ZESPÓŁ ELEKTROWNI PĄTNÓW-ADAMÓW-KONIN CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD OF 3 MONTHS ENDED MARCH 31ST 2013

(this is a translation of the document issued originally in Polish language)

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 3 months period ended 31 March 2013

	Note	*3 months period ended 31 March 2013 (unaudited)*	*3 months period ended 31 March 2012 (unaudited)*
Continuing operations			
Sales revenue	*10.1*	**663 198**	**643 851**
Cost of goods sold	*10.6*	(528 998)	(483 059)
Gross profit on sales		**134 200**	**160 792**
Other operating income	*10.2*	6 370	855
Selling and distribution expenses	*10.6*	(658)	(1 236)
Administrative expenses	*10.6*	(46 742)	(19 837)
Other operating expenses	*10.3*	(6 066)	(1 938)
EBIT		**87 104**	**138 636**
Financial income	*10.4*	4 710	68 065
Financial costs	*10.5*	(31 878)	(12 576)
Profit before tax		**59 936**	**194 125**
Income tax	*13.1*	(10 807)	(36 709)
Net profit/loss for the period from continuing operations		**49 129**	**157 416**
Discontinued operations		–	–
Net profit/loss for the period from discontinued operations		–	–
Net profit/loss for the period		**49 129**	**157 416**
Net profit/loss attributable to equity holders of the parent		47 296	157 410
Net profit/loss attributable to non-controlling interests		1 833	6
Earnings per share (in PLN)			
Basic, from profit for the period attributable to equity holders of the parent	*12*	0,93	3,03
Basic, from profit for the period from continuing operations attributable to equity holders	*12*	0,93	3,03
Diluted, from profit for the period attributable to equity holders	*12*	0,93	3,03
Diluted, from profit for the period from continuing operations attributable to equity holders	*12*	0,93	3,03

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 3 months period ended 31 March 2013

	Note	*3 months period ended 31 March 2013 (unaudited)*	*3 months period ended 31 March 2012 (unaudited)*
Net profit for the period		**49 129**	**157 416**
Other comprehensive income			
Cash flow hedges	*11*	3 176	46
Profit/loss on actuarial provisions for social security after employment period		(2 141)	1 049
Foreign exchange differences on translation of foreign operations	*11*	72	(428)
Income tax concerning other comprehensive income	*13.1, 11*	(196)	(208)
Net other comprehensive income	*11*	**911**	**459**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**50 040**	**157 875**
Total comprehensive income for the period attributable to:			
Equity holders of the parent		48 207	157 869
Non-controlling interests		1 833	6
		50 040	157 875

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Nota	*31 March 2013 (unaudited)*	*31 December 2012 (restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	5 011 703	5 064 960
Investment estate		2 252	2 252
Intangible assets	*16*	6 485	6 835
Loans granted and receivables		–	–
Assets of removing overburden and other long-term mining assets	*17*	143 604	134 053
Other long-term financial assets	*18.1*	49 156	46 398
Other long-term non-financial assets	*18.2*	3 579	4 155
Amounts due to long-term construction contracts		–	–
Deferred tax assets	*13.2*	116 871	119 031
Total non-current assets		**5 333 650**	**5 377 684**
Current assets			
Short-term intangible assets	*16*	67 816	35 368
Inventories	*19*	220 635	188 325
Trade and other receivables	*20*	225 761	220 559
Income tax receivables		2 581	12 258
Derivatives (assets)		–	–
Other short-term financial assets	*18.1*	99 259	103 697
Other short-term non-financial assets	*18.2*	22 791	17 230
Assets of removing overburden and other short-term mining assets	*17*	443	456
Amounts due to long-term construction contracts	*10.7*	5 587	3 605
Cash and cash equivalents	*21*	288 767	318 002
Total current assets		**933 640**	**899 500**
Assets classified as held for sale		–	–
TOTAL ASSETS		**6 267 290**	**6 277 184**

(in thousands PLN)

EQUITY AND LIABILITIES	Note	31 March 2013 (unaudited)	31 December 2012 (restated)
Equity			
Issued capital		104 052	104 052
Treasury shares		(31 280)	(31 280)
Reserve capital		1 956 769	1 956 261
Revaluation reserve- valuation of hedging instruments		(25 745)	(28 318)
Other reserve capital		3 472	3 472
Retained earnings/ (unabsorbed losses)		1 536 289	1 139 540
Net profit/(loss)		47 296	396 193
Exchange differences on translation of foreign entities		64	(8)
Non-controlling interests		118	117
Total equity		**3 591 035**	**3 540 029**
Non-current liabilities			
Interest-bearing loans and borrowings	*22*	769 870	790 385
Long-term employee benefits		270 433	264 261
Trade and other financial liabilities	*25.2*	67 381	73 332
Long-term derivative financial instruments (liabilities)		23 221	26 059
Long-term grants and deferred income		50 499	50 986
Other long-term provisions and accruals	*23*	320 702	320 881
Amounts due to customers under long-term construction contracts		–	–
Deferred tax liability	*13.2*	272 662	265 959
Total non-current liabilities		**1 774 768**	**1 791 863**
Current liabilities			
Trade and other financial liabilities	*25.1*	185 205	188 479
Current portion of interest-bearing loans and borrowings	*22*	460 136	461 924
Short-term derivative financial instruments (liabilities)		10 750	11 144
Other non-financial liabilities	*25.3*	73 501	128 224
Current tax liability		57	1 670
Short-term employee benefits		19 159	20 817
Short-term grants and deferred income		21 914	21 914
Amounts due to customers under short-term construction contracts	*10.7*	1 803	3 080
Other short-term provisions and accruals	*23*	128 962	108 040
Total current liabilities		**901 487**	**945 292**
Liabilities directly associated with assets classified as held for sale		–	–
Total liabilities		**2 676 255**	**2 737 155**
TOTAL EQUITY AND LIABILITIES		**6 267 290**	**6 277 184**

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 3 months period ended 31 March 2013

	Note	*3 months period ended 31 March 2013 (unaudited)*	*3 months period ended 31 March 2012 (unaudited)*
Cash flow from operating activities			
Profit/(loss) before taxation		59 936	194 125
Adjustments for:			
Depreciation and amortization		90 750	69 341
Interests and shares in profits		12 669	7 951
Foreign exchange (gains)/losses		13 490	(48 643)
(Gain)/loss on investing activities		(2 412)	(20 757)
(Increase)/decrease in receivables		(9 804)	16 928
(Increase)/decrease in inventories		(32 154)	45 064
Increase/ (decrease) in payables except for loans and borrowings		(52 057)	(28 405)
Change in provisions, prepayments, accruals and employee benefits		9 277	20 421
Income tax paid		2 471	(10 490)
Other	*21*	5 852	(263)
Net cash flow from operating activities		**98 018**	**245 272**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1 897	81
Purchase of property, plant and equipment and intangible assets		(73 243)	(79 195)
Proceeds and expenses relating to other financial assets		10 000	56 498
Purchase of other financial assets		(6 908)	(470)
Acquisition of subsidiary, net of received cash and cash equivalents		–	–
Dividends received		–	–
Interests received		596	3
Other			
Net cash flow from investing activities		**(67 658)**	**(23 083)**
Cash flow from financing activities		–	–
Proceeds from issuance of shares		–	–
Purchase of treasury shares		–	–
Payment of finance lease liabilities		(5 614)	(131)
Proceeds from loans and borrowings and debt securities		3	3
Repayment of loans and borrowings and debt securities		(43 061)	(38 737)
Dividends paid		–	–
Interest paid		(11 496)	(12 620)
Other		(356)	(381)
Net cash flow from financing activities		**(60 524)**	**(51 866)**
Net increase/ (decrease) in cash and cash equivalents		**(30 164)**	**170 323**
Foreign exchange		5 992	10 471

Cash and cash equivalents at the beginning of the period		**312 939**	**372 998**
Cash and cash equivalents at the end of the period, of which:	*21*	**282 775**	**543 321**
of restricted use		-	-

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 3 months period ended 31 March 2013
(unaudited)

	Note	*Issued capital*	*Treasury shares*	*Reserve Capital*	*Revaluation reserve- valuation of hedging instruments*	*Other reserve capital*	*Retained earnings /(Unabsorbed losses)*	*Foreign exchange differences on translation of foreign operations*	*Total*	*Non-controlling interest*	*Total Equity*
As at 1 January 2013		**104 052**	**(31 280)**	**1 956 261**	**(28 318)**	**3 472**	**1 529 264**	**(8)**	**3 533 443**	**117**	**3 533 560**
Change in accountancy policy in connection with implementation of KIMSF20 – retrospective view		–	–	–	–	–	6 469	–	–	–	–
Figures restated as at 1 January 2013		**104 052**	**(31 280)**	**1 956 261**	**(28 318)**	**3 472**	**1 535 733**	**(8)**	**3 539 912**	**117**	**3 540 029**
Net profit for the period		–	–	–	–	–	47 296	–	47 296	1 833	49 129
Total other comprehensive income		–	–	–	2 573	–	(1 734)	72	911	–	911
Total income for the period		–	–	–	**2 573**	–	**45 562**	**72**	**48 207**	**1 833**	**50 040**
Distribution of profits from previous years		–	–	508	–	–	(508)	–	–	–	–
Reclassification of non-controlling interests profits to retained profits		–	–	–	–	–	2 798	–	–	(1 832)	966
As at 31 March 2013		**104 052**	**(31 280)**	**1 956 769**	**(25 745)**	**3 472**	**1 583 585**	**64**	**3 590 917**	**118**	**3 591 035**

(in thousands PLN)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 3 months period ended 31 March 2012
(unaudited)

	Issued capital	*Reserve Capital*	*Revaluation reserve- valuation of hedging instruments*	*Other reserve capital*	*Retained earnings /(Unabsorbed losses)*	*Foreign exchange differences on translation of foreign operations*	*Total*	*Non-controlling interest*	*Total Equity*
As at 1 January 2012	**104 052**	**1 671 610**	**(23 418)**	**3 472**	**1 473 200**	**567**	**3 229 483**	**90**	**3 229 573**
Net profit for the period	-	-	-	-	157 410	-	157 410	6	157 416
Total other comprehensive income	-	-	37	-	850	(428)	459	-	459
Total income for the period	**-**	**-**	**37**	**-**	**158 260**	**(428)**	**157 869**	**6**	**157 875**
Distribution of profits from previous years	-	-	-	-	-	-	-	-	-
Settlement of reserve capital to statutory figures	-	904	-	-	(904)	-	-	-	-
As at 31 March 2012	**104 052**	**1 672 514**	**(23 381)**	**3 472**	**1 630 556**	**139**	**3 387 352**	**96**	**3 387 448**

RULES OF ACCOUNTANCY (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

Zespół Elektrowni Pątnów – Adamów – Konin S.A. Capital Group („the Group",) consists of Zespół Elektrowni Pątnów – Adamów – Konin S.A. ("parent company", „the Company", "ZE PAK S.A.") and its subsidiaries (see Note 2 for details).

Interim condensed consolidated financial report of the Group covers 3 months period ended 31 march 2013 and contains comparative data for the 3 months period ended 31 march 2012. Interim condensed consolidated statement of comprehensive income presents additionally financial information for the 3 months period ended 31 March 2013 and comparative data for the 3 months period ended 31 march 2012.

The data, presented in this interim condensed consolidated financial report, for the 3 months period ended 31 March 2013 and for that date as well as comparative data for the 3 months period ended 31 march 2012 and for that date are not audited. Comparative data for the 31 December 2012 are audited.

The parent company is registered in the Register of Entrepreneurs of the National Court Register maintained by the District Court in Poznań – Nowe Miasto i Wilda in Poznań, IX Economic Department of the National Court Register, Entry number KRS 0000021374.

The parent company was granted statistical REGON number 310186795.

The parent company and other Group entities have an unlimited period of operation.

The Group's core business activities comprise:

1. Production and distribution of electric energy,
2. Production and distribution of heat (steam and hot water),
3. Mining of lignite.

(in thousands PLN)

2. Composition of the Group

The Group is composed of Zespół Elektrowni Pątnów – Adamów – Konin S.A. and the following subsidiaries:

Entity	Registered office	Principal business activities	As at 31 March 2013
Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.*	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services related to industrial automatics and electric appliances maintenance	100%
„Elektrownia Pątnów II" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electric energy production and distribution from the new 464 MW power unit	100%**
„PAK – HOLDCO" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100%
„PAK Infrastruktura" sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100%
„PAK Centrum Usług Informatycznych" sp. z o.o.	62-510 Konin ul. Kazimierska 45	IT services	100%
„PAK Centrum Badań Jakości" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Research and chemical analysis	100%
„PAK GÓRNICTWO"sp. z o.o.	62-510 Konin ul. Kazimierska 45	Lignite extraction	100%***
Energoinwest Serwis sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	99%****
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	85%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite extraction	85%
Ochrona Osob i Mienia „ASEKURACJA" sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Security guard services relating to people and property	85%*****
„Aquakon" sp. z o.o.	62-610 Sompolno Police	Production of and trading in mineral waters	66,6%*****
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Sales of lignite	85%*****
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Wind farms, generation of electricity	42,5%*****
Centrum Zdrowia i Relaksu „Verano" sp. z o.o.	78-100 Kołobrzeg ul. Sikorskiego 8	Holiday and spa services	85%*****
Elektrim-Volt S.A.	00-834 Warszawa ul. Pańska 77/79	Sales of electricity	100%

** The subsidiary – Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o. has a foreign branch in Germany*
***indirect interest through „PAK – HOLDCO" sp. z o.o.*
****indirect interest through „PAK Centrum Badań Jakości" sp. z o.o: 9% as at 31 December 2011 as well as at 31December 2012*
*****indirect interest through Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.*
******indirect interest through PAK KWB Konin (indirect interest PAK KWB Konin in „Aquakon" sp. z o.o. is 78,5%,in KWE sp. z o.o. 50%, in other entities 100%).*

As at 31 March 2013 the Group's share in the total number of votes in its subsidiary companies equated its share in the equity of those companies.

3. Composition of the Board of Directors of the parent company

At the beginning of the financial year 2013, the Company's Board of Directors included the following members:

- Katarzyna Muszkat — President of the Board of Directors
- Anna Striżyk — Vice President of the Board of Directors
- Piotr Jarosz — Vice President of the Board of Directors

As at 31 March 2013, the Company's Board of Directors was unchanged.

4. Basis for preparation of the condensed consolidated interim financial statement

This condensed consolidated interim financial statement was prepared according to International Financial Reporting Standards ("IFRS"), in particular according to International Accounting Standard No. 34 and IFRS approved by the EU. As at the date of approval of this statement for publication, taking into account pending in the EU process of introduction of IFRS and the activities conducted by the Group, in the scope of the accounting principles applied by the Group there are no differences between IFRS that came into force and IFRS standards that were approved by the EU.

IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

This condensed consolidated interim financial statement is presented in thousands of zlotys ("PLN '000") and all the values are specified in PLN, unless it has been indicated otherwise.

This condensed consolidated interim financial statement was prepared with the assumption of continuation in business activities by the companies of the Group in the foreseeable future. As at the date of approval of this condensed consolidated interim financial statement , no circumstances are found that would indicate threat to continuation in activities by the companies of the Group.

The condensed consolidated interim financial statement does not cover all the information and disclosures required in an annual consolidated financial statement and should be read together with the consolidated financial statement of the Group for the year ending on 31 December 2012.

5. Significant accounting principles (policy)

The accounting principles (policy) used for preparation of the financial statement are consistent with those which were used when preparing the financial statement of the Company for the year ending on 31 December 2012, except for the following amendments to the standards and new interpretations binding for annual periods beginning on 1 January 2013:

- **Change in the accounting policy in connection with application of amended IAS 19 *Employee Benefits***

The Group applied amendments to IAS 19 starting on 1 January 2013, with appropriate change in the comparable period ending on 31 December 2012.

