

**ZESPÓŁ ELEKTROWNI  
PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013  
TOGETHER WITH INDEPENDENT AUDITORS' REVIEW REPORT**

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial statements*  
for the 6-month period ended 30 June 2013  
(in PLN thousand)  
*(this is a translation of the document issued originally in Polish language)*

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## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

**For the 6-month period ended 30 June 2013**

		6-month period ended 30 June 2013 (unaudited))	3-month period ended 30 June 2013 (unaudited))	6-month period ended 30 June 2012 (unaudited) (restated)	3-month period ended 30 June 2012 (unaudited) (restated)
	<i>Note</i>				
<b>Continuing operations</b>					
Sales revenue	11.1	1,327,327	664,129	1,275,231	631,380
Cost of goods sold	11.6	(1,056,955)	(527,957)	(994,285)	(511,226)
<b>Gross profit</b>		<b>270,372</b>	<b>136,172</b>	<b>280,946</b>	<b>120,154</b>
Other operating income	11.2	5,973	3,694	2,257	1,510
Selling and distribution expenses	11.6	(1,326)	(668)	(2,058)	(822)
Administrative expenses	11.6	(84,263)	(37,521)	(38,485)	(18,648)
Other operating expenses	11.3	(5,774)	(3,799)	(4,249)	(2,419)
<b>Gross profit from operations</b>		<b>184,982</b>	<b>97,878</b>	<b>238,411</b>	<b>99,775</b>
Finance income	11.4	11,436	7,140	44,768	7,131
Finance costs	11.5	(75,998)	(44,534)	(16,165)	(34,017)
<b>Profit before tax</b>		<b>120,420</b>	<b>60,484</b>	<b>267,014</b>	<b>72,889</b>
Income tax expense	14.1	(21,732)	(10,925)	(50,804)	(14,095)
<b>Net profit for the period from continuing operations</b>		<b>98,688</b>	<b>49,559</b>	<b>216,210</b>	<b>58,794</b>
<b>Discontinued operations</b>					
Profit after tax for the period from discontinued operations		-	-	-	-
<b>Net profit for the period</b>		<b>98,688</b>	<b>49,559</b>	<b>216,210</b>	<b>58,794</b>
Net profit attributable to					
Equity holders of the parent		95,567	48,271	216,196	58,786
Non-controlling interests		3,121	1,288	14	8
<b>Earnings per share (in PLN):</b>					
Basic, for profit for the period attributable to equity holders of the parent		1.88	0.95	4.16	1.13
Basic, for profit for the period from continuing operations attributable to equity holders of the parent		1.88	0.95	4.16	1.13
Diluted, for profit for the period attributable to equity holders of the parent		1.88	0.95	4.16	1.13
Diluted, for profit for the period from continuing operations attributable to equity holders of the parent		1.88	0.95	4.16	1.13

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the 6-month period ended 30 June 2013**

	Note	6-month period ended 30 June 2013 (unaudited)	3-month period ended 30 June 2013 (unaudited)	6-month period ended 30 June 2012 (unaudited) (restated)	3-month period ended 30 June 2012 (unaudited) (restated)
<b>Net profit for the period</b>		<b>98,688</b>	<b>49,559</b>	<b>216,210</b>	<b>58,794</b>
<b>Other comprehensive income</b>					
Cash flow hedges	12	7,263	4,087	(4,282)	(4,328)
Losses on provisions for post-employment	12	(3,632)	(1,491)	(2,196)	(3,245)
Foreign exchange differences on translation of foreign Operations	12	68	(4)	(336)	92
Income tax concerning other comprehensive income	14.1, 12	(690)	(494)	1,231	1,439
<b>Net other comprehensive income</b>	12	<b>3,009</b>	<b>2,098</b>	<b>(5,583)</b>	<b>(6,042)</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>101,697</b>	<b>51,657</b>	<b>210,627</b>	<b>52,752</b>
Total comprehensive income attributable to:					
Equity holders of the parent		98,576	50,369	210,613	52,744
Non-controlling interests		3,121	1,288	14	8
		<b>101,697</b>	<b>51,657</b>	<b>210,627</b>	<b>52,752</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 30 June 2013**

	<i>Note</i>	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012 (restated)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>15</i>	4,976,555	5,064,960
Investment property		2,251	2,252
Intangible assets	<i>17</i>	6,090	6,835
Loans and receivables		—	—
Assets of removing overburden and other mining assets (non-current)	<i>18</i>	145,942	134,053
Other long-term financial assets	<i>19.1</i>	48,127	46,398
Other long-term non-financial assets	<i>19.2</i>	10,472	4,155
Amounts due from customers under long-term construction contracts		—	—
Deferred tax assets	<i>14.2</i>	110,033	119,031
<b>Total non-current assets</b>		<b>5,299,470</b>	<b>5,377,684</b>
<b>Current assets</b>			
Intangible assets – short term	<i>17</i>	80,517	35,368
Inventories	<i>20</i>	230,677	188,325
Trade and other receivables	<i>21</i>	209,787	220,559
Current tax assets		3,832	12,258
Current financial derivative assets		—	—
Other current financial assets	<i>19.1</i>	98,164	103,697
Other current non-financial assets	<i>19.2</i>	28,000	17,230
Assets of removing overburden and other mining assets (current)	<i>18</i>	478	456
Amounts due from customers under long-term construction contracts	<i>11.7</i>	10,566	3,605
Cash and cash equivalents	<i>22</i>	317,026	318,002
<b>Total current assets</b>		<b>979,047</b>	<b>899,500</b>
Assets classified as held for sale		—	—
<b>TOTAL ASSETS</b>		<b>6,278,517</b>	<b>6,277,184</b>

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<b>EQUITY AND LIABILITIES</b>	<i>Note</i>	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012 (restated)</i>
<b>Equity</b>			
Issued capital		101,647	104,052
Treasury stock		-	(31,280)
Reserve capital		2,200,502	1,956,261
Revaluation reserve- valuation of hedging instruments		(22,435)	(28,318)
Other reserve capital		5,877	3,472
Retained earnings/ (unabsorbed losses)		1,260,436	1,139,540
Net profit/ (loss)		95,567	396,193
Exchange differences on translation of foreign entities		60	(8)
Non-controlling interests		-	117
<b>Total equity</b>		<b>3,641,654</b>	<b>3,540,029</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	23	744,317	790,385
Long-term employee benefits		269,797	264,261
Trade and other financial long-term liabilities	26.2	62,018	73,332
Long-term derivative financial instruments (liabilities)	32.3	19,222	26,059
Long-term subsidies		50,013	50,986
Other long-term provisions and accruals	24	317,605	320,881
Amounts due to customers under long-term construction contracts		-	-
Deferred tax liability	14.2	280,149	265,959
<b>Total non-current liabilities</b>		<b>1,743,121</b>	<b>1,791,863</b>
<b>Current liabilities</b>			
Trade and other financial liabilities	26.1	209,115	188,479
Current portion of interest-bearing loans and borrowings	23	443,107	461,924
Short-term derivative financial instruments (liabilities)	32.3	10,663	11,144
Other non-financial liabilities	26.3	74,493	128,224
Current tax liability		677	1,670
Short-term employee benefits		19,454	20,817
Short-term subsidies		21,914	21,914
Amounts due to customers under long-term construction contracts	11.7	1,343	3,080
Other short-term provisions and accruals	24	112,976	108,040
<b>Total current liabilities</b>		<b>893,742</b>	<b>945,292</b>
Liabilities directly associated with assets classified as held for sale		-	-
<b>Total liabilities</b>		<b>2,636,863</b>	<b>2,737,155</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,278,517</b>	<b>6,277,184</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### For the 6-month period ended 30 June 2013

	Note	6-month period ended 30 June 2013 (unaudited)	6-month period ended 30 June 2012 (unaudited) (restated)
<b>Cash flow from operating activities</b>			
Profit /(loss) before taxation		120,420	267,014
<b>Adjustments for:</b>			
Depreciation and amortization	22	178,387	122,536
Interests and shares in profits		17,870	8,843
Foreign exchange (gains)/losses		46,328	(11,125)
(Gain)/loss on investing activities		941	(21,434)
(Increase)/decrease in receivables	22	(11,286)	21,318
(Increase)/decrease in inventories		(42,353)	48,447
Increase/ (decrease) in payables except for loans and borrowings	22	(37,541)	(12,455)
Change in provisions, prepayments, accruals and employee benefits	22	(4,052)	(7,535)
Income tax paid		1,420	(13,528)
Expenditures on the purchase of CO2 allowances	22	(80,360)	-
Other	22	(1,385)	1,088
<b>Net cash flow from operating activities</b>		<b>188,389</b>	<b>403,169</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		2,676	356
Purchase of property, plant and equipment and intangible assets		(54,314)	(162,387)
Proceeds and expenses relating to other financial assets	22	2,668	62,367
Purchase of other financial assets		-	-
Acquisition of subsidiary, net of acquired		-	-
Dividends received		2,521	-
Interest received		-	-
Other		-	-
<b>Net cash flow from investing activities</b>		<b>(46,449)</b>	<b>(99,664)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of shares		-	-
Purchase of treasury shares		-	-
Payment of finance lease liabilities		(10,185)	(278)
Proceeds from loans and borrowings and debt securities		-	-
Repayment of loans and borrowings and debt securities		(113,523)	(92,583)
Dividends paid		-	-
Interest paid		(22,329)	(25,336)
Other		(911)	(125)
<b>Net cash flow from financing activities</b>		<b>(146,948)</b>	<b>(118,322)</b>

Notes included on pages 12 to 74 are an integral part of these consolidated financial statements.



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<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(5,008)</b>	<b>185,183</b>
Net foreign exchange differences		4,032	1,551
<b>Cash and cash equivalents at the beginning of the period</b>		<b>312,939</b>	<b>385,429</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>		<b>307,931</b>	<b>570,612</b>
22			
of restricted use		-	-

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the 6-month period ended 30 June 2013**

**(unaudited)**

Note	Issued capital	Treasure stock	Reserve capital	Revaluation reserve- valuation of hedging instruments	Other reserve capital	Retained earnings /(Unabsorbed losses)	Exchange differences on translation of foreign entities	Total	Non-controlling interests	Total equity
<b>As at 1 January 2013</b>	<b>104,052</b>	<b>(31,280)</b>	<b>1,956,261</b>	<b>(28,318)</b>	<b>3,472</b>	<b>1,529,264</b>	<b>(8)</b>	<b>3,533,443</b>	<b>117</b>	<b>3,533,560</b>
The change in accounting policy in relation to the implementation of IFRIC 20-retrospective approach	–	–	–	–	–	6,469	–	6,469	–	6,469
<b>As at 1 January 2013 (restated)</b>	<b>104,052</b>	<b>(31,280)</b>	<b>1,956,261</b>	<b>(28,318)</b>	<b>3,472</b>	<b>1,535,733</b>	<b>(8)</b>	<b>3,539,912</b>	<b>117</b>	<b>3,540,029</b>
Net profit for the period	–	–	–	–	–	95,567	–	95,567	3,121	98,688
Total other comprehensive income	–	–	–	5,883	–	(2,942)	68	3,009	–	3,009
<b>Comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,883</b>	<b>–</b>	<b>92,625</b>	<b>68</b>	<b>98,576</b>	<b>3,121</b>	<b>101,697</b>
Appropriation of profits from previous years	–	–	275,012	–	–	(275,012)	–	–	–	–
Reconciliation of capital to the statutory data	–	–	509	–	–	(509)	–	–	–	–
Redemption of treasury stock	(2,405)	31,280	(28,875)	–	–	–	–	–	–	–
Appropriation of profits from previous years on employee benefit fund	–	–	(2,405)	–	2,405	–	–	–	–	–
Distribution of retained earnings to the Social Fund	–	–	–	–	–	45	–	45	(117)	(72)
The transfer of non-controlling interests to retained earnings	–	–	–	–	–	3,121	–	3,121	(3,121)	–
<b>As at 30 June 2013</b>	<b>101,647</b>	<b>–</b>	<b>2,200,502</b>	<b>(22,435)</b>	<b>5,877</b>	<b>1,356,003</b>	<b>60</b>	<b>3,641,654</b>	<b>-</b>	<b>3,641,654</b>

Notes included on pages 12 to 74 are an integral part of these consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6-month period ended 30 June 2012

(restated, unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve-valuation of hedging instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings/(Unabsorbed losses)</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<b>As at 1 January 2012</b>	<b>104,052</b>	<b>1,671,610</b>	<b>(23,418)</b>	<b>3,472</b>	<b>1,473,200</b>	<b>567</b>	<b>3,229,483</b>	<b>90</b>	<b>3,229,573</b>
Net profit for the period	-	-	-	-	216,196	-	216,196	14	216,210
Total other comprehensive income	-	-	(3,469)	-	(1,779)	(335)	(5,583)	-	(5,583)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(3,469)</b>	<b>-</b>	<b>214,417</b>	<b>(335)</b>	<b>210,613</b>	<b>14</b>	<b>210,627</b>
Appropriation of profits from previous years	-	283,746	-	-	(283,746)	-	-	-	-
Reconciliation of reserve capital to statutory data	-	905	-	-	(905)	-	-	-	-
<b>As at 30 June 2012</b>	<b>104,052</b>	<b>1,956,261</b>	<b>(26,887)</b>	<b>3,472</b>	<b>1,402,966</b>	<b>232</b>	<b>3,440,096</b>	<b>104</b>	<b>3,440,214</b>

Notes included on pages 12 to 74 are an integral part of these consolidated financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **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 (Note 2).

The interim condensed consolidated financial statements of the Group cover the 6-month period ended 30 June 2013 and contain comparative data for the 6-month period ended 30 June 2012 and as at 31 December 2012. Interim condensed consolidated statement of comprehensive income, interim condensed consolidated income statement and notes present additional financial information for the three months ended 30 June 2013 and the comparative figures for the six and three months ended 30 June 2012, which have not been subject to the audit and review of the auditor.

The data for the 3 and 6-month period ended 30 June 2013 included in these interim condensed consolidated financial statements and the comparative figures for the 3 and 6-month period ended 30 June 2012 were reviewed by an independent auditor. Comparative figures as at 31 December 2012 were audited by an independent auditor.

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 brown coal.

## 2. Composition of the Group

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

Name of the entity	Registered office	Principal business activities	As at 30 June 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	Coal mining	100% ***
Energoinwest Serwis sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	100% ****
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Brown coal mining	85%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Brown coal mining	85%
Ochrona Osób i Mienia „ASEKURACJA” sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	security services	85% *****
„Aquakon” sp. z o.o.	62-610 Sompolno Police	production and sale of mineral waters	66,6% *****
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Sales of brown coal	85% *****
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Wind power farms, electricity production	42,5% *****
Centrum Zdrowia i Relaksu „Verano” sp. z o.o.	78-100 Kołobrzeg ul. Sikorskiego 8	Holiday and wellness facility 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 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 2012 and 30 June 2013

\*\*\*\* indirect interest through Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o., in the period ended 30 June 2013 the Company purchased 1% of Energoinwest Serwis sp. z o.o. shares becoming a sole shareholder of the Company

\*\*\*\*\* indirect interest through PAK KWB Konin (direct interest PAK KWB Konin in „Aquakon” sp. z o.o. amounts to 78,5% in KWE sp. z o.o. 50%, and in other subsidiaries 100%).

As of 30 June 2013, the share of voting rights held by the Group subsidiaries corresponds to its share in the capital of these entities.

