ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2013

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

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the period of 9 months ended 30 September 2013

	Note	*9 months period ended 30 September 2013 (unaudited)*	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 restated, (unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Continuing operations					
Sales revenue	*12.1*	**2 016 837**	**689 510**	**1 988 080**	**712 849**
Cost of goods sold	*12.6*	(1 572 547)	(515 592)	(1 535 200)	(540 915)
Gross profit on sales		**444 290**	**173 918**	**452 880**	**171 934**
Other operating income	*12.2*	10 898	4 925	4 248	1 991
Selling and distribution expenses	*12.6*	(2 279)	(953)	(2 728)	(670)
Administrative expenses	*12.6*	(129 669)	(45 406)	(89 676)	(51 191)
Other operating expenses	*12.3*	(10 242)	(4 468)	(9 576)	(5 327)
EBIT		**312 998**	**128 016**	**355 148**	**116 737**
Financial income	*12.4*	17 574	6 138	75 588	30 820
Financial costs	*12.5*	(76 350)	(352)	(40 599)	(24 434)
Profit before tax		**254 222**	**133 802**	**390 137**	**123 123**
Income tax	*15.1*	(48 137)	(26 405)	(72 193)	(21 389)
Net profit/loss for the period from continuing operations		**206 085**	**107 397**	**317 944**	**101 734**
Discontinued operations					
Net profit/loss for the period from discontinued operations		-	-	-	-
Net profit/loss for the period		**206 085**	**107 397**	**317 944**	**101 734**
Net profit/loss attributable to:					
Equity holders of the parent		198 297	102 730	318 215	102 019
Non-controlling interests		7 788	4 667	(271)	(285)
Earnings per share (in PLN)					
Basic, from profit for the period attributable to equity holders of the parent		3,90	2,02	6,11	1,96
Basic, from profit for the period from continuing operations attributable to equity holders		3,90	2,02	6,11	1,96
Diluted, from profit for the period attributable to equity holders		3,90	2,02	6,11	1,96
Diluted, from profit for the period from continuing operations attributable to equity holders		3,90	2,02	6,11	1,96

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period of 9 months ended 30 September 2013

	Note	*9 months period ended 30 September 2013 (unaudited)*	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 restated, (unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Net profit for the period		**206 085**	**107 397**	**317 944**	**101 734**
Other comprehensive income					
Cash flow hedges	*13*	9 564	2 301	(6 189)	(1 907)
Profit/loss on actuarial provisions for social security after employment period	*13*	(5 262)	(1 630)	(4 564)	(2 368)
Foreign exchange differences on translation of foreign operations	*13*	56	(12)	(744)	(330)
Income tax concerning other comprehensive income	*15.1, 13*	(817)	(127)	2 184	875
Net other comprehensive income	*13*	**3 541**	**532**	**(9 313)**	**(3 730)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**209 626**	**107 929**	**308 631**	**98 004**
Total comprehensive income for the period attributable to:					
Equity holders of the parent		201 838	103 262	308 902	98 289
Non-controlling interests		7 788	4 667	(271)	(285)
		209 626	**107 929**	**308 631**	**98 004**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	*30 September 2013 (unaudited)*	*31 December 2012 (restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	4 937 576	5 063 202
Investment property		2 225	2 252
Intangible assets	*18*	6 020	6 835
Loans and receivables		–	–
Assets of removing overburden and other mining assets (non-current)	*19*	131 466	113 083
Other long-term financial assets	*20.1*	29 284	46 398
Other long-term non-financial assets	*20.2*	33 722	4 155
Amounts due from customers under long-term construction contracts		–	–
Deferred tax assets	*15.2*	106 030	121 323
Total non-current assets		**5 246 323**	**5 357 248**
Current assets			
Intangible assets – short term	*18*	121 125	35 368
Inventories	*21*	209 884	188 325
Trade and other receivables	*22*	233 000	220 559
Current tax assets		1 768	12 258
Current financial derivative assets		–	–
Other current financial assets	*20.1*	102 821	103 697
Other current non-financial assets	*20.2*	30 405	17 230
Assets of removing overburden and other mining assets (current)	*19*	549	527
Amounts due from customers under long-term construction contracts	*12.7*	6 904	3 605
Cash and cash equivalents	*23*	349 273	318 002
Total current assets		**1 055 729**	**899 571**
Assets classified as held for sale		–	–
TOTAL ASSETS		**6 302 052**	**6 256 819**

(in PLN thousands)

EQUITY AND LIABILITIES	*Note*	*30 September 2013 (unaudited)*	*31 December 2012 (restated)*
Equity			
Issued capital		101 647	104 052
Treasury stock		–	(31 280)
Reserve capital		2 200 508	1 956 261
Revaluation reserve- valuation of hedging instruments		(20 571)	(28 318)
Other reserve capital		5 877	3 472
Retained earnings/ (unabsorbed losses)		1 268 069	1 136 306
Net profit/ (loss)		198 297	398 985
Exchange differences on translation of foreign entities		56	(8)
Non-controlling interests		–	117
Total equity		**3 753 883**	**3 539 587**
Non-current liabilities			
Interest-bearing loans and borrowings	*24*	754 551	790 385
Long-term employee benefits		270 617	264 261
Trade and other financial long-term liabilities	*27.2*	59 003	73 332
Long-term derivative financial instruments (liabilities)		17 513	26 059
Long-term subsidies		49 838	51 298
Other long-term provisions and accruals	*25*	308 908	320 881
Amounts due to customers under long-term construction contracts		–	–
Deferred tax liability	*15.2*	285 302	265 959
Total non-current liabilities		**1 745 732**	**1 792 175**
Current liabilities			
Trade and other financial liabilities	*27.1*	185 571	188 200
Current portion of interest-bearing loans and borrowings	*24*	360 614	461 924
Short-term derivative financial instruments (liabilities)		9 989	11 144
Other non-financial liabilities	*27.3*	68 655	128 224
Current tax liability		7 553	1 670
Short-term employee benefits		19 492	20 817
Short-term subsidies		1 949	1 958
Amounts due to customers under long-term construction contracts	*12.7*	8 353	3 080
Other short-term provisions and accruals	*25*	140 261	108 040
Total current liabilities		**802 437**	**925 057**
Liabilities directly associated with assets classified as held for sale		–	–
Total liabilities		**2 548 169**	**2 717 232**
TOTAL EQUITY AND LIABILITIES		**6 302 052**	**6 256 819**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period of 9 months ended 30 September 2013

	Note	*9 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*
Cash flow from operating activities			
Profit /(loss) before taxation		254 222	390 137
Adjustments for:			
Depreciation and amortization		265 757	188 065
Interests and shares in profits		29 019	(13 235)
Foreign exchange gains/losses		22 599	–
Gain/loss on investing activities		(937)	43 585
Increase/decrease in receivables		(31 097)	107 336
Increase/decrease in inventories		(18 578)	967
Increase/ decrease in payables except for loans and borrowings		(39 611)	(162 681)
Change in provisions, prepayments, accruals and employee benefits		44 526	29 644
Income tax paid		(5 647)	(29 614)
Expenditures on the purchase of CO2 allowances	23	(116 855)	–
Other	23	(2 334)	689
Net cash flow from operating activities		**401 064**	**554 893**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		7 509	3 131
Purchase of property, plant and equipment and intangible assets		(170 468)	(266 578)
Proceeds and expenses relating to other financial assets	23	5 038	49 274
Purchase of other financial assets		(6 438)	11 288
Acquisition of subsidiary, after deducting cash acquired		–	(161 601)
Dividends received		5 075	–
Interest received		611	326
Other		(129)	6 999
Net cash flow from investing activities		**(158 802)**	**(357 161)**
Cash flow from financing activities			
Proceeds from issuance of shares		–	–
Purchase of treasury shares		–	–
Payment of finance lease liabilities		(14 185)	(8 234)
Proceeds from loans and borrowings and debt securities		82 331	1 503
Repayment of loans and borrowings and debt securities		(241 830)	(136 177)
Dividends paid		–	–
Interest paid		(37 167)	(43 466)
Other		(846)	(672)
Net cash flow from financing activities		**(211 697)**	**(187 046)**
Net increase/decrease in cash and cash equivalents		**30 565**	**10 686**
Net foreign exchange differences		706	(939)
Cash and cash equivalents at the beginning of the period	*23*	**312 939**	**385 429**

Cash and cash equivalents at the end of the period, of which:	*23*	**343 504**	**396 115**
of restricted use		-	-

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period of 9 months ended 30 September 2013 (unaudited)

	Note	*Issued capital*	*Treasury shares*	*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*
As at 1 January 2013		**104 052**	**(31 280)**	**1 956 261**	**(28 318)**	**3 472**	**1 529 264**	**(8)**	**3 533 443**	**117**	**3 533 560**
The change in accounting policy in relation to the implementation of IFRIC 20-retrospective approach		–	–	–	–	–	6 469	–	6 469	–	6 469
Change resulting from final settlement of KWB A i KWB K acquisition		–	–	–	–	–	**(443)**		**(443)**		**(443)**
As at 1 January 2013 (restated)		**104 052**	**(31 280)**	**1 956 261**	**(28 318)**	**3 472**	**1 535 290**	**(8)**	**3 539 469**	**117**	**3 539 586**
Net profit for the period		–	–	–	–	–	198 297	–	198 297	7 788	206 085
Total other comprehensive income		–	–	–	7 747	–	(4 262)	64	3 549	–	3 549
Comprehensive income for the period		–	–	–	**7 747**	–	**194 035**	**64**	**201 846**	**7 788**	**209 634**
Appropriation of profits from previous years		–	–	275 527	–	–	(275 527)	–	–	–	–
Redemption of treasury shares		(2 405)	31 280	(28 875)	–	–	–	–	–	–	–
Creation of other reserve capital from reserve capital		–	–	(2 405)	–	2 405	–	–	–	–	–
Appropriation of profits from previous years on employee benefit fund		–	–	–	–	–	45	–	45	(117)	(72)
The transfer of non-controlling interests to retained earnings		–	–	–	–	–	12 523	–	12 523	(7 788)	4 735
As at 30 September 2013		**101 647**	–	**2 200 508**	**(20 571)**	**5 877**	**1 466 366**	**56**	**3 753 883**	–	**3 753 883**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period of 9 months ended 30 September 2012 (restated, unaudited)

	Issued capital	*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*
As at 1 January 2012	**104 052**	**1 671 610**	**(23 418)**	**3 472**	**1 473 200**	**567**	**3 229 483**	**90**	**3 229 573**
Net profit for the period	–	–	–	–	318 215	–	318 215	(271)	317 944
Total other comprehensive income	–	–	(5 013)	–	(3 697)	(602)	(9 312)	–	(9 312)
Comprehensive income for the period	–	–	**(5 013)**	–	**314 518**	**(602)**	**308 903**	**(271)**	**308 632**
Appropriation of profits from previous years	–	283 746	–	–	(283 746)	–	–	–	–
Reconciliation of capital to the statutory data	–	905	–	–	(905)	–	–	–	–
The transfer of non-controlling interests to retained earnings	–	–	–	–	1 868	–	1 868	676	2 544
As at 30 September 2012	**104 052**	**1 956 261**	**(28 431)**	**3 472**	**1 504 935**	**(35)**	**3 540 254**	**495**	**3 540 749**

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 9-month period ended 30 September 2013 and contain comparative data for the 9-month period ended 30 September 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 September 2013 and the comparative figures for the 3 months ended 30 September 2012, which have not been subject to the audit and review of the auditor.

The data, presented in this interim condensed consolidated financial report, for the 9 months period ended 30 September 2013 and for that date as well as comparative data for the 9 months period ended 30 September 2012 and for that date are not audited. Comparative data for the 31 December 2012 are audited.

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

The parent company was granted statistical REGON number 310186795.

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

The Group's core business activities comprise:

1. production and distribution of electric energy,
2. production and distribution of heat (steam and hot water),
3. mining of brown coal.

(in PLN thousands)

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	Scope of activities	As at 30 September 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%**
„Elektrim-Volt" S.A.	00-834 Warszawa ul. Pańska 77/79	Sales of electricity	100%
„PAK – HOLDCO" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100%
„PAK Infrastruktura" sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100%
„PAK Centrum Usług Informatycznych" sp. z o.o.	62-510 Konin ul. Kazimierska 45	IT services	100%
„PAK Centrum Badań Jakości" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Research and chemical analysis	100%
„PAK GÓRNICTWO"sp. z o.o.	62-510 Konin ul. Kazimierska 45	Lignite 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	Lignite mining	85%
„PAK Kopalnia Węgla Brunatnego Adamów" S.A.	62-700 Turek ul. Uniejowska 9	Lignite mining	85%
Ochrona Osob 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 lignite	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%*****

** Subsidiary – Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o. has an establishment in Germany, as defined by the agreement for the avoidance of double taxation*
*** indirect interest through „PAK – HOLDCO" sp. z o.o.*
**** indirect interest through „PAK Centrum Badań Jakości" sp. z o.o.*
***** indirect interest through Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.*
****** 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 September 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 September 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 late. 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 late. 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 late. 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 late. 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 late. 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 12 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

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 on30 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 9 months ended on 30 September 2012, reclassifying actuarial gains amounting to PLN 4 564 thousand from the cost of goods sold to other comprehensive income.

As a result the net profit of the Group for the 9 months ended 30 September 2012 increased by PLN 3 697 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 Open Pit 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.

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. , KIMSF20 as well as final settlement of KWB K i KWB A acquisition are presented below.