The amendment to IAS 19 that is the most significant for the Group applies to the need to recognize retrospectively actuarial profits and losses in other comprehensive income.

In connection with the above, the Group adjusted the data for the period of 3 months ending on 31 March 2012, when making reclassification of actuarial profits in the amount of PLN 1 049 thousand from the cost of goods sold to other comprehensive income.

As a result of the adjustment, the net profit of the Group for the period of 3 months ending on 31 March 2012 decreased by the amount of PLN 849 thousand. Net other comprehensive income increased by the same amount. Net profit of the Group for the whole year 2012 increased by PLN 15 424 thousand.

The value of provisions for employee benefits did not change.

- **Change in the accounting policy in connection with the application of the interpretation of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine***

The amendment that is most significant for the Group applies to the need to capitalize stripping costs in the production phase as an asset component.

In connection with the above, as at 31 December 2012, as compared to the data presented in the approved consolidated financial statement for the year ending on 31 December 2012, assets concerning stripping and other mining assets (long-term) increased by the amount of PLN 7 987 thousand and retained earnings increased by the amount of PLN 6 469 thousand. Adjustment of the deferred income tax caused decrease in deferred tax assets by PLN 1 518 thousand.

The Company did not opt for previous application of any standard, interpretation or amendment which was published but not effective yet.

Stripping costs in the production phase

In the item mining assets the Group presents also capitalized stripping costs in the production phase.

The Group includes an asset component being the result of stripping only if all the following conditions are met:

(a) the Group is likely to obtain future economic benefits (easier access to coal deposit) related to stripping;

(b) The Group is able to identify this part of the coal deposit access to which has been facilitated; and

(c) costs related to stripping concerning this part of the deposit may be valued credibly.

The Group values initially an asset component being the result of stripping at the purchase price or at the cost of manufacturing, being the sum of costs incurred directly in connection with stripping facilitating access to the identified part of the coal deposits, increased by the assigned, directly related overheads.

After the initial recognition, an asset component being the result of stripping is shown at its purchase price or cost of manufacturing, reduced by depreciation and impairment losses.

The Group depreciates an asset component being the result of stripping with the application of a method based on the number of manufactured products.

The adopted depreciation periods and depreciation methods are subject to periodical verification, no less frequently than at the end of each reporting financial year. Assets concerning stripping and other mining assets with the period of economic usability below 12 months are classified as short-term assets.

A write-down under settlement of mining asset is shown as operating costs under depreciation costs.

(in thousands PLN)

The statement of financial position of the ZE PAK Group as at 31 December 2012 transformed in connection with the application of IAS19 and IFRIC 20 is presented below.

	31 December 2012 (stated)	Change in accountancy policy according to changed MSR 19	Change in accountancy policy according to KIMSF20	*31 December 2012 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	5 064 960	–	–	5 064 960
Investment property	2 252	–	–	2 252
Intangible assets	6 835	–	–	6 835
Loans and receivables	–	–	–	0
Assets relating to overburden removal and other long-term mine assets	126 066	–	7 987	134 053
Other long-term financial assets	46 398	–	–	46 398
Other long-term non-financial assets	4 155	–	–	4 155
Amounts due from customers under long-term construction contracts				0
Deferred tax assets	120 549	–	(1 518)	119 031
Total non-current assets	**5 371 215**	–	**6 469**	**5 377 684**
Current assets				
Intangible assets – short term	35 368	–	–	35 368
Inventories	188 325	–	–	188 325
Trade and other receivables	220 559	–	–	220 559
Current tax assets	12 258	–	–	12 258
Short-term derivative financial instruments (assets)	–	–	–	–
Other current financial assets	103 697	–	–	103 697
Other current non-financial assets	17 230	–	–	17 230
Assets relating to overburden removal and other short-term mine assets	456	–	–	456
Amounts due from customers under long-term construction contracts	3 605	–	–	3 605
Cash and cash equivalents	318 002	–	–	318 002
Total current assets	**899 500**	–	–	**899 500**
Assets classified as held for sale				
TOTAL ASSETS	**6 270 715**	–	**6 469**	**6 277 184**

(in thousands PLN)

	31 December 2012 (stated)	Change in accountancy policy according to changed MSR 19	*Change in accountancy policy according to KIMSF20*	*31 December 2012 (restated)*
EQUITY AND LIABILITIES				
Equity				
Issued capital	104 052	–	–	104 052
Treasury shares	(31 280)	–	–	(31 280)
Reserve capital	1 956 261	–	–	1 956 261
Revaluation reserve- valuation of hedging instruments	(28 318)	–	–	(28 318)
Other reserve capital	3 472	–	–	3 472
Retained earnings/ (unabsorbed losses)	1 148 495	(15 424)	6 469	1 139 540
Net profit/(loss)	380 769	15 424		396 193
Exchange differences on translation of foreign entities	(8)	–	–	(8)
Non-controlling interests	117	–	–	117
Total equity	**3 533 560**	–	**6 469**	**3 540 029**
Non-current liabilities				
Interest-bearing loans and borrowings	790 385	–	–	790 385
Long-term employee benefits	264 261	–	–	264 261
Trade and other financial liabilities	73 332	–	–	73 332
Long-term derivative financial instruments (liabilities)	26 059	–	–	26 059
Long-term grants and deferred income	50 986	–	–	50 986
Other long-term provisions and accruals	320 881	–	–	320 881
Amounts due to customers under long-term construction contracts	–	–	–	–
Deferred tax liability	265 959			265 959
Total non-current liabilities	**1 791 863**	–	–	**1 791 863**
Current liabilities				
Trade and other financial liabilities	188 479	–	–	188 479
Current portion of interest-bearing loans and borrowings	461 924	–	–	461 924
Short-term derivative financial instruments (liabilities)	11 144	–	–	11 144
Other non-financial liabilities	128 224	–	–	128 224
Current tax liability	1 670	–	–	1 670
Short-term employee benefits	20 817	–	–	20 817
Short-term grants and deferred income	21 914	–	–	21 914
Amounts due to customers under long-term construction contracts	3 080	–	–	3 080
Other short-term provisions and accruals	108 040	–	–	108 040

(in thousands PLN)

Total current liabilities	**945 292**	–	–	**945 292**
Liabilities directly associated with assets classified as held for sale	–	–	–	–
Total liabilities	**2 737 155**	–	–	**2 737 155**
TOTAL EQUITY AND LIABILITIES	**6 270 715**	–	**6 469**	**6 277 184**

6. Significant values based on professional judgment and estimates

6.1. Professional judgment

In the process of applying the accounting principles (policy) towards the below issues, the most important, apart from accounting estimates, was professional judgment of the management.

Capitalization of foreign exchange differences

In connection with the implemented investments, the companies of the Group use external sources of financing.

Financing costs, directly attributable to the investments being implemented, are capitalized in fixed assets under construction until transfer of a fixed asset to use.

The companies make the capitalization of foreign exchange differences related to the received credits and loans in a foreign currency to a degree to which they constitute an adjustment of interest costs. The Group applies the cumulative approach with regard to the capitalization of external financing costs. The cumulative approach treats investment as a whole, therefore the amount of foreign exchange differences that can be capitalized as an adjustment of external financing costs in the reporting period may be subject to changes along with fluctuations in exchange rates during the investment period.

The activation covers exchange rate gains and losses being an adjustment of included interest, being difference between costs of financing the entity would sustain if it contracted credit in the functional currency, and the actually sustained costs of financing under credit contracted in a foreign currency. This method requires determination of theoretical interest that would arise if the entity contracted credit in the functional currency. This amount is a limit up to which it is possible to activate cost of interest and foreign exchange differences contracted in a currency other than the functional currency.

Classification of lease contracts

The Group classifies lease as operational or financial lease, based on assessment of the extent to which risk and profits in respect of having the leased object are attributable to the lessor and to the lessee. This assessment is based on the economic content of each transaction.

Identification of embedded derivatives

As at each balance sheet date, the management of the Group conducts an assessment whether under the concluded contracts there are economic characteristics and risk applicable for the embedded derivative in a foreign currency that would not be closely related to the economic characteristics and the risk applicable for the basic contract.

6.2. Unreliability of estimates

Below basic assumptions, concerning the future and other key sources of uncertainty as at the balance sheet date, are discussed, which may involve large risk of a significant adjustment of balance sheet values of assets and liabilities in the next reporting periods.

Impairment of assets

As a result of the conducted analyses as at 31 March 2012, the Group identified an external factor that could indicate possible impairment of an asset component, being higher net balance sheet value of net assets of the Group than the value of their market capitalization. As a result, the Group conducted an analysis of cash flows generated by particular key operating segments of the Group. As a result of this analysis, it was not confirmed that these flows were lower than the balance sheet value of particular segments. In the opinion of the Group, the results of the above analysis prove that low market capitalization of the Group is not a sufficient premise for detailed impairment reviews for all assets of the Group. Therefore, as at 31 March 2013, the Company did not conduct such reviews.

Valuation of provisions under employee benefits

Provisions under employee benefits were estimated by using actuarial methods.

The estimate was prepared on the basis of the following main assumptions:

- discount rate 4.0%
- expected inflation rate 2.5%
- expected remuneration growth rate 3%, in the case of PAK KWB Konin and PAK KWB Adamów **0%** in the years 2013 - 2015 and **3.0%** annually in 2016 and in the following years
- expected energy price growth rate 3%

Deferred tax asset component

The Group recognizes deferred tax asset component based on the assumption that in the future tax profit will be earned, allowing its using. Deterioration in the obtained tax results in the future could make this assumption unjustified.

Fair value of financial instruments

The fair value of financial instruments for which the active market does not exist will be fixed by using appropriate valuation techniques. When selecting appropriate methods and assumptions, the Group follows professional judgment.

Period of settlement for assets under stripping and other mining assets

The Group verifies periodically the agreed periods of settlement of assets concerning stripping and other mining assets, on the basis of up-to-date forecasts with regard to the period of exploitation of surface mines.

Payment in shares

For the purpose of settlement of employee shares it was adopted that the date of obtaining rights to shares was the date of commercialization of the Company, and the date of granting shares was the date of the final hanging out lists with the number of shares granted to the employees of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A. The fair value of the program as at the date of taking over control was specified on the basis on the fair value of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A.

Recognition of revenues

The Group applies the method of percentage progress in works for settlement of long-term contracts. The use of this method requires the Group to estimate the proportion of the so far completed works to the whole of services to be provided.

As at each balance sheet date, the Group updates estimates of the budgeted comprehensive income and costs arising from the implemented projects. The expected total loss on a contract is entered into costs of the period when it was recognized, in accordance with IAS 11.

Depreciation rates

Depreciation rates are determined on the basis of the expected period of economic usability of components of tangible fixed assets and intangible assets. The Group conducts annually verification of the adopted periods of economic usability on the basis of current estimates.

Provision for liquidation of components of tangible fixed assets

The Group creates a provision for liquidation of components of tangible fixed assets when there is such obligation or when the management of the Group takes up this obligation. The provision is created in the amount resulting from the received offers concerning liquidation of fixed asset components. The Group revalues the provision as at each balance sheet date. The value of the provision under liquidation of components of tangible fixed assets is discounted as at each balance sheet date. The provision is described in note 23.3.1.

Provision for dismantling of ash storage yards

The Group creates a provision for dismantling of ash storage yards owing to the legal condition resulting from the integrated permits. The basis for estimation of the provision are studies, technical and economic analyses prepared by the Group as well as received external offers for the planned directions of reclamation. At the end of each reporting period, the Group revalues the provision.

Reclamation provisions and other provisions related to mining operations

The Group creates a provision both for costs of land reclamation related to current extraction of coal on a given surface mine and costs of reclamation of the final heading. The provision is created on the basis of the estimates of future costs of reclamation as well as of the adopted dates of beginning and completion of reclamation, on the basis of reports of independent experts estimating reclamation costs, prepared to the order of the Board of Directors, and internal estimates of the Group, and discounted as at each reporting day.

7. Change in estimates

In the period of 3 months ending on 31 March 2013, there were no significant changes in the estimated sizes and methodology of estimating, which would have impact on the current period or future periods.

8. Taking over projects

In the period from 1 January 2013 to 31 March 2013, no new projects were taken over.

9. Operating segments

In connection with the acquisition of PAK KWB Konin and PAK KWB Adamów, the Group verified the information concerning the operating segments. For the purpose of management, the Group was divided into parts on the basis of products and services provided.

The following operating segments were separated:

- The segment Generation including generation of electric energy both in conventional sources (also in cogeneration) as well as generation of electric energy at co-combustion of biomass. Basic fuel used by the segment Generation covers lignite and biomass. The segment Generation includes the following entities:
    - Zespół Elektrowni "Pątnów – Adamów – Konin" S.A.
    - "Elektrownia Pątnów II" sp. z o.o.
    - "PAK – HOLDCO" sp. z o.o.
    - "PAK Infrastruktura" sp. z o.o.
    - "PAK Biopaliwa" sp. z o.o.*
- The segment Extraction, covering lignite extraction. In the segment Extraction under the ZE PAK S.A. Group the following entities operate:
    - "PAK GÓRNICTWO" sp. z o.o.
    - The "PAK Kopalnia Węgla Brunatnego Konin" S.A. Group (from the 3rd quarter of 2012)
    - "PAK Kopalnia Węgla Brunatnego Adamów" S.A. (from the 3rd quarter of 2012)
- The segment Refurbishment, providing services in the area of construction and refurbishment services. The segment includes activities of the following companies:
    - Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.,
    - Przedsiębiorstwo Serwisu Automatyki i Urządzeń "EL PAK" sp. z o.o. and
    - "Energoinwest Serwis" sp. z o.o.

In connection with the achievement of the thresholds specified in IFRS 8 paragraph 13, the ZE PAK Group created, as at 31 March 2013, the operating segment Sales. The above segment includes "Elektrim-Volt". In connection with the fact that "Elektrim-Volt" was taken over by the ZE PAK Group in the 4th quarter of 2012, as at 31 December 2012 it was classified into the segment Other.

The ZE PAK S.A. Group conducts also other kinds of activities through "PAK Centrum Usług Informatycznych IT" sp. z o.o., "PAK Centrum Badań Jakości" sp. z o.o., The activities of these companies were aggregated in the column Other.

Transaction prices used in transactions between the operating segments are determined on the market terms like for transactions with unrelated parties.

Revenues from transactions between the segments are eliminated in the process of consolidation.

The Board of Directors monitors separately operating results of the segments, to make decisions concerning resource allocation, assess effects of this allocation and results on activities. The basis for assessment of results on activities is profit or loss on operating activities and EBITDA.

Below are presented results of the segments for the periods ending on 31 March 2013 and 31 March 2012.