### **3. Composition of the parent's Management Board**

At the beginning of 2013 the Management Board was composed of:

- |                     |  |
|---------------------|--|
| • Katarzyna Muszkat | President of the Management Board      |
| • Anna Striżyk      | Vice-president of the Management Board |
| • Piotr Jarosz      | Vice-president of the Management Board |

The Management Board as at 30 June 2013 has not changed.

### **4. Basis of preparation of interim condensed consolidated financial statements**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union, in particular in accordance with International Accounting Standard no 34. At the date of authorization of these interim condensed consolidated financial statements for publication, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the EU apart from exceptions described in the financial statements. The Company applied IFRS 10, IFRS 11, IFRS 12, amended IAS 27 and IAS 28 to annual periods beginning on 1 January 2014, based on such possibility resulting from application of IFRSs endorsed by the EU.

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

These interim condensed consolidated financial statements have been presented in thousand of Polish zloty ("PLN"), and all amounts are stated in PLN thousand unless otherwise indicated.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. At the date of authorization of these interim condensed consolidated financial statements no circumstances were identified that would indicate a threat to the continued activity of the Group companies.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and thus should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012.

### **5. New standards and interpretations that were issued but are not yet effective**

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the International Accounting Standards Board will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture;
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 – in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later. The Group has decided to apply IFRS for annual periods beginning on 1 January 2014

- IFRS 11 *Joint Arrangements* - effective to annual periods beginning on or after 1 January 2013 or later - in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later. The Group has decided to apply IFRS for annual periods beginning on 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later. The Group has decided to apply IFRS for annual periods beginning on 1 January 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 applicable to annual periods beginning on or after 1 January 2013 or later - in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later;
- IAS 27 *Separate Financial Statements* – effective for financial years beginning on or after 1 January 2013 – in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later. The Group has decided to apply IFRS for annual periods beginning on 1 January 2014;
- IAS 28 *Investments in Associates and Joint Ventures* – effective for financial years beginning on or after 1 January 2013 - in the EU at the latest applicable for annual periods beginning on or after 1 January 2014 or later. The Group has decided to apply IFRS for annual periods beginning on 1 January 2014;
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 11 and IAS 27 *Investment Entities* (published on 31 October 2012) - effective for annual periods beginning on or after 1 January 2014 - not endorsed by EU till the date of approval of these financial statements;
- IFRIC 21 *Levies* - applicable to annual periods beginning on or after 1 January 2014 or later - not endorsed by EU till the date of approval of these financial statements;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (published on 29 May 2013) - effective for annual periods beginning on or after 1 January 2014 - not endorsed by EU till the date of approval of these financial statements;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (published on 27 June 2013) - effective for annual periods beginning on or after 1 January 2014 or later - not endorsed by EU till the date of approval of these financial statements;
- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* - effective for annual periods beginning on or after 1 January 2015 or later - not endorsed by EU till the date of approval of these financial statements,. In subsequent phases, the IASB deals with hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture;
- Amendments to IAS 32 *Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) - effective for financial years beginning on or after 1 January 2014 - not Endorsed by EU till the date of approval of these financial statements.

## 6. Changes in accounting policies

The accounting Policies applied during preparation of these consolidated financial statements are consistent with those applied in preparing the consolidated financial statements of the Group for the year ended 31 December 2012 except for the following amendments and new interpretations to standards effective for the periods beginning on 1 January 2013:

- **Changes in accounting policy in relation to the application of changed IAS 19 *Employee Benefits***

Group has applied the amendments of IAS 19 as of 1 January 2013 with appropriate changes of the comparative periods ended on 30 June 2012 and on 31 December 2012.

The most significant change for the Group to IAS 19 refers to the necessity of retrospective recognition of actuarial gains and losses in other comprehensive income.

In view of the above, the Group adjusted the data for the six months ended on 30 June 2012, reclassifying actuarial gains amounting to PLN 2,196 thousand from the cost of goods sold to other comprehensive income.

As a result the net profit of the Group for the six months ended 30 June 2012 reduced by PLN 1,779 thousand. The other comprehensive income increased by the same amount. Group net profit for the all year 2012 increased by PLN 15,424 thousand.

Provisions for employee benefits have not changed.

**• Changes in accounting policy in relation to the application of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine***

The most significant change for the Group refers to the necessity of retrospective capitalization stripping costs during the production phase as an asset.

Before the implementation of regulations resulting from IFRIC 20 all stripping costs during the production phase had been recognized in the income statement.

Accordingly, as of 31 December 2012, compared to the data presented in the approved consolidated financial statements for the year ended 31 December 2012, the assets of removing overburden and other mining assets (non-current) increased by PLN 7,987 thousand and retained earnings increased by PLN 6,469 thousand. Adjustment of deferred tax assets resulted in a decrease of deferred income tax by PLN 1,518 thousand.

The Company has not decided to apply any standard, interpretation or amendment that was issued but is not yet effective.

In connection with the implementation of IFRIC 20 Group represents additional accounting policies that have not been described in the financial statements for the year ended 31 December 2012.

***Stripping Costs in the Production Phase***

In the mining assets the Group presents the capitalized stripping costs during the production phase.

Group recognizes a financial asset, which is a result of stripping, only if all the following conditions are met:

- (A) it is probable that the Group obtain future economic benefits (easier access to coal deposits) associated with the removal of the overburden;
- (B) the Group is able to identify that part of the coal deposit to which access has been facilitated, and
- (C) costs related to the removal of overburden on the part of the deposit can be reliably measured.

The Group measures the initial asset stripping which is the result in the purchase price or production cost, being the sum of the costs incurred directly in connection with the removal of overburden to facilitate access to the identified coal deposits, plus associated costs directly attributable general.

After initial recognition the asset, which is the result of stripping, is recorded at its cost or deemed cost less depreciation and impairment losses.

Group depreciates asset resulting in stripping using a method based on units of production.

Adopted useful lives and depreciation methods are reviewed periodically, at least at the end of each reporting year. Assets of removing overburden and other mining assets with useful lives less than 12 months are classified under current assets.

A charge from settling mining assets is recognized as operating expenses in the cost of depreciation.



ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial statements*  
for the 6-month period ended 30 June 2013  
(in PLN thousand)  
*(this is a translation of the document issued originally in Polish language)*

Statement of financial position of the ZE PAK Group at 31 December 2012 restated due to the application of IAS 19 and IFRIC 20 are presented below.

	<i>31 December 2012 (audited)</i>	<i>Changes in accounting policy resulting from the application of IAS 19</i>	<i>Changes in accounting policy resulting from the application of IFRIC 20</i>	<i>31 December 2012 (restated)</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
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	–	–	–	–
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	–	–	–	–
Deferred tax assets	120,549	–	(1,518)	119,031
<b>Total non-current assets</b>	<b>5,371,215</b>	<b>–</b>	<b>6,469</b>	<b>5,377,684</b>
<b>Current assets</b>				
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
<b>Total current assets</b>	<b>899,500</b>	<b>–</b>	<b>–</b>	<b>899,500</b>
Assets classified as held for sale				
<b>TOTAL ASSETS</b>	<b>6,270,715</b>	<b>–</b>	<b>6,469</b>	<b>6,277,184</b>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial statements  
for the 6-month period ended 30 June 2013  
(in PLN thousand)  
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	31 December 2012 (audited)	Changes in accounting policy resulting from the application of IAS 19	Changes in accounting policy resulting from the application of IFRIC 20	31 December 2012 (restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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
<b>Total equity</b>	<b>3,533,560</b>	<b>–</b>	<b>6,469</b>	<b>3,540,029</b>
<b>Non-current liabilities</b>				
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
Grants and long-term 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
<b>Total non-current liabilities</b>	<b>1,791,863</b>	<b>–</b>	<b>–</b>	<b>1,791,863</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>	<b>945,292</b>	<b>–</b>	<b>–</b>	<b>945,292</b>
Liabilities directly associated with assets classified as held for sale	–	–	–	–
<b>Total liabilities</b>	<b>2,737,155</b>	<b>–</b>	<b>–</b>	<b>2,737,155</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,270,715</b>	<b>–</b>	<b>6,469</b>	<b>6,277,184</b>

Impact of changes in accounting policies on earnings per shares:

	<i>6-month period ended</i> <i>30 June 2012</i>
Earnings per share before changes in accounting policies	4.12
Earnings per share after changes in accounting policies	4.16
Diluted earnings per share before changes in accounting policies	4.12
Diluted earnings per share after changes in accounting policies	4.16

## **7. Significant professional judgment and accounting estimates**

### **7.1. Professional judgement**

In the process of applying accounting policies related to the areas listed below the most important factor, apart from accounting estimates, was professional judgement of Group management.

#### *Capitalisation of FX differences*

For investment projects under construction, Group companies use foreign financing.

Borrowing costs directly attributable to investment projects in progress are capitalized in the value of assets under construction up to the date the fixed asset is given over for use.

Group companies capitalize foreign exchange differences on foreign currency loans and borrowings to the extent they represent interest cost adjustment. The Group applies cumulative approach to borrowing costs capitalization. The cumulative approach treats the investment project as a whole and for this reason the amount of foreign exchange differences eligible for capitalization in the reporting period can change along with fluctuation in the exchange rates during the term of the investment.

Group companies capitalize positive and negative foreign exchange differences on foreign currency loans and borrowings to the extent they represent interest cost adjustment based on the difference between finance costs that the Group would incur if the liability was incurred in the functional currency. This method implies identification of theoretical borrowing costs from financing based on the total value of interest that would be incurred in connection with incurring liability in the Group functional currency, i.e. PLN. The total amount of capitalized foreign exchange differences and interests from liabilities incurred in other than Group's functional currency cannot exceed the calculated theoretical borrowing costs.

#### *Classification of lease agreements*

The Group classifies lease agreements as finance or operating leases based on the assessment of the extent to which substantially all of the risks and rewards incidental to ownership of an asset were transferred to the lessee. The assessment is based on economic substance of each transaction.

#### *Identification of embedded derivatives*

An assessment is made at each reporting date to determine whether the agreements made contain any economic features and risks characteristic of foreign currency embedded derivative that are not closely related to those of the host contract.

### **7.2. Uncertainty of estimates**

Presented below are basic assumptions regarding future and other sources of uncertainty at the reporting date, which may bear the risk of material adjustment to the carrying amount of assets and liabilities in the following financial years.

#### *Impairment of assets*

As a result of the analysis conducted as at 30 June 2013, the Group identified an existence of an external factor that could indicate a potential impairment of assets, which consists in the carrying amount of the Company's net assets exceeding their market capitalization. This was the case also at 31 December 2012 and therefore the Group carried out as at 31 December 2012 an analysis of cash flows generated by each key operating segments

of the Group. As a result of this analysis there was no evidence that these flows were less than the carrying amount of the individual segments. Therefore, as at 31 December 2012, the Group did not carry out extensive testing for impairment. As of 30 June 2013 the Group verified the assumptions held on cash flow analysis made as at 31 December 2012. Based on the analysis, the Group concluded that potential changes had no significant impact on the value in ues determined on tha basis of projected cash flows. Moroever, in the course of analysis performed the Group did not identify material changes in the the carrying value of net assets as of 30 June 2013 compared to 31 December 2012. The Group states that the results of this analysis indicate that that the low market capitalization of the Group is not a sufficient condition for carrying out specific tests for impairment of all assets. Therefore, as of 30 June 2013, the Company did not carry out extensive testing for impairment.

#### *Valuation of provision for employee benefits*

Provisions for employee benefits were estimated using actuarial methods.

The estimate was made based on the following basic assumptions:

- discount rate 4.0%
- expected inflation rate 2.5%
- expected rate of salary increase 3%, in case of PAK KWB Konin and PAK KWB Adamów 0% in years 2013 - 2015 and 3.0% per year in 2016 and in the following years
- expected rate of increase in energy prices 3%

#### *Deferred tax asset*

Deferred tax assets are recognized based on the assumption that taxable profits will be available against which the deferred tax asset can be utilized. Any deterioration of future taxable profits could render this assumption unreasonable.

#### *Fair value of financial instruments*

Fair value of financial instruments, for which there is no active market, is determined by using appropriate valuation methods. In selecting valuation methods and assumptions, professional judgment is used.

#### *The capitalization of stripping costs in the production phase*

In justified cases described by IFRIC 20 Group capitalizes the cost of removing the overburden in opencast production phase. The basis of capitalization of costs is subject to the following conditions: It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity; The entity can identify the component of an ore body for which access has been improved and the costs relating to the improved access to that component can be measured reliably. The Group periodically verifies estimates relating to the aforementioned conditions in order to ensure proper capitalization of the costs.

#### *Settlement period for assets subject to removal of overburden and other mine assets*

The Group periodically verifies the settlement periods for assets subject to removal of overburden and other mine assets based on the current forecasts for the exploitation of mine pits.

#### *Share-based payment*

For the purpose of settlement of share-based payments, it was assumed that the vesting date is the commercialization date, whilst the grant date – the date of the final announcement of a list with the number of shares awarded to individual employees of PAK KWB Konin S.A. and PAK KWB Adamów S.A. The value of the share incentive scheme was determined based on the carrying amount of the fair value of PAK KWB Konin S.A. and PAK KWB Adamów S.A.

#### *Revenue recognition*

The Group uses the percentage of completion method to account for long-term contracts. Application of this method requires that stage of contract completion is estimated as the proportion of contract costs incurred for the works performed to date to the estimated total contract costs.

At each reporting date, budgets of total revenues and costs of the contracts are updated. The expected total loss on the given contract is recognised in the costs of the period in which the loss was ascertained, in accordance with IAS 11.

#### *Depreciation rates*

Depreciation and amortization rates and charges are determined based on the estimated economic useful lives of property, plant and equipment and intangible assets. The economic useful lives are reviewed annually based on current estimates.

#### *Provision for fixed asset dismantling*

Dismantling provision is recognized when the Group has a legal obligation to dismantle a fixed asset or constructive obligation resulting from management intention. The provision is recorded in the amount resulting from the received offers for asset liquidation. The value of the provision is verified at the end of each reporting period. The value of fixed assets dismantling provision is discounted at the end of each reporting period. The details are described in note 24.3.1.

#### *Provision for reclamation cost of ash storage yard*

Provision for reclamation cost of ash storage yard is created due to legal obligation arising from integrated licenses granted. Technical and economic analyses are the basis for provision estimation as well as external offers for planned direction of land reclamation. The value of the provision for reclamation costs is reviewed at the end of each reporting period.

#### *Reclamation provision and other provisions related to mining activities*

Group recognizes a provision for both the cost of restoration of land associated with current mining activities on the given open-pit and the cost of restoration of the final excavation site. Provision calculation is made based on external estimates of future restoration costs as well on expected reclamation starting and ending date presented in the reports of independent experts commissioned by the Company's Management Board and on internal Company estimates, and is subject to discounting on each reporting date.

#### *Compensation for early termination of Long-term Power Purchase Agreements*

„Elektrownia Państw II” sp. z o.o. receives compensations for stranded costs in accordance Act dated 29 June 2007 on rules of covering stranded costs related to early termination of Long-term Power Purchase Agreements (Journal of Laws of 2007, No. 130, item 905 – “the PPA Act”). Revenue from compensation is recognized successively to the earned right to compensation by the end of their duration. In order to estimate the revenues belonging to the period, the Company make estimates to determine the ratio of the estimated stranded costs to the total received, returned and discounted expected annual payments (including annual advance payments received so far), annual adjustments and anticipated final adjustment.