(in PLN thousands)

	31 December 2012 (audited)	*Changes in accounting policy resulting from the application of IAS 19*	*Changes in accounting policy resulting from the application of KIMSF20*	*Change resulting from final settlement of KWB K and KWB A acquisition*	*31 December 2012 (restated)*
ASSETS					
Non-current assets					
Property, plant and equipment	5 064 960	–	–	(1 758)	5 063 202
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	(20 970)	113 083
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)	2 292	121 323
Total non-current assets	**5 371 215**	–	**6 469**	**(20 436)**	**5 357 248**
Current assets					
Intangible assets – short term	35 368	–	–	–	35 368
Inventories	188 325	–	–	–	188 325
Trade and other receivables	220 559	–	–	–	220 559
Current tax assets	12 258	–	–	–	12 258
Short-term derivative financial instruments (assets)	–	–	–	–	–
Other current financial assets	103 697	–	–	–	103 697
Other current non-financial assets	17 230	–	–	–	17 230
Assets relating to overburden removal and other short-term mine asset	456	–	–	71	527
Amounts due from customers under long-term construction contracts	3 605	–	–	–	3 605
Cash and cash equivalents	318 002	–	–	–	318 002
Total current assets	**899 500**	–	–	71	**899 571**
Assets classified as held for sale	–	–	–	–	–
TOTAL ASSETS	**6 270 715**	–	**6 469**	(20 365)	**6 256 819**

(in PLN thousands)

	31 December 2012 (audited)	Changes in accounting policy resulting from the application of IAS 19	*Changes in accounting policy resulting from the application of KIMSF20*	*Change resulting from final settlement of KWB K and KWB A acquisition*	*31 December 2012 (restated*
EQUITY AND LIABILITIES					
Equity					
Issued capital	104 052	–	–	–	104 052
Treasury shares	(31 280)	–	–	–	(31 280)
Reserve capital	1 956 261	–	–	–	1 956 261
Revaluation reserve- valuation of hedging instruments	(28 318)	–	–	–	(28 318)
Other reserve capital	3 472	–	–	–	3 472
Retained earnings/unabsorbed losses	1 148 495	(15 424)	6 469	(3 234)	1 136 306
Net profit/loss	380 769	15 424	–	2 792	398 985
Exchange differences on translation of foreign entities	(8)	–	–	–	(8)
Non-controlling interests	117	–	–	–	117
Total equity	**3 533 560**	–	**6 469**	**(442)**	**3 539 587**
Non-current liabilities					
Interest-bearing loans and borrowings	790 385	–	–	–	790 385
Long-term employee benefits	264 261	–	–	–	264 261
Trade and other financial liabilities	73 332	–	–	–	73 332
Long-term derivative financial instruments (liabilities)	26 059	–	–	–	26 059
Grants and long-term deferred income	50 986	–	–	312	51 298
Other long-term provisions and accruals	320 881	–	–	–	320 881
Amounts due to customers under long-term construction contracts	–	–	–	–	–
Deferred tax liability	265 959	–	–	–	265 959
Total non-current liabilities	**1 791 863**	–	–	**312**	**1 792 175**
Current liabilities					
Trade and other financial liabilities	188 479	–	–	(279)	188 200
Current portion of interest-bearing loans and borrowings	461 924	–	–	–	461 924

(in PLN thousands)

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	–	–	(19 956)	1 958
Amounts due to customers under long-term construction contracts	3 080	–	–	–	3 080
Other short-term provisions and accruals	108 040	–	–	–	108 040
Total current liabilities	**945 292**	–	–	**(20 235)**	**925 057**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–
Total liabilities	**2 737 155**	–	–	**(19 923)**	**2 717 232**
TOTAL EQUITY AND LIABILITIES	**6 270 715**	–	**6 469**	**(20 365)**	**6 256 819**

Impact of changes in accounting policies on earnings per shares:

	9 months period ended 30 September 2012
Earnings per share before changes in accounting policies	6,08
Earnings per share after changes in accounting policies	6,11
Diluted earnings per share before changes in accounting policies	6,08
Diluted earnings per share after changes in accounting policies	6,11

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

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

Impairment of assets

As a result of the conducted studies, as at 30 September 2013, the Group identified an external factor that could indicate possible impairment of an asset component, being a higher net balance sheet value of net assets of the Group than the value of their market capitalization. Such a situation took place also as at 31 December 2012 and consequently the Group conducted, as at 31 December 2012, a study of cash flows generated by particular key operating segments of the Group. As a result of this study, it was not concluded that those flows were lower than the balance sheet value of particular segments, and consequently, as at 31 December 2012, the Group did not conduct any detailed impairment reviews. As at 30 September 2013, the Group verified the assumptions adopted in the cash flow studies conducted as at 31 December 2012. On the basis of the conducted studies, it was concluded that potential changes had no significant impact on the utility value agreed based on the planned cash flows.

Additionally, when conducting the study, the Group did not identify a significant change in the book value of net assets as at 30 September 2013, as compared to the situation as at 31 December 2012. In the opinion of the Group, the results of the above study prove that low market capitalization of the Group is not a sufficient premise to conduct detailed impairment reviews for all assets of the Group. Therefore, as at 30 September 2013, the Company did not conduct any detailed impairment reviews.

Valuation of provisions under employee benefits

Provisions under employee benefits were estimated by using actuarial methods.

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

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

Deferred tax asset component

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

Fair value of financial instruments

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

Capitalization of stripping costs in the production phase

In justified cases, as specified in IFRIC 20, the Group capitalizes costs of stripping in the open pit production phase. The basis for capitalization of costs is fulfillment of the following conditions: the Group is likely to obtain future economic benefits related to stripping, the Group is able to identify this part of the coal deposit access to which has been facilitated, and costs related to stripping concerning this part of the deposit may be valued credibly. The Group verifies estimates concerning the aforementioned criteria to ensure correct capitalization of costs.

Period of settlement for assets under stripping and other mining assets

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

Payment in shares

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

Recognition of revenues

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

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

Depreciation rates

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

Provision for dismantling of components of tangible fixed assets

The Group creates a provision for dismantling of components of tangible fixed assets when there is such obligation or when the management of the Group takes up this obligation. The provision is created in the amount resulting from the received offers concerning dismantling of fixed asset components. The Group revalues the provision as at each balance sheet date. The value of the provision under dismantling of components of tangible fixed assets is discounted as at each balance sheet date. The provision is described in note 25.3.1.

Provision for dismantling of ash storage yards

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

Reclamation provisions and other provisions related to mining operations

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

Compensations for termination of long-term power and electric energy sales agreements

Subsidiary "Elektrownia Pątnów II" sp. z o.o. receives compensations to cover stranded costs pursuant to the Act of 29 June 2007 regulating the compensation of power producers' stranded costs resulting from the early termination of long-term power purchase agreements. Revenue under compensations is recognized gradually to the obtained rights to compensations, until the end of the period of their validity. In order to estimate the value of revenue attributable to a given period, the Company makes estimates to determine the ratio of the estimated stranded costs to the total amount of received, refunded and expected discounted annual advance payments (including so far received advance payments), annual adjustments and planned final adjustment.

"Elektrownia Pątnów II" sp. z o.o., in accordance with the adopted accounting policy, on the basis of the constructed financial model, recognized in the 3rd quarter of 2013 and 2012 revenues under compensations in the amount of PLN 110 785 thousand and PLN 83 635 thousand, respectively. On the basis of the issued decision of the President of the Energy Regulatory Office of 31 July 2009, the Company was obliged to refund to the compensation system administrator, Zarządca Rozliczeń S.A., the amount of PLN 52 493 thousand, as the adjustment of stranded costs for the year 2008. The Company’s Board of Directors did not agree with the decision of the President of ERO and filed an appeal with the District Court in Warsaw – Court for Protection of Competition and Consumers ("SOKiK"). On 23 September 2009, the Court ruled on withholding the execution of the respective part of the decision and ordered payment of the amount of PLN 26 493 thousand.

On 1 December 2010, SOKiK issued a ruling in which it dismissed the appeal of the Company against the decision of the President of ERO and acknowledged the arguments of the President of ERO valid. The Company conducted a detailed legal study of the issue in cooperation with a reputable law office and on 9 February 2011 filed an appeal with the Court of Appeal in the first instance.

As a result of the appeal of Elektrownia Pątnów II sp. z o.o, the Court of Appeal in Warsaw, by way of the ruling of 11 October 2012, changed the unfavorable for the Company ruling of SOKiK. The payment request was issued in the total amount of PLN 55 576 thousand. On 22 October 2012, Zarządca Rozliczeń S.A. paid the above amount to the account of the company. The amount of the adjudged adjustment for 2008, in the part that is not entered in revenue under PPAs for 2008, (namely the amount of PLN 11 971 thousand), was entered as other operating income for 2012. The decision of the Court of Appeal confirmed that "Elektrownia Pątnów II" sp. z o.o. had calculated adjustments correctly in each of the past periods, and consequently the company did not change the principles of determination of revenues under compensations for the year 2012 and for the previous years. The President of ERO filed a cassation appeal against the sentence of the Court of Appeal.

8. Changes in estimates

In the period of 9 months ending on 30 September 2013, except for those described in the financial statement, there were no significant changes in estimated values and methodology of estimating, which would have impact on the current or future periods.

9. Acquisitions

In the period from 1 January 2013 to 30 September 2013, no new projects were taken over.

10. Final settlement of acquisition

As a result of the agreement signed on 28 May 2012 between ZE PAK and the State Treasury, ZE PAK purchased 10 200 000 A series ordinary registered shares in PAK Kopalnia Węgla Brunatnego Adamów S.A. ("PAK KWB Adamów") and 20 803 750 A series ordinary registered shares in PAK Kopalnia Węgla Brunatnego Konin S.A., conferring 85% of votes at General Meetings and 85% of share in the initial capital. The payment for purchased shares and transfer of ownership from these shares to ZE PAK involved the consent of the President of the Office for Protection of Competition and Consumers to making concentration, consisting in ZE PAK taking over control over PAK KWB Adamów and the PAK Kopalnia Węgla Brunatnego Konin S.A. ("PAK KWB Konin") Corporate Group, which took place on 16 July 2012. On 18 July 2012, the Minister of the Treasury transferred ownership of the block of 85% of shares in PAK KWB Adamów and of the block of 85% of shares in PAK KWB Konin to ZE PAK. Thus, upon effective purchase of the concerned shares, ZE PAK took over control over PAK KWB Adamów and PAK KWB Konin.

Other 15% of shares in PAK KWB Adamów and PAK KWB Konin will be transferred by the State Treasury to the entitled employees. The shares sale agreement obligates ZE PAK to purchase employee shares after their transfer to employees for the price specified in the agreements, which results in creation of liability under buyout options in the consolidated financial statement of the Group.

The purchase of 85% of shares in PAK KWB Adamów and PAK KWB Konin and the recognition of liability under buyout of employee shares were settled as separate transactions.

The selling price was determined in the amount of PLN 67 320 000 for PAK KWB Adamów and PLN 108 179 500 for PAK KWB Konin. ZE PAK paid the aforementioned amounts on 17 July 2012.

As at 30 September 2013, the Group completed the process of determining fair values of the identified net assets and thereby the settlement of acquisition of PAK KWB Konin and PAK KWB Adamów is final.

The Group adopted the following assumptions for the final settlement of acquisition:

- the value of assets and liabilities of PAK KWB Konin and PAK KWB Adamów was determined on the basis of the financial information prepared by PAK KWB Konin and PAK KWB Adamów with the use of accounting policies compliant with IFRS, assuming that the date of these entities' conversion into IFRS was 1 January 2011.
- the fair value of contingent liabilities in both target companies was zero,
- the fair value of non-controlling shares was equal to the value of percentage share in net assets of PAK KWB Konin and PAK KWB Adamów,
- the valuation of the obligation of ZE PAK to submit purchase bid to the entitled employees, arising from the agreement for sale of shares in KWB Konin and KWB Adamów, is based on the fixed price per share resulting from the agreement for purchase of 85% of shares, excluding discount effect,

The final value of identifiable assets, liabilities and contingent liabilities of PAK KWB Konin and PAK KWB Adamów, as at the date of their acquisition, is presented in the table below.

Data in PLN '000	**PAK KWB Konin**	**PAK KWB Adamów**
Purchased percentage of shares	85%	85%
Assets		
Tangible fixed assets	660 189	133 319
Investment real estate	2 665	817
Intangible assets	1 803	244
Assets concerning stripping and other mining assets	110 967	2 960
Deferred tax assets	80 226	27 059

Inventory	20 252	12 311
Trade receivables and other receivables	1 929	2 531
Receivables under current income tax	375	2 198
Other financial and non-financial assets	31 412	10 394
Cash and cash equivalents	31	9 600
	909 849	**201 433**
Creditors		
Provisions and prepayments	257 941	69 626
Long-term employee benefits	98 296	42 766
Interest-bearing credits and loans	285 492	-
Trade liabilities and other financial liabilities	195 855	20 251
Subsidies and accrued income	303	
Other non-financial liabilities	27 096	11 380
	864 983	**144 023**
Identifiable net assets	**44 866**	**57 410**

Determination of acquisition price

Data in PLN '000	**PAK KWB Konin**	**PAK KWB Adamów**
Value of transferred cash	108 180	67 320
Amount settling the existing link - liabilities of ZE PAK	(82 405)	(21 790)
Acquisition price	25 775	45 530

Effect of purchase settlement

Determination of goodwill/gain from a bargain purchase

Data in PLN '000	**PAK KWB Konin**	**PAK KWB Adamów**
Acquisition price	25 775	45 530
Non-controlling shares valued at the fair value	19 091	11 880
Total	**44 866**	**57 410**

Outflow of cash under acquisition:		
	-	-

(in PLN thousands)

	PAK KWB Konin	**PAK KWB Adamów**		**Total**
Net cash acquired along with subsidiary (recognized as flows from investment activities)	31	9 600	-	9 631
Cash paid (recognized as flows from investment activities)	(108 180)	(67 320)	-	(175 500)
Paid transaction costs (recognized as flows from operating activities)	-	-	(1 759)	(1 759)
Net outflow of cash	**(108 149)**	**(57 720)**	**(1 759)**	**(167 628)**

As a result of conclusion of the agreement with the State Treasury, ZE PAK incurred an obligation to buy out shares of non-controlling shareholders. The recognition of this obligation in the consolidated financial statement required selection of accounting policy for this type of transactions.