** In connection with liquidation of "PAK Biopaliwa" sp. z o.o. it is showed in the segment Generation only in comparative data for the 1st quarter of 2012*

2

(in thousands PLN)

As at 31 March 2013
(unaudited)

	Production	Extraction	Renovation	Sales	Other	Consolidation adjustment	Total
Revenue from sales to external customers	456 800	2 638	7 625	195 762	373	-	663 198
Revenue from sales between segments	116 130	227 282	36 629	-	4 651	(384 692)	-
Sales revenues	**572 930**	**229 920**	**44 254**	**195 762**	**5 024**	**(384 692)**	**663 198**
Cost of goods sold	(499 122)	(183 940)	(36 058)	(193 348)	(3 399)	386 869	(528 998)
Gross profit	**73 808**	**45 980**	**8 196**	**2 414**	**1 625**	**2 177**	**134 200**
Other operating income	1 810	4 411	51	95	3	-	6 370
Selling and distribution expenses	(540)	(3)	-	(115)	-	-	(658)
Administrative expenses	(11 891)	(28 956)	(3 864)	(1 349)	(682)	-	(46 742)
Other operating expenses	(705)	(5 307)	(54)	-	-	-	(6 066)
Finance income	3 241	378	863	211	17	-	4 710
Finance costs	(25 008)	(6 849)	(21)	-	-	-	(31 878)
Profit before tax	**40 715**	**9 654**	**5 171**	**1 256**	**963**	**2 177**	**59 936**
Income tax expense	(6 856)	(1 249)	(1 889)	(245)	(97)	(471)	(10 807)
Net profit/ (loss) for the year from continuing operations	**33 859**	**8 405**	**3 282**	**1 011**	**866**	**1 706**	**49 129**
Profit / (loss) from operating activities, without financial operations and income tax	**62 482**	**16 125**	**4 329**	**1 045**	**946**	**2 177**	**87 104**
Depreciation / Amortization	70 278	20 126	1 423	35	393	(1 115)	91 140
Change in allowance for tangible assets	68	153					221
Ebitda	**132 828**	**36 404**	**5 752**	**1 080**	**1 339**	**1 062**	**178 465**

(in thousands PLN)

As at 31 March 2012
(unaudited)

	Production	Extraction	Renovation	Sales	Other	Consolidation adjustment	Total
Revenue from sales to external customers	616 064	-	26 410	-	1 377	-	643 851
Revenue from sales between segments	2 005	-	47 608	-	5 098	(54 711)	-
Sales revenues	**618 069**	**-**	**74 018**	**-**	**6 475**	**(54 711)**	**643 851**
Cost of goods sold	(472 745)	-	(61 161)	-	(2 802)	53 649	(483 059)
Gross profit	**145 324**	**-**	**12 857**	**-**	**3 673**	**(1 062)**	**160 792**
Other operating income	756	-	98	-	1	-	855
Selling and distribution expenses	(1 236)	-	-	-	-	-	(1 236)
Administrative expenses	(14 005)	(272)	(4 836)	-	(724)	-	(19 837)
Other operating expenses	(1 888)	-	(49)	-	(1)	-	(1 938)
Finance income	67 580	218	234	-	33	-	68 065
Finance costs	(11 094)	(1)	(1 481)	-	-	-	(12 576)
Profit before tax	**185 437**	**(55)**	**6 823**	**-**	**2 982**	**(1 062)**	**194 125**
Income tax expense	(34 719)	-	(1 619)	-	(115)	(256)	(36 709)
Net profit/ (loss) for the year from continuing operations	**150 718**	**(55)**	**5 204**	**-**	**2 867**	**(1 318)**	**157 416**
Profit / (loss) from operating activities, without financial operations and income tax	**128 951**	**(272)**	**8 070**	**-**	**2 949**	**(1 062)**	**138 636**
Depreciation / Amortization	61 150	7	1 260	-	286	(1 239)	61 464
Change in allowance for tangible assets	(31)						(31)
Ebitda	**190 070**	**(265)**	**9 330**	**-**	**3 235**	**(2 301)**	**200 069**

(in thousands PLN)

10. Revenues and costs

10.1. Sales revenues

Material structure		*The period of 3 months ending on 31 March 2013 (non-audited)*	*The period of 3 months ending on 31 March 2012 (unaudited)*
Revenues from sales of electric energy		470 561	505 061
Revenues under electric energy from trade		100 246	41181
Property rights from energy certificates		22 692	26 309
Revenues from contracts for construction services	*10.7*	5 194	24 413
Compensations under termination of long-term contracts		36 541	13 496
Revenues from sales of heat		21 083	18 809
EUA/CER swap		-	10 653
Other sales revenues		7 248	4 145
Excise tax		(367)	(216)
Total sales revenues		663 198	643 851

10.2. Other operating income

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2013 (unaudited)*
Revenues from sales of CO2 allowances	-	-
Revenues from damages	1 150	193
Release of write-off of receivables	-	1
Settlement of subsidies	75	478
Gain on disposal of non-financial fixed assets	4 011	77
Release of provision for costs and losses and debt write-off	40	31
Other	1 094	75
Total other operating income	6 370	855

(in thousands PLN)

10.3. Other operating costs

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Loss on disposal of tangible fixed assets	4 958	6
Creation of provisions	1	-
Write-off of receivables	26	3
Compensations	54	86
Costs of liquidation of fixed assets	-	230
Charging of equivalent for electric energy for retired persons and former employees	203	20
Power damages	208	73
Costs of maintenance of rest and refreshment facilities	61	60
Transferred donations	123	102
Costs of trade unions	25	30
Costs of shortages and losses	-	-
Other	407	1 328
Total other operating costs	6 066	1 938

10.4. Financial revenues

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Revenues under interest	2 938	6 259
Dividends	–	–
Foreign exchange gains	1 743	41 108
Valuation of interest rate swaps	–	–
Sale of TGE shares	–	20 649
Other	29	49
Total financial revenues	4 710	68 065

In the 1st quarter of 2012, under the contract concluded with the Warsaw Stock Exchange, the parent entity executed the transaction of sale of 157,000 shares in the Polish Power Exchange. The selling price of one share amounted to PLN 154.00. Profit on sale of shares amounted to PLN 20 649 thousand.

10.5. Financial costs

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Interest	12 519	5 289
Valuation and execution of derivatives	2 892	2 079
Foreign exchange losses	12 934	2 066
Discount on the provision for reclamation	1 395	–
Discount on settlements	–	–
Discount on the provision for unit decommissionig	195	326
Other	1 943	2 816
Total financial costs	31 878	12 576

(in thousands PLN)

10.6. Costs by type

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Depreciation	91 140	61 465
Write-offs of fixed assets	221	(31)
Write-offs of inventory	(3)	(44)
Materials consumption	159 068	271 967
External services	24 762	36 167
Taxes and fees excluding excise tax	39 587	10 176
Costs of employee benefits	169 157	57 957
Other costs by type	9 425	7 941
Value of goods and materials sold and of sold energy purchased from trade	98 151	38 392
Total costs by type	591 508	483 990
Items included in cost of goods sold	528 998	483 059
Items included in costs of sales	658	1 236
Items included in overheads	46 742	19 837
Change in products	2 672	(20 232)
Cost of goods manufactured for company's own purposes	12 438	90

(in thousands PLN)

10.7. Contracts for construction service

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Revenues under contracts for construction services recognized in the period:	5 194	24 413
Revenues invoiced in the period:	1 996	31 889
Balance sheet valuation:	3 199	(7 486)
Costs incurred in the period:	5 064	22 338
Expected losses under contracts recognized in the period:	(460)	(353)
Result on fulfillment of contracts recognized in the period:	590	2 428

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Gross amount due from clients under works resulting from the contract:	5 587	3 605
Gross amount due to clients under works resulting from the contract:	(1 803)	(3 080)

11. Components of other comprehensive income

Components of other comprehensive income are as follows:

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Cash flow hedges		
Profits (losses) for the period	309	(2 012)
Adjustments resulting from reclassification of profits (losses) included in profit or loss	2 867	2 058
Gross cash flow hedges for the period	**3 176**	**46**
Income tax concerning cash flow hedges	(603)	(9)
Net cash flow hedges for the period	**2 573**	**37**
Gross actuarial profits/(losses) concerning provisions for employee benefits after the period of employment	**(2 141)**	**1 049**
Income tax concerning actuarial profits/(losses)	407	(199)
Net actuarial profits/(losses) concerning provisions for employee benefits after the period of employment	**(1 734)**	**850**

(in thousands PLN)

Gross exchange rate differences from foreign currency translation	**72**	**(428)**
Income tax concerning foreign exchange differences from foreign currency translation	-	-
Gross exchange rate differences from net foreign currency translation	**72**	**(428)**
Gross other comprehensive income	**1 107**	**667**
Income tax concerning other comprehensive income	**(196)**	**(208)**
Other net comprehensive income	**911**	**459**

12. Earnings per share

Basic earnings per share are calculated by dividing net earnings for the period attributable to ordinary shareholders of the parent company by weighted average number of issued ordinary shares in the period.

Diluted earnings per share are calculated by dividing net earnings for the period attributable to ordinary shareholders by the average weighted number of issued ordinary shares in the period, adjusted by weighted average of ordinary shares that would be issued under conversion of all diluting potential equity instruments into ordinary shares.

In September 2012, the division of shares in the Company was registered. Before the division transaction, the share capital of the Company was divided into 8 671 000 shares of face value of PLN 12 each. After the division, the share capital of the Company consists of 52 026 000 ordinary shares of face value of PLN 2. Earnings per share for each of the presented periods in this consolidated financial statement were calculated including the fact of increased number of shares.

Additionally, in December 2012, the Company purchased 1 202 453 own shares for redemption. Own shares were excluded from the basis for calculating earnings per share for the period of 3 months ending on 31 March 2013.

Below are presented data concerning earnings and shares that were used to calculate basic and diluted earnings per share:

	The period of 3 months 31 March 2013 (unaudited)	*The period of 3months 31 March 2012 (unaudited)*
Net profit on continued activities attributable to shareholders of the parent company	47 296	157 416
Profit on abandoned activities attributable to shareholders of the parent company	–	–
Net profit	47 296	157 410
Net profit attributable to ordinary shareholders, used for calculations of diluted earnings per share	47 296	157 410
Number of ordinary shares, applied to calculate basic and diluted earnings per share	50 823 547	52 026 000

The table below presents earnings per share for the period of 3 months ending on 31 March 2013 and 31 March 2012, presented in the income statement.

(in thousands PLN)

	The period of 3 months 31 March 2013 (unaudited)	*The period of 3 months 31 March 2012 (unaudited)*
Basic and diluted earnings from profit for the financial year attributable to shareholders of the parent company	0,93	3,03
Basic and diluted earnings from profit on continued activities attributable to shareholders of the parent company	0,93	3,03

In the period between the balance sheet date and the day of preparation of this financial statement, there were no other transactions concerning ordinary shares or potential ordinary shares.

13. Income tax

13.1. Tax load

Main tax load components are as follows:

	The period of 3 months ending on 31 March 2013 (unaudited)	*The period of 3 months ending on 31 March 2012 (unaudited)*
Included in profit or loss		
Current income tax		
Current load under income tax	5 715	38 696
Deferred income tax		
Associated with creation and reversal of temporary differences	5 026	(418)
Other changes	66	(1 569)
Tax load in the consolidated profit or loss	**10 807**	**36 709**
Included in the consolidated statement of comprehensive income		
Tax on net profit/(losses) under revaluation of cash flow hedges	(603)	(9)
Income tax concerning actuarial profits/(losses)	407	(199)
Tax on foreign exchange differences from foreign currency translation	–	–
Tax benefit/(tax load) included in other comprehensive income	(196)	(208)

(in thousands PLN)

13.2. Deferred income tax

Deferred income tax results from the following items:

	As at 31 march 2013 (unaudited)	*31 December 2012 (restated)*
Deferred tax asset		
Balance sheet provisions and accruals	123 246	130 922
Assets for overburden removal and other mine assets	-	10 985
Interest and foreign exchange differences	14 147	11 398
Hedging instruments	6 455	7 068
Valuation of construction contracts	1 008	858
Prior year tax losses	63 223	70 135
Impairment write-downs against inventory	1 732	1 934
Impairment write-downs against receivables	5 570	5 581
Impairment write-downs against non – current assets	242	269
Employee settlements	4 671	6 660
Other	2 321	3 422
Total	**222 615**	**249 232**
Deferred tax liability		
Difference between carrying amount and tax base of fixed assets	337 683	361 753
Receivables due to compensation (PPAs)	10 874	6 923
Certificates of origin	24 396	20 448
Interest and foreign exchange differences	1 647	1 150
Valuation of uncompleted construction contracts	1 728	1 134
Accrued receivables under contractual penalties (liquidated damages)	–	–
Other	2 078	4 752
Total	**378 406**	**396 160**
After set off of balances at the level of individual Group companies, deferred tax of the Group is presented as:		
Deferred tax asset:	**116 871**	**119 031**
Deferred tax liability:	**272 662**	**265 959**

Tax losses, in accordance with valid Polish tax regulations, may be offset from future taxable income earned by the Company in subsequent five tax years, provided that the amount of reduction in any of these years cannot exceed 50% of the loss amount.

In the 1st quarter of 2013, "Elektrownia Pątnów II" sp. z o.o. showed a tax profit in the amount of PLN 24 606 thousand, in the 1st quarter of 2012 PLN of 28 680 thousand and as at 31 December 2012 in the amount of PLN 116 399 thousand.

Before the year 2012, the Company recorded tax losses that are settled with tax revenues from 2012.

The accumulated value of tax losses for the years 2008 – 2011, remaining for settlement as at 31 March 2013, amounted to PLN 247 198 thousand, as at 31 March 2012 it amounted to PLN 359 524 thousand, while as at 31 December 2012 it amounted to PLN 271 805 thousand.

As at 31 December 2012, the Company included in the books asset on losses, which had not been recognized earlier, in the amount of PLN 855 thousand.

As at each balance sheet date, the Company analyzes the possibilities to settle tax losses from future income based on the prepared budgets.

Przedsiębiorstwo Remontowe "PAK Serwis" sp. z o.o. conducts activities on the territory of Germany through a branch.

In the period from 2008 to 2010, the Company sustained tax losses. The accumulated value of losses for this period amounted to PLN 24 811 thousand.

Based on the held budgets for the next years, the Company conducted an analysis of the possibility to settle tax losses. The value of tax losses for the years 2008 – 2009 amounted to PLN 18 087 thousand. Deferred tax asset was not recognized. This value amounted to PLN 5 426 thousand. For the year ending on 31 December 2010, the value of the loss sustained by the German branch amounted to PLN 6 732 thousand.

In this regard deferred tax asset was not recognized either – this value amounted to PLN 2 017 thousand.

In the year ending on 31 December 2011, the branch earned tax profit. As a result, tax loss from previous years (not covered previously by asset) in the amount of PLN 4 214 thousand was settled.

In the year ending on 31 December 2012, the branch earned tax profit. As a result, tax loss from previous years (covered previously by asset up to the amount of EUR 850 thousand) in the amount of PLN 3 586 thousand (EUR equivalent of 859 thousand) was settled.

In the 1st quarter ending on 31 March 2013, the branch incurred tax loss in the amount of PLN 547 thousand (EUR equivalent of 131 thousand). Loss was covered by tax asset and at the same time a write-off was created.

In addition, on the basis of the prepared budgets for the future years, additionally an asset was recognized on tax loss from previous years, in the amount of PLN 103 thousand (EUR equivalent of 25 thousand).

In the financial year ending on 31 December 2012, PAK Kopalnia Węgla Brunatnego Konin S.A. showed a tax loss in the amount of PLN 57 538 thousand.

As at 31 March 2013, tax profit amounted to PLN 19 751 thousand. The Company settled tax loss for the year 2012 in the above mentioned amount.

PAK Kopalnia Węgla Brunatnego Adamów S.A. suffered a tax loss for the financial year ending on 31.12.2012 in the amount of PLN 46 700 thousand and it plans to settle it in next periods.

The long-term plan for the years 2013-2015, adopted by the company, indicates an option of its settlement.

In the first quarter of 2013, from income a loss for the year 2012 was offset, in the amount of PLN 962 thousand.

