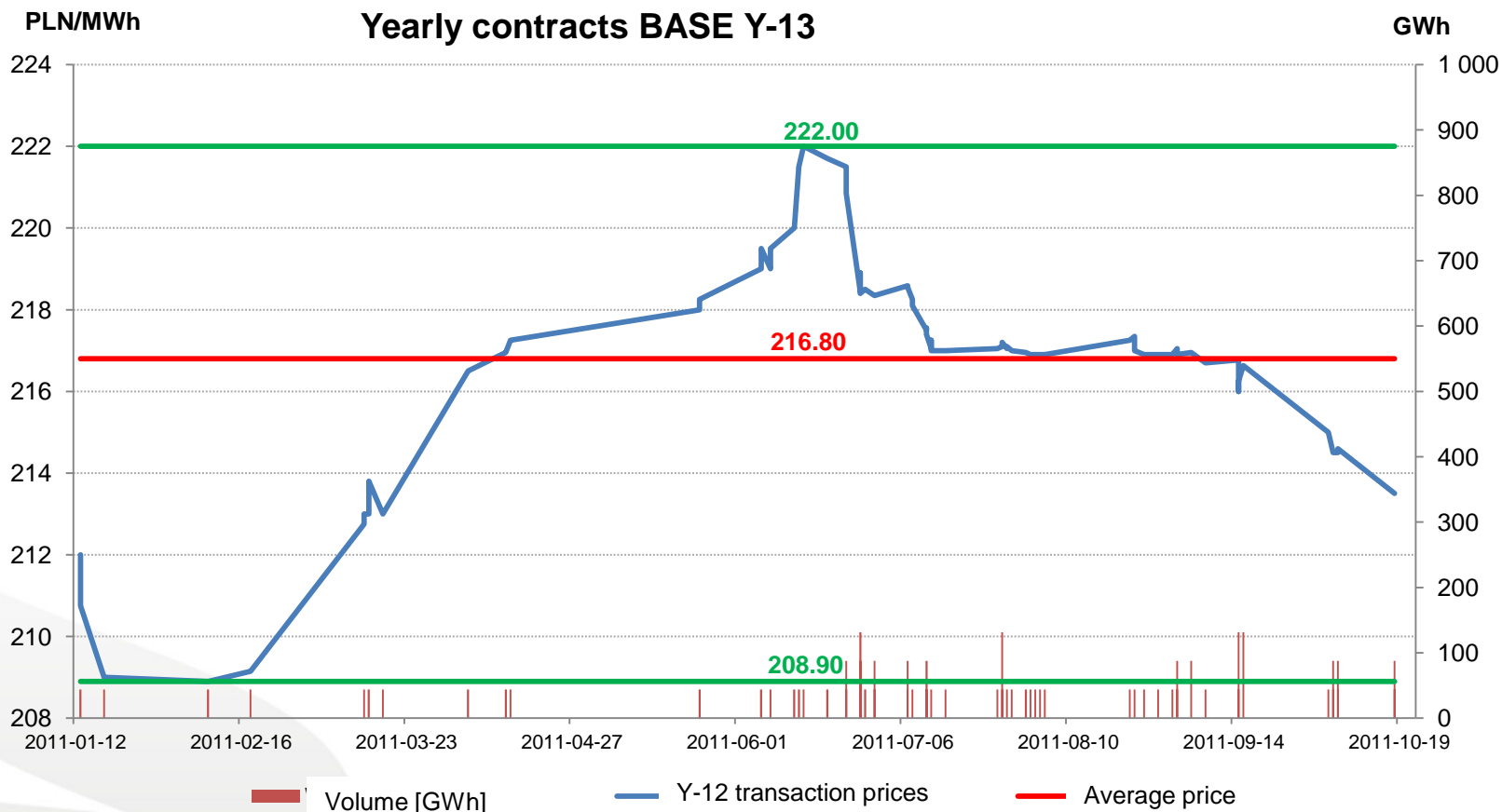
Volume [GWh]