According to the selected policy, non-controlling shares receive allocation of result and other comprehensive income in subsequent reporting periods. At the end of each reporting period, the value of non-controlling shares is adjusted, as if their purchase proceeded with simultaneous recognition of liabilities under share buyout option. The difference between the value of non-controlling shares derecognized as at the reporting day and the recognized financial liability is entered in the item of retained profits.

11. 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: Generation 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 Generation Segment is lignite and biomass. Generation Segment comprises the following entities:

- Zespół Elektrowni "Pątnów – Adamów – Konin" S.A.,
- "Elektrownia Pątnów II" sp. z o.o.,
- „PAK – HOLDCO" sp. z o.o.,
- „PAK Infrastruktura" sp. z o.o.,
- „PAK Biopaliwa" sp. z o.o. *

Mining Segment, which includes lignite mining. Mining 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).

Renovation 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, 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 September 2013 and 30 September 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 thousands)

Period from 1 January 2013 to 30 September 2013
(unaudited)

	Generation	Mining	Renovation	Electricity sale	Other	Consolidation adjustment	Total
Revenue from sales to external customers	1 357 475	9 474	43 678	605 495	715	-	2 016 837
Revenue from sales between segments	355 599	699 339	108 424	-	15 404	(1 178 766)	-
Sales revenues	**1 713 074**	**708 813**	**152 102**	**605 495**	**16 119**	**(1 178 766)**	**2 016 837**
Cost of goods sold	(1 457 910)	(558 639)	(123 436)	(599 060)	(12 219)	1 178 717	(1 572 547)
Gross profit	**255 164**	**150 174**	**28 666**	**6 435**	**3 900**	**(49)**	**444 290**
Other operating income	3 772	7 716	206	384	7	(1 187)	10 898
Selling and distribution expenses	(1 797)	(25)	-	(457)	-	-	(2 279)
Administrative expenses	(35 043)	(77 649)	(13 235)	(3 477)	(2 021)	1 756	(129 669)
Other operating expenses	(4 042)	(6 132)	(67)	-	(1)	-	(10 242)
Finance income	47 898	8 205	1 484	606	31	(40 650)	17 574
Finance costs	(54 324)	(21 951)	(73)	(2)	-	-	(76 350)
Profit before tax	**211 628**	**60 338**	**16 981**	**3 489**	**1 916**	**(40 130)**	**254 222**
Income tax expense	(31 190)	(12 520)	(3 339)	(665)	(324)	(99)	(48 137)
Net profit/ (loss) for the year from continuing operations	**180 438**	**47 818**	**13 642**	**2 824**	**1 592**	**(40 229)**	**206 085**
Profit / (loss) from operating activities, without financial operations and income tax	**218 054**	**74 084**	**15 570**	**2 885**	**1 885**	**520**	**312 998**
Depreciation / Amortization	204 781	59 868	4 106	86	1 764	(3 307)	267 298
Change in impairment for property, plant and equipment	(92)						(92)
EBITDA	**422 743**	**133 952**	**19 676**	**2 971**	**3 649**	**(2 787)**	**580 204**

(in PLN thousands)

Period from 1 January 2012 to 30 September 2012
(restated, unaudited)

	Generation	Mining	Renovation	Electricity sale	Other	Consolidation adjustment	Total
Revenue from sales to external customers	1 897 028	8 231	81 059	-	1 762	-	1 988 080
Revenue from sales between segments	12 649	191 768	163 542	-	13 889	(381 848)	-
Sales revenues	**1 909 677**	**199 999**	**244 601**	-	**15 651**	**(381 848)**	**1 988 080**
Cost of goods sold	(1 544 450)	(166 173)	(194 913)	-	(9 100)	379 436	(1 535 200)
Gross profit	**365 227**	**33 826**	**49 688**	-	**6 551**	**(2 412)**	**452 880**
Other operating income	3 728	345	174	-	1	-	4 248
Selling and distribution expenses	(2 442)	(285)	-	-	(1)	-	(2 728)
Administrative expenses	(42 665)	(28 779)	(14 729)	-	(1 743)	(1 760)	(89 676)
Other operating expenses	(5 654)	(3 723)	(197)	-	(2)	-	(9 576)
Finance income	119 138	874	1 162	-	75	(45 661)	75 588
Finance costs	(32 184)	(6 826)	(1 589)	-	-	-	(40 599)
Profit before tax	**405 148**	**(4 568)**	**34 509**	-	**4 881**	**(49 833)**	**390 137**
Income tax expense	(67 772)	1 954	(5 887)	-	(476)	(12)	(72 193)
Net profit/ (loss) for the year from continuing operations	**337 376**	**(2 614)**	**28 622**	-	**4 405**	**(49 845)**	**317 944**
Profit / (loss) from operating activities, without financial operations and income tax	**318 194**	**1 384**	**34 936**	-	**4 806**	**(4 172)**	**355 148**
Depreciation / Amortization	172 814	14 998	3 642	-	1 024	(2 390)	190 088
Change in impairment for property, plant and equipment							
EBITDA	**491 008**	**16 382**	**38 578**	-	**5 830**	**(6 562)**	**545 236**

(in PLN thousands)

12. Revenues and expenses

12.1. Sales revenues

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Revenues by type				
Electricity	1 404 439	464 941	1 553 488	558 406
Electricity resold from the market	362 252	147 426	124 036	31 885
Energy certificates of origin	43 128	7 081	98 587	47 126
Construction contracts	27 851	12 433	67 716	22 040
Compensation related to PPAs termination	110 785	39 615	62 484	25 454
Heat	41 220	9 334	37 021	8 343
Exchange of EUAs for CERs	-	-	21 384	6 565
Other	28 187	9 320	23 996	13 241
Excise	(1 025)	(640)	(632)	(211)
Total sales revenues	**2 016 837**	**689 510**	**1 988 080**	**712 849**

12.2. Other operating income

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Compensations received	2 395	537	1 066	166
Reversal of write-downs against receivables	42	(115)	-	-
Government subsidies received	1 463	1 313	1 434	479
Gain on the sale of non-financial fixed assets	3 432	2 801	-	-
Reversal of provisions for costs and losses and liabilities write-off	2 148	425	1 250	1 250
Other	1 418	(36)	498	96
Total other operating income	**10 898**	**4 925**	**4 248**	**1 991**

(in PLN thousands)

12.3. Other operating expenses

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Loss on the sale of property, plant and equipment	3 934	3 067	882	877
Recognition of provisions	1 161	390	3 159	2 825
Impairment write-downs against receivables	58	14	-	-
Compensations paid	201	92	-	-
Loss on liquidation of fixed assets	87	13	272	-
Electricity equivalents paid for pensioners and former employees	1 572	-	1 502	-
Electricity-related damages	566	87	556	332
Cost of social assets maintenance	201	59	-	-
Donations given	486	134	473	215
Cost of trade unions	107	31	-	-
Cost of shortages and damages	93	46	-	-
Other	1 776	535	2 732	1 078
Total other operating expenses	**10 242**	**4 468**	**9 576**	**5 327**

12.4. Finance income

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (unaudited)*	*3 months period ended 30 September 2012 (unaudited)*
Interest income	7 308	1 935	18 210	4 824
Dividends	9 088	4 553	-	
Foreign exchange gains	703	(626)	36 524	25 844
Valuation of hedging IRS	-	-	-	-
Sale of TGE shares				
Profit on sale of financial assets	-	-	20 649	-
Other	475	276	205	152
Total finance income	**17 574**	**6 138**	**75 588**	**30 820**

(in PLN thousands)

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.

12.5. Finance costs

	9 months *period ended 30 September 2013 (unaudited)*	*3 months* *period ended 30 September 2013 (unaudited)*	*9 months* *period ended 30 September 2012 (unaudited)*	*3 months* *period ended 30 September 2012 (unaudited)*
Interest expenses	35 006	10 381	25 447	16 122
valuation and realization of financial derivatives	8 529	2 718	7 362	2 776
Foreign exchange losses	20 660	(17 262)	836	-
Reclamation provision discount	4 690	322	651	-
Settlement discount	-	-	-	-
Power blocks provision discount	586	195	-	-
Other	6 879	3 998	6 303	5 536
Total finance cost	**76 350**	**352**	**40 599**	**24 434**

(in PLN thousands)

12.6. Costs by type

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Depreciation / Amortisation	267 298	87 938	190 220	66 729
Impairment write-downs against property, plant and equipment	(92)	80	-	-
Impairment write-downs against inventories	164	2	20 119	12 892
Materials	408 758	108 541	755 882	192 623
External services	93 000	40 693	142 735	71 798
Taxes and charges, excluding excise duty	113 670	34 951	75 262	29 789
Employee benefits	469 522	157 660	281 041	145 751
Other costs by type	24 251	550	40 052	26 560
Cost of goods for resale and raw materials sold and resale of electricity from the market	338 326	131 827	124 444	42 250
Total costs by type	**1 714 897**	**562 242**	**1 629 755**	**588 392**
Items included in cost of goods sold	1 572 547	515 592	1 535 200	540 915
Items included in selling and distribution expenses	2 279	953	2 728	670
Items included in administrative expenses	129 669	45 406	89 676	51 191
Change in the stocks of finished goods	8 977	21 767	(9 006)	(15 353)
Cost of goods and services for internal needs	1 425	(21 476)	11 157	10 969

(in PLN thousands)

12.7. Construction contracts

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (unaudited)*	*3 months period ended 30 September 2012 (unaudited)*
Revenue related to construction contracts recognized in the period:	27 851	12 433	67 716	22 040
Revenue invoiced in the period:	29 908	22 387	80 336	19 108
Valuation of construction contracts	(2 057)	9 954	(12 620)	2 932
Expenses incurred in the period:	23 674	11 180	55 860	16 950
Expected losses recognized in the period:	(417)	(276)	(254)	(507)
Result on the construction contracts recognized in the period	4 594	1 811	12 110	5 597

	30 September 2013 (unaudited)	*31 December 2012*
Gross amount due from customers for contract work	6 904	3 605
Gross amount due to customers for contract work	8 353	3 080

13. Components of other comprehensive income

Components of other comprehensive income are as follows:

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Cash flow hedges				
Gains/losses for the period	1 060	6 225	(13 422)	(4 574)
Adjustments relating to reclassification of gains/ losses recognized in profit or loss	8 504	(3 924)	7 233	2 667
Gross cash flow hedge for the period	**9 564**	**2 301**	**(6 189)**	**(1 907)**
Tax charge on cash flow hedge	(1 817)	(437)	1 176	363
Net cash flow hedge for the period	**7 747**	**1 864**	**(5 013)**	**(1 544)**
Gains / (losses) on actuarial provisions for benefits Post-employment gross	**(5 262)**	**(1 630)**	**(4 564)**	**(2 368)**
Tax charge on actuarial provisions for benefits Post-employment	1 000	310	867	450

(in PLN thousands)

Gains / (losses) on actuarial provisions for benefits Post-employment net	**(4 262)**	**(1 320)**	**(3 697)**	**(1 918)**
FX differences on translation of foreign operations				
Gross FX differences on translation of foreign operations	56	(12)	(744)	(330)
Tax charge on FX differences on translation of foreign operations	-	-	141	62
Net FX differences on translation of foreign operations	**56**	**(12)**	**(603)**	**(268)**
Other comprehensive income gross	4 358	659	(11 497)	(4 605)
Tax charge on other comprehensive income	(817)	(127)	2 184	875
Other comprehensive income net	**3 541**	**532**	**(9 313)**	**(3 730)**

14. Earnings per share

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

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

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

Additionally, in December 2012, the Company purchased 1 202 453 own shares for redemption. Own shares were excluded from the basis for calculating earnings per share for the period of 9 months ending on 30 September 2013. The reduction in the subscribed capital of the Company in KRS was registered on 10 July 2013.

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

(in PLN thousands)

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Net profit from continuing operations attributable to equity holders of the parent	198 297	102 730	318 215	102 019
Net profit from discontinued operations attributable to equity holders of the parent	-	-	-	-
Net profit	198 297	102 730	318 215	102 019
Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	198 297	102 730	318 215	102 019
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 presents earnings per share for the period of 3 and 9 months ending on 30 September 2013 and 30 September 2012, presented in the income statement.