(in thousands PLN)

14. Property, plant and equipment

As at 31 March 2013
(unaudited)

	Land and perpetual usufruct	*Buildings and constructions*	*Plant and machinery*	*Motor vehicles*	*Other fixed assets*	*Assets under construction*	*Total*
Gross carrying amount as at 1 January 2013	163 229	1 841 223	3 821 688	72 471	29 066	170 588	6 098 265
Direct purchase	–	–	583	220	709	35 932	37 444
Overhauls	–	–	–	–	–	–	–
Disposals and liquidation	(55)	(1 573)	(3 387)	(475)	(901)	–	(6 391)
Transfer from assets under construction	3 227	7 238	12 072	102	4	(22 643)	–
Gross carrying amount as at 31 March 2013	166 401	1 846 888	3 830 956	72 318	28 878	183 877	6 129 318
Accumulated depreciation and impairment as at 1 January 2013	1 111	284 032	689 409	11 851	16 702	30 200	1 033 305
Depreciation charge for the period	161	20 952	63 462	2 486	811	–	87 872
Impairment	(3)	64	152	16	–	–	229
Disposals and liquidation	–	(1 392)	(1 516)	(343)	(540)	–	(3 791)
Accumulated depreciation and impairment as at 31 March 2013	1 269	303 656	751 507	14 010	16 973	30 200	1 1 117 615
Net carrying amount as at 1 January 2013	162 118	1 557 191	3 132 279	60 620	12 364	140 388	5 064 960
Net carrying amount as at 31 March 2013	165 132	1 543 232	3 078 449	58 308	11 905	153 677	5 011 703

(in thousands PLN)

As at 31 March 2012
(unaudited)

	Land and perpetual usufruct	*Buildings and constructions*	*Plant and machinery*	*Motor vehicles*	*Other fixed assets*	*Assets under construction*	*Total*
Gross carrying amount as at 1 January 2012	37 040	1 522 756	2 805 129	14 104	21 520	659 171	5 059 720
Direct purchase	–	–	837	26	574	65 135	66 572
Overhauls	–	–	276	–	–	–	276
Disposals and liquidation	–	(1 248)	(391)	(32)	(57)	–	(1 728)
Transfer from assets under construction	–	–	728	85	83	(896)	–
Gross carrying amount as at 31 March 2012	37 040	1 521 508	2 806 579	14 183	22 120	723 410	5 124 840
Accumulated depreciation and impairment as at 1 January 2012	888	216 362	519 663	7 525	15 054	30 291	789 783
Depreciation charge for the period	–	17 974	42 170	420	576	–	61 140
Impairment	–	(31)	–	–	–	–	(31)
Disposals and liquidation	–	(1 248)	(386)	(28)	(36)	–	(1 698)
Accumulated depreciation and impairment as at 31 March 2012	888	233 057	561 447	7 917	15 594	30 291	849 194
Net carrying amount as at 1 January 2012	36 152	1 306 394	2 285 466	6 579	6 466	628 880	4 269 937
Net carrying amount as at 31 March 2012	36 152	1 288 451	2 245 132	6 266	6 526	693 119	4 275 646

(in thousands PLN)

15. Lease

15.1. Liabilities under financial lease contracts and lease contracts with purchase option

Fixed assets used on the basis of financial lease contracts include mainly cars, bulldozers and caterpillar loaders, tractors and semitrailers.

As at 31 March 2013 and as at 31 December 2012, future minimum lease fees under financial lease contracts and lease contracts with purchase option and current value of minimum net lease fees are as follows:

	As at 31 March 2013		*As at 31 December 2012*	
	Minimum fees	*Current value of fees*	*Minimum fees*	*Current value of fees*
In the period of 1 year	16 858	14 249	22 590	18 952
In the period from 1 to 5 years	43 179	39 241	43 320	39 380
Above 5 years	–	–	–	–
Total minimum lease fees	60 041	53 494	65 910	58 332
Minus financial costs	(6 547)	–	(7 578)	–
Current value of minimum lease fees, including:	53 494	53 494	58 332	58 332
Short-term	14 253	14 253	18 952	18 952
Long-term	39 241	39 241	39 380	39 380

(in thousands PLN)

16. Intangible assets

Long-term intangible assets - as at 31 March 2013 (unaudited)

	Development costs	*Patents and licences*	*Computer software*	*Other intangible assets*	*Total*
Gross carrying amount as at 1 January 2013	–	32 117	1 624	346	34 087
Increases	–	178	16	–	194
Decreases	–	(10)	–	–	(10)
Gross carrying amount as at 31 March 2013	–	32 285	1 640	346	34 271
Accumulated amortisation and impairment as at 1 January 2013	–	25 949	1 046	257	27 252
Amortisation charge for the period	–	493	55	4	552
Impairment write–down	–	–	(8)	–	(8)
Decreases	–	(10)	–	–	(10)
Accumulated amortisation and impairment as at 31 March 2013	–	26 432	1 093	261	27 786
Net carrying amount as at 1 January 2013	–	6 168	578	89	6 835
Net carrying amount as at 31 March 2013	–	5 853	547	85	6 485

(in thousands PLN)

Long-term intangible assets - as at 31 March 2012 (unaudited)

	Development costs	*Patents and licences*	*Computer software*	*Other intangible assets*	*Total*
Gross carrying amount as at 1 January 2012	–	28 224	1 438	321	29 983
Increases	–	107	–	–	107
Decreases	–	–	(1)	–	(1)
Gross carrying amount as at 31 March 2012	–	28 331	1 437	321	30 089
Accumulated amortisation and impairment as at 1 January 2012	–	25 045	939	245	26 229
Amortisation charge for the period	–	280	42	3	325
Impairment write–down	–	–	–	–	–
Decreases	–	–	(1)	–	(1)
Accumulated amortisation and impairment as at 31 March 2012	–	25 325	980	248	26 553
Net carrying amount as at 1 January 2012	–	3 179	499	76	3 754
Net carrying amount as at 31 March 2012	–	3 005	457	73	3 536

(in thousands PLN)

Long-term intangible assets

	As at 31 March 2013 (unaudited)	*As at 31 March 2012 (unaudited)*
	Certified emission reduction units (CER/ERU)	Certified emission reduction units (CER/ERU)
Gross carrying amount as at 1 January	35 368	84 729
Direct purchase	32 448	13 176
Redemption of CERs	–	–
Gross carrying amount as at 31 March	67 816	97 905
Accumulated amortisation and impairment as at 1 January	–	–
Impairment write–down	–	–
Accumulated amortisation and impairment as at 31 March	–	–
Net carrying amount as at 1 January	35 368	84 729
Net carrying amount as at 31 March	67 816	97 905

(in thousands PLN)

17. Assets for overburden and other mine assets

As at 31 March 2013, the item assets concerning stripping and other mining assets includes, among others: expenditures incurred by "PAK Górnictwo" sp. z o.o., related to exploration and assessment of mineral resources, in the amount of PLN 10 264 thousand, assets concerning stripping and other assets mining assets of PAK KWB Konin in the amount of PLN 108 626 thousand and of PAK KWB Adamów in the amount of PLN 25 157 thousand.

	Assets concerning stripping and other mining assets
As at 31 December 2012 (transformed data)	134 509
Increases	12 254
Decreases	–
Depreciation for period	(2 716)
As at 31 march 2013 (non-audited)	**144 047**
- long-term	143 604
- short-term	443

18. Other assets

18.1. Other financial assets

	31 March 2013 (unaudited)	*31 December 2012*
Deposits for handling of costs of indebtedness	97 562	88 154
FLZG (mining plant decommissioning fund) and FRZG (mining plant operation fund) deposits	26 353	15 144
Deposits	4 168	16 513
Shares	15 178	15 588
Other	5 154	14 696
Total other financial assets	148 415	150 095
- short-term	99 259	103 697
- long-term	49 156	46 398

18.2. Other non - financial assets

	31 March 2013 (non-audited)	*31 December 2012*
Receivables under VAT	3 331	2 311
Insurance	171	367
Other budget receivables	615	157

(in thousands PLN)

Receivables under tax on civil-law transactions	4 022	4 022
Other non - financial assets	-	385
Other prepayments	5 724	5 154
Advances for inventory	26	11
Intangible asset prepayments	18	4
Prepayments for fixed assets under construction	12 456	7 121
Advances for fixed assets – Land	-	1 004
Other	7	849
Total other non-financial assets	26 370	21 385
- short-term	22 791	17 230
- long-term	3 579	4 155

19. Inventories

	31 March 2013 (unaudited)	*31 December 2012*
Production fuel	21 485	19 243
Spare parts and other materials	70 194	61 339
Energy certificates	128 554	107 620
Goods	402	123
Total inventory at the lower of two values: purchase price (cost of manufacturing) and attainable net value	220 635	188 325

At the end of the quarter ending on 31 March 2013, write-off of inventory is PLN 35 337 thousand .The write-off applies mainly to certificates of energy generated from renewable energy sources ("green certificates") and in highly efficient cogeneration ("red certificates"), as a result of drop in their market price.

As at 31 March 2013, in PAK KWB Konin ownership title is transferred on movable inventory – parts to machines and drums – with the value no lower than PLN 8 000 thousand , located in warehouses.

20. Trade receivables and other receivables

	31 March 2013 (unaudited)	*31 December 2012*
Trade receivables	123 661	142 277
Receivables under compensation in connection with termination of long-term contracts	57 229	36 438
Receivables under protection of energy purchases on the balancing market	5 120	5 141
Other receivables	39 751	36 703
Net receivables	225 761	220 559
Write-off of receivables	39 310	39 611
Gross receivables	265 071	260 170

In the line other receivables as at 31 March 2013 the Group shows mainly receivables under sale of shares in ZE PAK S.A. by Elektrim-Volt S.A. to Embud Sp. z o.o. in the amount of PLN 31 104 thousand.

Trade receivables are not interest-bearing and have usually 14-day payment term.

The Group has appropriate policy with regard to sale only to verified customers. As a result, in the opinion of management, there is no additional credit risk above the level specified by write-off of bad debt, relevant for trade receivables of the Group.

(in thousands PLN)

21. Cash and cash equivalents

For the purpose of the condensed consolidated interim cash flow statement, cash and cash equivalents include the following items:

	31 March 2013 unaudited)	*31 December 2012*
Cash in hand and at bank	98 964	17 217
Short-term deposits	189 803	300 785
Total balance of cash and cash equivalents reported in the balance sheet:	288 767	318 002
Exchange rate differences	(5 992)	(5 063)
Total balance of cash and cash equivalents reported in the cash flow statement:	282 775	312 939

Explanation of the selected cash flow statement items

In item other adjustments from operating activities both in the year ending on 31 March 2013 and 31 December 2012 mainly valuation of derivatives was presented.

The item outflows and inflows related to other financial assets includes inflows and outflows related to cash meant for handling of costs of indebtedness and received guarantees.

22. Interest-bearing loans and borrowings

Short-term	*Maturity*	*As at 31March 2013 (unaudited)*	*As at 31December 2012*
Bank loan (syndicated) in the amount EUR 240,000 thousand, interest rate at 3M EURIBOR+ bank margin	20.07.2019	131 501	128 409
Bank loan in Bank Pocztowy S.A. in the amount of PLN 15,000 thousand, interest rate 3M WIBOR+ bank margin	28.06.2013	1 519	1 500
Bank loan in Pekao S.A. in the amount of PLN 12,000 thousand, interest rate 3M WIBOR+ bank margin	30.12.2013	1 564	2 084
Loan from NFOŚiGW in the amount of PLN 226,000 thousand, interest rate at 0.5 of bills of exchange rediscount rate	23.06.2015	30 419	29 883
Bank loan (syndicated) in the amount of PLN 291,000 thousand, interest rate at 3M WIBOR+ bank margin	31.12.2015	55 477	44 329
Overdraft facility at BRE Bank in the amount	29.04.2013	7 585	9 545

(in thousands PLN)

of PLN 9,700 thousand PLN, interest rate at 1M WIBOR + bank margin			
Overdraft facility at BZ WBK in the amount of PLN 65,000 thousand, interest rate at 1M WIBOR + bank margin	30.06.2013	62 041	64 737
Investment loan from BZ WBK S.A in the amount of PLN 46,463 thousand, interest rate at 1M WIBOR + bank margin	31.12.2016	32 965	33 359
Credit services agreement, BRE Bank S.A. (bill of Exchange loan) up to PLN 49,000,000 thousand – discounting of bills of exchange	30.06.2016	26 976	26 976
Bonds services agreement, PKO BP S.A. in the amount of PLN 135,000 thousand interest rate at 3M WIBOR 3M + bank margin	31.12.2016	84 886	90 802
BRE Bank S.A. – bank loan in the amount of PLN 30,000 thousand interest rate at 1M WIBOR + bank margin	29.04.2013	14 900	20 000
BRE Bank S.A. – bank loan in the amount of PLN 10,300 thousand interest rate at 1M WIBOR 1M + bank margin	24.01.2013	10 300	10 300
Overdraft facility at PEKAO SA in the amount of PLN 80,000 thousand, interest rate at 1M WIBOR + bank margin	30.09.2013	3	–
Total		460 136	461 924

Long-term	*Maturity*	*As at 31March 2013 (unaudited)*	*As at 31December 2012*
Loan from NFOŚiGW in the amount of PLN 226,000 thousand, interest rate at 0.5 of bills of exchange rediscount rate	23.06.2015	40 539	39 790
Bank loan (syndicated) in the amount of PLN 291,000 thousand, interest rate at 3M WIBOR+ bank margin	31.12.2015	65 703	75 060
Bank loan (syndicated) in the amount EUR 240,000 thousand, interest rate at 3M EURIBOR+ bank margin	20.07.2019	663 628	675 535
Total		769 870	790 385

As at 31 March 2013 PAK KWB Konin did not meet certain financial loan covenants relating to financial liabilities, which were specified in the underlying loan agreements. Therefore, in accordance with IFRS, these bank loans have been fully presented as current liabilities. However Group has received assurance from creditor banks concerning lack of maturity of these loans.

Default in PAK KWB Konin loan liabilities creates no cross-default in other Group's financial liabilities.

In the quarter ended 31 March 2013 the Group has repaid part of its loans and interests in the amount of PLN 53 590 thousand, including:

- repayment of investment loan in PEKAO by ZE PAK S.A. in the amount of PLN 545 thousand (capital and interests),
- •repayment of syndicated loan by EP II in the amount of PLN 33 227 thousand (capital and interests),

(in thousands PLN)

- Repayment of other loans by PAK KWB Konin in the amount of PLN 19 818 thousand (capital and interests).

23. Provisions and prepayments

23.1. Accruals

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*
Provision for bonus and vacation leaves	31 417	34 461
Compensation from insurance company	308	328
Audit of the financial statement	118	671
Other	17 004	97
Total	48 847	35 557
Long-term	–	–
Short-term	48 847	35 557

The main component of the item covers different prepayments under fee for use of the environment in the amount of PLN 15 463 thousand.

23.2. Provisions

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*
Provision for redemption of CER	35 368	35 369
Provision for costs of liquidation of fixed assets	18 622	19 547
Provision for reclamation of ash storage yards	4 484	4 484
Reclamation provisions and other provisions related to mining operations	332 768	303 517
Provision for loss on a long-term contract	460	551
Provision for redemption of energy certificates	220	958
Other	8 895	28 938
Total	400 817	393 364
Long-term	320 702	320 881
Short-term	80 115	72 483

23.3. Description of significant titles of provisions

23.3.1. Provision for reclamation of ash storage yards and costs of liquidation of fixed assets

The Group creates a provision for the future costs of reclamation of ash storage yards based on the legal obligation resulting from "integrated permits". The basis for estimation of the amount of provisions are specialist studies and technological and economic experts' studies, prepared by internal services or external experts. The value of the provision is estimated and verified as at each balance sheet date on the basis of current estimates of costs and discount. As at 31 March 2013, the created provision amounted to PLN 4 484 thousand.