7 218

Last price [PLN/MWh]

226.65

BASE 2013 transactions



Average price [PLN/MWh]

216.80

Contracts [MW]

555

Prices min-max [PLN/MWh]

208.90 – 222

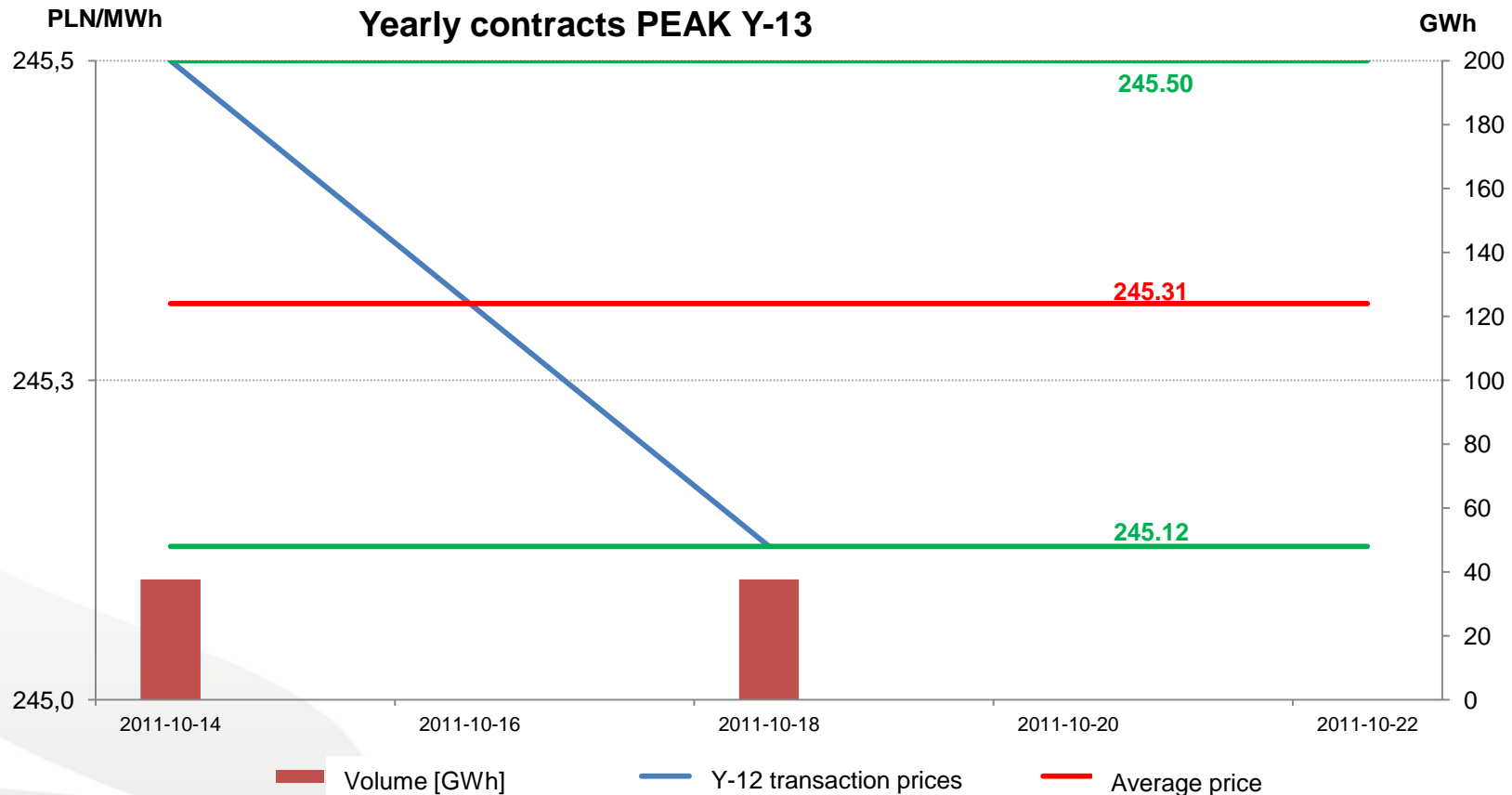
Volume [GWh]