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
(in PLN)				
Basic and diluted, for profit for the period attributable to equity holders of the parent	3,90	2,02	6,11	1,96
Basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent	3,90	2,02	6,11	1,96

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

(in PLN thousands)

15. Income tax

15.1. Tax expense

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

	9 months period ended 30 September 2013 (unaudited)	*3 months period ended 30 September 2013 (unaudited)*	*9 months period ended 30 September 2012 (restated, unaudited)*	*3 months period ended 30 September 2012 (restated, unaudited)*
Current income tax				
Current tax expense	18 769	16 449	44 501	10 534
Adjustments for current tax of prior years			(1 556)	-
Deferred tax:	-	-	-	-
Relating to the origination and reversal of temporary differences	29 385	10 607	30 187	12 336
Other	(17)	(651)	(939)	(1 481)
Income tax expense reported in the interim condensed consolidated income statement	**48 137**	**26 405**	**72 193**	**21 389**
Recognised in the interim condensed consolidated statement of comprehensive income				
Tax on net gain/loss on revaluation of cash flow hedges	(1 817)	(437)	1 176	363
Tax charge on actuarial provisions for benefits Post-employment	1 000	310	867	450
Tax on foreign exchange differences on translation of foreign operations			141	62
Tax income/tax expense reported in other comprehensive income	**(817)**	**(127)**	**2 184**	**875**

(in PLN thousands)

15.2. Deferred tax

Odroczony podatek dochodowy wynika z następujących pozycji:

	Consolidated statement of financial position	
	30 September 2013 (non-audited)	*31 December 2012 (transformed data)*
Asset under tax deferred		
Balance sheet provisions	122 422	130 347
Assets concerning stripping and other mining assets	11 647	9 533
Interest and exchange rate differences	15 003	11 182
Hedging instruments	5 225	7 068
Valuation of non-terminated agreements for building services	2 096	858
Tax loss from previous years	48 270	70 135
Impairment write-down against inventories	1 257	1 805
Impairment write-down against receivables	7 326	5 451
Impairment write-downs against fixed assets	104	142
Settlements with employees	3 886	6 660
Other non-tax liabilities	4 124	–
Other	25 253	4 523
Total	**246 613**	**247 706**
Provision under deferred tax		
Difference between the balance sheet and tax value of fixed assets	379 238	362 035
Receivables under PPAs	10 409	6 923
Energy certificates	22 944	20 448
Interest and exchange rate differences	2 119	1 150
Valuation of non-terminated agreements for building services	1 854	1 134
Accrued receivables under contractual penalty fees	869	–
Other	8 452	652
Total	**425 885**	**392 342**
After compensating balances at the level of companies from the Corporate Group, deferred tax is presented as		
Asset:	**106 030**	**121 323**
Provision:	**285 302**	**265 959**

(in PLN thousands)

16. Property, plant and equipment

As at 30 September 2013

(unaudited)

	Land and perpetual usufruct	*Buildings and constructions*	*Plant and machinery*	*Motor vehicles*	*Other fixed assets*	*Assets under construction*	*Total*
Gross carrying amount as at 1 January 2013	163 262	1 839 836	3 817 623	72 279	29 050	170 583	6 092 633
Direct purchase	–	27	2 203	781	1 440	129 634	134 085
Overhauls	–	–	–	–	–	7 722	7 722
Disposals and liquidation	(4 118)	(4 177)	(34 040)	(1 866)	(1 712)	(159)	(46 072)
Transfer from assets under construction	20 126	18 694	31 606	543	235	(71 204)	–
Gross carrying amount as at 30 September 2013	179 270	1 854 380	3 817 392	71 737	29 013	236 576	6 188 368
Accumulated depreciation and impairment as at 1 January 2013	1 141	284 263	685 530	11 711	16 680	30 108	1 029 433
Depreciation charge for the period	917	62 785	184 862	8 212	2 550	–	259 326
Impairment	–	292	–	–	–	(384)	(92)
Disposals and liquidation	(1)	(3 006)	(32 019)	(1 157)	(1 308)	(384)	(37 875)
Accumulated depreciation and impairment as at 30 September 2013	2 057	344 334	838 373	18 766	17 922	29 340	1 250 792
Net carrying amount as at 1 January 2013	162 121	1 555 573	3 132 093	60 568	12 370	140 475	5 063 200
Net carrying amount as at 30 September 2013	177 213	1 510 046	2 979 019	52 971	11 091	207 236	4 937 576

(in PLN thousands)

As at 30 September 2012
(restated, unaudited)

	Land and perpetual usufruct	*Buildings and constructions*	*Plant and machinery*	*Motor vehicles*	*Other fixed assets*	*Assets under construction*	*Total*
Gross carrying amount as at 1 January 2012	37 040	1 522 756	2 805 129	14 104	21 520	659 171	5 059 720
Direct purchase	120 554	137 403	429 716	56 370	2 703	63 360	810 106
Overhauls	5 477	245	3 216	935	1 554	194 006	205 433
Disposals and liquidation	(1 636)	(2 503)	(599)	(1 235)	(866)	-	(6 839)
Transfer from assets under construction	2 838	150 713	501 643	977	165	(656 336)	-
Gross carrying amount as at 30 September 2012	164 273	1 808 614	3 739 105	71 151	25 076	260 201	6 068 420
Accumulated depreciation and impairment as at 1 January 2012	888	216 362	519 663	7 525	15 054	30 291	789 783
Depreciation charge for the period	182	52 601	130 237	3 034	1 874	(91)	187 837
Impairment	-	15	498	64	-	(810)	(233)
Disposals and liquidation	-	(1 445)	(571)	(1 121)	(804)	-	(3 941)
Accumulated depreciation and impairment as at 30 September 2012	1 070	267 533	649 827	9 502	16 124	29 390	973 446
Net carrying amount as at 1 January 2012	36 152	1 306 394	2 285 466	6 579	6 466	628 880	4 269 937
Net carrying amount as at 30 September 2012	163 203	1 541 081	3 089 278	61 649	8 952	230 811	5 094 974

(in PLN thousands)

17. Leasing

17.1. Liabilities from finance leases and lease with option to purchase

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

As at 30 September 2013 and as at 31 December 2012, future minimum lease fees under financial lease agreements and lease agreements with purchase option and current value of minimum net lease fees are as follows:

	As at 30 September 2013		*As at 31 December 2012*	
	Minimum payments	*Present value of payments*	*Minimum payments*	*Present value of payments*
Up to 1 year	21 919	19 509	22 590	18 952
1 year to 5 years	28 823	26 421	43 320	39 380
Over 5 years	–	–	–	–
Total minimal lease payments	50 742	45 930	65 910	58 332
Minus finance expenses	(4 812)	–	(7 578)	–
Present value of minimal lease payments, including:	45 930	45 930	58 332	58 332
Short-term	19 509	19 509	18 952	18 952
Long-term	26 421	26 421	39 380	39 380

(in PLN thousands)

18. Intangible assets

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

	Development costs	*Patents and licences*	*Computer software*	*Other intangible assets*	*Total*
Gross carrying amount as at 1 January 2013	–	32 117	1 624	346	34 087
Increases	–	620	69	–	689
Decreases	–	(34)	–	–	(34)
Gross carrying amount as at 30 September 2013	–	32 703	1 693	346	34 742
Accumulated amortisation and impairment as at 1 January 2013	–	25 949	1 046	257	27 252
Amortisation charge for the period	–	1 336	157	9	1 502
Impairment write–down	–	–	–	–	–
Decreases	–	(32)	–	–	(32)
Accumulated amortisation and impairment as at 30 September 2013	–	27 253	1 203	266	28 722
Net carrying amount as at 1 January 2013	–	6 168	578	89	6 835
Net carrying amount as at 30 September 2013	–	5 450	490	80	6 020

(in PLN thousands)

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

	Development costs	*Patents and licences*	*Computer software*	*Other intangible assets*	*Total*
Gross carrying amount as at 1 January 2012	-	28 224	1 438	321	29 983
Purchase	-	424	23	52	499
PAK KWB Konin and PAK KWB Adamów Acquisition	-	1 818	244	-	2 062
Disposals and liquidation	-	(22)	(85)	-	(107)
Other	-	(55)	360	(305)	-
Gross carrying amount as at 30 September 2012	-	30 389	1 980	68	32 437
Accumulated amortisation and impairment as at 1 January 2012	-	25 045	939	245	26 229
Amortisation charge for the period	-	898	201	1	1 100
Other	-	36	204	(240)	-
Disposals and liquidation	-	(22)	(38)	-	(60)
Accumulated amortisation and impairment as at 30 September 2012	-	25 957	1 306	6	27 269
Net carrying amount as at 1 January 2012	-	3 179	499	76	3 754
Net carrying amount as at 30 September 2012	-	4 433	673	62	5 168

(in PLN thousands)

Short-term intangible assets

	30 September *2013* *(unaudited)*	30 September *2012* *(unaudited)*
	Certified emission reductions (CERs/ERU)	Certified emission reductions (CERs/ERU)
Gross carrying amount as at 1 January	35 368	84 729
Direct purchase	121 125	23 107
Redemption of CERs	(35 368)	(74 318)
Gross carrying amount as at 30 June	121 125	35 518
Accumulated amortisation and impairment as at 1 January	–	–
Impairment write–down	–	–
Accumulated amortisation and impairment as at 30 June	–	–
Net carrying amount as at 1 January	35 368	84 729
Net carrying amount as at 30 June	121 125	33 518

(in PLN thousands)

19. Assets for overburden removal and other mine assets

As at 30 September 2013, the item of assets for overburden and other mining assets includes, among others: expenditures incurred by "PAK Górnictwo" sp. z o.o. related to exploration and assessment of mineral resources, in the amount of PLN 11951 thousand, assets for overburden and other mining assets in PAK KWB Konin in the amount of PLN 114930 thousand, and PAK KWB Adamów, in the amount of PLN 5 134 thousand.

	Assets for overburden removal and other mine assets as at 30 September 2013 (unaudited)	*Assets for overburden removal and other mine assets as at 31 December 2012 (restated)*
As at the beginning of the period	113 597	-
Reclassification from "other long term non-financial assets"	-	1 104
PAK KWB Konin and PAK KWB Adamów Acquisition	-	113 927
Increases	25 071	9 980
Decrease	(183)	(7 466)
Depreciation charge for the period	(6 470)	(3 935)
As at the end of the period	**132 015**	**113 610**
- long-term	131 466	113 083
- short-term	549	527

20. Other assets

20.1. Other financial assets

	30 September 2013 (unaudited)	*31December 2012*
Deposits to service debt costs	91 185	88 154
FLZG and FRZG deposits	10 261	15 144
Other deposits	9 982	16 513
Shares	12 707	15 588
Other	7 970	14 696
Total other financial assets	132 105	150 095
- short – term	102 821	103 697
- long - term	29 284	46 398

(in PLN thousands)

20.2. Other non-financial assets

	30 September 2013 (unaudited)	*31 December 2012*
VAT receivables	2 535	2 311
Insurance	273	2 402
Other receivables from the state budget	3 420	157
Receivables from tax on civil law transactions	4 022	4 022
Allowance to employee benefit fund	-	348
Fees for the exclusion of agricultural and forestry land-use	4 862	
Other non–financial assets	1 263	385
Other prepayments	8 293	2 771
Delivery prepayments	71	11
Prepayments for intangible assets	3 433	4
Prepayments for assets under construction	33 445	7 121
Prepayments for tangible assets – lands	2 501	1 004
Other	9	849
Total other non–financial assets	64 127	21 385
- short – term	30 405	17 230
- long - term	33 722	4 155

21. Inventories

	30 September 2013 (unaudited)	*31 December 2012*
Production fuel	19 736	19 243
Spare parts and other materials	67 409	61 339
Energy certificates	120 755	107 620
Goods	1 984	123
Total inventory at the lower of two values: purchase price (cost of manufacturing) and attainable net value	209 884	188 325

At the end of the quarter ending on 30 September 2013, impairment write-down against inventories amounted to PLN 21 158 thousand. The impairment write-down applies mainly to certificates of energy generated from renewable energy sources ("green certificates") and in high-efficiency cogeneration ("red certificates"), as a result of drop in their market price.

As at 30 September 2013, PAK KWB Konin alienation was established on movable inventory – parts to machines and drums – in the value no lower than PLN 8 000 thousand, located in warehouses.

(in PLN thousands)

22. Trade and other receivables

	30 September 2013 (non-audited)	*31 December 2012*
Trade receivables	128 097	142 277
Receivables under compensation in connection with termination of PPA's	54 785	36 438
Receivables under hedging of energy purchases on the balancing market	5 324	5 141
Other receivables	44 794	36 703
Net receivables	233 000	220 559
Impairment write-down against receivables	40 777	39 611
Gross receivables	273 777	260 170

In the line other receivables as at 30 September 2013, the Group presents mainly receivables under sale of shares in ZE PAK S.A. by Elektrim-Volt S.A.to Embud Sp. z o.o., in the amount of PLN 34 092 thousand.

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

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

(in PLN thousands)

23. Cash and cash equivalents

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

	30 September 2013 (unaudited)	*30 September 2012 (unaudited)*
Cash on hand and cash at bank	80 238	11 747
Short-term deposits	269 035	383 429
Total balance of cash and cash equivalents presented in the statement of financial position:	**349 273**	**395 176**
Foreign exchange	5 769	(939)
Total balance of cash and cash equivalents presented in the statement of cash flow	**343 504**	**396 115**

Explanation of the selected cash flow statement items

In item other adjustments from operating activities, both in the year ending on 30 September 2013 and on 30 September 2012, mainly valuation of derivatives was presented.

The item outflows and inflows related to other financial assets presents inflows and outflows related to cash meant for service of debt, received guarantees and outflows and inflows related to FLZG.

Outflows for purchase of CO2 allowances in the period ending on 30 September 2013 were presented in a separate line in the cash flow statement in flows from operating activities. In the previous years, these expenses were presented in the item change in provisions, prepayments and employee benefits, as reduction in change in the provision for cancellation of emission allowances (EUA) and units of certified emission reduction (CER /ERU).

24. Interest-bearing loans and borrowings

Short-term	*Maturity*	*30 September 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	133 360	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	521	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	29 688	29 883
Bank loan (syndicated) in the amount of PLN	31.12.2015	41 986	44 329

(in PLN thousands)

291,000 thousand, interest rate at 3M WIBOR+ bank margin			
Overdraft facility at BRE Bank in the amount of PLN 9,700 thousand PLN, interest rate at 1M WIBOR + bank margin	27.04.2014	9 328	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	64 176	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	32 179	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	21 206	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	-	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	4 700	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
Overdraft facility at Millenium Bank in the amount of PLN 76 500 tysięcy, interest rate at WIBOR 3M+ bank margin	31.12.2017	12 341	-
Overdraft facility at Millenium Bank in the amount of PLN 750 thousand, interest rate at WIBOR 1M+ bank margin	12.07.2014	526	-
Overdraft facility at BNP Paribas in the amount of PLN 750 thousand, interest rate at WIBOR 3M+ bank margin	15.07.2014	303	-
Total		360 614	461 924

Long-term	*Maturity*	*30 September 2013 (unaudited)*	*31 December 2012*
Loan from NFOŚiGW in the amount of PLN 226,000 thousand, interest rate at 0.5 of bills of exchange rediscount rate	23.06.2015	27 467	39 790
Bank loan (syndicated) in the amount of PLN 291,000 thousand, interest rate at 3M WIBOR+ bank margin	31.12.2015	47 662	75 060
Bank loan (syndicated) in the amount EUR 240,000 thousand, interest rate at 3M EURIBOR+ bank margin	20.07.2019	615 504	675 535
Overdraft facility at Millenium Bank in the amount of PLN 76 500 tysięcy, interest rate at WIBOR 3M+ bank margin	31.12.2017	63 918	
Total		754 551	790 385

As at 30 September 2013, PAK KWB Konin SA defaulted on terms of the credit agreements concluded before 01.01.2013 (financial ratios) with regard to payment of financial liabilities. In connection with the above, in accordance with the requirements of IFRS; they were presented in full as short-term liabilities. At the same time, the Group received guarantees from crediting banks, on the lack of maturity of the credits in question and on the lack of their termination.