Owing to the presence of the legal obligation to liquidate fixed assets after their period of use, the Group creates a provision for the expected future costs which will have to be incurred to fulfil this obligation. As at 31 March 2013, the provision on this account amounted to PLN 18 622 thousand.

23.3.2. Reclamation provisions and other provisions related to mining operations

PAK KWB Konin and PAK KWB Adamów are obliged, by virtue of the Act - Mining and Geological Law, to conduct reclamation of land where mining works were carried out. As a result, the Group creates a provision both for costs of land reclamation related to current extraction of coal in a given surface mine, as well as costs of reclamation of the final heading, progress in extraction of coal in different surface mines as at a given balance sheet date.

The provision is established on the basis of estimated future costs of reclamation, based on reports of independent experts, estimating costs of reclamation, prepared to the order of the Board of Directors. The estimates concerning expected reclamation costs are updated periodically, provided that as at each reporting date verification covers the amount of the provision in accordance with the current assumptions regarding discount rate, inflation rate as well as extraction volume.

PAK KWB Konin and PAK KWB Adamów, under the conducted activities, are obliged to restore the initial condition or reconstruct damages caused by mining plant operations. As a result, the Group creates a provision for the expected costs it is obliged to incur on the basis of the concluded agreements. The estimates concerning the expected costs related to mining plant operation are updated as at each reporting date.

The provision for dismantling of structures and reclamation of mining land and under preparation of exploitation land in PAK KWB Konin and PAK KWB Adamów as at 31 March 2013 amounted to PLN 332 768 thousand. When calculating the provision, the Group accepted the following assumptions: discount rate of 4%, inflation rate of 2.5 %. As compared to the previous year, the parameters adopted for calculation of the provision did not change. Changes in the provision result from changes in estimated costs of reclamation and liquidation, on the basis of data from the report of independent experts, and percentage coal extraction, as well as on the basis of the report of the environmental protection section.

23.3.3. Provision for redemption of energy certificates

In connection with sale of electric energy to final recipients, the Group is under the obligation to redeem a given number of certificates of energy from renewable energy sources, gas and cogeneration. As at 31 March 2013, the provision on this account amounted to PLN 220 thousand.

23.3.4. Other provisions

The main items of other provisions as at 31 March 2013 are provisions for guarantee repairs as well as losses on long-term contracts in El PAK, in the total amount of PLN 1 611 thousand, fixed fees under arable land in KWB Adamów in the amount of PLN 1 850 thousand.

24. CO2 allowances

Since 1 January 2013, a subsequent settlement period 2013 – 2020 has been in force, concerning CO2 allowances. The basic aim of this period is granting the Group free allowances resulting from heat production, though the power sector has been additionally covered by the possibility of derogation. The derogation arising from Article 10c of the ETA Directive consists in granting additional free allowances subject to sustaining declared investment outlays reported in the National Investment Plan.

The table below presents the final quantities of free CO2 allowances for devices in accordance with the National Allowance Allocation Plan (KPRU), submitted to the European Commission for approval (including the period of derogation with regard to the devices used to generate electric energy).

(in thousands PLN)

Operator	System code according to KPRU III	2013 (in tons)	2014 (in tons)	2015 (in tons)	2016 (in tons)	2017 (in tons)	2018 (in tons)	2019 (in tons)	2020* (in tons)
Pątnów I Power Plant	PL-0021-05	3,542,869	3,267,192	2,788,218	2,090,822	1,570,874	1,249,279	929,294	2,445
Adamów Power Plant	PL-0023-05	2,127,710	1,960,557	1,674,295	1,260,038	950,596	758,856	569,011	22,270
Pątnów II Power Plant	PL-0957-08	1,167,963	1,077,106	919,106	688,967	517,434	411,412	305,922	0
Konin Power Plant	PL-0022-05	1,271,530	1,165,202	993,522	751,566	568,884	453,453	341,530	30,999
Group (total)	–	8,110,072	7,470,057	6,375,141	4,791,393	3,607,788	2,873,000	2,145,757	55,714

* In 2020, allocation of free CO2 allowances, granted under derogation for electric energy generators, will be ceased completely. In consequence, the Group will be entitled only to substantially lower limits of free allowances granted in connection with heat generation.

Since the period of KPRUII, the Group has saved 4 803 733 EUA. In connection with the fact that the planned emissions in the Group for 2013 are 13 252 000 tons of CO2 and in 2013 we will not receive free allowances owing to the lack of sustained investment outlays and the lack of legal regulations in 2013, 8 448 267 EUA should be purchased.

In connection with the above, the Group has been purchasing EUA since February 2013 gradually at current prices in spot transactions. To minimize risk and obtain optimal average market price, expenditures on the purchase of EUA will be made gradually within 11 months of 2013.

The following tables present carbon dioxide allowances granted under the National Allowance Allocation Plan, acquired on the secondary market along with breakdown into a part that is used for internal purposes and a part that is sold in the period ending on 31 March 2013 and 31 March 2012.

Carbon dioxide allowances in the period ending on 31 March 2013(unaudited)

(in tons)		*Zespół Elektrowni Pątnów – Adamów – Konin S.A.*	*Elektrownia Pątnów II sp. z o.o.*
	CO2 emission*	2 526 215	608 075
EUA	Balance as at 1.01.2013	12 883 785	3 275 356
	Purchases	1 478 894	284 210
	Redemption	–	–
	Sales	–	–
	Exchange	–	–
	Balance as at 31.03.2013	14 362 679	3 559 566
CER	Balance as at 1.01.2013	4 528	10 000
	Purchases	–	–
	Redemption	–	–
	Sales	–	–
	Exchange	–	–
	Balance as at 31.03.2013	4 528	10 000
ERU	Balance as at 1.01.2013	493 967	718 000
	Purchases	–	–
	Redemption	–	–
	Sales	–	–
	Exchange	–	–
	Balance as at 31.03.2013	493 967	718 000

*Emission for the 12-month period (verified data)

** Redemption of emission rights for the given year occurs in the first quarter of the next year

Carbon dioxide allowances in the period ending on 31 March 2012

(in thousands PLN)

(unaudited)

(in tonnes)		*Zespół Elektrowni Pątnów – Adamów – Konin S.A.*	*Elektrownia Pątnów II sp. z o.o.*
	CO_2 emission*	2 453 556	701 778
EUA	Balance as at 1.01.2012	22 134 186	5 733 116
	Purchases	–	–
	Redemption	–	–
	Sales	–	–
	Exchange	(530 000)	(190 000)
	Balance as at 31.03.2012	21 604 186	5 543 116
CER	Balance as at 1.01.2012	1 752 829	452 000
	Purchases	–	–
	Redemption	–	–
	Sales	–	–
	Exchange	530 000	190 000
	Balance as at 31.03.2012	2 282 829	642 000
ERU	Balance as at 1.01.2012	–	100 000
	Purchases	–	–
	Redemption	–	–
	Sales	–	–
	Exchange	–	–
	Balance as at 31.03.2012	–	100 000

*Emission for the 12-month period (verified data)

(in thousand PLN)

25. Trade liabilities, other liabilities and accruals

25.1. Trade liabilities and other financial liabilities (short-term)

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*
Trade liabilities:	122 185	131 609
Financial liabilities	303	630
Other liabilities:		
Investment liabilities	9 370	14 220
Liabilities towards employees under payroll	20 216	21 420
Other liabilities	33 131	20 600
Total	185 205	188 479

In the line other liabilities as at 31 March 2013 the Group presents mainly liabilities under financial lease in the amount of PLN 21 248 thousand, as at 31 December 2012 liabilities under financial lease in the item other liabilities amounted to PLN 19 800 thousand. The remaining amount in the item other liabilities as at 31 March 2013 covers mostly settlements with employees and deductions from the payroll, in the amount of PLN 4 761 thousand, and settlements under the Plant Social Benefits Fund in the amount of PLN 3 733 thousand.

Principles and terms of payment of the above financial liabilities:

The terms of transactions with related parties are presented in note 29 in the additional information and explanations.

Trade liabilities are interest-free and are usually settled within 14 or 30-day terms.

Liabilities under interest are are usually settled in monthly or quarterly periods, throughout the whole year.

25.2. Trade liabilities and other financial liabilities (long-term)

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*
Liabilities under financial lease	34 723	41 361
Liabilities under put options	30 971	30 971
Short-term trade liabilities towards other entities - above 12 months	503	605
Other financial liabilities	150	85
Other	1 034	310
Total	67 381	73 332

(in thousand PLN)

25.3. Other non - financial liabilities

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*
Liabilities under VAT	28 018	31 421
Liabilities under environmental fees	-	28 586
Liabilities under excise tax	337	185
Liabilities under social insurance	33 321	35 527
Personal income tax	8 354	9 288
Other budget liabilities	191	1 918
Advances for inventory	431	9 217
Operational fee	1 602	11 609
Other	1 247	473
Total	73 501	128 224

Liabilities under environmental fees relate to fees for contamination of air, storage of waste and consumption of water and drainage of sewage. These fees are paid every six months.

Liabilities under operating fees relate to fees under the extracted mineral, resulting from the Geological and Mining Law. Settlement period is half-year.

26. Contingent liabilities as well as description of significant cases before a court

Apart from liabilities described in the note below, the Company, as at 31 March 2013, did not have other contingent liabilities, granted guarantees and sureties.

26.1. Cases before a court

Compensations for termination of long-term contracts for sale of power and electric energy

The subsidiary "Elektrownia Pątnów II" sp . z o.o. receives compensations to cover the stranded costs pursuant to the Act of 29 June 2007 on coverage of stranded costs resulting at generators in relation to accelerated termination of long-term contracts. Revenue under compensations is shown gradually to the obtained rights to compensations, until the end of the period of their validity. In order to estimate the value of revenue attributable to a given period, the company makes estimates to determine the ratio of the estimated stranded costs to the total amount of received, refunded and expected discounted annual advance payments (including so far received advance payments), annual adjustments and planned final adjustment.

"Elektrownia Pątnów II" sp. z o.o., in accordance with the adopted accounting policy, on the basis of the constructed financial model, recognized in the years 2012, 2011, 2010 and 2009 revenues from compensations in the amount of PLN 83 635 thousand, PLN 98 331 thousand, PLN 102 132 thousand, and PLN 155 801 thousand, respectively. On the basis of the issued decision of the President of the Energy Regulatory Office ("the President of URE") of 31 July 2009, the company was obliged to refund to the compensation system administrator, Zarządca Rozliczeń S.A., the amount of PLN 52 493 thousand, under the adjustments of the stranded costs for the year 2008. The company's Board of Directors, rejecting the decision of the President of URE, filed an appeal with the District Court in Warsaw – Court for Protection of Competition and Consumers ("SOKiK"). On 23 September 2009, the Court ruled on the withheld execution of the respective part of the decision and ordered payment of the amount of PLN 26 493 thousand.

On 1 December 2010, SOKiK issued a sentence in which it dismissed the appeal of the company against the decision of the President of URE, recognizing his arguments as right.

The Company conducted a detailed legal analysis of the issue in cooperation with a reputable law office and on 9 February 2011 filed an appeal with the Court of Appeal in Warsaw against the sentence of the Court of first instance.

On 11 October 2012, the Court of Appeal issued a favorable sentence for the company, changing the sentence of the Court of first instance and the decision of the President of URE of 31 July 2009, fixing for the year 2008 for "Elektrownia Pątnów II" sp. z o.o. the adjustment of the annual stranded costs Zarządca Rozliczeń S.A. is obliged to pay to "Elektrownia Pątnów II" sp. z o.o.in the amount plus PLN 29 082 thousand. The sentence of the Court of Appeal is final and binding. In connection with the above, on 17 October 2012. "Elektrownia Pątnów II" sp. z o.o called Zarządca Rozliczeń S.A. to pay the adjudged amount of the 2008 year adjustment and reimburse the amount paid by "Elektrownia Pątnów II" of PLN 26 493 thousand, as partial execution of the decision of the President of URE, in accordance with the decision of SOKiK of 23 September 2009. The call for payment was issued in the total amount of PLN 55 576 thousand. On 22 October 2012, Zarządca Rozliczeń S.A. paid the above amount to the account of the company. The amount of the adjudged adjustment for 2008 in the part that is not entered in revenue under long-term contracts for 2008 (namely the amount of PLN 11 971 thousand) was entered as revenue from sales and received in 2012.

The decision of the Court of Appeal confirmed the correct calculation of the adjustments by "Elektrownia Pątnów II" sp. z o.o. in each of the past periods and in connection with the above the company did not change the principles of determination of revenues under compensations for the year 2012 and for the previous years. The President of URE filed a cassation appeal against the sentence of the Court of Appeal.

Proceedings in connection with default on the obligation to keep fuel reserve

On 17 September 2008 and 29 May 2009, the President of URE initiated the proceedings concerning imposing on the Company fine in connection with the default on the obligation to keep fuel reserve ensuring continuous supplies of electric energy and heat to recipients as at 31 December 2007,31 March 2008, 1 July 2008, 1 September 2008, 1 October 2008, 1 November 2008, 1 December 2008, 1 January 2009, 1 February 2009 and 1 March 2009.

By the decision of the President of the Energy Regulatory Office of 28 December 2010, a fine was imposed on ZE PAK S.A. for the default on the obligation to keep fuel reserve in the quantity ensuring continuous supply of heat to recipients in 2008 and 2009, in the amount of PLN 1 500 thousand. The Company created in 2010 provision for the cost of the fine in the full amount. On 17 January 2011, the Company filed an appeal against the decision of the President of URE with the Regional Court in Warsaw – SOKiK.

Due to the fact that the case has not been settled yet, the Company has not released the created provision and has in the books, as at 31 March 2013, the provision for the fine in the full amount of PLN 1 500 thousand.

Proceedings concerning refund of excise tax overpayment

According to the regulations binding within the European Union, in particular the provisions of Article 21 section 5 of the Energy Directive, in connection with Article 6 section 1 of the Horizontal Directive, after 1 January 2006, the object of excise tax is sale of energy at the last stage of trade, i.e. sale by the distributor to the final recipient (consumer). Taxation with this tax does not cover an earlier stage of trade, e.g.between the producer of electric energy and its distributor. In this case, the tax obligation arises at the time of supply of electric energy to the consumer.

In connection with the above, ZE PAK S.A., on the basis of Article 75 § 1, in connection with Article 75 § 2 of the Act of 29 August 1997 - Tax Regulations (Journal of Laws of 1997 No. 137 item 926 as amended) submitted applications for ascertaining overpayment of excise tax for the years 2006, 2007, 2008 and January and February 2009, in the total amount of approx. PLN 626 million, justifying that with the fact that on the basis of the provisions of the law binding in the European Union and jurisdiction of the Provincial Administrative Courts, the activities carried out by ZE PAK S.A are not subject to excise tax. Particular applications are examined at the following levels: the Customs Office in Kalisz, the Customs Chamber in Poznań, the Provincial Administrative Court in Poznań and of the Supreme Administrative Court.