"Elektrownia Państw II" sp. z o.o., in accordance with its accounting policy, on the basis of built financial model recognised in the first half of 2013 year and in 2012, the revenue from compensation in the amount of PLN 71,170 thousand and PLN 83,635 thousand respectively. On the basis of published decisions of the President of the Energy Regulatory Authority SA on 31 July 2009, the Company was required to pay a compensation system administrator, “Zarządcy Rozliczeń S.A.” the amount of PLN 52,493 thousand, as correction of stranded costs for 2008. Board of the Company, refusing to accept the decision of the President of the Energy Regulatory Office, appealed to the District Court in Warsaw - the Court of Competition and Consumer Protection (“CCCP”). On 23 September 2009, the court ruled to suspend the implementation of the decision and ordered the payment of the amount of PLN 26,493 thousand.

On 1 December 2010, the Competition and Consumer Protection, issued a judgment in which it dismissed the Company's appeal against the judgment of the President of the ERO, recognizing his argument is right. The company carried out a detailed legal analysis of the issues existed in collaboration with a renowned law firm, and on 9 February 2011, filed an appeal to the Court of Appeal challenging the judgment of the Court of First Instance.

As a result of the appeal of “Elektrownia Państw II” sp. z o.o., Warsaw Court of Appeal changed judgment from 11 October 2012 changed unfavorable for the Company sentence of CCCP. Demand for payment issued for a total amount of PLN 55,576 thousand. On 22 October 2012 the “Zarządca Rozliczeń S.A.” paid this amount on the company account. The amount of adjudicated correction for 2008, in part not booked in income from PPAs for 2008 (i.e., the amount of PLN 11,971 thousand), was booked as other operating income in 2012.

The decision of the Court of Appeal confirmed the correctness of the calculation of the corrections "Elektrownia Państw II" sp. z o.o. in each of the previous periods and, therefore the company has not changed the rules for determining the revenue from compensation for 2012 and for previous years. The President of the Energy Regulatory Office lodged a cassation appeal against the judgment with the Court of Appeal.

## 8. Changes in estimates

In the 6-months period ended 30 June 2013, apart from exceptions described in the financial statement, there were no significant changes to the values or methodology of making estimates that would affect the current or future periods.

## 9. Acquisitions

During the period from 1 January 2013 to 30 June 2013 there were no new acquisitions.

## 10. Operating Segments

In connection with the acquisition of PAK KWB Konin and PAK KWB Adamów the Group has verified the information regarding operating segments. For the management purposes the Group was divided into segments based on the products and services.

The following operating segments were distinguished:

- Production Segment including both production of electric energy from conventional sources (including CHP) and production of electricity through biomass combustion. The main fuel used by the Production Segment is lignite and biomass. Production Segment comprises the following entities:
  - Zespół Elektrowni "Państw – Adamów – Konin" S.A.,
  - "Elektrownia Państw II" sp. z o.o.,
  - „PAK – HOLDCO” sp. z o.o.,
  - „PAK Infrastruktura” sp. z o.o.,
  - „PAK Biopaliwa” sp. z o.o. \*
- Extraction Segment, which includes lignite mining. Extraction Segment comprises:
  - „PAK Górnictwo” sp. z o.o.,
  - „PAK Kopalnia Węgla Brunatnego Konin” S.A. Capital Group (since III quarter of 2012),
  - „PAK Kopalnia Węgla Brunatnego Adamów” S.A. (since III quarter of 2012).
- Repair Segment rendering services in the field of construction and renovation. Segment comprises:
  - Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.,
  - Przedsiębiorstwo Serwisu Automatyki i Urządzeń „EL PAK” sp. z o.o.,
  - „Energoinwest Serwis” sp. z o.o.

In connection with the achievement of the thresholds stated in paragraph 13 of IFRS 8, as at 30 June 2013, ZE PAK Group has identified Sales operating segment. The segment includes the Company "Elektrim-Volt". In view of the fact that the company "Elektrim-Volt" has been acquired by the ZE PAK in the IV quarter of 2012 on a day 31 December 2012 was included in the Other segment.

ZE PAK Capital Group also conducts other activities through „PAK Centrum Usług Informatycznych” sp. z o.o., „PAK Centrum Badań Jakości” sp. z o.o.. The activities of these entities have been aggregated in the "Other" column.

Transfer pricing used in the transactions between operating segments are set at arm's length basis as in the transactions with third parties.

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

The Management monitors the operating results of the segments in order to make decisions about allocating resources, evaluation of the impact of this allocation and performance assessment. The basis for the assessment is profit or loss from operating activity and EBITDA.

Below there are presented the results of the segments for the periods ended 30 June 2013 and 30 June 2012.

*\*In connection with the liquidation of the company "PAK Biopaliwa" sp. z o.o., it is reported in the segment of production only in comparative data for the first half-year of 2012.*

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

As at 30 June 2013

(unaudited)

	<i>Production</i>	<i>Extraction</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustment</i>	<i>Total</i>
Revenue from sales to external customers	897,014	5,596	23,674	400,445	598	-	1,327,327
Revenue from sales between segments	232,769	467,271	73,958	-	10,157	(784,155)	-
<b>Sales revenues</b>	<b>1,129,783</b>	<b>472,867</b>	<b>97,632</b>	<b>400,445</b>	<b>10,755</b>	<b>(784,155)</b>	<b>1,327,327</b>
Cost of goods sold	(976,085)	(393,570)	(77,158)	(395,980)	(7,667)	793,505	(1,056,955)
<b>Gross profit</b>	<b>153,698</b>	<b>79,297</b>	<b>20,474</b>	<b>4,465</b>	<b>3,088</b>	<b>9,350</b>	<b>270,372</b>
Other operating income	7,571	4,388	97	147	5	(6,235)	5,973
Selling and distribution expenses	(1,056)	(14)	-	(256)	-	-	(1,326)
Administrative expenses	(23,627)	(51,319)	(8,714)	(2,643)	(1,153)	3,193	(84,263)
Other operating expenses	(7,711)	(2,562)	(55)	-	(1)	4,555	(5,774)
Finance income	46,668	5,278	1,731	512	25	(42,778)	11,436
Finance costs	(60,952)	(15,005)	(41)	-	-	-	(75,998)
<b>Profit before tax</b>	<b>114,591</b>	<b>20,063</b>	<b>13,492</b>	<b>2,225</b>	<b>1,964</b>	<b>(31,915)</b>	<b>120,420</b>
Income tax expense	(13,342)	(2,844)	(3,046)	(456)	(282)	(1,762)	(21,732)
<b>Net profit/ (loss) for the year from continuing operations</b>	<b>101,249</b>	<b>17,219</b>	<b>10,446</b>	<b>1,769</b>	<b>1,682</b>	<b>(33,677)</b>	<b>98,688</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>128,875</b>	<b>29,790</b>	<b>11,802</b>	<b>1,713</b>	<b>1,939</b>	<b>10,863</b>	<b>184,982</b>
Depreciation / Amortization	138,168	39,642	2,735	63	943	(2,191)	179,360
Change in allowance for tangible assets	(172)	-	-	-	-	-	(172)
<b>EBITDA</b>	<b>266,871</b>	<b>69,432</b>	<b>14,537</b>	<b>1,776</b>	<b>2,882</b>	<b>8,672</b>	<b>364,170</b>



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	<i>Production</i>	<i>Extraction</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustment</i>	<i>Total</i>
Revenue from sales to external customers	1,219,344	-	54,582	-	1,305	-	1,275,231
Revenue from sales between segments	6,281	-	111,764	-	9,243	(127,288)	-
<b>Sales revenues</b>	<b>1,225,625</b>	<b>-</b>	<b>166,346</b>	<b>-</b>	<b>10,548</b>	<b>(127,288)</b>	<b>1,275,231</b>
Cost of goods sold	(979,209)	-	(132,700)	-	(5,731)	123,355	(994,285)
<b>Gross profit</b>	<b>246,416</b>	<b>-</b>	<b>33,646</b>	<b>-</b>	<b>4,817</b>	<b>(3,933)</b>	<b>280,946</b>
Other operating income	2,105	-	136	-	16	-	2,257
Selling and distribution expenses	(2,058)	-	-	-	-	-	(2,058)
Administrative expenses	(26,501)	(653)	(10,255)	-	(1,076)	-	(38,485)
Other operating expenses	(4,185)	-	(63)	-	(1)	-	(4,249)
Finance income	79,416	272	872	-	53	(35,845)	44,768
Finance costs	(15,440)	(3)	(722)	-	-	-	(16,165)
<b>Profit before tax</b>	<b>279,753</b>	<b>(384)</b>	<b>23,614</b>	<b>-</b>	<b>3,809</b>	<b>(39,778)</b>	<b>267,014</b>
Income tax expense	(46,465)	-	(4,348)	-	(379)	388	(50,804)
<b>Net profit/ (loss) for the year from continuing operations</b>	<b>233,288</b>	<b>(384)</b>	<b>19,266</b>	<b>-</b>	<b>3,430</b>	<b>(39,390)</b>	<b>216,210</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>215,777</b>	<b>(653)</b>	<b>23,464</b>	<b>-</b>	<b>3,756</b>	<b>(3,933)</b>	<b>238,411</b>
Depreciation / Amortization	122,282	11	2,492	-	536	(1,830)	123,491
Change in allowance for tangible assets							
<b>EBITDA</b>	<b>338,059</b>	<b>(642)</b>	<b>25,956</b>	<b>-</b>	<b>4,292</b>	<b>(5,763)</b>	<b>361,902</b>

## 11. Revenues and expenses

### 11.1. Sales revenues

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
<b>Revenues by type</b>				
Revenue from sale of electricity	939,498	468,937	995,082	490,021
Revenue from electricity from the market	214,826	114,580	92,151	50,970
Revenue from energy certificates of origin	36,047	13,355	51,461	25,152
Revenue from construction contracts	15,418	10,224	45,676	21,263
Compensation related to PPAs termination	71,170	34,629	37,030	23,534
Revenue from sale of heat	31,886	10,803	28,678	9,869
Exchange of EUAs for CERs	-	-	14,819	4,166
Other sales revenue	18,867	11,619	10,755	6,610
Excise tax	(385)	(18)	(421)	(205)
<b>Total sales revenue</b>	<b>1,327,327</b>	<b>664,129</b>	<b>1,275,231</b>	<b>631,380</b>

### 11.2. Other operating income

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Compensations received	1,858	708	900	707
Reversal of write-downs against receivables	157	157	-	-
Government subsidies received	150	75	955	477
Gain on the sale of non-financial fixed assets	631	711	-	-
Reversal of provisions for costs and losses and liabilities write-off	1,723	1,683	-	-
Other	1,454	360	402	326
<b>Total other operating income</b>	<b>5,973</b>	<b>3,694</b>	<b>2,257</b>	<b>1,510</b>

### 11.3. Other operating expenses

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Loss on the sale of property, plant and equipment	867	-	5	1
Recognition of provisions	771	770	334	-
Impairment write-downs against receivables	44	18	-	-
Compensations paid	109	55	-	-
Loss on liquidation of property, plant and equipment	74	74	272	42
Electricity equivalents paid for pensioners and former employees	1,572	1,369	1,502	1,482
Electricity-related damages	479	271	224	151
Cost of social assets maintenance	142	81	-	-
Donations given	352	229	258	156
Cost of trade unions	76	51	-	-
Cost of shortages and damages	47	47	-	-
Other	1,241	834	1,654	587
<b>Total other operating expenses</b>	<b>5,774</b>	<b>3,799</b>	<b>4,249</b>	<b>2,419</b>

### 11.4. Finance income

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Interest income	5,373	2,435	13,386	7,127
Dividends	4,535	4,535	-	-
Foreign exchange gains	1,329	-	10,680	-
Valuation of instruments hedging against interest rate fluctuations (SWAP)	-	-	-	-
Sale of TGE shares	-	-	20,649	-
Profit on sale of financial assets	-	-	-	-
Other	199	170	53	4
<b>Total finance income</b>	<b>11,436</b>	<b>7,140</b>	<b>44,768</b>	<b>7,131</b>

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In the first quarter of 2012, based on the agreement signed with “Giełda Papierów Wartościowych S.A.” in Warsaw, the parent company sold 157,000 shares of Towarowa Giełda Energii S.A. Sale price of one share amounted to PLN 154.00. Gain on the transaction amounted to PLN 20,649 thousand.

## 11.5. Finance costs

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Interest expenses	24,625	12,106	9,325	4,036
Valuation and realization of derivative financial instruments	5,811	2,919	4,586	2,507
Foreign exchange losses	37,922	25,402	836	27,149
Reclamation provision discount	4,368	2,973	-	-
Settlement discount	-	-	-	-
Power blocks provision discount	391	196	651	325
Other	2,881	938	767	-
<b>Total finance cost</b>	<b>75,998</b>	<b>44,534</b>	<b>16,165</b>	<b>34,017</b>

## 11.6. Costs by type

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (restated, unaudited)</i>	<i>3-month period ended 30 June 2012 (restated, unaudited)</i>
Depreciation / Amortisation	179,360	88,220	123,491	62,026
Impairment write-downs against property, plant and equipment	(172)	(393)	-	-
Impairment write-downs against inventories	162	165	7,227	7,271
Materials	300,217	141,149	563,259	291,292
External services	52,307	27,545	70,937	34,770
Taxes and charges, excluding excise duty	78,719	39,132	45,473	35,297
Social security and other allowances	311,862	142,705	135,290	77,333
Other costs	23,701	14,276	13,492	5,582
Cost of goods for resale and raw materials sold and electricity purchased from the market sold	206,499	108,348	82,194	43,802
<b>Total costs by type</b>	<b>1,152,655</b>	<b>561,147</b>	<b>1,041,363</b>	<b>557,373</b>
Items included in cost of goods sold	1,056,955	527,957	994,285	511,226
Items included in selling and distribution expenses	1,326	668	2,058	822
Items included in administrative expenses	84,263	37,521	38,485	18,648
Change in the stocks of finished goods	(12,790)	(15,462)	6,347	26,579
Cost of goods and services for internal needs	22,901	10,463	188	98

## 11.7. Construction contracts

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Revenue related to construction contracts recognized in the period:	15,418	10,224	45,676	21,263
Revenue invoiced in the period:	7,521	5,526	61,228	29,329
Valuation of construction contracts:	7,897	4,698	(15,552)	(8,066)
Expenses incurred in the period:	12,494	4,927	38,910	16,572
Expected losses recognized in the period:	(141)	(319)	(253)	(606)
Result on the construction contracts recognized in the period	2,783	4,978	6,513	4,085
		<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	
Gross amount due from customers for contract work:		10,566	3,605	
Gross amount due to customers for contract work		1,343	3,080	

## 12. Components of other comprehensive income

Components of other comprehensive income are as follows:

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (restated, unaudited)</i>	<i>3-month period ended 30 June 2012 (restated, unaudited)</i>
<b>Cash flow hedges</b>				
Gains (losses) for the period	(5,165)	(5,474)	(8,848)	(8,894)
Adjustments relating to reclassification of gains (losses) recognized in profit or loss	12,428	9,561	4,566	4,566
<b>Gross cash flow hedge for the period</b>	<b>7,263</b>	<b>4,087</b>	<b>(4,282)</b>	<b>(4,328)</b>
Tax charge on cash flow hedge	(1,380)	(777)	813	822
<b>Net cash flow hedge for the period</b>	<b><u>5,883</u></b>	<b><u>3,310</u></b>	<b><u>(3,469)</u></b>	<b><u>(3,506)</u></b>
<b>Gains / (losses) on actuarial provisions for benefits Post-employment gross</b>	(3,632)	(1,491)	(2,196)	(3,245)
Tax charge on actuarial provisions for benefits Post-employment	690	283	417	617
<b>Gains / (losses) on actuarial provisions for benefits Post-employment net</b>	<b><u>(2,942)</u></b>	<b><u>(1,208)</u></b>	<b><u>1,779</u></b>	<b><u>(2,628)</u></b>

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<b>FX differences on translation of foreign operations</b>				
Gross FX differences on translation of foreign operations	68	(4)	(414)	92
Tax charge on FX differences on translation of foreign operations	-	-	79	-
<b>Net FX differences on translation of foreign operations</b>	<b>68</b>	<b>(4)</b>	<b>335</b>	<b>92</b>
<b>Other comprehensive income gross</b>	3,699	2,592	(6,892)	(7,481)
<b>Tax charge on other comprehensive income</b>	690	494	(1,309)	(1,419)
<b>Other comprehensive income net</b>	<b>3,009</b>	<b>2,098</b>	<b>(5,583)</b>	<b>(6,042)</b>

### 13. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted by the weighted average number of ordinary shares that would be issued as a result of conversion of all potential dilutive equity instruments into ordinary shares.