4 862

Last price [PLN/MWh]

213.50

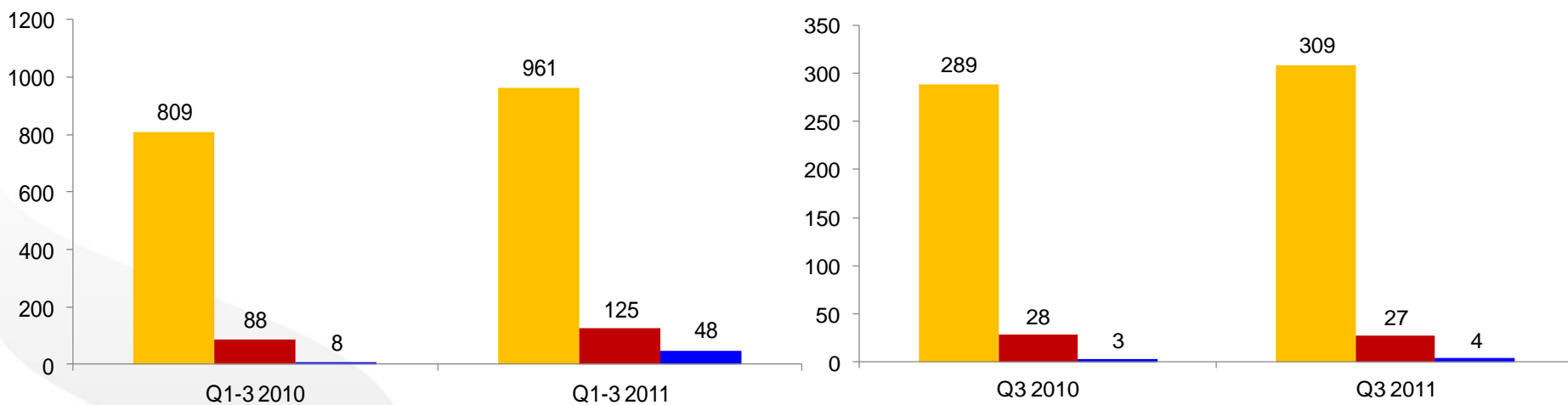
PEAK 2013 transactions



Average price [PLN/MWh]	245.31	Contracts [MW]	20
Prices min-max [PLN/MWh]	245.12 – 245.50	Volume [GWh]	75
Last price [PLN/MWh]	245.12		

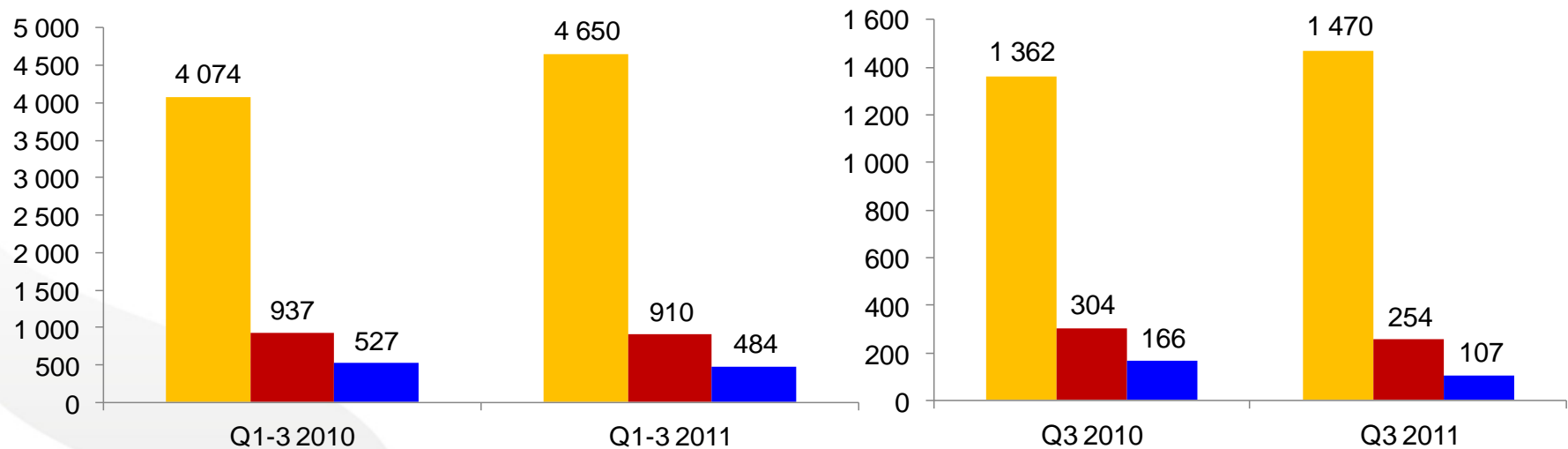
Mining – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million)