In connection with the rulings of the Administrative Courts in cases of other power companies concerning overpaid tax excise, ZE PAK S.A., in cooperation with a tax advisor, analyzed resolution I GPS 1/11 of the

Supreme Administrative Court of 22 June 2011 where the Supreme Administrative Court recognized that the pass-through of tax to the price excludes the possibility of refunding overpayment. From the substantiation of this resolution it can be concluded that the tax authorities will refuse to refund overpayments, indicating that tax proceedings is not relevant for this type of claims. Then it will be possible to seek them under civil law, as a result of which expiration (on the grounds of civil law this term is 3 years) becomes a significant issue. In connection with the above, ZE PAK S.A., on 10 February 2012, filled with the District Warsaw Śródmieście a summons for the State Treasury to a conciliatory hearing, in the amount of PLN 626 405 829.00 and, at the same time, stopped the statute of limitation. The conciliatory settlement was not reached since at the hearing on 16 April 2012, case ref. no. VI Co 311/12, the representatives of the Treasury did not agree to settlement. Simultaneously, the Company, waiting for the results of the tax proceedings concerning the previously submitted applications for overpayment, submitted in writing, on 14 September 2012, in the Customs Chamber in Poznań, additional explanations in the form of results of a detailed economic analysis, whose purpose was to demonstrate whether the Company suffered loss related with payment of excise tax to which it was not obliged. The proceedings, that are currently at the stage of the Customs Chamber in Poznań, relate to the period December 2006 – September 2008. Nonetheless, the Company is of the opinion that the submitted document also applies to other overpayment applications from the whole period January 2006 – February 2009.

On 1 March 2009, the Act of 6 December 2008 on excise tax came into effect and pursuant to which sale of electric energy to an entity which is not its final recipient is not subject to excise tax.

Call to pay contractual penalty fee under default on the parameters of readiness of flue gas desulphurization systems in the Pątnów I Power Plant

On 28 October 2005, between PAK Odsiarczanie (whose legal successor is ZE PAK S.A.) and RAFAKO S.A. a contract was concluded for the design and turnkey construction of two flue gas desulfurization systems for units no. 1-4 in the Pątnów I Power Plant. On 12 August 2008, the Parties signed the certificate of preliminary acceptance of two flue gas desulfurization systems, and on 29 December 2009 a fan in one of these systems failed, as a result of which ZE PAK S.A. sustained losses in connection with emergency standstills of the systems. On 2 September 2011, the parties prepared the final report of the meeting of the team for calculations of emergency standstills and parameters of readiness. From the calculations contained in the report it can be concluded that ZE PAK S.A., according to the provisions of the above-mentioned contract, is entitled towards RAFAKO S.A to claim payment of contractual penalty fee in the total amount of PLN 21.700 thousand. On 3 August 2012, ZE PAK S.A. called RAFAKO S.A to pay voluntarily contractual penalty fee under the default on the parameters of readiness of the flue gas desulfurization systems delivered by RAFAKO S.A., and on 10 August 2012 filed with the District Court in Racibórz an application for a summons to a conciliation hearing. In connection with changes in the Board of Directors of RAFAKO S.A. in November and December 2012, i.e. at the time when the District Court in Racibórz was examining the application of ZE PAK S.A. for a summons to a conciliation hearing, RAFAKO S.A did not express consent to settlement. In connection with the above, on 21 December 2012, at the hearing the District Court in Racibórz stated that the settlement was not reached and closed the proceedings. As at the day of preparation of this financial statement, the Company may not foresee whether RAFAKO S.A will pay the contractual penalty fee, and, in consequence, whether a dispute will be initiated and what its final result will be. Nonetheless, in the opinion of the Company, is should be emphasized that the Parties do not distance themselves from beyond-court negotiations for the purpose of conciliatory solution of the dispute. Both ZE PAK S.A. and RAFAKO S.A have many arguments to sustain their positions, which may prove that neither of the Parties may be certain of the possible result of the court ruling. Therefore, it seems the most rational to reach settlement, which, in the opinion of ZE PAK S.A., would consider in a significant part the claims of ZE PAK S.A., in the primary version in the amount of ca. PLN 21 million, and, in consequence, it would result in no need to refund the bank guarantee drawn by ZE PAK S.A. The disputed issue with RAFAKO S.A has not been reflected in the accounting books of the Company.

(in thousand PLN)

27. Liability repayment securities

In order to secure liability repayment, the Group applies many forms of security. The most common of them include mortgages and registration pledges.

As at 31 March 2013, the Group had following liabilities secured on its property and other liability repayment securities:

Liabilities secured on the entity's property

		As at 31 March 2013 (unaudited)		*As at 31 December 2012*	
No.	*Assets pledged as security*	*Value of collateral*	*currency*	*Value of collateral*	*currency*
ZE PAK S.A.					
1	Registered and financial pledge				
1.1	Registered pledge on ZE PAK S.A.'s assets (power units Nos. 3 and 4 in the Pątnow Power Plant)	240 000	PLN	460 000	PLN
1.2	Registered and financial pledge on rights and cash arising from ZE PAK S.A.'s IOS bank account held in PKO BP	240 000	PLN	240 000	PLN
1.3	Registered and financial pledge on rights and cash arising from ZE PAK S.A's A and B bank accounts held in PKO BP and PEKAO	240 000	PLN	460 000	PLN
1.4	Registered pledge on a group of movables being part of the Desulphurising Installation in the Pątnow Power Plant	240 000	PLN	240 000	PLN
2	Registered and financial pledge on shares in subsidiaries				
2.1	Registered and financial pledge on the shares of ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO sp. z o.o. in favour of BRE Bank S.A. (ZE PAK as guarant of the "Pątnów II" project)	400 000 339 750	EUR PLN	400 000 339 750	EUR PLN
3	Mortgage				
3.1	Joint and ceiling mortgage on plots no. KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 In favour of PEKAO S.A.	145 500	PLN	145 500	PLN
3.2	Joint and ceiling mortgage on plots no. KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 in favour of PEKAO S.A.	73 000	PLN	73 000	PLN
3.3	Joint and ceiling mortgage on plots no. KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 in favour of PKO BP S.A.	145 500	PLN	145 500	PLN
3.4	Joint and ceiling mortgage on plots no. KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 in favour of PEKAO S.A..	73 000	PLN	73 000	PLN
PAK Serwis Spółka z o.o.					
1	Registered pledge				

(in thousand PLN)

		As at 31 March 2013 (unaudited)		*As at 31 December 2012*	
No.	*Assets pledged as security*	*Value of collateral*	*currency*	*Value of collateral*	*currency*
1.1	Registered pledge on group of movables of PAK Serwis in favour of DZ Bank	2 521	PLN	2 521	PLN
EL PAK sp. z o.o.					
1	Bank deposit up to the amount of guarantee sum				
1.1	Bank guarantee for proper performance	1 012	PLN	1 012	PLN
2	Bank deposit above the guarantee sum				
2.1	Bank guarantee for proper performance	1 470	PLN	2 090	PLN
3	Cash – bank transfer				
3.1.	Payment of deposit	23	PLN	47	PLN
Elektrownia Pątnów II sp. z o.o.					
1	Registered and financial pledge				
1.1	Registered and financial pledge on rights arising from bank accounts of Elektrownia Pątnów II sp. z o.o. held in PEKAO and BRE Bank	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.2	Registered and financial pledge on rights arising from bank accounts of Elektrownia Pątnów II sp. z o.o. held in BOŚ	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.3	Registered pledge on group of movables and rights of Elektrownia Pątnów II sp. z o.o.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
2	Mortgage				
2.1	Joint and ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots nos. KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2,KN1N/00071136/4 in favour of BRE Bank S.A.	400 000	EUR	400 000	EUR
2.2	Joint and ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots nos. KN1N/00071134/0,KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2,KN1N/00071136/4 in favour of BRE Bank S.A.	339 750	PLN	339 750	PLN
PAK Holdco sp. z o.o.					
1	Registered and financial pledge				
1.1	Registered and financial pledge on the shares of PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of BRE Bank S.A.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.2	Registered pledge on group of movables and rights of PAK Holdco sp. z o.o.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
PAK Infrastruktura sp. z o.o.					
1	Registered and financial pledge				
1.1	Registered pledge of group of movables and rights of PAK Infrastruktura sp. z o.o.	339 750	PLN	339 750	PLN

(in thousand PLN)

		As at 31 March 2013 (unaudited)		*As at 31 December 2012*	
No.	*Assets pledged as security*	*Value of collateral*	*currency*	*Value of collateral*	*currency*
		400 000	EUR	400 000	EUR
PAK KWB Konin					
1	Mortgage				
1.1	Mortgage on perpetual usufruct of land register – nos.:53149, 55458, 55457, 554534, KN1N/00080827/1, KN1N/00075017/2, KN1N/00080824/0, KN1N/00080825/7 in favour of BZ WBK	90 000	PLN	90 000	PLN
2	Registered and financial pledge				
2.1	Transfer of title to two excavators and five driving stations together with the assignment of the insurance policy	86 590	PLN	86 590	PLN
2.2	Pledge of receivables from coal sales contracts to Pątnów II - PKO BP	270 000	PLN	270 000	PLN
2.3	Guarantee agreement no. 2110-52346- transfer of rights to movables – spare parts and other located in storage together with an assignment of insurance policy - BANK POCZTOWY	8 000	PLN	8 000	PLN

Other securities

		As at 31 March 201 (unaudited)		*As at 31 December 2012*	
No.	*Assets pledged as security*	*Value of collateral*	*currency*	*Value of collateral*	*currency*
ZE PAK S.A.					
1	Guarantees				
1.1	ZE PAK guarantee for PAK KWB Konin concerning overdraft facility in BRE Banku in the amount of PLN 18.300 thousand	18 300	PLN	–	
1.2	ZE PAK guarantee for PAK KWB Konin concerning overdraft facility in BRE Banku in the amount of PLN 10.300 thousand	10 300	PLN	–	
2	Guarantee and agreement on transfer of rights and obligations for ALPIQ	–		1 000	PLN
EL PAK sp. z o.o.					
1	Bills of exchange				
1.1	Insurance guarantees for proper performance	3 159	PLN	4 296	PLN
1.2	Insurance guarantees relating to payment of tender deposit	–	PLN	220	PLN
1.3	Lease liabilities	–	PLN	7	PLN
1.4	Guarantee for proper performance	2 482	PLN	–	

(in thousand PLN)

Elektrownia Pątnów II sp. z o.o.

1	Assignment of receivables under electricity sale agreement				
1.1	Agreement with Inter Energia S.A., Framework	133 261	PLN	–	
1.2	Agreement with TAURON Polska Energia SA., Framework	9 078	PLN	–	

PAK Serwis sp. z o.o.

1.	Bills of exchange	3 038	PLN	3 043	PLN
2.	Guarantees				
2.1	Guarantees for proper performance	–	PLN	–	
2.1	Guarantees for proper performance	385	EUR	385	EUR
2.3	Guarantee for defects repair	4 757	PLN	4 438	PLN
2.4	Guarantee for defects repair	94	EUR	94	EUR
2.5	Guarantee for refund of prepayment	–		–	

PAK KWB Konin

1.	Guarantees			–	
1.1	Department of Health Care and Occupational Medicine "MED-ALKO	800	PLN	800	PLN
2.	Guarantees			–	
2.1	Guarantee no. 2110-52346 -Bank Pocztowy	4 000	PLN	4 000	PLN
2.2	BRE BANK nr 40014KPA11	4 800	PLN	4 800	PLN

(in thousand PLN)

28. Received guarantees and sureties

Item	*Type of guarantee, sureties*	*As at 31 March 2013* *received in PLN*	*received in EUR*	*As at 31 December 2012* *received in PLN*	*received in EUR*
	ZE PAK S.A.				
1	Bills of exchange	27 500	908	27 500	908
2	Payment guarantees	975	15 000	975	15 000
3	Performance bonds	25 290	1 053	27 301	1 053
4	Guarantee of advance payment refund	5 289	–	5 289	–
5	Sureties	211 143*	17 550	211 143*	17 550
	EL PAK sp. z o.o.				
1	Guarantees				
1.1	Performance bonds and retention bonds (cash payment)	82	–	84	–
1.2	Performance bonds and retention bonds	2 156	–	2 474	–
	PAK Serwis sp. z o.o.				
1	Guarantees	1 217	61	1 144	61
2	Bills of exchange	171	56	171	56
	Elektrownia Pątnów II sp. z o.o				
1	Payment guarantee	1 492	–	–	–
2	Performance bond	6 338	–	6 338	–
3	Advance payment refund guarantees	4 678	–	4 678	–

* sureties in the amount of PLN 211 143 thousand relate to contract no. 1/2009 of 30 July 2009 with Foster Wheeler Energia Polska Sp. z o.o.

(in thousand PLN)

29. Information on related parties

The following table presents cumulative amounts of transactions concluded with related parties in the periods of 3 months ending on 31 March 2013 and 2012 and balances of settlements as at 31 March 2013 and 2012 (non-audited):

Related party		*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
Elektrim S.A.	*2013*	1	31	464	–
	2012	–	–	–	–
PAI MEDIA S.A.	*2013*	–	–	–	–
	2012	–	–	–	–
Elektrim Magadex S.A.	*2013*	–	–	10	–
	2012	–	–	10	–
Elektrim Volt S.A*.:	*2013*	–	–	–	–
	2012	122 549	–	25 230	200
Magadex Serwis Sp. z o.o.	*2013*	–	27 603	–	10 477
	2012	–	6 811	–	3 003
Energia-Nova S.A.	*2013*	–	–	–	–
	2012	–	–	–	–
Polkomtel	*2013*	29	94	17	56
	2012	19	8	14	8
Centernet	*2013*	–	–	–	–
	2012	–	22	–	3
WKS Śląsk Wrocław	*2013*	–	–	–	–
	2012	–	2 000	–	–
Laris Investments sp. z o.o.	*2013*	3	240	171	20
	2012	–	30	–	12
Embud sp. z o.o.	*2013*	–	–	31 104	–
	2012	–	–	–	–
Total	*2013*	33	27 968	31 766	10 553
	2012	122 568	8 871	25 254	3 226

* on 30 September 2012, the shares in Elektrim-Volt S.A. were purchased by ZE PAK S.A.

Sale for the benefit of Elektrim Volt S.A. applies to revenues from sale of electric energy. Purchases of Elektrim Volt S.A. relate to a commission for the intermediation service provided for the benefit of the Group in sale of electric energy in accordance with the agency Contract of 22 December 2006.

30. Objectives and principles of financial risk management

Apart from derivatives, major financial instruments used by the Group include bank credits, loans obtained from related parties and other institutions, cash and short-term deposits. The primary purpose of these financial instruments is to obtain funds for the Group's activities. The Group has also other financial instruments such as trade receivables and liabilities that are created directly in the course of its activities.

The Group concludes also transactions involving derivatives, first of all, interest rate swaps. The purpose of these transaction is management of interest rate risk created in the course of activities of the Group and resulting from used sources of financing.

The principle applied by the Group, currently and throughout the whole period covered by the statement, is of no trade in financial instruments.

Main types of risk resulting from financial instruments of the Group include interest rate risk, liquidity risk , currency risk and credit risk. The Board of Directors verifies and agrees on the principles of management of each type of risk – those principles have been briefly discussed below. The Group monitors also risk of market prices concerning all held financial instruments.

30.1. Interest rate risk

Exposure of the Group to the interest rate risk applies, first of all, to long-term financial liabilities.

The Group uses financial liabilities, mainly credits and loans, with variable interest.

To minimize the interest rate risk, the Group concludes interest rate swaps, under which it agrees to swap, at the specified time intervals, a difference between the amount of interest calculated at fixed and variable interest on the agreed principal amount. These transactions are intended to hedge contracted financial liabilities.

Interest rate risk – sensitivity to changes

In the analysis of sensitivity to the interest rate risk, the Group applies parallel shift of the interest rate curve by a potentially possible change in reference interest rates during the nearest year. For the purpose of the analysis of sensitivity to the interest rate risk, average levels of reference interest rates in a given year were used. The scale of potential fluctuations in interest rates was estimated on the basis of ATMF implied volatility of interest rate options quoted on the interbank market for the currencies for which the Group has exposure to the interest rate risk as at the balance sheet date.