In September 2012 the split of shares took place. Before the transaction issued capital of the Company was divided into 8,671,000 shares with a nominal amount of PLN 12.00 each. Following the split issued capital of the Company consists of 52 026 000 ordinary shares with a nominal amount of PLN 2.00 each. Earnings per share for each of the reporting periods presented in these consolidated financial statements has been calculated taking into account the fact that an increase in number of shares took place.

Additionally in December 2012 the Company has purchased 1,202,453 treasury shares in order to redeem them. Treasury shares were excluded from the base for the calculation of earnings per share for 6-month period ended 30 June 2013. Reduction in the share capital of the Company at the National Court took place on 10 July 2013.

Presented below is the data concerning profit and shares, which was used in the calculation of basic and diluted earnings per share:

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (restated, unaudited)</i>	<i>3-month period ended 30 June 2012 (restated, unaudited)</i>
Net profit from continuing operations attributable to equity holders of the parent	95,567	48,271	216,196	58,786
Net profit from discontinued operations attributable to equity holders of the parent	-	-	-	-
Net profit	<u>98,688</u>	<u>49,559</u>	<u>216,210</u>	<u>58,794</u>

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Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	95,567	48,271	216,196	58,786
Number of ordinary shares used to calculate basic and diluted earnings per share	50,823,547	50,823,547	52,026,000	52,026,000

The table below shows the earnings per share for the 6-month and 3-month periods ended 30 June 2013 and 30 June 2012 that is presented in the income statement.

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (restated, unaudited)</i>	<i>3-month period ended 30 June 2012 (restated, unaudited)</i>
(in PLN)				
Basic and diluted, for profit for the period attributable to equity holders of the parent	1.88	0.95	4.16	1.13
Basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent	1.88	0.95	4.16	1.13

During the period from the reporting date to the date of the preparation of these interim condensed consolidated financial statements there were no other transactions involving ordinary shares or potential ordinary shares.



## 14. Income tax

### 14.1. Tax expense

The main components of income tax expense for are as follows:

	<i>6-month period ended 30 June 2013 (unaudited)</i>	<i>3-month period ended 30 June 2013 (unaudited)</i>	<i>6-month period ended 30 June 2012 (unaudited)</i>	<i>3-month period ended 30 June 2012 (unaudited)</i>
Current income tax:				
Current tax expense	2,320	(3,395)	33,967	(4,729)
Adjustments for current tax of prior years	-	-	(1,556)	(1,556)
Deferred tax:	-	-	-	-
Relating to the origination and reversal of temporary differences	18,778	13,752	18,268	22,556
Other	634	568	125	(2,176)
<b>Income tax expense reported in the interim condensed consolidated income statement</b>	<b>21,732</b>	<b>10,925</b>	<b>50,804</b>	<b>14,095</b>
<b>Recognised in the interim condensed consolidated statement of comprehensive income</b>				
Tax on net gain /(loss) on revaluation of cash flow hedges	(1,380)	(777)	892	822
Tax charge on actuarial provisions for benefits Post-employment	690	283	417	617
Tax on foreign exchange differences on translation of foreign operations				
<b>Tax income / (tax expense) reported in other comprehensive income</b>	<b>(690)</b>	<b>(494)</b>	<b>1,309</b>	<b>1,439</b>

## 14.2. Deferred tax

Deferred income tax relates to the following:

*Consolidated statement of financial position as at*

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012 (restated)</i>
<b>Deferred tax asset</b>		
Balance sheet provisions and accruals	126,366	130,922
Assets for overburden removal and other mine assets	2,660	10,985
Interest and foreign exchange differences	29,349	11,398
Hedging instruments	5,678	7,068
Valuation of construction contracts	913	858
Prior year tax losses	62,405	70,135
Impairment write-downs against inventory	1,598	1,934
Impairment write-downs against receivables	6,279	5,581
Impairment write-downs against non – current assets	109	269
Employee settlements	4,394	6,660
Other non-tax liabilities	3,106	-
Other	5,791	3,422
<b>Total</b>	<b>248,648</b>	<b>249,232</b>
<b>Deferred tax liability</b>		
Difference between carrying amount and tax base of fixed assets	372,902	361,753
Receivables due to compensation (PPAs)	12,133	6,923
Energy certificates	26,539	20,448
Interest and foreign exchange differences	3,306	1,150
Valuation of uncompleted construction contracts	2,744	1,134
Accrued receivables under contractual penalties (liquidated damages)	866	-
Other	274	4,752
<b>Total</b>	<b>418,764</b>	<b>396,160</b>

*After set off of balances at the level of individual Group companies, deferred tax of the Group is presented as*

<b>Deferred tax asset:</b>	<b>110,033</b>	<b>119,031</b>
<b>Deferred tax liability:</b>	<b>280,149</b>	<b>265,959</b>

## 15. Property, plant and equipment

As at 30 June 2013

(unaudited)

	<i>Land and perpetual usufruct</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Assets under construction</i>	<i>Total</i>
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	–	24	1,586	220	876	81,075	83,781
Overhauls	–	–	–	–	–	4,640	4,640
Disposals and liquidation	(83)	(2,000)	(33,888)	(1,648)	(1,601)	–	(39,220)
Transfer from assets under construction	14,264	9,642	22,905	543	105	(47,459)	–
Gross carrying amount as at 30 June 2013	<u>177,410</u>	<u>1,848,889</u>	<u>3,812,291</u>	<u>71,586</u>	<u>28,446</u>	<u>208,844</u>	<u>6,147,466</u>
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 year	630	41,872	124,486	4,890	1,505	–	173,383
Impairment	–	213	–	–	–	(385)	(172)
Disposals and liquidation	–	(1,529)	(31,884)	(978)	(1,214)	–	(35,605)
Accumulated depreciation and impairment as at 30 June 2013	<u>1,741</u>	<u>324,588</u>	<u>782,011</u>	<u>15,763</u>	<u>16,993</u>	<u>29,815</u>	<u>1,170,911</u>
Net carrying amount as at 1 January 2013	<u>162,118</u>	<u>1,557,191</u>	<u>3,132,279</u>	<u>60,620</u>	<u>12,364</u>	<u>140,388</u>	<u>5,064,960</u>
Net carrying amount as at 30 June 2013	<u>175,669</u>	<u>1,524,301</u>	<u>3,030,280</u>	<u>55,823</u>	<u>11,453</u>	<u>179,029</u>	<u>4,976,555</u>

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	<i>Land and perpetual usufruct</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Assets under construction</i>	<i>Total</i>
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	–	245	2,057	314	1,139	150,094	153,849
Overhauls	–	–	–	–	–	11,404	11,404
Disposals and liquidation	–	(1,323)	(106)	(624)	(217)	–	(2,270)
Transfer from assets under construction	153	9,064	49,147	545	125	(59,034)	–
Gross carrying amount as at 30 June 2012	<u>37,193</u>	<u>1,530,742</u>	<u>2,856,227</u>	<u>14,339</u>	<u>22,567</u>	<u>761,635</u>	<u>5,222,703</u>
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 year	1	33,258	87,847	809	924	–	122,839
Impairment	–	–	–	–	–	–	–
Disposals and liquidation	–	(1,313)	(97)	(534)	(174)	–	(2,118)
Accumulated depreciation and impairment as at 30 June 2012	<u>889</u>	<u>248,307</u>	<u>607,413</u>	<u>7,800</u>	<u>15,804</u>	<u>30,291</u>	<u>910,504</u>
Net carrying amount as at 1 January 2012	<u>36,152</u>	<u>1,306,394</u>	<u>2,285,466</u>	<u>6,579</u>	<u>6,466</u>	<u>628,880</u>	<u>4,269,937</u>
Net carrying amount as at 30 June 2012	<u>36,304</u>	<u>1,282,435</u>	<u>2,248,814</u>	<u>6,539</u>	<u>6,763</u>	<u>731,344</u>	<u>4,312,199</u>

## 16. Leasing

### 16.1. Liabilities from finance leases and lease with option to purchase

Fixed assets used under finance lease agreements comprise mainly cars, bulldozers and loaders, tractors and trailers.

As at 30 June 2013 and as at 31 December 2012 future minimum lease payments under finance lease and lease with option to purchase and the present value of net minimum lease payments are as follows:

	<i>As at 30 June 2013</i>		<i>As at 31 December 2012</i>	
	<i>Minimum payments</i>	<i>Present value of payments</i>	<i>Minimum payments</i>	<i>Present value of payments</i>
Up to 1 year	25,523	21,746	22,590	18,952
1 year to 5 years	32,498	29,439	43,320	39,380
Over 5 years	–	–	–	–
Total minimal lease payments	58,021	51,185	65,910	58,332
Minus finance expenses	(6,836)	–	(7,578)	–
Present value of minimal lease payments, including:				
Short-term	21,746	21,746	18,952	18,952
Long-term	29,439	29,439	39,380	39,380

## 17. Intangible assets

### Long – term intangible assets – as at 30 June 2013 (unaudited)

	<i>Development costs</i>	<i>Patents and licences</i>	<i>Computer software</i>	<i>Other intangible assets</i>	<i>Total</i>
Gross carrying amount as at 1 January 2013	–	32,117	1,624	346	34,087
Increases	–	194	57	–	251
Decreases	–	(34)	–	–	(34)
Gross carrying amount as at 30 June 2013	–	32,277	1,681	346	34,304
Accumulated amortisation and impairment as at 1 January 2013	–	25,949	1,046	257	27,252
Amortisation charge for the year	–	883	105	7	995
Impairment write-down	–	–	–	–	–
Decreases	–	(33)	–	–	(33)
Accumulated amortisation and impairment as at 30 June 2013	–	26,799	1,151	264	28,214
Net carrying amount as at 1 January 2013	–	6,168	578	89	6,835
Net carrying amount as at 30 June 2013	–	5,478	530	82	6,090

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**Long – term intangible assets – as at 30 June 2012 (unaudited)**

	<i>Development costs</i>	<i>Patents and licences</i>	<i>Computer software</i>	<i>Other intangible assets</i>	<i>Total</i>
Gross carrying amount as at 1 January 2012	–	28,224	1,438	321	29,983
Increases	–	140	1	–	141
Decreases	–	(53)	(2)	–	(55)
Gross carrying amount as at 30 June 2012	–	28,311	1,437	321	30,069
Accumulated amortisation and impairment as at 1 January 2012	–	25,045	939	245	26,229
Amortisation charge for the year	–	578	83	6	667
Impairment write-down	–	–	–	–	–
Decreases	–	(18)	(2)	–	(20)
Accumulated amortisation and impairment as at 30 June 2012	–	25,605	1,020	251	26,876
Net carrying amount as at 1 January 2012	–	3,179	499	76	3,754
Net carrying amount as at 30 June 2012	–	2,706	417	70	3,193

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**Short-term intangible assets**

	30 June 2013 ( <i>unaudited</i> )	30 June 2012 ( <i>unaudited</i> )
	<i>Certified emission reductions (CERs/ERU)</i>	<i>Certified emission reductions (CERs/ERU)</i>
Gross carrying amount as at 1 January	35,368	84,729
Direct purchase	80,517	18,877
Redemption of CERs	(35,368)	(74,318)
	<hr/>	<hr/>
Gross carrying amount as at 30 June	<u>80,517</u>	<u>29,288</u>
	<hr/>	<hr/>
Accumulated amortisation and impairment as at 1 January	—	—
Impairment write-down	—	—
	<hr/>	<hr/>
Accumulated amortisation and impairment as at 30 June	<u>—</u>	<u>—</u>
	<hr/>	<hr/>
Net carrying amount as at 1 January	35,368	84,729
Net carrying amount as at 30 June	<u>80,517</u>	<u>29,288</u>
	<hr/>	<hr/>



## 18. Assets for overburden removal and other mine assets

As at 30 June 2013 assets for overburden removal and other mine assets comprises mainly: expenses incurred by „PAK Górnictwo” sp. z o.o. related to search and evaluation of mineral resources in the amount of PLN 10,264 thousand and assets related to overburden removal and other mine assets of PAK KWB Konin in the amount of PLN 108,626 thousand and PAK KWB Adamów in the amount of PLN 25,157 thousand.

	<i>Assets for overburden removal and other mine assets as at 30 June 2013 (unaudited)</i>	<i>Assets for overburden removal and other mine assets as at 31 December 2012 (restated)</i>
<b>As at 1 January 2013</b>	134,509	-
Reclassification from “other long term non-financial assets”	-	1,104
Purchase of PAK KWB Konin and PAK KWB Adamów	-	119,582
Increases	17,122	20,424
Decreases	(229)	(1,726)
Depreciation charge for the period	(4,982)	(4,875)
<b>As at 30 June 2013 (unaudited)</b>	<b>146,420</b>	<b>134,509</b>
- long-term	145,942	134,053
- short-term	478	456

## 19. Other assets

### 19.1. Other financial assets

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Deposits to service debt costs	92,933	88,154
FLZG and FRZG deposits	26,645	15,144
Other deposits	4,982	16,513
Shares	15,390	15,588
Other	6,341	14,696
<b>Total other financial assets</b>	<b>146,291</b>	<b>150,095</b>
- short - term	98,164	103,697
- long - term	48,127	46,398

## 19.2. Other non-financial assets

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
VAT receivables	1,944	2,311
Insurance	4,683	2,402
Other receivables from the state budget	2	157
Receivables from tax on civil law transactions	4,022	4,022
Allowance to employee benefit fund	5,864	348
Fees for the exclusion of agricultural and forestry land-use	9,732	-
Other non-financial assets	-	385
Other prepayments	1,212	2,771
Inventory prepayments	778	11
Prepayments for intangible assets	111	4
Prepayments for assets under construction	10,124	7,121
Prepayments for tangible assets – lands	-	1,004
Other	-	849
Total other non-financial assets	<u>38,472</u>	<u>21,385</u>
– short-term	28,000	17,230
– long-term	<u>10,472</u>	<u>4,155</u>

## 20. Inventories

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Production fuel	19,604	19,243
Spare parts and other raw materials	70,826	61,339
Energy origin certificates	139,680	107,620
Goods	567	123
Total inventories, at the lower of acquisition (manufacturing) cost and net realizable value	<u>230,677</u>	<u>188,325</u>

In the period ended 30 June 2013 the amount of a write-down against inventories was PLN 34,462 thousand. The write-down related mainly to „green energy certificates” from renewable energy sources and to “red energy certificates” from high – efficiency cogeneration following decrease in their market price.