Any case of breach of credit terms by PAK KWB Konin does not affect maturity of other liabilities of the ZE PAK Corporate Group.

(in PLN thousands)

On 9 August 2013, liability financed under the issuance of bonds, in the amount of PLN 76 500 thousand, was repaid. For this purpose, revolving credit was contracted in the amount of PLN 76 500 thousand in Bank Millennium S.A.

In the period ending on 30 September 2013, the Group repaid credits along with interest in the amount of PLN 261 019 thousand, including:

- repayment of investment credit in Bank PEKAO by ZE PAK S.A. in the amount of PLN 1 611 thousand (principal amount along with interest),
- repayment of investment credit in Bank Pocztowy S.A. in the amount of PLN 1 527 thousand (principal amount along with interest),
- repayment of consortium credit in PEKAO and PKO BP by ZE PAK S.A. in the amount of PLN 34 144 thousand (principal amount along with interest),
- repayment of consortium credit by EP II in the amount of PLN 99 896 thousand (principal amount along with interest),
- repayment of other credits by PAK KWB Konin in the amount of PLN 123 841 thousand (principal amount along with interest).

25. Provisions and accruals

25.1. Accruals

	30 September 2013 (unaudited)	*31 December 2012*
Provisions for bonuses and unused annual leave	46 145	34 461
Compensations from the insurer	293	328
Audit of financial statements	84	671
Other	45 647	97
Total	92 169	35 557
Long – term	–	–
Short - term	92 169	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 45,358 thousand.

(in PLN thousands)

25.2. Movements in provisions

	Provision for CER cancellation	*Provision for costs of dismantling of fixed assets*	*Provision for reclamation of ash storage yards*	*Provision for loss on long-term contracts*	*Provision for cancellation of certificates of energy origin*	Provision for reclamation of mining land	*Other*	*Total*
as at 01.01.2012	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
Increases	24 958	1 238	–	380	958	43 240	4 422	75 196
Decreases	(74 318)	(3 401)	(1 630)	(516)	(1 505)	(12 435)	(9 707)	(103 512)
as at 31.12.2012	35 369	19 547	4 484	551	958	303 517	28 938	393 364
including: 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
as at 01.01.2013	35 369	19 547	4 484	551	958	303 517	28 938	393 364
Increases	-	586	–	–	1 411	33 945	20 549	56 491
Decreases	(35 369)	(2 530)	–	(408)	(958)	(30 332)	(23 258)	(92 855)
as at 30.09.2013	–	17 603	4 484	143	1 411	307 130	26 229	357000
including: long-term	–	17 513	4 294	–	–	286 011	1 090	308 908
Short-term	–	90	190	143	1 411	21 119	25 139	48 092

25.3. Description of significant provisions

25.3.1. Provision for reclamation of ash storage yards and costs of dismantling of fixed assets

The Group creates a provision for future costs of reclamation of ash storage yards based on the legal obligation resulting from "integrated permits". The basis for estimation of the amount of provisions are specialist studies and technological and economic experts' studies, prepared by internal services or external experts. The value of the provision is estimated and verified as at each balance sheet date on the basis of current estimates of costs and discount. As at 30 September 2013, the created provision amounted to PLN 4 484 thousand.

Owing to the presence of the legal obligation to dismantle fixed assets after their period of use, the Group creates a provision for the expected future costs which will be incurred to fulfill this obligation. As at 30 September 2013, the provision on this account amounted to PLN 17 603 thousand.

25.3.2. Reclamation provisions and other provisions related to mining operations

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

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

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

The provision for dismantling of facilities and reclamation of mining land and under preparation of exploitation land in PAK KWB Konin and PAK KWB Adamów as at 30 September 2013 amounted to PLN 307 130 thousand. When calculating the provision, the Group accepted the following assumptions: discount rate of 4%, inflation rate of 2.5 %. As compared to the previous year, the parameters adopted for calculation of the provision did not change. Changes in the provision result from changes in estimated costs of reclamation and dismantling, on the basis of data from the report of independent experts, and percentage coal extraction, as well as on the basis of the report of the environmental protection section.

25.3.3. Provision for redemption of energy certificates of origin

In connection with sale of electric energy to final recipients, the Group is under the obligation to redempt a given number of energy certificates of origin from renewable energy sources, gas and cogeneration. As at 30 September 2013, the provision on this account amounted to PLN 1 411 thousand.

25.3.4. Other provisions

Provision for operating fees in the amount of PLN 4 162 thousand , provision for pending court proceedings in PAK KWBK, in the amount of PLN ca. 2 672 thousand, provision for Miner's Day bonus in PAK KWBA, in the amount of PLN 7 409 thousand, provisions for guarantee repairs and losses on long-term contracts in El PAK and PAK SERWIS, in the total amount of PLN 838 thousand, fixed fees on arable land in PAK KWBA in the amount of PLN 1 244 thousand, provision for construction of a road in PAK KWBA in the amount of PLN 1 377 thousand, and provision for remuneration for permanent mining works in PAK KWBK, in the amount of PLN 3 818 thousand, are the main items of other provisions as at 30 September 2013.

(in PLN thousands)

26. CO2 emission allowances

1 January 2013 is the day of beginning a subsequent settlement period 2013 – 2020 concerning CO2. The basic aim of this period is granting the Corporate Group free EUA resulting from the generation of electric energy and heat, though the power sector was covered additionally with the possibility of derogation. The derogation arising from Article 10c of the ETA Directive consists in granting additional free allowances subject to sustaining declared investment outlays reported in the National Investment Plan.

on 26 September this year, the Ministry of Economy, in consultation with the Ministry of Environment, presented a list of systems generating electric energy that are covered by EU ETS along with free CO2 emission allowances in the settlement period 2013 – 2020. The presented list is consistent with the Poland's Application for temporary allocation of free emission allowances for modernization of electric energy generation, on this basis of Article 10c (5) of Directive 2003/87/EC of the European Parliament and of the Council (the so-called derogation application) that complies with the requirements of the Commission Decision of 13 July 2012 C (2012) 4609. The derogation application is presently the object of notification of public aid in the European Commission Directorate-General for Competition.

The table below presents the volumes of free CO2 emission allowances for systems of the ZE PAK Corporate Group generating electric energy.

Operator	System code according to KPRU III	2013 (in tons)	2014 (in tons)	2015 (in tons)	2016 (in tons)	2017 (in tons)	2018 in tons)	2019 (in tons)	2020* (in tons)
Pątnów I Power Plant	PL-0021-05	3 624 320	3 350 223	2 912 158	2 216 534	1 677 877	1 337 214	994 681	2 445
Adamów Power Plant	PL-0023-05	2 176 736	2 010 426	1 748 088	1 334 657	1 014 045	810 985	607 774	22 270
Pątnów II Power Plant	PL-0957-08	1 444 341	1 335 145	1 160 489	883 005	668 189	532 417	395 900	0
Konin Power Plant	PL-0022-05	1 300 056	1 194 104	1 035 587	793 852	604 769	482 922	363 442	30 999
Group (total)		8 545 453	7 889 898	6 856 322	5 228 048	3 964 880	3 163 538	2 361 797	55 714

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

From the period of KPRUII, the Group saved 4 803 733 EUA.

At the moment, the Group does not have free CO2 emission allowances. In 2013, the Company has the possibility of obtaining EUA, provided that it will sustain investment outlays as declared in the National Investment Plan. Attainable free CO2 emission allowances for the year 2013 can be obtained for 4 subsequent years. In connection with the above, when the Group incurs investment outlays as declares in the National Investments Plan, it will receive EUA specified in the project and the Corporate Group will be able to present them for the purpose of cancellation. Currently, the Group purchases EUA according to the budget assumptions.

The following tables present carbon dioxide emission allowances granted under the National Allowance Allocation Plan, purchased on the secondary market, along with breakdown into a part used for internal purposes and sold in the periods ending on 30 September 2013 and 30 September 2012.

CO2 emission allowances in the period ended 30 September 2013 (unaudited)

(in PLN thousands)

(w tons)		*Zespół Elektrowni Pątnów – Adamów – Konin S.A.*	*Elektrownia Pątnów II sp. z o.o.*
	CO2 Emission*	7 768 133	1 841 558
EUA	Balance as at 1.01.2013	12 883 785	3 275 356
	Purchases	5 583 745	1 077 353
	Redemption	(9 360 653)	(1 994 755)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.09.2013	9 106 877	2 357 954
CER	Balance as at 1.01.2013	4 528	10 000
	Purchases	–	–
	Redemption	(4 528)	(10 000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.09.2013	–	–
ERU	Balance as at 1.01.2013	493 967	718 000
	Purchases	–	–
	Redemption	(493 967)	(718 000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.09.2013	–	–

** Emission for 9-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 period ended 30 September 2012 (unaudited)

(w tons)		*Zespół Elektrowni Pątnów – Adamów – Konin S.A.*	*Elektrownia Pątnów II sp. z o.o.*
	CO2 Emission*	7 291 616	2 021 078
EUA	Balance as at 1.01.2012	22 134 186	5 733 116
	Purchases	–	–
	Redemption	(7 981 849)	(2 181 760)
	Sales	–	–
	Exchange	(1 130 057)	(276 000)
	Balance as at 30.09.2012	13 022 280	3 275 356
CER	Balance as at 1.01.2012	1 752 829	452 000
	Purchases	–	–
	Redemption	(2 422 886)	–
	Sales	–	–
	Exchange	1 130 057	276 000
	Balance as at 30.09.2012	460 000	728 000
ERU	Balance as at 1.01.2012	–	100 000
	Purchases	–	–
	Redemption	–	(100 000)
	Sales	–	–
	Exchange	–	–
	Balance as at 30.09.2012	–	–

(in PLN thousands)

Granting free CO2 emission allowances for a period of 2013 – 2020 is determined by fulfillment by the entity receiving emission allowances of a specified level of investment outlays, as declared in the National Investment Plan (KPI) attached to the derogation application.

If, in accordance with the assumptions, required investments for the year 2013 are completed in the period 2013-2020, consequently allowances for the year 2013 will be granted in the scope sufficient to cover the obligation to cancel emissions for this year.

According to the estimates, as at the date of preparing this financial statement, the Board of Directors does not see risk of failure to implement the planned investments to a degree ensuring granting of free allowances to cover emissions for the year 2013. In connection with the above, the Group did not create, as at 30 September 2013, provision for potential deficiency of allowances in connection with CO2 emission for the current reporting period.

In the subsequent year, the Group will be obliged to present allowances for cancellation for the previous year. If, in connection with delays in the process of granting free allowances, allowances for that year are not granted, the Group will acquire allowances on the market for the purpose of fulfillment of the obligation of cancellation and will present them in the item intangible assets until the moment of their physical cancellation. The value of cancelled allowances at the purchase price is of prepayment character and the prepayment will be deducted in a separate balance sheet item until the time of:

a. selling allowances the company will receive from allocation,
b. negative change in expectations of the Company with regard to the possibility to implement the investment.

Allowances to be purchased in a given balance sheet year, in the volume resulting from lack of coverage of the entire emissions of the Power Plant with free allowances, are tax costs for the year.

27. Trade payables, other liabilities and accruals

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

	30 September 2013 (unaudited)	*31 December 2012*
Trade payables	122 991	131 609
Financial liabilities	193	630
Other liabilities:		
Investment liabilities	14 991	14 220
Payroll	20 934	21 420
Other liabilities	26 462	20 321
Total	185 571	188 200

In the line other liabilities, as at 30 September 2013, the Group presents mainly liabilities under financial lease, in the amount of PLN 19 374 thousand, as at 31 December 2012 liabilities under financial lease in the item other liabilities amounted to PLN 19 800 thousand. The remaining amount in the item other liabilities as at 30 September 2013 covers mostly settlements with employees and deductions from payroll, in the amount of PLN 3 020 thousand, and settlements under the Corporate Social Benefits Fund, in the amount of PLN 140 thousand, settlements under remuneration, of PLN 2 058 thousand, and settlements under the bid bond of PLN 599 thousand.

(in PLN thousands)

Principles and terms of payment of the above financial liabilities:

Terms of transactions with related parties are presented in note 31 of additional information and explanations.

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

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

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

	30 September 2013 (unaudited)	*31 December 2012*
Finance lease liabilities	19 374	41 361
Put option liabilities	30 971	30 971
Short-term liabilities to other entities – over 12 months	474	605
Other finance liabilities	7 073	85
Other	1 111	310
Total	59 003	73 332

27.3. Other non-financial liabilities

	30 September 2013 (unaudited)	*31 December 2012*
Liabilities arising from VAT settlements	31 785	31 421
Liabilities arising from environmental charges	-	28 586
Excise tax liabilities	291	185
Social security liabilities	26 741	35 527
Personal Income Tax	7 756	9 288
Other state budget liabilities	42	1 918
Prepayments for deliveries	299	9 217
Operating fee	1 898	11 609
Other	(157)	473
Total	68 655	128 224

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.

28. Contingent liabilities and description of significant legal proceedings

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

28.1. Legal proceedings

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

The subsidiary company „Elektrownia Pątnów 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 Pątnów 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 Pątnów 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 Pątnów 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 Pątnów 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.