Classes of financial instruments	**As at 31 March 2013**		**Analysis of sensitivity to interest rate risk as at 31 March 2013 (unaudited)**							
	Carrying amount	***Value at risk***	***WIBOR***				***EURIBOR***			
			WIBOR + 122 pb		***WIBOR -122 pb***		***EURIBOR + 39 pb***		***EURIBOR -39 pb***	
	in thousand PLN	***in thousand PLN***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Equity***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Equity***
Other financial assets	148 415	120 543	565	-	(565)	-	289	-	(289)	-
Trade and other receivables	225 761	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	288 767	288 767	2 729	-	(2 729)	-	254	-	(254)	-
Interest–bearing loans and borrowings	(1 230 006)	(1 230 006)	(5 305)	-	5 305	-	(3 101)	-	3 101	-
Trade payables and other financial liabilities	(252 587)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(33 971)	(33 971)	-	-	-	-	-	5 362	-	(5 362)
Total			**(2 011)**	**-**	**2 011**	**-**	**(2 558)**	**5 362**	**2 558**	**(5 362)**

Classes of financial instruments	As at 31 March 2012		Analysis of sensitivity to interest rate risk as at 31 March 2012 (unaudited)							
			WIBOR				EURIBOR			
	Carrying amount	Value at risk	WIBOR + 78 pb		WIBOR -78 pb		EURIBOR + 65 pb		EURIBOR -65 pb	
	in thousand PLN	in thousand PLN	Profit/loss	Other comprehensive income	Profit/loss	Equity	Profit/loss	Other comprehensive income	Profit/loss	Equity
Other financial assets	112 609	93 728	134	-	(134)	-	497	-	(497)	-
Trade and other receivables	197 495	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	553 792	553 792	3 843	-	(3 843)	-	397	-	(397)	-
Interest–bearing loans and borrowings	(1 163 531)	(1 163 531)	(2 089)	-	2 089	-	(5 822)	-	5 822	-
Trade payables and other financial liabilities	(169 389)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(30 514)	(30 514)	-	-	-	-	-	11 375	-	(11 375)
Total			**1 888**	**-**	**(1 888)**	**-**	**(4 928)**	**11 375**	**4 928**	**(11 375)**

30.2. Currency risk

The Group is exposed to the currency risk under the concluded transactions. This risk applies to liabilities under credits and loans and liabilities towards the main contractor of the unit 464MW, expressed in currencies other than its valuation currency. The Group does not use derivatives hedging exchange rate change.

Potential possible changes in exchange rates were calculated on the basis of annual volatilities implied for currency options quoted on the interbank market for the particular pairs of currencies as at the balance sheet date.

The Group identifies exposure to the EUR/PLN exchange rate risk. The table below presents sensitivity of the gross financial result to rational possible exchange rate fluctuations, assuming invariability of other risk factors for these financial instrument classes that are exposed to the exchange rate risk.

	As at 31March 2013		*Analysis of sensitivity to currency risk as at 31 March 2013(unaudited)*			
			EUR/PLN			
Classes of financial instruments	*Carrying amount*	*Value at risk*	*Exchange rate EUR/PLN +7,55%*		*Exchange rate EUR/PLN -7,55%*	
			4,4928		*3,8620*	
	In thousand PLN	*In thousand PLN*	*Profit/loss*	*Equity*	*Profit/loss*	*Equity*
Other financial assets	148 415	74 196	5 602	-	(5 602)	-
Trade and other receivables	225 761	2 374	179	-	(179)	-
Cash and cash equivalents	288 767	65 090	4 914	-	(4 914)	-
Interest–bearing loans and borrowings	(1 230 006)	(795 129)	(60 032)	-	60 032	-
Trade payables and other financial liabilities	(252 587)	(951)	(72)	-	72	-
Derivative financial instruments	(33 971)	-	-	-	-	-
Total		**(654 421)**	**(49 409)**	**-**	**49 409**	**-**

Classes of financial instruments	*As at 31March 2012*		*Analysis of sensitivity to currency risk as at 31 marca 2012(unaudited)*			
			EUR/PLN			
	Wartość bilansowa	*EUR/PLN*	*Exchange rate EUR/PLN +10,25%*		*Exchange rate EUR/PLN -10,25%*	
			4,5882		*3,7350*	
	In thousand PLN	*In thousand PLN*	*Profit/loss*	*Equity*	*Profit/loss*	*Equity*
Other financial assets	112 609	76 511	7 842	-	(7 842)	-
Trade and other receivables	197 495	5 291	542	-	(542)	-
Cash and cash equivalents	553 792	61 150	6 268	-	(6 268)	-
Interest–bearing loans and borrowings	(1 163 531)	(895 741)	(91 813)	-	91 813	-
Trade payables and other financial liabilities	(169 389)	(1 263)	(129)	-	129	-
Derivative financial instruments	(30 514)	-	-	-	-	-
Total		**(754 052)**	**(77 290)**	**-**	**77 290**	**-**

30.3. Credit risk

The credit risk is a potential credit event that may manifest itself as the following factors: contractor's insolvency, partial repayment of receivables, significant delay in repayment of receivables or other, unforeseen deviations from contract terms.

The Group concludes transactions only with reputable companies with good creditworthiness. All the customers who want to use trade credits are subject to pre-verification procedures. In addition, thanks to a current monitoring of receivables, exposure of the Group to the bad debt risk is insignificant.

The main recipients of electric energy are large energy groups such as ENERGA S.A, ENEA S.A., TAURON Polska Energia S.A. Group. Transactions executed on the stock exchange are settled in day mode by the Polish Power Exchange, which minimizes the credit risk.

With regard to other financial assets of the Group, such as cash and cash equivalents, financial assets available for sale and some derivatives, the credit risk of the Group is created as a result of inability to pay by the other party to the contract, and the maximum exposure to this risk is equal to the balance sheet value of these derivatives.

30.4. Liquidity risk

The Group monitors the risk of lack of funds using a periodical tool of liquidity planning. This tool considers maturity of both investments and financial assets (e.g. accounts of receivables, other financial assets) and forecasted cash flows from operating activities.

(in PLN thousand)

The purpose of the Group is to maintain balance between continuity and flexibility of funding, by using various sources of financing, such as credits in the current account, bank credits, bonds, privileged shares, financial lease contracts and contracts for lease with purchase option.

The table below presents financial liabilities of the Group as at 31 March 2013 and 31 December 2012 by maturity, on the basis of contractual non-discounted payments.

As at 31 March 2013 (unaudited)	*Less than 3 months*	*3 – 12 months*	*1 – 5 years*	*Over 5 years*	*Total*
Interest bearing loans and borrowings	302 189	162 663	666 651	211 339	1 342 842
Trade payables and other financial liabilities	187 523	16 934	48 129	-	252 586
Derivative financial instruments	3 090	8 645	29 184	2 800	43 719
	492 802	**188 242**	**743 964**	**214 139**	**1 639 147**

As at 31 December 2012	*Less than 3 months*	*3 – 12 months*	*1 – 5 years*	*Over 5 years*	*Total*
Interest bearing loans and borrowings	290 272	177 056	665 204	241 355	1 373 887
Trade payables and other financial liabilities	179 273	15 833	72 756	-	267 862
Derivative financial instruments	3 124	8 767	30 347	3 671	45 909
	472 669	**201 656**	**768 307**	**245 026**	**1 687 658**

The derivatives indicated in the above tables have been presented in gross values of non-discounted payments. However, these contracts can be settled in gross values or in net amounts. The tables below present reconciliation of these values with balance sheet values of derivatives:

(in PLN thousand)

As at 31 March 2013 (unaudited)	*On demand*	*Less than 3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Inflow	-	206	768	8 194	264	9 432
Outflow	-	3 090	8 645	31 575	409	43 719
Net Amount	-	(2 884)	(7 877)	(23 381)	(145)	(34 287)
Discounted using appropriate interbank rates	-	**(2 884)**	**(7 866)**	**(23 085)**	**(136)**	**(33 971)**

As at 31December 2012	*On demand*	*Less than 3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Inflow	-	209	530	5 668	2 018	8 425
Outflow	-	3 124	8 767	30 347	3 671	45 909
Net Amount	-	(2 915)	(8 237)	(24 679)	(1 653)	(37 484)
Discounted using appropriate interbank rates	-	**(2 915)**	**(8 229)**	**(24 471)**	**(1 588)**	**(37 203)**

(in PLN thousand)

31. Financial instruments

31.1. Fair values of different financial instrument classes

The table below presents a comparison of balance sheet values and fair values of all financial instruments of the Group, with breakdown into different classes and categories of assets and liabilities.

		Carrying amount		*Fair value*	
Financial assets	*Category according to MSR 39*	*As at 31 March 2013 (unaudited)*	*As at 31 December 2012*	*As at 31 March 2013 (unaudited)*	*As at 31 December 2012*
Other financial assets	PiN	148 415	150 095	148 415	150 095
Trade and other receivables	PiN	225 761	220 559	225 761	220 559
Derivatives	WwWGpWF	-	-	-	-
Cash and cash equivalents	PiN	288 767	318 002	288 767	318 002
Financial liabilities					
Interest–bearing loans and borrowings, of which:		1 230 006	1 252 309	1 230 006	1 252 309
- floating rate long–term borrowings	PZFwgZK	769 870	790 385	769 870	790 385
- floating rate short–term borrowings	PZFwgZK	460 136	461 924	460 136	461 924
Trade and other financial liabilities	PZFwgZK	252 587	261 811	252 587	261 811
Derivatives	WwWGpWF	33 971	37 203	33 971	37 203

Used abbreviations:

UdtW	- Held-to-maturity financial assets,
WwWGpWF	- Financial assets/liabilities valued at the fair value through profit or loss,
PiN	- Loans and receivables,
DDS	- Financial assets available for sale,
PZFwgZK	- Other financial liabilities valed at the depreciated cost.

As at 31 March 2013 and 31 December 2012, the Group had following financial instruments valued at the fair value:

(in PLN thousand)

Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	33 971	-
	31 December 2012	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	37 203	-

In the period ending on 31 March 2013 and in the year ending on 31 December 2012, there were no shifts between level 1 and level 2 of the fair value hierarchy and none of instruments was shifted to level 3 of the fair value hierarchy.

31.2. Interest rate risk

The table below presents a gap in interest rate, being exposure of the Group to the interest rate risk and concentration of this risk with breakdown into currencies and type of interest, including the effect of hedging transactions Interest Rate Swap, swapping the stream of interest payment on the basis of variable EURIBOR rate to fixed rate in EUR

		Type of interest rate	Carrying amount as at 31 March 2012 (unaudited)	Carrying amount as at 31 March 2012 (unaudited)
Financial assets exposed to interest rate risk	PLN	Fixed	-	-
		Floating	270 025	509 859
	Other currencies	Fixed	-	-
		Floating	139 286	137 661
Financial liabilities exposed to interest rate risk	PLN	Fixed	-	-
		Floating	434 877	267 790
	Other currencies	Fixed	399 137	449 550
		Floating	395 993	446 191
Net exposure	**PLN**	**Fixed**	**-**	**-**
		Floating	**(164 852)**	**242 069**
	Other currencies	**Fixed**	**(399 137)**	**(449 550)**
		Floating	**(256 707)**	**(308 530)**

Interest on financial instruments with a variable interest is updated in the periods below one year. Interest on financial instruments with fixed interest rate is constant throughout the whole period, until maturity of these instruments. Other financial instruments of the Group, which were not included in the aforementioned tables, are not interest-bearing and consequently are not subject to the interest rate risk.

ZESPÓŁ ELEKTROWNI
PĄTNÓW – ADAMÓW – KONIN S.A.

QUARTERLY CONDENSED FINANCIAL REPORT
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013

(in PLN thousand)

BALANCE SHEET

ASSETS	*As at 31 March 2013 (unaudited)*	*As at 31 December 2012*	*As at 31 March 2012 (unaudited)*
A. Non-current assets	**2 808 651**	**2 781 453**	**2 467 082**
I Intangible assets	**36 900**	**9 617**	**69 971**
1. Development expenses	-	-	-
2. Goodwill	-	-	-
3. Other intangible assets	36 900	9 617	69 971
4. Prepayments for intangible assets	-	-	-
II Property, plant and equipment	**1 523 892**	**1 526 384**	**1 430 860**
1. Tangible fixed assets	1 414 886	1 426 723	778 658
a) Land (including perpetual usfruct)	1 246	1 247	1 098
b) Buildings, premises and constructions	644 683	654 859	497 901
c) Plant and machinery	766 548	768 039	277 591
d) Motor vehicles	934	1 049	700
e) Other	1 475	1 529	1 368
2. Construction in progress	105 686	95 782	651 233
3. Prepayments for construction in progress	3 320	3 879	969
III Long-term receivables	-	-	-
1. from affiliates	-	-	-
2. from other entities	-	-	-
IV Long-term investments	**1 243 626**	**1 241 496**	**961 998**
1. Property	-	-	-
2. Intangible assets	-	-	-
3. Long-term financial assets	1 243 626	1 241 496	961 998
a) in affiliates	1 243 475	1 241 345	961 847
- shares	1 137 444	1 137 444	835 706
- other securities	-	-	-
- loans granted	106 031	103 901	126 141
- other long-term financial assets	-	-	-
b) in other entities	151	151	151
- shares	151	151	151
- loans granted	-	-	-
- other long-term financial assets	-	-	-
4. Other long-term investments	-	-	-
V Long-term prepayments and deferred costs	**4 233**	**3 956**	**4 253**
1. Deferred tax assets	-	-	-
2. Other prepayments and deferred costs	4 233	3 956	4 253

(in PLN thousand)

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*	*As at 31 March 2012 (unaudited)*
B. Current assets	**407 748**	**363 777**	**624 461**
I. Inventories	**183 427**	**151 428**	**97 725**
1. Row materials	55 025	43 808	35 401
2. Semi-finished goods and work-in-progress	-	-	-
3. Finished goods	-	-	-
4. Property rights	128 402	107 620	62 320
5. Inventory prepayments	-	-	4
II Short-term receivables	**125 456**	**148 477**	**141 781**
1. Receivables from affiliates	38 022	38 810	45 898
a) trade receivables, due in	38 022	35 342	45 898
- under 12 months	38 022	35 342	45 898
- over 12 months	-	-	-
b) other	-	3 468	-
2. Receivables from other entities	87 434	109 667	95 883
a) trade receivables, due in	68 843	87 544	76 327
- under 12 months	68 843	87 544	76 327
- over 12 months	-	-	-
b) taxation, subsidy, customs duty and social security debtors	10 701	17 945	10 399
c) other	7 890	4 178	9 157
d) submitted to court	-	-	-
III. Short-term investments	**96 470**	**63 132**	**381 098**
1 Short-term financial assets	96 470	63 132	381 098
a) in affiliates	16 102	15 281	17 008
- shares	-	-	-
- other securities	-	-	-
- loans granted	16 102	15 281	17 008
- other	-	-	-
b) in other entities	-	-	-
- shares	-	-	-
- other securities	-	-	-
- loans granted	-	-	-
- other	-	-	-
c) cash and other monetary assets	80 368	47 851	364 090
- cash on hand and at bank	80 368	47 851	364 090
- cash equivalents	-	-	-
- other monetary assets	-	-	-
2. Other short-term investments	-	-	-
IV. Short-term prepayments and deferred costs	**2 395**	**740**	**3 857**
1. Short-term prepayments and deferred costs	2 395	740	3 857
2. Other accruals and deferred costs	-	-	-
Total assets	**3 216 399**	**3 145 230**	**3 091 543**

(in PLN thousand)