As at 30 June 2013 in PAK KWB Konin transfer of ownership was established on movable inventories – spare parts and drums – with a value not less than PLN 8,000 thousand, located in warehouses.

## 21. Trade and other receivables

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Trade receivables	103,445	142,277
Receivables for compensation due to the termination of the PPAs	63,858	36,438
Receivables from securing energy purchases on the balancing market	5,320	5,141
Other receivables	37,164	36,703
Total receivables (net)	209,787	220,559
Write-downs against receivables	43,696	39,611
Receivables (gross)	<u>253,483</u>	<u>260,170</u>

In other receivables as at 30 June 2013 the Group presents mainly receivables from sale of ZE PAK S.A.'s shares by Elektrim-Volt S.A. to Embud sp. z o.o. in the amount of PLN 34,092 thousand.

Trade receivables are non-interest bearing and usually have 14-day payment deadline.

The Group's policy is to make sales only to customers who have undergone an appropriate credit verification procedure. As a result, Management believes there is no additional credit risk that would exceed the balance of impairment write-down recognized for trade receivables of the Group.

## 22. Cash and cash equivalents

Cash and cash equivalents presented in the interim condensed consolidated statement of cash flows consist of the following items:

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>30 June 2012</i> <i>(unaudited)</i>
Cash on hand and cash at bank	25,869	2,575
Short-term deposits	291,157	569,588
<b>Total balance of cash and cash equivalents presented in the statement of financial position:</b>	<b>317,026</b>	<b>572,163</b>
FX differences	9,095	(1,551)
<b>Total balance of cash and cash equivalents presented in the statement of cash flow</b>	<b>307,931</b>	<b>570,612</b>

### Reconciliation of differences between the balance sheet and the cash flow statement changes in specific items

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>30 June 2012</i> <i>(unaudited)</i>
<b><u>Depreciation / Amortisation:</u></b>		
Depreciation in the consolidated income statement	179,360	123,491
Amortisation of grants received	(973)	(955)
<b>Depreciation / Amortisation in the cash flow statement</b>	<b>178,387</b>	<b>122,536</b>

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	30 June 2013 (unaudited)	30 June 2012 (unaudited)
<b><u>Receivables:</u></b>		
(Increase)/ decrease in trade and other receivables	10,772	2,163
(Increase)/ decrease in other long- and short-term non-financial assets	(17,087)	1,905
(Increase)/ decrease in amounts due from customers under long-term construction contracts	(6,961)	18,452
Other changes	1,990	(1,202)
<b>(Increase)/ decrease in receivables in the consolidated cash flow statement</b>	<b>(11,286)</b>	<b>(21,318)</b>

	30 June 2013 (unaudited)	30 June 2012 (unaudited)
<b><u>Liabilities:</u></b>		
Increase/ (decrease) in trade and other financial long- and short-term liabilities	9,322	(10,416)
Increase/ (decrease) in other non-financial liabilities	(53,731)	628
Increase/ (decrease) in amounts due to customers under long-term construction contracts	(1,737)	(1,961)
Increase/ (decrease) in investment liabilities	(6,103)	(1,014)
Payment of finance lease liabilities	10,185	278
Increase/ (decrease) in taxation liabilities	7,466	-
Other changes	(2,943)	30
<b>Increase/ (decrease) in liabilities in the cash flow statement</b>	<b>(37,541)</b>	<b>(12,455)</b>

	30 June 2013 (unaudited)	30 June 2012 (unaudited, restated)
<b><u>Provisions, accruals and employee benefits:</u></b>		
Increase/ (decrease) in provisions and accruals	(15,233)	(82,410)
Increase/ (decrease) in long- and short-term employee benefits	4,173	5,864
Changes in provision for redemption of CERs	7,006	71,138
Deferred tax expense reported in other comprehensive income	-	(2,127)
Other changes	-	-
<b>Increase/ (decrease) in provisions, accruals and employee benefits</b>	<b>(4,054)</b>	<b>(7,535)</b>

In line other adjustments to operating activities both in the year ended 30 June 2013 and 31 December 2012 were mainly included movements in the derivatives valuation.

Proceeds and expenses relating to cash for debt service, guarantees received and proceeds and expenses relating to FLZG are presented in 'Proceeds and expenses relating to other financial assets'.

Expenditures on purchase of CO2 allowances for the period ended 30 June 2013 were presented in separate line of cash flow statement in cash flow from operating activities. In prior years these expenditures were presented in position “Change in provisions, prepayments, accruals and employee benefits” as deduction of change of provision for redemption of allowances (EUA) and certified emission reductions units (CER / ERU).

## 23. Interest-bearing loans and borrowings

Short-term	Maturity	30 June 2013 (unaudited)	31 December 2012
Bank loan (syndicated) in the amount EUR 240,000 thousand, interest rate at 3M EURIBOR+ bank margin	20.07.2019	135,982	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	-	1,500
Bank loan in Pekao S.A. in the amount of PLN 12,000 thousand, interest rate 3M WIBOR+ bank margin	30.12.2013	1,042	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	29,354	29,883
Bank loan (syndicated) in the amount of PLN 291,000 thousand, interest rate at 3M WIBOR+ bank margin	31.12.2015	54,139	44,329
Overdraft facility at BRE Bank in the amount of PLN 9,700 thousand PLN, interest rate at 1M WIBOR + bank margin	27.04.2014	9,524	9,545
Overdraft facility at BZ WBK in the amount of PLN 65,000 thousand, interest rate at 1M WIBOR + bank margin	31.07.2013	58,399	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	32,572	33,359
Credit services agreement, BRE Bank S.A. (bill of Exchange loan) up to PLN 61,590,000 thousand – discounting of bills of exchange	30.06.2016	22,976	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	79,019	90,802
BRE Bank S.A. – bank loan in the amount of PLN 30,000 thousand interest rate at 1M WIBOR + bank margin	31.12.2013	9,800	20,000
BRE Bank S.A. – bank loan in the amount of PLN 10,300 thousand interest rate at 1M WIBOR 1M + bank margin	24.01.2014	10,300	10,300
Total		443,107	461,924

		30 June 2013 (unaudited)	31 December 2012
<b>Long-term</b>	<b>Maturity</b>		
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	27,086	39,790
Bank loan (syndicated) in the amount of PLN 291,000 thousand, interest rate at 3M WIBOR+ bank margin	31.12.2015	56,772	75,060
Bank loan (syndicated) in the amount EUR 240,000 thousand, interest rate at 3M EURIBOR+ bank margin	20.07.2019	660,459	675,535
Total		<u>744,317</u>	<u>790,385</u>

As at 30 June 2013 PAK KWB Konin SA 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. Simultaneously, the Group has received assurance from the banks concerning the lack of maturity of these loans and their termination.

Breach of loan covenants in PAK KWB Konin has no effect on maturity of other Group's liabilities.

In the period ended 30 June 2013 the Group has repaid part of its loans and interests in the amount of PLN 120,483 thousand, including:

- repayment of investment loan in Bank PEKAO by ZE PAK S.A. in the amount of PLN 1,082 thousand,
- repayment of investment loan in Bank Pocztowy S.A. in the amount of PLN 1,527 thousand,
- repayment of syndicated loan in Bank PEKAO and PKO BP by ZE PAK S.A. in the amount of PLN 11,730 thousand (capital and interest),
- repayment of syndicated loan by EP II in the amount of PLN 66,238 thousand (capital and interest),
- repayment of other loans by PAK KWB Konin in the amount of PLN 39,906 thousand (capital and interest).

## 24. Provisions and accruals

### 24.1. Accruals

	30 June 2013 (unaudited)	31 December 2012
Provisions for bonuses and unused annual leave	45,209	34,461
Compensations from the insurer	325	328
Audit of financial statements	9	671
Other	30,249	97
Total	<u>75,792</u>	<u>35,557</u>
long-term	1,129	-
short-term	74,663	35,557

The item "Other" as at 30 June 2013 consists mainly of fee for permission for the use of the environment amounted to PLN 30,241 thousand.

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## 24.2. Movements in provisions

	<i>Provision for CERs redemption</i>	<i>Provision for dismantling of fixed assets</i>	<i>Provision for reclamation of ash stock yards</i>	<i>Provision for expected losses on construction contracts</i>	<i>Provision for redemption of energy origin certificates</i>	<i>Provision for reclamation of post-mining lands</i>	<i>Other</i>	<i>Total</i>
<b>As at 01.01.2012</b>	84,729	21,710	6,114	687	1,505	–	6,813	121,558
Purchase of KWB A and KWB K 18.07.2012	–	–	–	–	–	272,712	27,297	300,009
Purchase of Elektrim Volt 01.10.2012	–	–	–	–	–	–	113	113
Increase	24,958	1,238	–	380	958	43,240	4,422	75,196
Decrease	(74,318)	(3,401)	(1,630)	(516)	(1,505)	(12,435)	(9,707)	(103,512)
<b>As at 31.12.2012</b>	<u>35,369</u>	<u>19,547</u>	<u>4,484</u>	<u>551</u>	<u>958</u>	<u>303,517</u>	<u>28,938</u>	<u>393,364</u>
of which:								
Long – term	–	16,927	4,294	–	–	279,828	19,832	320,881
Short – term	35,369	2,620	190	551	958	23,689	9,106	72,483
<b>As at 01.01.2013</b>	35,369	19,547	4,484	551	958	303,517	28,938	393,364
Increase	–	391	–	–	837	9,019	29,973	40,220
Decrease	(35,369)	(2,530)	–	(410)	(958)	(15,758)	(23,770)	(78,795)
<b>As at 30.06.2013</b>	<u>–</u>	<u>17,408</u>	<u>4,484</u>	<u>141</u>	<u>837</u>	<u>296,778</u>	<u>35,141</u>	<u>354,789</u>
of which:								
Long – term	–	17,318	4,294	–	–	277,237	17,627	316,476
Short – term	–	90	190	141	837	19,541	17,514	38,313

## **24.3. Description of significant provisions**

### **24.3.1. Provision for reclamation of ash storage yards and cost of fixed assets dismantling**

The Group recognizes a provision for future costs of reclamation of ash storage yards resulting from legal obligation defined in “Integrated permits”. The amount of the provision is estimated on the basis of professional analyses and technical-economic expertises prepared by internal personnel or external specialists. At each reporting date, the amount of the provision is verified on the basis of current estimates and discount. As at 30 June 2013 the value of the provision amounted to PLN 4,484 thousand.

Due to the legal obligation to dismantle fixed assets after their retirement, the Group recognizes the provision for anticipated future costs which will be incurred to fulfil this obligation. As at 30 June 2013 value of provision for this purpose amounted to PLN 17,408 thousand.

### **24.3.2. Reclamation and other provisions related to mine activity**

According to the Mining and Geological Law PAK KWB Konin and PAK KWB Adamów are obliged to restore the land where mining works were carried out. As a result, on the reporting date, the Group recognizes a provision for both the cost of restoration of land associated with current coal mining activities on the given open-pit, and the cost of restoration of the final excavation site, after considering the stage of coal mining in individual open pits at the reporting date.

Provision calculation is made based on external estimates of future restoration costs presented in the reports of independent experts commissioned by the Group’s Management Board. Estimates regarding the anticipated costs of restoration are updated periodically, with the proviso that at each reporting date, the amount of the provision is verified under current assumptions for the discount rate, inflation and volume of coal mined.

As part of its business activities, PAK KWB Konin and PAK KWB Adamów are obliged to restore the post-mine land to the original state and to liquidate damages caused by the mining activity. As a result, the Group creates a provision for the expected costs it is required to incur under contractual agreements. Estimates relating to the expected costs of conducted mining activity are updated at each reporting date.

Provision for reclamation and liquidation of mine lands and for preparation of mine areas in PAK KWB Konin and PAK KWB Adamów as at 30 June 2013 amounted to PLN 296,778 thousand. When calculating the provision the Group has adopted the following assumptions: discount rate at 4%, inflation rate at 2.5%. In comparison with prior year parameters used for calculation have not changed. Changes in the value of the provision are a result of change in estimated reclamation and liquidation costs based on external experts’ report and percentage coal production as well as reports of environmental protection division.

### **24.3.3. Provision for the obligation to redeem energy origin certificates**

Due to the sale of electricity to final recipients, the Group has an obligation to redeem the specific number of certificates of energy origin from renewable sources, gas and cogeneration. As at 30 June 2013 the value of the provision for this purpose amounted to PLN 837 thousand.

### **24.3.4. Other provisions**

Main items of ‘Other provisions’ as at 30 June 2013 are provisions for mining damages in the amount of approx. PLN 17,394 thousand, ongoing litigations provision in PAK KWBA in the amount of approx. PLN 2,949 thousand, provision for miners’ day rewards in PAK KWBA in the amount of approx. PLN 4,939 thousand, warranty provisions and provisions for losses from long-term contracts of El PAK, in total amount of PLN 1,611 thousand, fixed charges for agricultural land in PAK KWBA in the amount PLN 1,264 thousand and provision for fees for permanent mining usufruct in PAK KWBA in the amount of approx. PLN 2,567 thousand.



## 25. CO2 emission allowances

Starting from 1 January 2013, the next settlement period for free CO2 emission allowances is effective and will be valid in years 2013 – 2020. It is assumed that in aforementioned period, free of charge CO2 allowances (EUA) will be granted for the Capital Group resulting from the heat production, however the energy industry will be also a subject of possible derogation. Derogation stated in article 10c of Directive ETA gives an opportunity to obtain free of charge allowances after reaching reported capital's expenditure level in National Investment Plan.

In the table below the Company presents initial allocation of EUA units (for ZE PAK S.A. and Elektrownia Pańńów II sp. z o.o.) for devices in accordance with National Allocation Plan for CO2 Emission Allowances (KPRU) submitted for European Commission approval:

<b>KPRU III</b>									
<b>Operator</b>	<b>installation number</b>	<b>2013 (tonnes)</b>	<b>2014 (tonnes)</b>	<b>2015 (tonnes)</b>	<b>2016 (tonnes)</b>	<b>2017 (tonnes)</b>	<b>2018 (tonnes)</b>	<b>2019 (tonnes)</b>	<b>2020* (tonnes)</b>
Elektrownia Pańńów I	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
Elektrownia Adamów	PL-0023-05	2,127,710	1,960,557	1,674,295	1,260,038	950,596	758,856	569,011	22,270
Elektrownia Pańńów II	PL-0957-08	1,167,963	1,077,106	919,106	688,967	517,434	411,412	305,922	-
Elektrownia Konin	PL-0022-05	1,271,530	1,165,202	993,522	751,566	568,884	453,453	341,530	30,999
<b>Group (total)</b>		<b>8,110,072</b>	<b>7,470,057</b>	<b>6,375,141</b>	<b>4,791,393</b>	<b>3,607,788</b>	<b>2,873,000</b>	<b>2,145,757</b>	<b>55,714</b>

\*In 2020 all free of charge CO2 emission allowances will be ceased. Consequently, in 2020 the Capital Group will be entitled solely to substantially lower limits of free of charges allowances granted in relation to heat generation.

The Group has saved 4,803,733 of EUA units from KPRUII period.

Till now, the Group has not received free of charge allowances yet. Free of charge allowances for 2013 can be granted in next 4 years (after meeting requirements which are described in National Allocation Plan). According to the above the Group will gain EUA defined in the project and will be able to present them for redemption, after the Group incurs capital expenditures defined in KPI. Currently the Group has been successively purchasing EUA accordingly the budget assumptions.

The tables below show the emission allowances obtained through National Allocation Plan, purchased on the secondary market divided into emission rights used for own purposes and sold during the years ended 30 June 2013 and 30 June 2012.