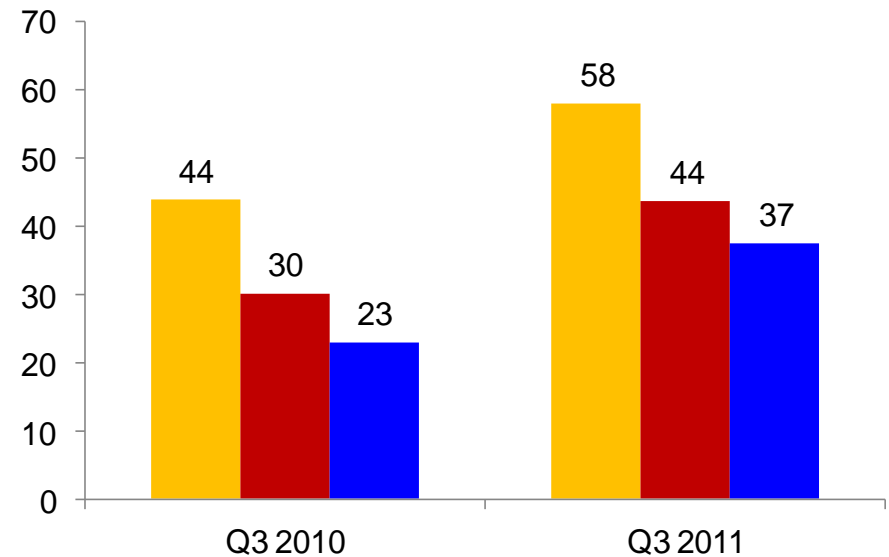
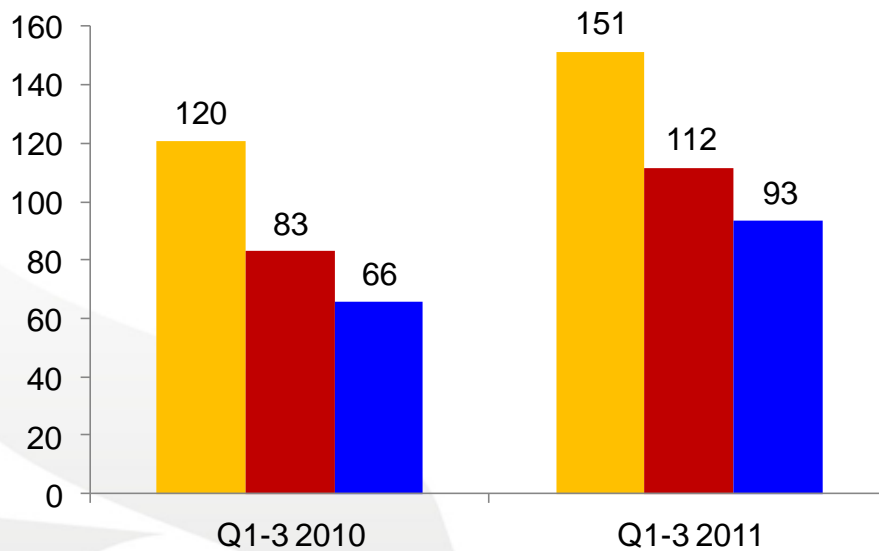
Generation from conventional sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million)