Procedure concerning determination of the amount of annual adjustment of stranded costs for the year 2012

On 31 July 2013, the President of the Energy Regulatory Office (ERO) issued the decision with regard to determination of the annual adjustment of stranded costs for 2012 for Elektrownia Pątnów II Sp. z o.o. In accordance with the decision, the adjustment value amounted to PLN 20 689 thousand. This value does not vary substantially from estimates of the Company included in the consolidated statement of the Group for the year ending on 31 December 2012.

In addition, on 19 August 2013, the Company filed an appeal against the decision of the President of ERO, with the District Court in Warsaw, Division Court for Protection of Competition and Consumers, in the amount of ca. PLN 1 500 thousand.

The object of the appeal is the methodology of determining the value of tax depreciation costs, taking into account in calculation of annual adjustments, and of final adjustment under stranded costs.

As at the date of preparing this financial statement, the appeal has not been examined.

(in PLN thousands)

29. Securities for repayment of liabilities

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

As at 30 September 2013, the Group had the following liabilities secured on its property and other liability repayment securities:

Liabilities secured on the entity's property

		30 September 2013 (non-audited)		*31 December 2012*	
No.	*Type of security*	*amount of security*	*currency*	*amount of security*	*Currency*
ZE PAK S.A.					
1	Registered pledge and financial pledge				
1.1	Registered pledge on set of movables of ZE PAK (power units no. 3 and 4 in the Pątnów Power Plant)	240 000	PLN	460 000	PLN
1.2	Registered pledge and financial pledge on rights and cash from bank account IOS of ZE PAK in PKO BP	240 000	PLN	240 000	PLN
1.3	Registered pledge and financial pledge on rights and cash from agreements of bank accounts A and B of ZE PAK in PKO BP and PEKAO	240 000	PLN	460 000	PLN
1.4	Registered pledge on set of movables comprising the Flue Gas Desulfurization System in the Pątnów Power Plant	240 000	PLN	240 000	PLN
2	Registered pledge and financial pledge on shares in subsidiaries				
2.1	Registered pledge and financial pledge on shares in ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. for BRE Bank S.A. (ZE PAK, as guarantor of the project "Pątnów II")	400 000 339 750	EUR PLN	400 000 339 750	EUR PLN
3	Mortgage				
3.1	Total contractual aggregate ordinary and capped mortgage established on plots with land and mortgage registers number KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 for PEKAO S.A.	70 000	PLN	145 500	PLN
3.2	Total contractual aggregate ordinary and capped mortgage established on plots with land and mortgage registers number KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 for PEKAO S.A.	35 000	PLN	73 000	PLN
3.3	Total contractual aggregate ordinary and capped mortgage established on plots with land and mortgage registers number	70 000	PLN	145 500	PLN

(in PLN thousands)

No.	*Type of security*	*30 September 2013 (non-audited) amount of security*	*currency*	*31 December 2012 amount of security*	*Currency*
	KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 for PKO BP S.A.				
3.4	Total contractual aggregate ordinary and capped mortgage established on plots with land and mortgage registers number KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0 for PEKAO S.A.	35 000	PLN	73 000	PLN
PAK Serwis Spółka z o.o.					
1	Registered pledge				
1.1	Registered pledge on set of movables of PAK Serwis in DZ Bank	3 554	PLN	2 521	PLN
EL PAK sp. z o.o.					
1	Bank deposit up to the amount of the guarantee sum				
1.1	Bank performance bonds	1 012	PLN	1 012	PLN
2	Bank deposit above the amount of the guarantee sum				
2.1	Bank performance bond	1 470	PLN	2 090	PLN
3	Cash – transfer				
3.1.	Payment of bid bond	-	PLN	47	PLN
Elektrownia Pątnów II sp. z o.o.					
1	Registered pledge and financial pledge				
1.1	Registered pledge and financial pledge on the rights from agreements of bank accounts of Elektrownia Pątnów II Sp. z o.o. in PEKAO and BRE Bank	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.2	Registered pledge and financial pledge on the rights from agreements of bank accounts of Elektrownia Pątnów II Sp. z o.o. in BOŚ SA	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.3	Registered pledge on set 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	Total contractual capped mortgage established by Elektrownia Pątnów II Sp. z o.o. and PAK Infrastruktura Sp. z o.o. on the plots with land and mortgage registers number KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 for BRE Bank S.A.	400 000	EUR	400 000	EUR
2.2	Total contractual capped mortgage established by Elektrownia Pątnów II Sp. z o.o. and PAK Infrastruktura Sp. z o.o. on the plots with land and mortgage registers	339 750	PLN	339 750	PLN

(in PLN thousands)

		30 September 2013 (non-audited)		31 December 2012	
No.	*Type of security*	*amount of security*	*currency*	*amount of security*	*Currency*
	number KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 for BRE Bank S.A.				
And PAK Holdco Sp. z o.o.					
1	Registered pledge and financial pledge				
1.1	Registered pledge and financial pledge on shares owned by PAK Holdco in Elektrownia Pątnów II Sp. z o.o. for BRE Bank S.A.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
1.2	Registered pledge on set of movables and rights of PAK Holdco Sp. z o.o.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
PAK Infrastruktura sp. z o.o.					
1	Registered pledge and financial pledge				
1.1	Registered pledge on set of movables and rights of PAK Infrastruktura Sp. z o.o.	339 750 400 000	PLN EUR	339 750 400 000	PLN EUR
PAK KWB Konin					
1	Mortgage				
1.1	Mortgage on the right of perpetual usufruct in land and mortgage registers no. : 53149, 55458, 55457, 554534, KN1N/00080827/1, KN1N/00075017/2, KN1N/00080824/0, KN1N/00080825/7 for Bank: BZ WBK	90 000	PLN	90 000	PLN
2	Registered pledge and financial pledge				
2.1	Transfer of title to two excavators and five driving stations along with assignment of insurance policy	86 590	PLN	86 590	PLN
2.2	Registered pledge on liabilities under agreements for sale of coal to Elektrownia Pątnów II – PKO BP	270 000	PLN	270 000	PLN
2.3	Agreement for granting guarantee no. 2110-52346- alienation on movable inventory – parts to machines and located in warehouses: along with assignment of insurance policy – BANK POCZTOWY	8 000	PLN	8 000	PLN

(in PLN thousands)

Other liability repayment securities

No.	Type of security	30 September 2013 (non-audited) amount of security	currency	31 December 2012 amount of security	currency
ZE PAK S.A.					
1	Guarantees and sureties				
1.1	Surety of ZE PAK for PAK KWB Konin under revolving credit in BRE Bank in the amount of PLN 18,300 thousand	18 300	PLN	–	
1.2	Surety of ZE PAK for PAK KWB Konin under revolving credit in BRE Bank in the amount of PLN 10,300 thousand	10 300	PLN	–	
1.3	Surety of ZE PAK for PAK KWB Adamów under credit in current account in BZ WBK in the amount of PLN 10,000 thousand	10 000	PLN	–	
1.4	Surety of ZE PAK for PAK KWB Konin under credit in current account in BRE Bank in the amount of PLN 9,700 thousand	9 700	PLN	–	
1.5	Surety of ZE PAK for PAK KWB Konin under investment credit in BZ WBK in the amount of PLN 32,572 thousand	32 572	PLN	–	
1.6	Surety of ZE PAK for PAK KWB Konin under credit in current account in BZ WBK in the amount of PLN 65,000 thousand	65 000	PLN	–	
1.7	Surety of ZE PAK for PAK KWB Konin under revolving credit in Millennium in the amount of PLN 76,500 thousand	76 500	PLN	–	
2	Surety and agreement for the transfer of rights and obligations for ALPIQ	–		1 000	PLN
EL PAK sp. z o.o.					
1	Bills of exchange				
1.1	Insurance performance bonds	3 101	PLN	4 296	PLN
1.2	Insurance bid bond guarantees	312	PLN	220	PLN
1.3	Liabilities under lease agreement	–	PLN	7	PLN
1.4	Performance bond	–	PLN	–	
Elektrownia Pątnów II sp. z o.o.					
1	Assignments of liabilities				
1.1	Assignment of liabilities from the Transaction Agreement for sale of electric energy with Inter Energy SA	133 261	PLN	–	
1.2	Assignment of liabilities from the Agreement for sale of electric energy with TAURON Polska Energia SA.	9 078	PLN	–	
PAK Serwis sp. z o.o.					
1.	Bills of exchange	3 000	PLN	3 043	PLN
2.	Guarantees				
2.1	Performance bonds	–	PLN	–	
2.1	Performance bonds	385	EUR	385	EUR
2.3	Retention bond	6 538	PLN	4 438	PLN

(in PLN thousands)

2.4	Retention bond	94	EUR	94	EUR
2.5	Guarantee of advance payment refund	–		–	

PAK KWB Konin

1.	Guarantee	–		–	
1.1	Zaklad Opieki Zdrowotnej i Medycyny Pracy "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 no. 40014KPA11	4 800	PLN	4 800	PLN

30. Guarantees and suretyships received

No.	*Type of liabilities, guarantees and suretyships*	*As at 30 September 2013* *Received in PLN*	*Received in EUR*	*As at 31 December 2012* *Received in PLN*	*Received in EUR*
	ZE PAK S.A.				
1	Bills of exchange	27 500	908	27 500	908
2	Payment guarantees	–	15 000	975	15 000
3	Perofrmance bond	55 712	702	27 301	1 053
4	Guarantee for advance repayment	59 599	–	5 289	–
5	Suretyships received	211 143*	17 550	211 143*	17 550
	EL PAK sp. z o.o.				
1	Guarantees				
1.1	Perofrmance bond (Cash payments	75	–	84	–
1.2	Perofrmance bond	2 932	–	2 474	–
	PAK Serwis sp. z o.o.				
1	Guarantees	1 136	61	1 144	61
2	Bills of exchange	5	56	171	56
	Elektrownia Pątnów II sp. z o.o				
1	Payment guarantee	1 492	–	–	–
2	Perofrmance bond	9 923	–	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.

(in PLN thousands)

31. Related party disclosures

The following table shows the total amount of transactions with related parties during the 9-month periods ended 30 September 2013 and 2012 and the balance of the settlement as at 30 September 2013 and 2012 (unaudited):

Related party		*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
Elektrim S.A.	*2013*	1	91	190	–
	2012	–	–	–	–
Elektrim Volt S.A*.:	*2013*	–	–	–	–
	2012	367 790	–	23 957	200
Magadex Serwis Sp. z o.o.	*2013*	1	49 326	–	1 515
	2012	–	32 372	–	–
Polkomtel	*2013*	5 158	306	1 414	45
	2012	57	95	20	24
Centernet	*2013*	–	–	–	–
	2012	–	22	–	–
WKS Śląsk Wrocław	*2013*	–	–	–	–
	2012	–	2 000	–	–
Laris Investments sp. z o.o.	*2013*	2	719	171	20
	2012	–	114	–	20
Razem	*2013*	5 163	50 442	1 776	1 581
	2012	367 847	34 603	23 977	244

* As at 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.

32. 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.

32.1. 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.

	30 September 2013		**Analysis of sensitivity to interest rate risk as at 30 September 2013**							
			WIBOR				***EURIBOR***			
Classes of financial instruments	***Carrying amount***	***Wartość narażona na ryzyko***	***WIBOR + 114 pb***		***WIBOR -114 pb***		***EURIBOR + 19 pb***		***EURIBOR -19 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	132 105	107 689	372	-	(372)	-	143	-	(143)	-
Trade and other receivables	233 000	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	349 273	349 273	2 922	-	(2 922)	-	177	-	(177)	-
Interest–bearing loans and borrowings	(1 115 165)	(1 115 165)	(4 176)	-	4 176	-	(1 423)	-	1 423	-
Trade payables and other financial liabilities	(244 574)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(27 502)	(27 502)	-	-	-	-	-	2 231	-	(2 231)
Total			**(882)**	**-**	**882**	**-**	**(1 104)**	**2 231**	**1 104**	**(2 231)**

	30 September 2012		**Analysis of sensitivity to interest rate risk as at 30 September 2012**							
			WIBOR				***EURIBOR***			
Classes of financial instruments	***Carrying amount***	***Wartość narażona na ryzyko***	***WIBOR + 43 pb***		***WIBOR -43 pb***		***EURIBOR + 139 pb***		***EURIBOR -139 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	130 452	99 693	117	-	(117)	-	1 009	-	(1 009)	-
Trade and other receivables	233 536	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	395 176	395 176	1 303	-	(1 303)	-	1 281	-	(1 281)	-

Classes of financial instruments	30 September 2012		Analysis of sensitivity to interest rate risk as at 30 September 2012							
	Carrying amount	*Wartość narażona na ryzyko*	*WIBOR*				*EURIBOR*			
			WIBOR + 43 pb		*WIBOR -43 pb*		*EURIBOR + 139 pb*		*EURIBOR -139 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*
Interest–bearing loans and borrowings	(1 350 393)	(1 350 393)	(2 218)	-	2 218	-	(11 601)	-	11 601	-
Trade payables and other financial liabilities	(306 631)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(37 278)	(37 278)	-	-	-	-	-	23 219	-	(23 219)
Total			**(798)**	**-**	**798**	**-**	**(9 311)**	**23 219**	**9 311**	**(23 219)**

32.2. 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.