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**CO2 emission allowances in the 6-month period ended 30 June 2013  
(unaudited)**

(in tons)	<b>Zespół Elektrowni Pątnów – Adamów – Konin S.A.</b>		<b>Elektrownia Pątnów II sp. z o.o.</b>
	CO2 Emission*	5,020,077	1,338,439
<b>EUA</b>	Balance as at 1.01.2013	12,883,785	3,275,356
	Purchases	3,925,805	756,354
	Redemption	(9,360,653)	(1,994,755)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.06.2013	7,448,937	2,036,955
<b>CER</b>	Balance as at 1.01.2013	4,528	10,000
	Purchases	–	–
	Redemption	(4,528)	(10,000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.06.2013	–	–
<b>ERU</b>	Balance as at 1.01.2013	493,967	718,000
	Purchases	–	–
	Redemption	(493,967)	(718,000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.06.2013	–	–

\* Emission for 6-month period (unverified data).

\*\* Redemption of emission rights for the given year occurs in the first months of the subsequent year

**CO2 emission allowances in the 6-month period ended 30 June 2012  
(unaudited)**

(in tons)	<b>Zespół Elektrowni Pątnów – Adamów – Konin S.A.</b>		<b>Elektrownia Pątnów II sp. z o.o.</b>
	CO2 emission*	4,754,076	1,416,880
<b>EUA</b>	Balance as at 1.01.2012	22,134,186	5,733,116
	Purchases	–	–
	Redemption	(7,981,849)	(2,181,760)
	Sales	–	–
	Exchange	(790,057)	(276,000)
	Balance as at 30.06.2012	13,362,280	3,275,356
<b>CER</b>	Balance as at 1.01.2012	1,752,829	452,000
	Purchases	–	–
	Redemption	(2,422,886)	–
	Sales	–	–
	Exchange	790,057	276,000

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	Balance as at 30.06.2012	120,000	728,000
<b>ERU</b>	Balance as at 1.01.2012	–	100,000
	Purchases	–	–
	Redemption	–	(100,000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.06.2012	–	–

\* Emission for 6-month period (unverified data).

Allocation of free CO2 emission allowances for the period 2013 – 2020 is subject to incur defined capital expenditures notified in KPI, which is attached to the derogation request.

If, in line with the assumptions, required investment for the year 2013 will be realised in the period 2013-2020, therefore entitlements for the year 2013 will be awarded in an amount sufficient to cover the duty remission for the year 2013.

According to the estimates as of the date of these financial statements the Management Board believe that there is no risk of lack of realization of investments. If, according to assumptions, required capital expenditures for year 2013 will be incurred in period from 2013 to 2020, emission allowances for year 2013 will be granted in scope sufficient to cover cancellation of emission obligation for year 2013. It means that there is no need to create a provision for potential shortage of CO2 emission allowances for current reporting period.

In the next year, the Company is obliged to submit allowances for redemption for previous year. If, due to delays in process of granting free allowances, allowances are not be granted, Company will purchase them on the market in order to meet the redemption obligation and will presents them in position of intangible assets until the moment of physical redemption. Value of redeemed allowances at historical cost has nature of prepayment, which will be presented in separated line of balance sheet until:

a. sales of allowances received by the Company,

b. negative change in the Company's expectation about possibility of investment realization.

Allowances, which had to be bought, due to difference between emission covered by rights received for free and

## 26. Trade payables, other liabilities and accruals

### 26.1. Trade payables and other financial liabilities (short-term)

	30 June 2013 (unaudited)	31 December 2012
Trade payables	134,649	131,609
Financial liabilities	101	630
Other liabilities:		
Investment liabilities	22,528	14,220
Payroll	20,663	21,420
Other liabilities	31,174	20,600
Total	209,115	188,479

In other liabilities as at 30 June 2013 Group presents mainly finance lease liabilities in the amount of PLN 21,645 thousand, as at 31 December 2012, finance lease liabilities in other liabilities were amounted of PLN 19,800 thousand. The remaining amount under other obligations as of 30 June 2013 relates mainly to the settlement of employees and payroll deductions in the amount of PLN 3,074 thousand and settlements Social Fund in the amount of PLN 1,195 thousand, wage settlements of PLN 1,954 thousand and settlements due to security PLN 1,255 thousand.

The terms and conditions of payments of the financial liabilities presented above:

For terms and conditions of transactions with related parties, refer to note 30.

Trade payables are non-interest bearing and are normally settled within 14 or 30 days.

Interest payables are normally settled within 1 month or quarter within the entire year.

## 26.2. Trade payables and other financial liabilities (long-term)

	30 June 2013 (unaudited)	31 December 2012
Finance lease liabilities	29,345	41,361
Put option liabilities	30,971	30,971
Short-term liabilities to other entities – over 12 months	498	605
Other finance liabilities	95	85
Other liabilities	1,109	310
Total	<u>62,018</u>	<u>73,332</u>

## 26.3. Other non-financial liabilities

	30 June 2013 (unaudited)	31 December 2012
Liabilities arising from VAT settlements	27,809	31,421
Liabilities arising from environmental charges	-	28,586
Excise tax liabilities	304	185
Social security liabilities	27,059	35,527
Personal Income Tax	6,838	9,288
Other state budget liabilities	248	1,918
Prepayments for inventory	299	9,217
Operating fee	11,924	11,609
Other	12	473
Total	<u>74,493</u>	<u>128,224</u>

Liabilities arising from environmental charges relate to fees for air pollution, waste storage, water consumption and sewage disposal. Those fees were paid semi-annually, in 2013 there was a change of settlement period to annual.

Operating fees relate to extracted minerals, which are a result of Geological and Mining Law. These fees are paid semi-annually.

## 27. Contingent liabilities and description of significant legal proceedings

Apart from the liabilities described in note below as at 30 June 2013 Group did not have other contingent liabilities, guarantees or suretyships issued.

## 27.1. Legal proceedings

### Compensations resulting from dissolution of the long – term electric energy and power sales contracts

The subsidiary company „Elektrownia Państw II” sp. z o.o. receives compensations to cover stranded costs in accordance with Act of 29 June 2007 on the principles of covering costs incurred by energy producers in connection with early termination of long-term power and electricity sales contracts. Revenue from the received compensations is recognized in proportion to earned rights to compensations until the end of the period to which they apply. In order to estimate the value of revenue for the period to which the compensations relate, the Company makes estimates to determine the ratio of estimated stranded costs to total received, reimbursed and expected discounted annual advances (including already received advances), annual adjustments and expected final adjustment.

Elektrownia Państw II” sp. z o.o., in line with the accepted accounting policy and based on the adopted financial model, recognized in years 2012, 2011, 2010 and 2009 revenue from received compensations in the amount of PLN 83,635 thousand, PLN 98,331 thousand, PLN 102,132 thousand and PLN 155,801 thousand respectively. Based on the decision of the President of Energy Regulatory Office (“ERO”) dated 31 July 2009, the Company was required to return to the administrator of the compensation system, Zarządca Rozliczeń S.A., the amount of PLN 52,493 thousand as an adjustment to the stranded costs for the year 2008. The Management Board of the Company disagreed with the decision of the ERO’s President and filed an appeal with the Regional Court in Warsaw – the Court of Competition and Consumer Protection (“CCCP”). On 23 September 2009, the CCCP ruled to partially cancel the execution of the decision of President of ERO and ordered to pay the amount of PLN 26,493 thousand.

On 1 December 2010, the Court of Competition and Consumer Protection dismissed the Company’s appeal against the decision of the President of ERO and considered his arguments as reasonable.

The Company performed detailed legal analysis of the CCCP’s decision in co-operation with prestigious law office and on 9 February 2011 filed an appeal with the Court of Appeal challenging the first instance sentence.

On 11 October 2012 the Court of Appeal gave the company a favourable judgment amending the judgment of the Court of First Instance and the decision of the President of the ERO dated 31 July 2009 which determined the amount of the annual adjustment of stranded costs for 2008 that the Zarządca Rozliczeń S.A. is obliged to pay to “Elektrownia Państw II” sp. z o.o. in the amount plus PLN 29,082 thousand. Judgment of the Court of Appeal is final and binding. Accordingly, on 17 October 2012, “Elektrownia Państw II” sp. z o.o. called Zarządca Rozliczeń S.A. to pay the awarded adjustment of the year 2008 and to return the amount of PLN 26,493 thousand paid by EP II as a partial settlement of the President of ERO decision resulted from CCP’s decision dated 23 September 2009. The request for payment was issued in the total amount of PLN 55,576 thousand. On 22 October 2012 Zarządca Rozliczeń S.A. paid the mentioned amount to Company’s bank account. The amount of awarded adjustment for the year 2008, in part that was not recognized as a revenue from PPA for the year 2008 (i.e. PLN 11,971 thousand) was recognized as revenue from sales and was received in the year 2012.

The decision of the Court of Appeal confirmed the correctness of calculating adjustments by “Elektrownia Państw II” sp. z o.o. in each of the previous periods, therefore, the Company did not change the revenue recognition rules related to revenues from compensations for the year 2012 and for the previous years. The President of Energy Regulatory Office filed a cassation complaint against the judgment of the Court of Appeal.

### Proceedings relating to the non-compliance with the obligation to maintain stocks of fuel

On 17 September 2008 and 29 May 2009, the President of URE commenced proceedings to impose a financial penalty on the Company due to the Company’s failure to satisfy the obligation to maintain stocks of fuel ensuring continuity of supply of electricity and heat 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.

On the basis of decision dated 28 December 2010, President of URE imposed a cash penalty on ZE PAK S.A. due to the Company’s failure to satisfy the obligation to maintain stocks of fuel ensuring continuity of supply of electricity and heat for the years 2008 and 2009 in the amount of PLN 1,500 thousand. In 2010 the Company

recognised a provision for the full cost of the penalty. On 17 January 2011, the Company appealed against that decision to the Regional Court in Warsaw - Court of Competition and Consumer Protection.

Due to lack of final decision in this case, the company has not reversed the provision and recognized as at 30 June 2013 provision in the amount of PLN 1,500 thousand for the costs of penalty.

### **Proceedings for the refund of overpaid excise tax**

According to regulations being in force in the European Union, in particular Article 21 Section 5 of the Energy Directive in conjunction with Article 6 Section 1 of the Horizontal Directive, since 1 January 2006 the sale of energy at the final stage of trading i.e. sale by the distributor to the final recipient (consumer) is subject to excise. The sale of energy at earlier stages of trading, e.g. from electricity producer to the distributor, is not subject to excise. In this case the tax obligation arises at the moment of supply of electricity to the consumer.

Therefore, ZE PAK SA, based on Article 75 § 1, in conjunction with Article 75 § 2 of the Act dated 29 August 1997 Tax Code (Journal of Laws of 1997 No. 137, item 926, as amended) applied for a declaration of overpayment of excise for the years 2006, 2007, 2008 and for January and February 2009, in the total amount of approx. PLN 626m, arguing that according to the regulations existing in the European Union and the Provincial Administrative Courts case law, transactions executed by ZE PAK SA are not subject to excise. The individual applications are considered at the levels of: Customs Office in Kalisz, Customs Chamber in Poznań, the Provincial Administrative Court in Poznań and the Supreme Administrative Court.

In connection with judgments of Administrative Courts in the matter of excise tax overpaid by other energy companies, ZE PAK S.A., together with its tax advisor analyzed Resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011, in which the Supreme Administrative Court concluded that the transfer of the tax burden in the price excludes the possibility of the refund of an overpayment. Based on the rationale for this resolution it can be expected that there is a risk that the tax authorities will refuse to refund overpayments on the grounds that tax proceedings are not appropriate for claims of this type. Such claims could then be asserted under civil law, as a result of which a significant issue will arise due to the statute of limitations (under civil law, it is 3 years). Therefore, on 10 February 2012 ZE PAK S.A. filed a petition with the District Court Warszawa Śródmieście for sending a summons to the State Treasury to enter into a settlement in respect of the Company's claim amounting to PLN 626,405,829.00 and thus interrupted the running of the period of limitations.

No settlement was made, as during the hearing held on 16 April 2012 file VI Co 311/12 the representatives of the State Treasury did not agree to enter into a settlement. At the same time, on 14 September 2012, the Company, while waiting for the outcome of tax proceedings relating to its previous requests for declaration of overpayment, provided the Customs Chamber in Poznań with additional explanations in the form of the results of a detailed economic analysis aiming to prove that the Company incurred a loss due to the payment of excise that it was not liable to pay. The proceedings that are currently at the stage of the Customs Chamber in Poznań relate to the period of December 2006 – September 2008. However, the Company is of the opinion that the document submitted also applies to other requests for overpayment from the whole period of January 2006 – February 2009.

As of 1 March 2009, the Excise Act of 6 December 2008 came into force, according to which the sale of electricity to an entity which is not a final user is not subject to excise.

### **Demand for payment of penalty for non-compliance with availability parameters of desulfurization installation in Elektrownia Pątnów I**

On 28 October 2005, the agreement between PAK Odsiarczanie (whose legal successor is ZE PAK S.A.) and RAFAKO S.A. was signed for the design and turnkey construction of two desulfurization installations for power units no. 1-4 in Elektrownia Pątnów I. On 12 August 2008 the parties signed a protocol of early acceptance of work of two desulfurization installations and on 29 December 2009 a fan failure occurred in one of those installations and as a result ZE PAK S.A. suffered losses because of interruption of work of broken installations.

On 2 September 2011 parties have prepared final protocol from the meeting of the committee for emergency stops and calculation of the availability parameter. The calculations included in the protocol indicate that ZE

PAK S.A., according to the provisions of the abovementioned agreement, can claim a penalty payment from RAFAKO S.A. in the total amount of PLN 21,700 thousand. On 3 August 2012 ZE PAK S.A. called RAFAKO to voluntarily pay the penalty for non-compliance with availability parameters of desulfurization installation provided by RAFAKO S.A. and on 10 August 2012 filed a summons to compromise with RAFAKO SA to District Court in Racibórz. Due to changes in composition of the Management Board of RAFAKO S.A. in November and December 2012 i.e. at the time when District Court in Racibórz analysed ZE PAK S.A.'s summon to compromise, RAFAKO S.A. did not agree to any settlement. Therefore, on 21 December 2012, at the hearing, the District Court in Racibórz stated that the settlement did not occur and closed the proceeding. As at the date of preparation of these interim condensed consolidated financial statements the Company cannot predict if RAFAKO S.A. will pay the claimed amount, and as a consequence if litigation will take place and what will be the final ruling. However the Company believes that it should be noted the parties do not renounce to negotiate extrajudicial settlement of the dispute. Both ZE PAK S.A. and RAFAKO S.A. have a lot of arguments to sustain their positions which may indicate that none of the parties can be certain of any decision in court. Therefore it seems that the most reasonable decision is to agree to a settlement, which according to ZE PAK S.A. would cover substantial part of ZE PAK S.A.'s claims in the amount of ca. PLN 21m and thus as a consequence it would result in lack of the need to return bank guarantee by ZE PAK S.A. The dispute with RAFAKO S.A. has not been reflected in the Company's books.

#### **The dispute PAK KWB Konin SA of FUGO SA of liquidated damages and unjust enrichment**

PAK KWB Konin S.A. ("the Mine") and consortium of FUGO S.A. (leader) and SKW Biuro Projektowo-Techniczne Sapkowski, Kanczewski, Wocka Spółka jawna signed agreement under the Act on public procurement on 26.06.2008 comprising „Disassembly, transport, assembly of two SRs 1800 bucket-wheel reclaimers from liquidated „As Pontes” Endesa Generacion S.A. (Hiszpania)” mine.