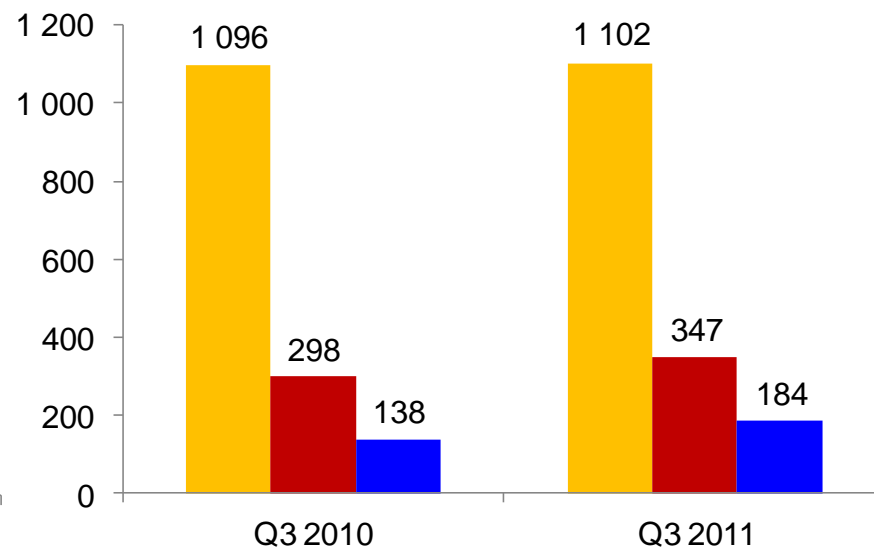
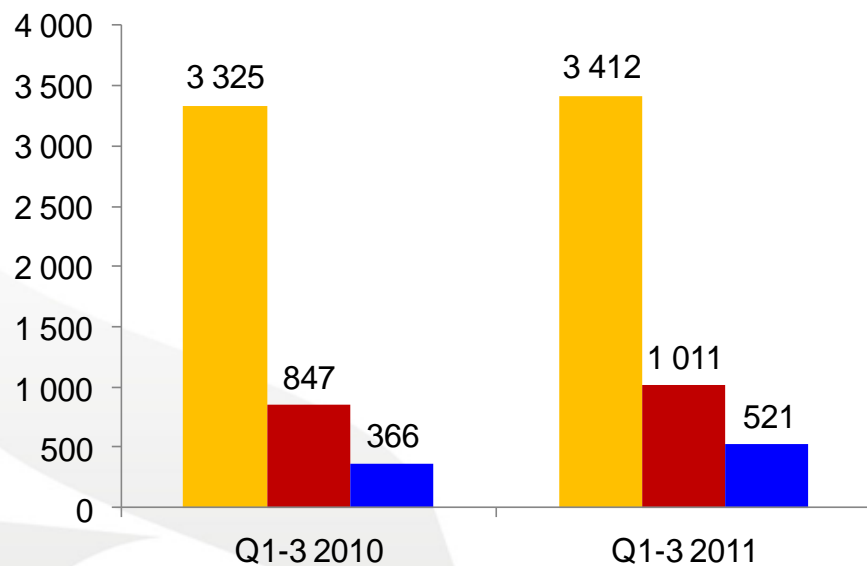
Generation from renewable sources – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million)