EQUITY AND LIABILITIES	*As at 31 March 2013 (unaudited)*	*As at 31 December 2012*	*As at 31 March 2012 (unaudited)*
A. Equity	**2 692 194**	**2 594 021**	**2 439 356**
I. Share capital	**104 052**	**104 052**	**104 052**
II. Unpaid share capital (negative value)	**-**	**-**	**-**
III. Treasury shares (negative value)	**(31 280)**	**(31 280)**	**-**
IV. Reserve capital	**1 956 769**	**1 956 261**	**1 672 514**
V. Revaluation reserve	**286 829**	**287 337**	**287 338**
VI. Other reserves	**3 472**	**3 472**	**3 472**
VII. Accumulated profits/losses from previous years	**274 179**	**(834)**	**282 912**
VIII. Net profit/loss for the period	**98 173**	**275 013**	**89 068**
IX. Deductions from net profit (negative value)	**-**	**-**	**-**
B. Liabilities and provisions for liabilities	**524 205**	**551 209**	**652 187**
I. Provisions for liabilities	**164 052**	**157 089**	**189 104**
1. Deferred tax liability	43 832	36 682	13 493
2. Provision for retirement benefits and similar obligations	88 608	87 870	75 224
- long-term	82 480	81 409	68 581
- short-term	6 128	6 461	6 643
3. Other provisions	31 612	32 537	100 387
- long-term	21 416	21 221	26 324
- short-term	10 196	11 316	74 063
II. Long-term liabilities	**66 768**	**75 408**	**116 594**
1. To affiliates	-	-	-
2. To other entities	66 768	75 408	116 594
a) loans	65 703	75 060	116 412
b) debt securities issued	-	-	-
c) other financial liabilities	42	50	-
d) other	1 023	298	182
III. Short-term liabilities	**253 371**	**284 538**	**297 301**
1. To affiliates	104 046	108 163	74 682
a) trade creditors, payable in	93 036	95 001	50 278
- under 12 months	93 036	95 001	50 278
b) other	11 010	13 162	24 404
2. To other entities	137 879	172 071	211 108
a) loans	58 563	47 913	54 939
b) debt securities issued	-	-	-
c) other financial liabilities	36	78	215
d) trade creditors, payable in:	32 176	43 504	76 977
- under 12 months	32 176	43 504	76 977

(in PLN thousand)

	As at 31 March 2013 (unaudited)	*As at 31 December 2012*	*As at 31 March 2012 (unaudited)*
-over 12 months	-	-	-
e) advance payments received	82	30	353
f) bills of exchange payable	-	-	-
g) taxation, customs duty and social security creditors	32 949	62 693	43 289
h) payroll	3 511	3 759	3 276
i) other	10 562	14 094	32 059
3. Special funds	11 446	4 304	11 511
IV. Accruals and deferred income	**40 014**	**34 174**	**49 188**
1. Negative goodwill	-	-	-
2. Other accruals and deferred income	40 014	34 174	49 188
- long-term	16 132	16 254	16 667
- short-term	23 882	17 920	32 521
Total equity and liabilities	**3 216 399**	**3 145 230**	**3 091 543**

(in PLN thousand)

PROFIT AND LOSS ACCOUNT

	3 months period ended 31 March 2013 (unaudited)	*3 months period ended 31 March 2012 (unaudited)*
Net sales of finished goods, goods for resale and raw materials, of which:	**442 011**	**487 615**
from affiliates	141 585	149 727
Net sales of finished goods	431 595	449 809
Net sales of goods for resale and raw materials	10 416	37 806
Cost of finished goods, goods for resale and raw materials sold, of which:	**396 940**	**377 900**
Cost of finished goods sold	388 589	343 882
Cost of goods for resale and raw materials sold	8 351	34 018
Gross profit/loss on sales	**45 071**	**109 715**
Selling expenses	698	1 056
Administrative expenses	10 019	11 480
Profit/loss on sales	**34 354**	**97 179**
Other operating income	617	423
Gains on the sale of non-financial long-term assets	-	77
Subsidies	123	114
Other	494	232
Other operating expenses	773	2 017
Loss on sale of non-financial long-term assets	73	-
Impairment of non-financial assets	-	-
Other	700	2 017
Operating profit/loss	**34 198**	**95 585**
Finance revenue	73 181	26 209
Dividends and shares in profits, of which:	68 315	-
from affiliates	68 315	-
Interest, of which:	1 139	5 512
from affiliates	509	1 097
Gains on the sale of investments	-	20 649
Revaluation of investments	2 441	-
Other	1 286	48
Finance costs	2 056	11 684
Interest, of which:	1 842	3 099
to affiliates	-	-
Loss on the sale of investments	-	-
Impairment of investments	-	7 882
Other	214	703
Gross profit/loss on ordinary activities	**105 323**	**110 110**
Extraordinary gains	**-**	**-**
Gross profit/loss	**105 323**	**110 110**
Corporate profits tax	7 150	21 042
Other tax charges	-	-
Net profit/loss	**98 173**	**89 068**

(in PLN thousand)

CASH FLOW STATEMENT

	3 months period ended 31 March 2013 (unaudited)	*3 months period ended 31 March 2012 (unaudited)*
A. Cash flow from operating activities		
I. Net profit	**98 173**	**89 068**
II. Adjustments for:	**(82 797)**	**45 702**
1. Depreciation	22 853	14 876
2. Foreign exchange gains/losses	(2 609)	8 499
3. Interests and shares in profits (dividends)	(66 982)	1 999
4. Profit/loss on investing activities	42	(20 757)
5. Change in provisions	6 963	(12 816)
6. Change in inventory	(31 998)	47 241
7. Change in receivables	23 021	20 678
8. Change in short-term liabilities, except for loans and credits	(37 994)	(25 725)
9. Change in prepayments, accruals and deferred income	3 907	11 707
10. Other adjustments	-	-
III. Net cash flow from operating activities	**15 376**	**134 770**
B. Cash flow from investing activities		
I. Inflows	**68 315**	**24 255**
1. Sale if intangible assets and tangible fixed assets	-	77
2. Sale of investments in property and intangible assets	-	-
3. From financial assets, of which:	68 315	24 178
a) in affiliates	68 315	-
b) in other entities	-	24 178
- sale of financial assets	-	24 178
- dividends and shares in profits	-	-
- repayment of long-term loans granted	-	-
- interest received	-	-
- other	-	-
4. Other investing inflows	-	-
II. Outflows	**50 744**	**74 305**
1. Purchase of intangible assets and tangible fixed assets	50 744	74 305
2. Investments in property and intangible assets	-	-
3. For financial assets, of which:	-	-
a) in affiliates	-	-
b) in other entities	-	-
- purchase of financial assets	-	-
- long-term loans granted	-	-
4. Other investing outflows	-	-
III. Net cash flow from investing activities	**17 571**	**(50 050)**

(in PLN thousand)

	3 months period ended 31 March 2013 (unaudited)	*3 months period ended 31 March 2012 (unaudited)*
C. Cash flow from financing activities		
I. Inflows	**3**	**3**
1. Loans and credits	3	3
2. Net inflows from issue of shares, other capital instruments and from additional payments to capital	-	-
3. Other	-	-
II. Outflows	**601**	**12 243**
1. Re-acquisition of own shares	-	-
2. Dividends and other payments to shareholders	-	-
3. Outflows due to appropriation of profit other than payments to shareholders	-	-
4. Repayment of loans and credits	521	11 858
5. Redemption of debt securities	-	-
6. Relating to other financial liabilities	-	-
7. Finance lease payments	49	53
8. Interest	31	332
9. Other financing outflows	-	-
III. Net cash flow from financing activities	**(598)**	**(12 240)**
D. Total net cash flow	**32 349**	**72 480**
E. Balance sheet change in cash and cash equivalents, of which:	**32 516**	**71 864**
- change in cash and cash equivalents due to foreign exchange gains/losses	**167**	**(616)**
F. Cash and cash equivalents at the beginning of the period	**47 998**	**291 937**
G. Cash and cash equivalents at the end of the period, of which:	**80 347**	**364 417**
- of restricted use	**2 277**	**1 908**

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

		3 months period ended 31 March 2013 (unaudited)	*As at 31 December 2012*	*3 months period ended 31 March 2012 (unaudited)*
I	**Shareholder's equity at the beginning of the period (OB)**	**2 594 021**	**2 350 288**	**2 350 288**
	- adjustments due to fundamental errors	-	-	-
I.a.	Shareholder's equity at the beginning of the period, after adjustments	2 594 21	2 350 288	2 350 288
1.	**Share capital at the beginning of the period**	**104 052**	**104 052**	**104 052**
1.1.	Changes in share capital	-	-	-
	a) increases	-	-	-
	b) decreases	-	-	-
1.2.	**Share capital at the end of the period**	**104 052**	**104 052**	**104 052**
2.	**Unpaid share capital at the beginning of the period**	**-**	**-**	**-**
2.1	Changes in unpaid share capital	-	-	-
	a) increases	-	-	-
	b) decreases	-	-	-
2.2.	**Unpaid share capital at the end of the period**	**-**	**-**	**-**
3.	**Treasury shares at the beginning of the period**	**-**	**-**	**-**
	a) increases	(31 280)	(31 280)	-
	b) decreases	-	-	-
3.1.	**Treasury shares at the end of the period**	**(31 280)**	**(31 280)**	**-**
4.	**Reserve capital at the beginning of the period**	**1 956 261**	**1 671 610**	**1 671 610**
4.1.	Changes in reserve capital	-	284 651	-
	a) increases (due to:)	508	-	904
	- share premium	-	-	-
	- statutory profit appropriation	-	-	-
	- profit appropriation (in excess of statutory amounts)	-	283 746	-
	- disposal of fixed assets	508	905	904
	b) decreases	-	-	-
4.2.	**Reserve capital at the end of the period**	**1 956 769**	**1 956 261**	**1 672 514**
5.	**Revaluation reserve at the beginning of the period**	**287 337**	**288 242**	**288 242**
5.1.	Changes in revaluation reserve			
	a) increases	-	-	-
	b) decreases (due to:)	508	905	904
	- disposal of fixed assets	508	905	904
	- adjustments of revaluation reserve	-	-	-
5.2.	**Revaluation reserve at the end of the period**	**286 829**	**287 337**	**287 338**
6.	**Other reserves at the beginning of the period**	**3 472**	**3 472**	**3 472**
6.1.	Changes in other reserves	-	-	-
	a) increases	-	-	-
	b) decreases			
6.2	**Other reserve at the end of the period**	**3 472**	**3 472**	**3 472**

(in PLN thousand)

		3 months period ended 31 March 2013 (unaudited)	*As at 31 December 2012*	*3 months period ended 31 March 2012 (unaudited)*
7.	**Accumulated profits/losses from previous years at the beginning of the period**	**275 013**	**283 746**	**283 746**
7.1.	Accumulated profits from previous years at the beginning of the period	275 013	283 746	283 746
	- adjustments due to fundamental errors	-		
7.2.	Accumulated profits from previous years at the beginning of the period, after adjustments	275 013	283 746	283 746
	a) increases (due to:)	-	-	-
	- appropriation of profit from previous years	-	-	-
	b) decreases (due to:)	-	283 746	-
	- transfer to reserve capital	-	283 746	-
	- transfer to Intercollegiate Social	-	-	-
7.3.	**Accumulated profit from previous years at the end of the period**	**275 013**	**-**	**283 746**
7.4	**Loss from previous years at the beginning of the period**	**(834)**	**(834)**	**(834)**
	- adjustments due to fundamental errors	-	-	-
7.5	Loss from previous years at the beginning of the period after adjustments	-	-	-
	a) increases (due to:)	-	-	-
	- transfer of loss from previous years to cover			
	b) decreases (due to:)	-	-	-
7.6	**Loss from previous years at the end of the period**	**(834)**	**(834)**	**(834)**
8.	**Net result**	**98 173**	**275 013**	**89 068**
	a) net profit	98 173	275 013	89 068
	b) net loss	-	-	-
II.	**Shareholder's equity at the end of the period (CB)**	**2 692 194**	**2 594 021**	**2 439 356**
III.	**Shareholder's equity after proposed appropriation of profits/absorption of losses**	**-**	**2 511 517**	**2 439 356**

The additional information to the condensed quarterly financial statement

1. General

Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna"("ZE PAK S.A.", "the Company") was established by the Notarial Deed of 29 December 1994 The Company is seated in Konin, ul. Kazimierska 45.

The Company is entered into the National Court Register under number KRS 0000021374, assigned on 21 June 2001.

The Company operates under Tax Identification Number (NIP): 665-00-01-645 assigned on 17 September 1993 and REGON symbol: 310186795.

The duration of the Company is indefinite.

As at the balance sheet date, i.e. 31 March 2013, the Company was controlled by Mr. Zygmunt Solorz-Żak, controlling indirectly 52.67% of share through: Elektrim S.A., Embud Sp. z o.o., Polsat Media B.V. and ZE PAK S.A.(pursuant to Article 364 §2 of the Code of Commercial Companies, ZE PAK could not exercise share rights conferred by own shares (including voting rights), except for the rights to sell them or carry out activities aimed at keeping these rights). As at the day of presentation of this statement, own shares held by ZE PAK S.A. were redeemed in connection with registration of the Company's share capital reduction on 24 April 2013. In connection with the redemption of own shares in ZE PAK S.A., the controlling interest held indirectly by Mr. Zygmunt Solorz-Żak decreased to 51.55% of shares in the Company.

The company is a parent company of Zespół Elektrowni Pątnów Adamów Konin Capital Group.

According to the articles of association the activities of the Company include:

1. electricity generation and distribution,
2. production and distribution of heat (water steam and hot water),
3. water intake, treatment and distribution,
4. erecting complete buildings and constructions or parts thereof, civil engineering,
5. construction site preparation,
6. construction installation activities,
7. wholesale of non-agricultural intermediate products, waste and scrap,
8. retail sale of non-food products in specialized shops, not classified elsewhere, including coal (lignite) and wood for households,
9. other non-store retail sale,
10. transport via pipeline,
11. reloading, warehousing and storage,
12. other credit granting, including lending outside the banking system,
13. other financial intermediation, not elsewhere classified, including investment in securities,
14. hardware consultancy,
15. software activity,
16. data processing,

17. other IT-related activities,
18. consulting in the area of business and management,
19. management activities of holding companies,
20. technical testing and analyses,
21. other commercial activity, not elsewhere classified,
22. management of real property on Company's own account,
23. lease of real property on Company's own account,
24. recycling of metal waste and scrap,
25. recycling of non-metal waste and defective goods,
26. agricultural production, vegetable farming, gardening,
27. forestry, including services.

2. Going concern assumption

The financial report of the Company was prepared on the going concern basis, i.e. with the assumption that the Company will continue its activity in foreseeable future.

As of the date of signing this financial report the Management Board of the Company does not find any facts or circumstances which could have impact on Company's ability to continue its activity.

3. Merger of commercial companies

In the presented period there was no merger under Article 492 § 1 point 1 of the Commercial Companies Code.

4. Adopted accounting principles (policies)

The Company acting based on the following legal acts:

1. Accounting Act of September 29, 1994 (consolidated text, Journal of Laws of 2009, No, 152, as amended - hereinafter "Accounting Act", "Act"),

2. The Act of February 15, 1992 on corporate income tax (Journal of Laws No. 54/2000 item 654, as amended),

introduced the following ordinances for the purpose of assets and liabilities valuation methods:

1. Ordinance No. 35 of President of ZE PAK S.A. in Konin of July 1, 2003 on management of tangible fixed assets,

2. Ordinance No. 34 of President of ZE PAK S.A. in Konin of July 1, 2003 on Company's Chart of Accounts for ZE PAK S.A.

The financial report was prepared pursuant to the historical cost principle which was modified for:

- intangible assets
- fixed assets
- investment in subordinated entities and other long-term investment
- other short-term investment (excluding cash and financial assets)
- financial instruments