Contract delivery date of the first reclaimer - to 31.10.2009, and of the second reclaimer – to 31.01.2010, changed on the base of appendix dated on 16.02.2009 for the first reclaimer - to 31.05.2010, and for the second reclaimer – to 31.08.2010.

Upon request of the Mine on 29.07.2010 – Guarantor HDI-Gerling Polska Towarzystwo Ubezpieczeń S.A., based on point 5 of Insurance Guarantee of proper performance of contract Nr 3018763/8402 dated on 23.11.2009, has paid to the Mine the amount of PLN 761,603.22 due to failure to perform on time by the obliged FUGO S.A. – Leader of Consortium of: FUGO S.A. and SKW Biuro Projektowo-Techniczne Sapkowski, Kanczewski, Wocka Spółka jawna of the Agreement dated on 26.06.2008 that was covered with guarantee – in frame of the first excavator.

Moreover, upon request of the Mine on 20.10.2010 – the Guarantor HDI-Gerling Polska Towarzystwo Ubezpieczeń S.A. paid to the Mine the amount of PLN 2,348,800.00 of contractual penalty for the period from 16 September 2010 to 25 October 2010 due to failure to perform on time by the obliged FUGO S.A. – Leader of Consortium of: FUGO S.A. and SKW Biuro Projektowo-Techniczne Sapkowski, Kanczewski, Wocka Spółka jawna, the Agreement dated on 26.06.2008 that was covered with guarantee – in frame of the second excavator.

Afterwards, the PAK KWB Konin S.A. on the basis of the debit note dated 26.05.2011 on the amount of PLN 2,761,596.78 charged FUGO S.A. with the remaining contractual penalty of Agreement dated 26.06.2008. Due to the lack of payment the mine made deductions from wages available to FUGO S.A. under the agreement.

It is incontrovertible that the execution of the Agreement from 26.06.2008 was delayed.

On 14.05.2012 the FUGO S.A. applied to the District Court in Konin with an appeal to make a compromise on the amount of PLN 12,895,827.14. This amount consists of the following claims:

- the amount of PLN 5,872,000 for unjust enrichment,
- the amount of PLN 7,023,827.14 as a compensation for the performance of the increased scope of work under the mentioned agreement.

Board of PAK KWB Konin S.A. refused to enter into an agreement recognizing the claim as unfounded. In this situation, the procedure has been completed with finding by the Court that there has been no conclusion of the Settlement Agreement and the closing of the proceedings on 26.09.2012.

At the date of this report the Company cannot exclude that FUGO S.A. apply to the court of general jurisdiction with a claim for payment of the indicated amounts. Currently, there is no formal litigation. FUGO S.A. took only no-cost trial to make a settlement before the case in court, which allowed interrupting a limitation period of any claim. Further steps depend on the assessment by the Company of the possibility of obtaining certain benefits in the process.

Dispute with FUGO S.A. has not been reflected in the accounts of the Company.

## 28. Securities for repayment of liabilities

In order to secure the repayment of its liabilities, the Group uses different forms of collaterals. The most common form of collateral use is mortgage and registered pledge.

As at 30 June 2013 the Group reported the following liabilities that were secured on its assets and other securities:

### Liabilities secured on assets

		30 June 2013 (unaudited)		31 December 2012	
No.	Assets pledged as security	Value of collateral	currency	Value of collateral	currency
<b>ZE PAK S.A.</b>					
1	Registered and financial pledge				
1.1	Registered pledge on ZE PAK S.A.'s assets (power units Nos. 3 and 4 in the Pątnów 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 guarantor 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.	70,000	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.	35,000	PLN	73,000	PLN



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		30 June 2013 (unaudited)		31 December 2012	
No.	Assets pledged as security	Value of collateral	currency	Value of collateral	currency
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.	70,000	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.	35,000	PLN	73,000	PLN
<b>PAK Serwis Spółka z o.o.</b>					
1	Registered pledge				
1.1	Registered pledge on group of movables of PAK Serwis in favour of DZ Bank	2,521	PLN	2,521	PLN
<b>EL PAK sp. z o.o.</b>					
1	Bank deposit up to the amount of guarantee sum				
1.1	Bank performance bond	1,012	PLN	1,012	PLN
2	Bank deposit above the guarantee sum				
2.1	Bank performance bond	1,470	PLN	2,090	PLN
3	Cash – bank transfer				
3.1.	Payment of deposit	3	PLN	47	PLN
<b>Elektrownia Pątnów II sp. z o.o.</b>					
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.**

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No.	Assets pledged as security	30 June 2013 (unaudited)		31 December 2012	
		Value of collateral	currency	Value of collateral	currency
1	Registered and financial pledge				
1.1	Registered and financial pledge on the shares of PAK Holdco in Elektrownia Pańków 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
<b>PAK Infrastruktura sp. z o.o.</b>					
1	Registered and financial pledge				
1.1	Registered pledge of group of movables and rights of PAK Infrastruktura sp. z o.o.	339,750 400,000	PLN EUR	339,750 400,000	PLN EUR
<b>PAK KWB Konin</b>					
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 Pańków 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

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**Other securities**

		30 June 2013 (unaudited)		31 December 2012	
No.	Type of security	value of collateral	Curre ncy	value of collateral	Currency
<b>ZE PAK S.A.</b>					
1	Guarantees				
1.1	Guarantee by ZE PAK for PAK KWB Konin due to working capital loan in BRE Bank in the amount of PLN 18,300 thousand	18,300	PLN	—	
1.2	Guarantee by ZE PAK for PAK KWB Konin due to working capital loan in BRE Bank in the amount of PLN 10,300 thousand	10,300	PLN	—	
1.3	Guarantee by ZE PAK for PAK KWB Adamów due to overdraft facility in BZ WBK in the amount of PLN 10,000 thousand	10,000	PLN	—	
1.4	Guarantee by ZE PAK for PAK KWB Konin due to overdraft facility in BRE Bank in the amount of 9,700 thousand	9,700	PLN	—	
2	Surety and contract transferring rights and obligations for ALPIQ		—	1,000	PLN
<b>EL PAK sp. z o.o.</b>					
1	Bills of exchange				
1.1	Performance bond	3,161	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	Guarantees for proper performance	—	PLN	—	
<b>Elektrownia Pątnów II sp. z o.o.</b>					
1	Assignment of receivables under electricity sale agreement				
1.1	Assignment of receivables from the Transaction Agreement of the sale of electricity with Inter Energy SA	133,261	PLN	—	
1.2	Assignment of receivables from electricity sales agreements with TAURON Polska Energia SA.	9,078	PLN	—	
<b>PAK Serwis sp. z o.o.</b>					
1.	Bills of exchange	3,000	PLN	3,043	PLN
2.	Guarantees				
2.1	Perofrmance bond	—	PLN	—	
2.1	Perofrmance bond	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	—		—	
<b>PAK KWB Konin</b>					
1.	Guarantees			—	

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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

## 29. Guarantees and suretyships received

		As at 30 June 2013		As at 31 December 2012	
No.	Type of liabilities, guarantees and suretyships	Received in PLN	Received in EUR	Received in PLN	Received in EUR
<b>ZE PAK S.A.</b>					
1	Bills of exchange	27,500	908	27,500	908
2	Payment guarantees	975	15,000	975	15,000
3	Perofrmance bond	25,290	1,053	27,301	1,053
4	Guarantee for advance repayment	5,289	–	5,289	–
5	Suretyships received	211,143*	17,550	211,143*	17,550
<b>EL PAK sp. z o.o.</b>					
1	Guarantees				
1.1	Perofrmance bond (Cash payments)	75	–	84	–
1.2	Perofrmance bond	2,156	–	2,474	–
<b>PAK Serwis sp. z o.o.</b>					
1	Guarantees	1,131	61	1,144	61
2	Bills of exchange	171	56	171	56
<b>Elektrownia Pątnów II sp. z o.o</b>					
1	Payment guarantee	1,492	–	–	–
2	Perofrmance bond	6,338	–	6,338	–
3	Guarantee for advance repayment	4,678	–	4,678	–

\* surety in the amount of PLN 211,143 thousand relate to contract no. 1/2009 dated 30 July 2009 with Foster Wheeler Energia Polska sp. z o.o.

### 30. Related party disclosures

The following table shows the total amount of transactions with related parties during the 6-month periods ended 30 June 30 2013 and 2012 and the balance of the settlement as at 30 June 2013 and 2012 (unaudited):

<i>Related party</i>		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Liabilities towards related parties</i>
Elektrim S.A.	2013	1	61	427	–
	2012	–	–	–	–
PAI MEDIA S.A.	2013	–	–	–	–
	2012	–	–	–	–
Elektrim Magadex S.A.	2013	–	–	–	–
	2012	–	–	–	–
Elektrim Volt S.A*.: Magadex Serwis Sp. z o.o.	2013	–	–	–	–
	2012	244,095	–	24,223	9,377
	2013	1	40,457	–	5,258
	2012	–	19,627	–	6,972
Energia-Nova S.A.	2013	–	–	–	–
	2012	–	–	–	–
Polkomtel	2013	3,394	202	1,454	65
	2012	38	58	14	32
Centernet	2013	–	–	–	–
	2012	–	22	–	–
WKS Śląsk Wrocław	2013	–	–	–	–
	2012	–	2,000	–	–
Laris Investments sp. z o.o.	2013	3	479	171	1
	2012	–	66	–	–
Embud sp. z o.o.	2013	–	–	–	–
	2012	–	–	–	–
Total	2013	3,399	41,199	2,052	5,324
	2012	244,133	21,773	24,237	16,381

\* data for period ended 30 September 2012, when Elektrim-Volt S.A.'s shares were acquired by ZE PAK S.A.

Sales to Elektrim Volt S.A. are related to sale of electric energy. Purchases from Elektrim Volt S.A. are related to commissions for brokerage services provided to the Group in relation to sale of electricity according to agency agreement dated 22 December 2006.

## **31. Financial risk management objectives and policies**

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans, loans received from affiliates and other institutions, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into transactions involving derivatives, mainly interest rate swaps. The purpose of these transactions is to manage the interest rate risk arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and develops policies for managing each of these risks; these have been summarised below. The Company also monitors the market price risk arising from all the financial instruments held.

### **31.1. Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term financial liabilities.

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

In order to minimize interest rate risk, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations.

#### **Interest rate risk – sensitivity to changes**

In interest rate sensitivity analysis, the Group uses parallel interest rates curve movement by potential, possible change of reference interest rates during the coming year. For the purpose of analysis of interest rates sensitivity to changes, average levels of reference interest rates for each year have been used. The scale of potential interest rates changes has been estimated based on variability of implicated ATMF options on interest rate, quoted on inter-bank market for those currencies, for which the Group has exposure on interest rates risk as at the reporting date.

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Classes of financial instruments	30 June 2013		Analysis of sensitivity to interest rate risk as at 30 June 2013							
	Carrying amount	Value at risk	WIBOR				EURIBOR			
			WIBOR + 174 pb		WIBOR -174 pb		EURIBOR + 29 pb		EURIBOR -29 pb	
	In PLN thousand	In PLN thousand	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income
Other financial assets	146,291	128,080	889	-	(889)	-	223	-	(223)	-
Trade and other receivables	209,787	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	317,026	317,026	4,058	-	(4,058)	-	243	-	(243)	-
Interest-bearing loans and borrowings	(1,187,426)	(1 187,426)	(6,803)	-	6,803	-	(2,310)	-	2,310	-
Trade payables and other financial liabilities	(271,133)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(29,885)	(29,885)	-	-	-	-	-	4,076	-	(4,076)
<b>Total</b>	<b>(815,340)</b>	<b>(772,205)</b>	<b>(1,856)</b>	<b>-</b>	<b>1,856</b>	<b>-</b>	<b>(1,844)</b>	<b>4,076</b>	<b>1,844</b>	<b>(4,076)</b>

Classes of financial instruments	30 June 2012		Analysis of sensitivity to interest rate risk as at 30 June 2012							
	Carrying amount	Value at risk	WIBOR				EURIBOR			
			WIBOR + 66 pb		WIBOR -66 pb		EURIBOR + 97 pb		EURIBOR -97 pb	
	In PLN thousand	In PLN thousand	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income
Other financial assets	108,058	103,839	190	-	(190)	-	729	-	(729)	-
Trade and other receivables	217,204	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	572,163	572,163	3,218	-	(3,218)	-	820	-	(820)	-
Interest-bearing loans and borrowings	(1,132,635)	(1,132,634)	(13,355)	-	13,355	-	(8,642)	-	8,642	-
Trade payables and other financial liabilities	(197,145)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(35,242)	(35,241)	-	-	-	-	-	16,558	-	(16,558)
<b>Total</b>	<b>(467,597)</b>	<b>(491,873)</b>	<b>(9,947)</b>	<b>-</b>	<b>9,947</b>	<b>-</b>	<b>(7,093)</b>	<b>16,558</b>	<b>7,093</b>	<b>(16,558)</b>

### 31.2. Foreign currency risk

The Group is exposed to currency risk in connection with the transactions made. This risk relates to liabilities arising from loans and borrowings and liabilities to main contractor of the 464MW power unit, denominated in currencies other than its measurement currency.

The Group does not use derivative financial instruments to hedge against the risk of fluctuations in foreign exchange risk.

Possible fluctuations in the exchange rates have been calculated based on annual fluctuations, implicated for currency options quoted on an inter-bank market for the given currency pair at the reporting date.

The Group identifies the exposure to changes in the EUR / PLN exchange rates.

The following table demonstrates the sensitivity of the gross financial result of the Group to reasonably possible fluctuations in the said exchange rates, with all other variables remaining unchanged for those classes of financial instruments, which are subject to currency exchange rate risk.

Classes of financial instruments	30 June 2013		Analysis of sensitivity to interest rate risk as at 30 June 2013			
	Carrying amount	Value at risk	EUR/PLN			
			rate EUR/PLN +9.60%		rate EUR/PLN -9.60%	
	in PLN thousand	in PLN thousand	4.7448	Other comprehensive income	3.9136	Other comprehensive income
Other financial assets	146,291	76,961	7,388	-	(7,388)	-
Trade and other receivables	209,787	3,425	329	-	(329)	-
Derivative financial instruments (assets)	-	-	-	-	-	-
Cash and cash equivalents	317,026	83,792	8,044	-	(8,044)	-
Interest-bearing loans and borrowings	(1,187,426)	(796,442)	(76,458)	-	76,458	-
Trade and other short-term financial liabilities	(271,133)	(370)	(36)	-	36	-
Derivative financial instruments (liabilities)	(29,885)	-	-	-	-	-
<b>Total</b>	<b>(815,340)</b>	<b>(632,634)</b>	<b>(60,733)</b>	<b>-</b>	<b>60,733</b>	<b>-</b>



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<i>Classes of financial instruments</i>	<b>30 June 2012</b>		<i>Analysis of sensitivity to interest rate risk as at 30 June 2012</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>EUR/PLN</i>			
	<i>in PLN thousand</i>	<i>in PLN thousand</i>	<i>rate EUR/PLN +11.6%</i>	<i>rate EUR/PLN -11.6%</i>		
			<i>4.7556</i>	<i>3.7670</i>	<i>Other comprehensive income</i>	<i>Other comprehensive income</i>
Other financial assets	108,058	75,118	8,714	-	(8,714)	-
Trade and other receivables	217,204	17,113	1,985	-	(1,985)	-
Derivative financial instruments (assets)	-	-	-	-	-	-
Cash and cash equivalents	572,163	84,531	9,806	-	(9,806)	-
Interest-bearing loans and borrowings	(1,132,635)	(890,894)	(103,344)	-	103,344	-
Trade and other short-term financial liabilities	(197,145)	(253)	(29)	-	29	-
Derivative financial instruments (liabilities)	(35,242)	-	-	-	-	-
<b>Total</b>	<b>(467,597)</b>	<b>(714,385)</b>	<b>(82,868)</b>	<b>-</b>	<b>82,868</b>	<b>-</b>

### 31.3. Credit risk

Credit risk is a potential credit event that may materialize in the form of the following factors: debtor insolvency partial repayment of debts, significant delay in the repayment of debts or other unexpected departure from the conditions of concluded contract.