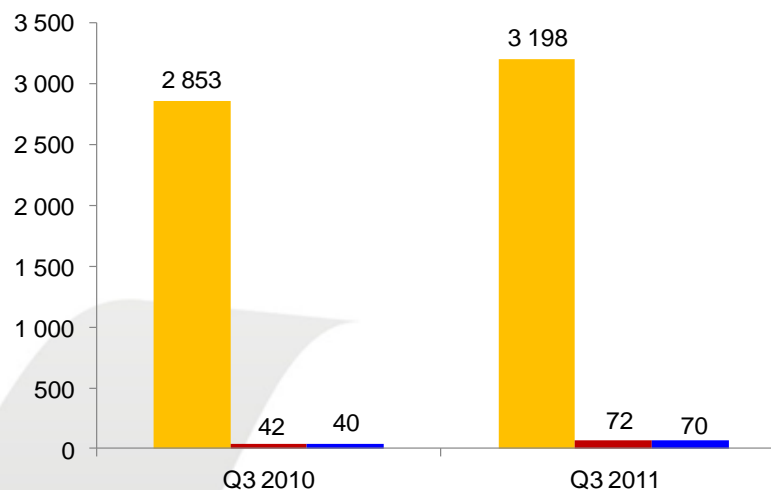
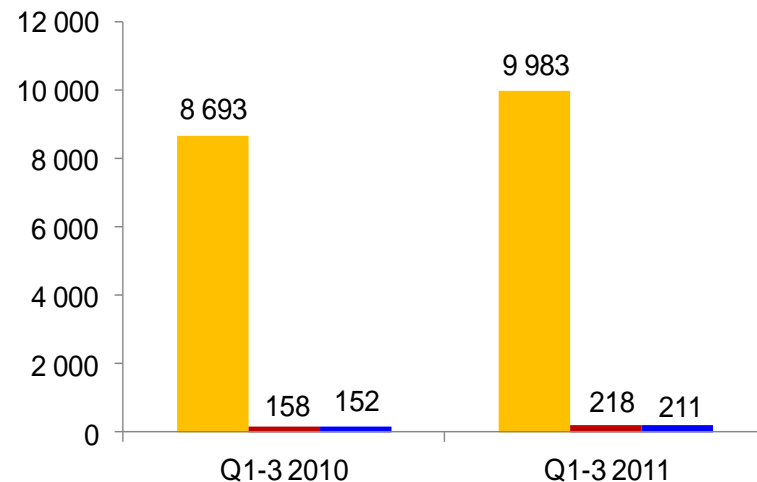
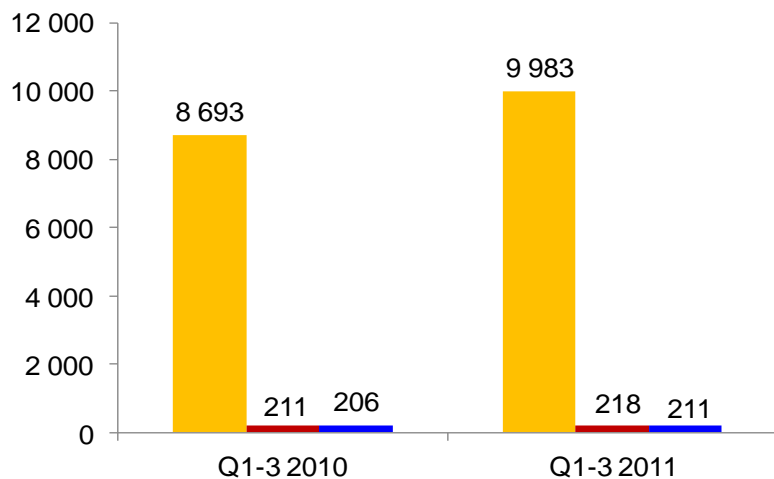
Distribution – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million)



Supply – key financial data

Change: **Revenue** **EBITDA** **EBIT** in the segment (PLN million) EBIT and EBITDA – comparable data*



*Comparability of data was applied, considering EBIT for three quarters of 2010, evaluation of ownership rights from RES (PLN -53.1 million)

Other – key financial data

Change: **Revenue:** **EBITDA** **EBIT** in the segment segmencie (PLN million)