	30 September 2013		*Analysis of sensitivity to foreign currency risk as at* 30 September 2013			
			EUR/PLN			
	Carrying amount	*Value at risk*	*rate EUR/PLN +8,925%*		*rate EUR/PLN -8,925%*	
Classes of financial instruments			*4,5926*		*3,8400*	
	in PLN thousand	*in PLN thousand*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	132 104	75 083	6 701	-	(6 701)	-
Trade and other receivables	233 000	4 763	425	-	(425)	-
Derivative financial instruments (assets)	-	-	-	-	-	-
Cash and cash equivalents	349 273	92 939	8 295	-	(8 295)	-
Interest–bearing loans and borrowings	(1 115 165)	(748 863)	(66 836)	-	66 836	-
Trade and other short–term financial liabilities	(244 574)	(578)	(52)	-	52	-
Derivative financial instruments (liabilities)	(27 502)	-	-	-	-	-
Total		**(576 655)**	**(51 466)**	**-**	**51 466**	**-**

	30 September 2013		*Analysis of sensitivity to foreign currency risk as at 30 September 2013*			
			EUR/PLN			
	Carrying amount	*Value at risk*	*rate EUR/PLN +17,15%*		*rate EUR/PLN -17,15%*	
Classes of financial instruments			*4,8193*		*3,4083*	
	in PLN thousand	*in PLN thousand*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	130 452	72 559	12 444	-	(12 444)	-
Trade and other receivables	233 536	8 624	1 479	-	(1 479)	-
Derivative financial instruments (assets)	-	-	-	-	-	-
Cash and cash equivalents	395 176	92 229	15 817	-	(15 817)	-
Interest–bearing loans and borrowings	(1 350 393)	(834 614)	(143 136)	-	143 136	-
Trade and other short–term financial liabilities	(306 631)	(2 282)	(391)	-	391	-
Derivative financial instruments (liabilities)	(37 278)	-	-	-	-	-
Total		**(663 484)**	**(113 788)**	**-**	**113 788**	**-**

(in PLN thousands)

32.3. 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.

32.4. 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 September 2013 and 31 December 2012 based on contractual undiscounted payments.

30 September 2013	*Less than 3 months*	*3 – 12 months*	*1 – 5 years*	*Over 5 years*	*Total*
Interest bearing loans and borrowings	202 524	165 466	695 194	142 836	1 206 020
Trade payables and other financial liabilities	161 693	40 127	42 754	-	244 573
Derivative financial instruments	2 941	8 083	25 622	1 379	38 025
	367 157	**213 675**	**763 571**	**144 215**	**1 488 618**

(in PLN thousands)

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

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:

30 September 2013	*On demand*	*Less than 3 months*	*3 – 12 months*	*1 – 5 years*	*Over 5 years*	*Total*
Inflow	-	209	782	8 220	1 021	10 233
Outflow	-	2 909	8 083	25 622	1 379	37 993
Net amount	-	(2 700)	(7 300)	(17 402)	(358)	(27 760)
Discounted using appropriate interbank rates	-	**(2 700)**	**(7 290)**	**(17 176)**	**(337)**	**(27 502)**

(in PLN thousands)

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

33. Financial instruments

33.1. 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:

		Carrying amount		*Fair value*	
Financial assets	*Category according to IAS 39*	*30 September 2013*	*31 December 2012*	*30 September 2013*	*31 December 2012*
Other financial assets	LaR	132 104	150 095	132 104	150 095
Trade and other receivables	LaR	233 000	220 559	233 000	220 559
Derivatives	FVtPoL	-	-	-	-
Cash and cash equivalents	FAHtM	349 273	318 002	349 273	318 002
Financial liabilities					
Interest–bearing loans and borrowings,		1 115 165	1 252 309	1 115 165	1 252 309
of which:					
– floating rate long–term borrowings	FLaAC	754 551	790 385	754 551	790 385
– floating rate short–term borrowings	FLaAC	360 614	461 924	360 614	461 924
Trade and other financial liabilities	FLaAC	244 574	261 811	244 573	261 811
Derivatives	FVtPoL	27 502	37 203	27 502	37 203

(in PLN thousands)

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.

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

	30 September 2013	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	27 502	-
	31 December 2012	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	37 203	-

In the period ended 30 September 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.

33.2. 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 September 2013	Carrying amount as at 31 December 2012
Financial assets exposed to interest rate risk	PLN	Fixed	-	-
		Variable	288 940	280 354

(in PLN thousands)

		Type of interest rate	Carrying amount as at 30 September 2013	Carrying amount as at 31 December 2012
	Other currencies	Fixed	-	-
		Variable	168 022	176 137
Financial liabilities exposed to interest rate risk	PLN	Fixed	-	-
		Variable	366 302	448 365
	Other currencies	Fixed	375 721	403 604
		Variable	373 142	400 340
Ekspozycja netto	**PLN**	**Fixed**	**-**	**-**
		Variable	**(77 362)**	**(168 011)**
	Other currencies	**Fixed**	**(375 721)**	**(403 604)**
		Variable	**(205 120)**	**(224 203)**

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.

(in PLN thousands)

33.3. 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 September 2013 and 31 December 2012.

Type of instrument	Nominal value in the currency of the transaction [EUR]*	Fair value in PLN	Expected duration of hedged item
	30 September 2013	30 September 2013	30 September 2013
IRS-type transaction	89 112	(27 502)	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]*	Fair value in PLN	Expected duration of hedged item
	31 December 2012	31 December 2012	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

*) denomination depreciated in accordance with the repayment schedule

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

	Year ended 30 September 2013	*Year ended 31 December 2012*
Opening balance	(34 960)	(28 912)
Effective part of gains/losses on hedging instrument	1 060	(16 316)
Amounts recognized in profit or loss, of which:	(8 504)	(10 268)
- adjustment to interest costs	(8 504)	(10268)
- adjustment due to ineffective hedge	–	–
Closing balance	(25 396)	(34 960)
Deferred tax assets recognized in the revaluation reserve	4 825	6 642
Closing balance, including deferred tax	(20 571)	(28 318)

(in PLN thousands)

34. Capital management

The primary objective of capital management of the Group is to maintain good credit rating and safe capital ratios that would support operating activities of the Group and increase the value for its shareholders.

The Group manages the capital structure and due to changes in economic conditions introduces changes to it. In the period ending on 30 September 2013 and 31 December 2012, no changes were introduced to objectives, principles and processes binding in this area.

The Group monitors the balance of capitals using leverage ratio, calculated as debt to total capitals ratio increased by net debt. According to the principles of the Group, this ratio should range from 20 to 60 %. The Group includes in net debt interest-bearing credits and loans, trade liabilities and other liabilities, decreased by cash and cash equivalents. Capital includes equity less reserve capitals under unrealized net profits.

	30 September 2013	*31 December 2012*
Interest-bearing credits and loans	1 115 165	1 252 309
Derivative financial instruments (liabilities)	27 502	37 203
Trade liabilities and other financial liabilities	244 574	261 811
Minus cash and its equivalents	349 273	318 002
Net debt	1 037 968	1 233 321
Equity	3 755 494	3 533 560
Capitals from revaluation of hedging instruments	(20 571)	(28 318)
Total capital	3 776 064	3 561 878
Capital and net debt	4 814 032	4 795 199
Leverage ratio	22%	26%

35. Events after the reporting period date

During the Extraordinary General Meeting of the Company, which was held on 7 November 2013, the number of members of the Supervisory Board was increased to eight and Mr. Lesław Podkański was appointed to its composition.

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A.

QUARTERLY CONDENSED FINANCIAL REPORT OF ZE PAK S.A.
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

(in PLN thousands)

BALANCE SHEET

ASSETS		As at 30 September 2013	As at 30 June 2013	As at 31 December 2012	As at 30 September 2012	As at 30 June 2012
		(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*
A.	**Non-current assets**	**2 897 734**	**2 843 437**	**2 781 453**	**2 658 491**	**2 468 907**
I.	**Intangible assets**	**100 074**	**69 257**	**9 617**	**8 808**	**4 571**
1.	Development expenses					
2.	Goodwill					
3.	Other intangible assets	100 074	69 257	9 617	8 808	4 571
4.	Prepayments for intangible assets					
II.	**Property, plant and equipment**	**1 549 008**	**1 522 765**	**1 526 384**	**1 507 643**	**1 495 449**
1.	Tangible fixed assets	1 387 280	1 394 098	1 426 723	1 389 762	821 594
	a) Land (including perpetual usfruct)	1 268	1 269	1 247	1 248	1 249
	b) Buildings, premises and constructions	632 914	635 202	654 859	632 042	499 652
	c) Plant and machinery	750 533	755 022	768 039	754 131	318 291
	d) Motor vehicles	1 080	1 183	1 049	1 034	1 054
	e) Other	1 485	1 422	1 529	1 307	1 348
2.	Construction in progress	128 498	123 873	95 782	113 746	673 194
3.	Prepayments for construction in progress	33 230	4 794	3 879	4 135	661
III.	**Long-term receivables**					
1.	from affiliates					
2.	from other entities					
IV.	**Long-term investments**	**1 244 554**	**1 247 249**	**1 241 496**	**1 138 080**	**964 780**
1.	Property					
2.	Intangible assets					
3.	Long-term financial assets	1 244 554	1 247 249	1 241 496	1 138 080	964 780
	a) in affiliates	1 244 403	1 247 098	1 241 345	1 137 929	964 629
	- shares	1 137 444	1 137 444	1 137 444	1 012 965	835 706
	- other securities					
	- loans granted	106 959	109 654	103 901	124 964	128 923
	- other long-term financial assets					
	b) in other entities	151	151	151	151	151
	- shares	151	151	151	151	151
	- other securities					
	- loans granted					
	- other long-term financial assets					
4.	Other long-term investments					
V.	**Long-term prepayments and deferred costs**	**4 098**	**4 166**	**3 956**	**3 960**	**4 107**
1.	Deferred tax assets					
2.	Other prepayments and deferred costs	4 098	4 166	3 956	3 960	4 107
B.	**Current assets**	**414 229**	**415 455**	**363 777**	**475 692**	**653 630**
I	**Inventories**	**185 812**	**172 781**	**151 428**	**131 715**	**106 358**
1.	Row materials	50 200	54 179	43 808	40 707	41 162
2.	Semi-finished goods and work-in-progress					
3.	Finished goods					
4.	Goods	120 755	118 246	107 620	90 983	64 764
5.	Inventory prepayments	14 857	356		25	432
II.	**Short-term receivables**	**152 939**	**117 800**	**148 477**	**170 258**	**175 305**
1.	Receivables from affiliates	83 572	56 466	38 810	62 889	76 479
	trade receivables, due in	81 572	54 466	35 342	61 327	72 962

(in PLN thousands)

	- under 12 months	81 572	54 466	35 342	61 327	72 962
	- over 12 months					
	other	2 000	2 000	3 468	1 562	3 517
2.	Receivables from other entities	69 367	61 334	109 667	107 369	98 826
	trade receivables, due in	53 678	46 989	87 544	87 827	75 886
	- under 12 months	53 678	46 989	87 544	87 827	75 886
	- over 12 months					
	taxation, subsidy, customs duty and social security debtors	10 157	12 434	17 945	11 273	14 739
	other	5 532	1 911	4 178	8 269	8 201
	submitted to court					
III.	**Short-term investments**	**70 963**	**119 659**	**63 132**	**171 432**	**367 233**
1.	Short-term financial assets	70 963	119 659	63 132	171 432	367 233
	a) in affiliates	17 171	17 124	15 281	18 476	18 275
	- shares					
	- other securities					
	- loans granted	17 171	17 124	15 281	18 476	18 275
	- other					
	b) in other entities					
	- shares					
	- other securities					
	- loans granted					
	- other					
	c) cash and other monetary assets	53 792	102 535	47 851	152 956	348 958
	- cash on hand and at bank	53 792	102 535	47 851	152 956	348 958
	- cash equivalents					
	- other monetary assets					
2.	Other short-term investments					
IV.	**Short-term prepayments and deferred costs**	**4 515**	**5 215**	**740**	**2 287**	**4 734**
Total assets		**3 311 963**	**3 258 892**	**3 145 230**	**3 134 183**	**3 122 537**

(in PLN thousands)

EQUITY AND LIABILITIES		As at 30 September 2013	As at 30 June 2013	As at 31 December 2012	As at 30 September 2012	As at 30 June 2012
		(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*
A.	**Equity**	**2 804 682**	**2 744 552**	**2 594 021**	**2 565 905**	**2 509 153**
I.	**Share capital**	101 647	101 647	104 052	104 052	104 052
II.	**Unpaid share capital (negative value)**					
III.	**Treasury shares (negative value)**			-31 280		
IV.	**Reserve capital**	2 200 508	2 200 502	1 956 261	1 956 261	1 956 260
V.	**Revaluation reserve**	286 823	286 829	287 337	287 337	287 338
VI.	**Other reserves**	5 877	5 877	3 472	3 472	3 472
VII.	**Accumulated profits/losses from previous years**	-834	-834	-834	-834	-834
VIII.	**Net profit/loss for the period**	210 661	150 531	275 013	215 617	158 865
IX.	**Deductions from net profit (negative value)**					
B.	**Liabilities and provisions for liabilities**	**507 281**	**514 340**	**551 209**	**568 278**	**613 384**
I.	**Provisions for liabilities**	**161 062**	**159 524**	**157 089**	**146 514**	**142 038**
1.	Deferred tax liability	47 759	46 685	36 682	31 399	27 058
2.	Provision for retirement benefits and similar obligations	89 716	89 447	87 870	79 822	79 095
	- long-term	83 288	83 447	81 409	74 259	72 944
	- short-term	6 428	6 000	6 461	5 563	6 151
3.	Other provisions	23 587	23 392	32 537	35 293	35 885
	- long-term	21 807	21 612	21 221	27 301	26 975
	- short-term	1 780	1 780	11 316	7 992	8 910
II.	**Long-term liabilities**	**48 711**	**57 830**	**75 408**	**84 383**	**105 279**
1.	To affiliates					
2.	To other entities	48 711	57 830	75 408	84 383	105 279
	a) loans	47 662	56 772	75 060	84 081	105 032
	b) debt securities issued					
	other financial liabilities	26	35	50	30	34
	d) other	1 023	1 023	298	272	213
III.	**Short-term liabilities**	**230 184**	**245 196**	**284 538**	**294 477**	**337 567**
1.	To affiliates	100 362	108 282	108 163	123 538	63 409
	a) trade creditors, payable in	90 804	97 992	95 002	113 707	39 143
	- under 12 months	90 804	97 992	95 002	113 707	39 143
	- over 12 months					
	b) other	9 558	10 290	13 161	9 831	24 266
2.	To other entities	124 917	131 227	172 070	159 845	262 298
	a) loans	42 507	55 182	47 913	63 453	54 132
	b) debt securities issued					
	c) other financial liabilities	31	30	77	120	176
	d) trade creditors, payable in:	28 699	27 912	43 504	39 670	100 144
	- under 12 months	28 699	27 912	43 504	39 670	100 144
	- over 12 months					
	e) advance payments received	39	58	30	269	398
	f) bills of exchange payable					
	g) taxation, customs duty and social security creditors	36 952	29 097	62 693	36 900	59 748
	h) payroll	3 537	3 575	3 759	3 562	3 516
	i) other	13 152	15 373	14 094	15 871	44 184
3.	Special funds	4 905	5 687	4 305	11 094	11 860