The Group trades only with recognised parties with good credit capacity. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The main recipients of electricity are large energy companies such as Energa S.A., ENEA S.A. Capital Group TAURON Poland Energia S.A.. Transactions in the power exchange market are settled on a daily basis by Towarowa Giełda Energii S.A., which minimizes credit risk.

With respect to credit risk arising from other financial assets of the Group such as cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

### 31.4. Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (i.e. accounts receivable, other financial assets) and projected cash flows from operation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through various financing sources such as bank overdrafts and loans, corporate bonds, preference shares, finance lease agreements and rental with option to buy agreements.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2013 and 31 December 2012 based on contractual undiscounted payments.

	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<i>30 June 2013</i>					
Interest bearing loans and borrowings	280,796	168,159	661,426	183,024	1,293,405
Trade payables and other financial liabilities	201,458	27,744	41,931	-	271,133
Derivative financial instruments	3,095	8,660	28,244	2,106	42,105
	<b>485,349</b>	<b>204,563</b>	<b>731,601</b>	<b>185,130</b>	<b>1,606,643</b>
	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<i>31 December 2012</i>					
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
	<b>472,669</b>	<b>201,656</b>	<b>768,307</b>	<b>245,026</b>	<b>1,687,658</b>

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Presented in the tables above derivatives are gross values of undiscounted payments. However, these contracts can be settled in a gross or net basis. The following tables present a reconciliation of these values to the carrying values of derivative instruments:

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<i>30 June 2013</i>						
Inflow	-	210	870	9,283	772	11,135
Outflow	-	3,095	8,660	28,244	2,106	42,105
Net amount	-	(2,885)	(7,790)	(18,961)	(1,334)	(30,970)
<b>Discounted using appropriate interbank rates</b>	<b>-</b>	<b>(2,885)</b>	<b>(7,778)</b>	<b>(18,694)</b>	<b>(528)</b>	<b>(29,885)</b>

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<i>30 June 2012</i>						
Inflow	-	838	1,819	11,839	4,518	19,014
Outflow	-	3,462	9,879	35,344	6,101	54,786
Net amount	-	(2,624)	(8,060)	(23,505)	(1,583)	(35,772)
<b>Discounted using appropriate interbank rates</b>	<b>-</b>	<b>(2,624)</b>	<b>(8,034)</b>	<b>(23,105)</b>	<b>(1,479)</b>	<b>(35,242)</b>

## 32. Financial instruments

### 32.1. Fair values of individual classes of financial instruments

The table below presents a comparison of carrying amounts and fair values of all financial instruments reported by the Group by individual classes of assets and liabilities:

	<i>Category according to IAS 39</i>	<i>Carrying amount</i>		<i>Fair value</i>	
		<i>30 June 2013</i>	<i>31 December 2012</i>	<i>30 June 2013</i>	<i>31 December 2012</i>
<i>Financial assets</i>					
Other financial assets	LaR	146,291	150,095	146,291	150,095
Trade and other receivables	LaR	209,787	220,559	209,787	220,559
Derivatives	FVtPoL	-	-	-	-
Cash and cash equivalents	FAHtM	317,026	318,002	317,026	318,002
<i>Financial liabilities</i>					
Interest-bearing loans and borrowings, of which:		1,187,424	1,252,309	1,187,424	1,252,309
– floating rate long-term borrowings	FLaAC	744,317	790,385	744,317	790,385
– floating rate short-term borrowings	FLaAC	443,107	461,924	443,107	461,924
Trade and other financial liabilities	FLaAC	271,133	261,811	271,133	261,811
Derivatives	FVtPoL	29,885	37,203	29,885	37,203

Abbreviations used:

FAHtM	– Financial assets held to maturity
FVtPoL	– Financial assets/ financial liabilities at fair value through profit or loss,
LaR	– Loans and receivables,
HFS	– Financial assets held for sale
FLaAC	– Other financial liabilities at amortised cost

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As at 30 June 2013 and as at 31 December 2012 the Group held the following financial instruments measured at fair value:

	<i>30 June 2013</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	29,885	-
	<i>31 December 2012</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	37,203	-

In the period ended 30 June 2013, and the year ended 31 December 2012 there were no transfers between Level 1 and Level 2 of fair value hierarchy, and none of the financial instruments was moved to level 3 of fair value hierarchy.

### 32.2. Interest rate risk

The following table shows the interest rate gap, representing the Group's exposure to interest rate risk, and concentration of this risk by currency and type of interest, after taking into account the effect of hedging transactions, i.e. Interest Rate Swaps, used to translate a stream of interest payments based on variable EURIBOR rate into fixed EUR rate.

		Type of interest rate	Carrying amount as at 30 June 2013	Carrying amount as at 31 December 2012
Financial assets exposed to interest rate risk	PLN	Fixed	-	-
		Variable	284,353	280,354
	Other currencies	Fixed	-	-
		Variable	160,753	176,137
Financial liabilities exposed to interest rate risk	PLN	Fixed	-	-
		Variable	390,984	448,365
	Other currencies	Fixed	399,827	403,604
		Variable	396,615	400,340
<b>Net exposure</b>	<b>PLN</b>	<b>Fixed</b>	<b>-</b>	<b>-</b>
		<b>Variable</b>	<b>(106,631)</b>	<b>(168,011)</b>
	<b>Other currencies</b>	<b>Fixed</b>	<b>(399,827)</b>	<b>(403,604)</b>
		<b>Variable</b>	<b>(235,862)</b>	<b>(224,203)</b>

Interest on financial instruments with floating rate is updated in the periods of less than one year. Interest on financial instruments with fixed interest rate does not change in the period to instrument maturity. Other financial instruments of the Group, which are not included in the tables above, are non-interest bearing and therefore are not subject to interest rate risk.

### 32.3. Hedges and hedge accounting

The Group hedges against the interest rate risk associated with taken out syndicated loan denominated in EUR with floating interest rate based on 3M EURIBOR reference rate using derivatives transactions. The instrument that hedges the exposure to interest rate risk is the transaction of Interest Rate Swap type, through which the Group translates the stream of interest payments based on variable 3M EURIBOR interest rate into payments at fixed interest rate of 3.1050%. The Group designates derivative instruments as hedging instruments in the model of cash flow hedges and recognizes them in accordance with the principles of hedge accounting.

The tables below present the basic parameters of derivatives designated as hedging instruments, including the periods during which the cash flows will occur due to cash flow hedges and during which they will affect the financial results, as well as their fair value in Polish zloty at 30 June 2013 and 31 December 2012.

Type of instrument	Nominal value in the currency of the transaction [EUR]* 30 June 2013	Fair value in PLN 30 June 2013	Expected duration of hedged item 30 June 2013
IRS-type transaction	92,356	(29,885)	every six months, in January and July each year to the date of IRS maturity, i.e. July 2019

\*) denomination depreciated in accordance with the repayment schedule

Type of instrument	Nominal value in the currency of the transaction [EUR]* 31 December 2012	Fair value in PLN 31 December 2012	Expected duration of hedged item 31 December 2012
IRS-type transaction	98,724	(37,203)	every six months, in January and July each year to the date of IRS maturity, i.e. July 2019

\*) nominal value is amortized according to loan repayment schedule

The table below shows changes in the fair value of cash flow hedges taken to equity:

	<i>Year ended</i> <i>30 June 2013</i>	<i>Year ended</i> <i>31 December 2012</i>
Opening balance	(34,960)	(28,912)
Effective part of gains / (losses) on hedging instrument	(5,165)	(16,316)
Amounts recognized in profit or loss, of which:	(12,428)	(10,268)
- adjustment to interest costs	(12,428)	(10,268)
- adjustment due to ineffective hedge	–	–
Closing balance	(27,697)	(34,960)
Deferred tax assets recognized in the revaluation reserve	5,262	6,642
Closing balance, including deferred tax	(22,435)	(28,318)

### 33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that would support its business and maximise its value to the shareholders.

The Group manages its capital structure and as a result of changes in economic environment makes adjustments to it. No changes were made in the objectives, policies or processes relating to capital management during the period ended 30 June 2013 and 31 December 2012.

The Group monitors capital using the gearing ratio, which is calculated as the ratio of net debt divided by total capital increased by net debt. The Group's policy is to keep the gearing ratio in the ranging from 20% to 60%.

Included in the net debt, are all interest bearing loans and borrowings, trade and other payables reduced by cash and cash equivalents. Capital includes shareholders' equity less the reserve for unrealized net gains.

	30 June 2013	31 December 2012
Interest bearing loans and borrowings	1,187,424	1,252,309
Derivative financial instruments (liabilities)	29,885	37,203
Trade payables and other financial liabilities	271,133	261,811
Less cash and cash equivalents	317,026	318,002
Net debt	<u>1,171,416</u>	<u>1,233,321</u>
Shareholders' equity	3,641,654	3,540,029
Revaluation reserve- valuation of hedging instruments	<u>(22,435)</u>	<u>(28,318)</u>
Total capital	<u>3,664,089</u>	<u>3,568,347</u>
<b>Capital and net debt</b>	<u><u>4,835,505</u></u>	<u><u>4,801,668</u></u>
Leverage ratio	24%	26%

### 34. Events after the reporting period date

#### Administrative proceedings concerning annual adjustment of stranded costs for 2012

On 31 July 2013 the President of the Energy Regulatory Office ("URE") issued a decision regarding 2012 annual adjustment of stranded costs for Elektrownia Pątnów II sp. z o.o. Pursuant to the decision the adjustment amounted to PLN 20,689 thousand and did not differ significantly from the Company's estimates presented in consolidated financial statements as at 31 December 2012.

Moreover, on 19 August 2013 the Company appealed against the decision of the President of URE to the Regional Court of Competition and Consumer Protection in Warsaw in the amount of PLN 1,500 thousand. The subject of the appeal is a methodology of determining the tax depreciation costs taken into consideration in calculating annual adjustment of stranded costs.

As of the day of this report, which is 27 August 2013 the appeal has not been considered yet.

#### Restructuring actions in mines

In the first half of 2013, restructuring actions in the Group companies were continued. The steps taken in PAK KWBK S.A. and PAK KWBA S.A., aiming at optimized employment in both companies, were of the greatest importance. From 28 May 2012, i.e. from the day of signing the contract for the purchase of the shares in both mines until the first half of this year, employment in them was reduced by more than 500 full-time positions, and, in the vast majority of the cases, it related to people with previously acquired retirement rights. The next step of the employment optimization process covers the procedures of group layoffs, being implemented presently by new boards of both mines.

In both companies, owing to no possibility of concluding an agreement between administrations and union trades, regulations of group layoffs were adopted according to the legal requirements valid in such cases.

The regulations of group layoffs stipulate that employment will be decreased by fifty-five employees in PAK KWBA S.A. and by two hundred and seventy-four employees in PAK KWBK S.A. Group layoffs are to be conducted from 1 September 2013 to 30 April 2014. In connection with termination of employment relationship under group layoffs, the employees will be entitled to cash severance pay provided for by law in such cases (dependent upon job seniority). In addition, the employee appointed for group layoff may receive an additional compensation for termination of employment relationship in the amount of two monthly remunerations (agreed according to the principles valid for calculating money equivalent for vacation), if he or she accepts the employer's offer to terminate the contract of employment by way of mutual agreement of the parties until 31 December 2013. Group layoffs do not apply to employees working directly on production posts at coal extraction, including employees supervising this group and protected on the basis of guaranteed employment, stipulated in the contracts of acquisition of mines from the State Treasury. The other provisions of regulations do not deviate from standard practices in this respect.

The expected costs of severance pays and compensations under group layoffs in both mines are estimated at about PLN 7.6 million, while the anticipated estimated economic effect under adjustment of employment should be on average ca. PLN 21.5 million annually.

### **Initiation of the proceedings concerning stating invalidity of the license issued by the Minister of the Environment for PAK KWB Konin SA concerning the Tomisławice open cast mine**

PAK KWBK S.A., by the letter of 9 July 2013, was notified of the Minister of the Environment initiating the proceedings concerning stating invalidity of the license issued by the Minister of Environment of 6 February 2008 No. 2/2008 concerning the Tomisławice open cast mine. The proceedings were initiated as a result of the application submitted by two natural persons.

PAK KWBK S.A. read the documents of the case and the arguments raised by the appellants in the application for stating invalidity of the license. PAK KWBK S.A. presented its written position on the issue of the application to the Minister of Environment, applying for issuing the decision on refusal to state invalidity of the license. In the document to the Minister of the Environment PAK KWBK S.A. referred to a number of legal and factual arguments supporting the rejection of the application. PAK KWBK S.A. is of the opinion that the applicants did not indicate factual and legal premises justifying invalidity of the license. In the opinion of PAK KWBK S.A., the charges raised by the applicants should not be taken into consideration and cannot be the ground for stating invalidity of the license. PAK KWBK S.A., referring to the charges formulated by the applicants, pointed out that the appellants had not demonstrated in any way breaches of law referring directly to the license issued and justifying stating its invalidity. The charges included in the application refer to the environmental decision concerning the Tomisławice open cast mine, which, in the light of law, is a separate and independent decision. The correctness of the environmental decision is the object of judiciary control, which has not been completed yet, however, from the sentences issued at the present stage, it cannot be concluded in any way that the environmental decision is burdened with legal defects, which would justify its revoking (description of the dispute concerning the environmental decision is included by the Company in the annual statement for 2012). PAK KWBK S.A. is of the opinion that the charges concerning the environmental decision which has not been eliminated from legal transactions and whose effectiveness has not been revoked may not be substantiation to observe invalidity of the license. Referring to the conclusions formulated by the appellants, PAK KWBK S.A. applied also for issuing a decision refusing to withhold enforceability of the license owing to the lack of legal and factual grounds supporting this decision.

Initiation by the Minister of the Environment of the described proceedings does not inhibit mining works at the Tomisławice open cast mine. As of the date of publication of this report, PAK KWBK S.A. has any required by law decisions enabling the operation of the Tomisławice open cast mine and on their basis the mine continues the extraction of lignite from this open cast mine.



### **Major loan and surety agreements signed after the balance sheet date**

On 5 August 2013 the subsidiary PAK KWBK S.A. concluded loan agreement with Milenium Bank S.A. with a limit of PLN 76,500,00.00. The loan was primarily assigned to repay the debt resulting from the issuance of corporate bonds acquired by bank PKO Bank Polski S.A.

Furthermore, in the period between the balance sheet date and the date of this report ZE PAK S.A. has granted the following guarantees concerning loans in PAK KWBK S.A.:

- Guarantee dated 5 August 2013 – loan in Bank Milenium S.A. in the amount of PLN 76,500,00.00;
- Guarantee dated 31 July 2013 – bank overdraft in Bank BZ WBK amounting to PLN 65,000,000.00;
- Guarantee dated 31 July 2013 – investment loan in Bank BZ WBK amounting to PLN 32,572,050.39.