(in PLN thousands)

IV.	**Accruals and deferred income**	**67 324**	**51 790**	**34 174**	**42 904**	**28 500**
1.	Negative goodwill					
2.	Other accruals and deferred income	67 324	51 790	34 174	42 904	28 500
	- long-term	15 886	16 009	16 254	16 439	16 553
	- short-term	51 438	35 781	17 920	26 465	11 947
Total equity and liabilities		**3 311 963**	**3 258 892**	**3 145 230**	**3 134 183**	**3 122 537**

(in PLN thousands)

PROFIT AND LOSS ACCOUNT

	9 months period ended 30 September 2013	3 months period ended 30 September 2013	12 months period ended 31 December 2012	9 months period ended 30 September 2012	3 months period ended 30 September 2012
	(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*
A. Net sales of finished goods, goods for resale and raw materials, of which:	**1 308 722**	**449 781**	**2 016 188**	**1 485 707**	**532 128**
from affiliates	432 148	148 041	600 843	450 728	150 870
I. Net sales of finished goods	1 248 247	417 793	1 844 304	1 357 487	487 679
II. Net sales of goods for resale and raw materials	60 475	31 988	171 884	128 220	44 449
B. Cost of finished goods, goods for resale and raw materials sold, of which:	**1 154 674**	**381 337**	**1 671 181**	**1 234 838**	**439 995**
- affiliates	373 522	116 371	558 927	411 879	172 691
I. Cost of finished goods sold	1 110 241	358 013	1 517 151	1 121 698	400 218
II. Cost of goods for resale and raw materials sold	44 433	23 324	154 030	113 140	39 777
C. Gross profit/loss on sales (A-B)	**154 048**	**68 444**	**345 007**	**250 869**	**92 133**
D. Selling expenses	2 154	873	2 725	2 278	520
E. Administrative expenses	29 197	9 492	49 631	35 410	14 111
F. Profit/loss on sales (C-D-E)	**122 697**	**58 079**	**292 651**	**213 181**	**77 502**
G. Other operating income	**2 580**	**302**	**12 322**	**2 146**	**1 266**
I. Gains on the sale of non-financial long-term assets		0	3 256	68	29
II. Subsidies	368	123	490	341	114
III. Other	2 212	179	8 576	1 737	1 123
H. Other operating expenses	**4 376**	**-20 489**	**50 567**	**26 196**	**21 718**
I. Loss on sale of non-financial long-term assets	41	-32			0
II. Impairment of non-financial assets	164	-21 434	35 051	20 038	20 038
III. Other	4 171	977	15 516	6 158	1 680
I. Operating profit/loss (F+G-H)	**120 901**	**78 870**	**254 406**	**189 131**	**57 050**
J. Finance revenue	**119 057**	**-2 523**	**88 558**	**85 953**	**18 596**
I. Dividends and shares in profits, of which:	112 615	52	52 728	51 598	15 753
from affiliates	112 563	0	52 674	51 544	15 699
II. Interest, of which:	2 890	768	14 683	13 658	2 843
from affiliates	1 454	465	3 469	2 904	858
III. Gains on the sale of investments		0	20 649	20 649	0
IV. Revaluation of investments	3 503	-3 113			0
V.Other	49	-230	498	48	0
K Finance costs	**5 835**	**1 929**	**15 232**	**19 748**	**8 344**
I Interest, of which:	4 650	1 202	10 913	8 449	2 744
to affiliates		0			0
II. Loss on the sale of investments		0			0
III Impairment of investments		0	1 590	9 399	4 616
IV. Other	1 185	727	2 729	1 900	984
L. Gross profit/loss on ordinary activities (I+J-K)	**234 123**	**74 418**	**327 732**	**255 336**	**67 302**
M. Profit/Loss on extraordinary activities (M.I.-M.II.)					
I. Extraordinary gains					
II. Extraordinary losses					
N. Gross profit/loss (L+-M)	**234 123**	**74 418**	**327 732**	**255 336**	**67 302**
O. Corporate profits tax	**23 462**	**14 288**	**52 719**	**39 719**	**10 550**
P. Net profit/loss (N-O-P)	**210 661**	**60 130**	**275 013**	**215 617**	**56 752**

(in PLN thousands)

CASH FLOW STATEMENT

	9 months period ended 30 September 2013	3 months period ended 30 September 2013	12 months period ended 31 December 2012	9 months period ended 30 September 2012	3 months period ended 30 September 2012
	(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*
A. Cash flow from operating activities					
I. Net profit/loss	**210 661**	**60 130**	**275 013**	**215 617**	**56 752**
II. Adjustments for:	-184 210	-33 082	27 358	2 614	-3 039
1. Depreciation	69 018	22 809	74 773	49 249	18 860
2. Foreign exchange gains/losses	-3 232	3 715	10 193	9 832	4 990
3. Interests and shares in profits (dividends)	-109 418	687	-45 288	-46 056	-13 867
4. Profit/loss on investing activities	-41	-63	-32 041	-20 810	-60
5. Change in provisions	10 978	1 537	15 209	5 517	244
6. Change in inventory	-34 383	-13 031	-6 463	13 251	-25 357
7. Change in receivables	-2 302	-34 978	13 983	-7 799	3 805
8. Change in short-term liabilities, except for loans and credits	-46 169	664	-3 115	-7 856	-8 652
9. Change in prepayments, accruals and deferred income	29 233	16 301	107	7 286	16 998
10. Other adjustments	-97 894	-30 723			0
III. Net cash flow from operating activities (I+/-II)	**26 451**	**27 048**	**302 371**	**218 231**	**53 713**
B. Cash flow from investing activities					
I. Inflows	**110 647**	**84**	**108 035**	**77 154**	**17 054**
1. Sale if intangible assets and tangible fixed assets	32	32	4 567	1 378	1 301
2. Sale of investments in property and intangible assets					
3. From financial assets, of which:	110 615	52	103 468	75 776	15 753
a) in affiliates	110 563	0	79 236	51 544	15 699
b) in other entities	52	52	24 232	24 232	54
- sale of financial assets			24 178	24 178	0
- dividends and shares in profits	52	52	54	54	54
- repayment of long-term loans granted					
- interest received					
- other					
4. Other investing inflows					
II. Outflows	**93 360**	**52 278**	**554 454**	**392 700**	**251 962**
1. Purchase of intangible assets and tangible fixed assets	93 360	52 278	258 695	215 441	74 703
2. Investments in property and intangible assets	0	0	0	0	0
3. For financial assets, of which:	0	0	295 759	177 259	177 259
a) in affiliates			295 759	177 259	177 259
b) in other entities	0	0	0	0	0
- purchase of financial assets					
- long-term loans granted					
4. Other investing outflows					
III. Net cash flow from investing activities (I-II)	**17 287**	**-52 194**	**-446 419**	**-315 546**	**-234 908**

(in PLN thousands)

C. Cash flow from financing activities					
I. Inflows	0	0	0	0	0
1. Net inflows from issue of shares, other capital instruments and from additional payments to capital					
1. Loans and credits					
3. Issuance of securities					
4.Other					
II. Outflows	37 525	22 995	99 890	41 521	14 431
1. Re-acquisition of treasury shares			31 280		
2. Dividends and other payments to shareholders					
3. Outflows due to appropriation of profit other than payments to shareholders					
4. Repayment of loans and credits	33 063	20 521	57 828	35 530	11 648
5. Redemption of debt securities					
6. Relating to other financial liabilities					
7. Finance lease payments	70	7	232	168	58
8. Interest	4 392	2 467	10 550	5 823	2 725
9. Other financing outflows					
III. Net cash flow from financing activities (I-II)	**-37 525**	**-22 995**	**-99 890**	**-41 521**	**-14 431**
D. Total net cash flow (A.III+-B.III+-C.III)	**6 213**	**-48 141**	**-243 938**	**-138 836**	**-195 626**
E. Balance sheet change in cash and cash equivalents, of which:	5 941	-48 743	-244 375	-139 270	-196 001
- change in cash and cash equivalents due to foreign exchange gains/losses	-272	-603	-437	-434	-375
F. Cash and cash equivalents at the beginning of the period	47 998	102 352	291 937	291 937	348 727
G. Cash and cash equivalents at the end of the period (F+-D), of which:	**54 211**	**54 211**	**47 999**	**153 101**	**153 101**
- of restricted use	7 257	7 257	3 435	3 910	3 910

(in PLN thousands)

STATEMENT OF CHANGES IN EQUITY

	9 months period ended 30 September 2013	6 months period ended 30 September 2013	12 months period ended 31 December 2012	9 months period ended 30 September 2012	6 months period ended 30 September 2012
	(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*
I. Shareholder's equity at the beginning of the period (OB)	**2 594 021**	**2 594 021**	**2 350 288**	**2 350 288**	**2 350 288**
- changes in accountancy rules					
- after adjustments					
I.a. Shareholder's equity at the beginning of the period after adjustments	**2 594 021**	**2 594 021**	**2 350 288**	**2 350 288**	**2 350 288**
1. Share capital at the beginning of the period	**104 052**	**104 052**	**104 052**	**104 052**	**104 052**
1.1. Changes in share capital	-2 405	-2 405	0	0	0
a) increases					
b) decreases	2 405	2 405			
1.2. Share capital at the end of the period	**101 647**	**101 647**	**104 052**	**104 052**	**104 052**
2. Unpaid share capital at the beginning of the period					
2.1. Changes in unpaid share capital					
a) increases					
b) decreases					
2.2. Unpaid share capital at the end of the period					
3. Treasury shares at the beginning of the period	**-31 280**	**-31 280**	**0**	**0**	**0**
a) increases			-31 280		
b) decreases e	31 280	31 280			
3.1. Treasury shares at the end of the period	**0**	**0**	**-31 280**		
4. Reserve capital at the beginning of the period	**1 956 261**	**1 956 261**	**1 671 610**	**1 671 610**	**1 671 610**
4.1. Changes in reserve capital					
a) increases (due to:)	275 528	275 521	284 651	284 651	284 651
- share premium					
- statutory profit appropriation					
- profit appropriation (in excess of statutory amounts)	275 013	275 013	283 746	283 746	283 746
- disposal of fixed assets	515	508	905	905	905
b) decreases	31 280	31 280			
4.2. Reserve capital at the end of the period	**2 200 509**	**2 200 502**	**1 956 261**	**1 956 261**	**1 956 261**
5. Revaluation reserve at the beginning of the period	**287 337**	**287 337**	**288 242**	**288 242**	**288 242**
5.1. Changes in revaluation reserve	-515	-508	-905	-905	-905
a) increases					
b) decreases (due to:)	515	508	905	905	905
- disposal of fixed assets	515	508	905	905	905
5.2 Revaluation reserve at the end of the period	**286 822**	**286 829**	**287 337**	**287 337**	**287 337**
6. Other reserves at the beginning of the period	**3 472**	**3 472**	**3 472**	**3 472**	**3 472**
6.1. Changes in other reserves					
a) increases	2 405	2 405			

(in PLN thousands)

b) decreases					
6.2. Other reserve at the end of the period	**5 877**	**5 877**	**3 472**	**3 472**	**3 472**
7. Accumulated profits/losses from previous years at the beginning of the period					
7.1 Accumulated profits from previous years at the beginning of the period	**275 013**	**275 013**	**283 746**	**283 746**	**283 746**
- changes in accountancy rules					
- adjustments due to fundamental errors					
7.2 Accumulated profits from previous years at the beginning of the period, after adjustments	**275 013**	**275 013**	**283 746**	**283 746**	**283 746**
a) increases (due to:)					
- appropriation of profit from previous years					
b) decreases (due to:)	275 013	275 013	283 746	283 746	283 746
- transfer to reserve capital	275 013	275 013	283 746	283 746	283 746
7.3. Accumulated profit from previous years at the end of the period	**0**	**0**	**0**	**0**	**0**
7.4. Loss from previous years at the beginning of the period	**-834**	**-834**	**-834**	**-834**	**-834**
- changes in accountancy rules					
- adjustments due to fundamental errors					
7.5Loss from previous years at the beginning of the period after adjustments	**-834**	**-834**	**-834**	**-834**	**-834**
a) increases (due to:)					
- transfer of loss from previous years to cover					
b) decreases (due to:)					
7.6. Loss from previous years at the end of the period	**-834**	**-834**	**-834**	**-834**	**-834**
8. Net result	**210 661**	**150 531**	**275 013**	**215 617**	**158 865**
a) net profit	210 661	150 531	275 013	215 617	158 865
b) net loss					
c) result adjustments					
II. Shareholder's equity at the end of the period (CB)	**2 804 682**	**2 744 552**	**2 594 021**	**2 565 905**	**2 509 153**
III. Shareholder's equity after proposed appropriation of profits/absorption of losses	2 804 682	2 744 552	2 511 517	2 565 905	2 509 153

Additional information to the condensed quarterly financial statement

1. General

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

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

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

The duration of the Company is indefinite.

As at the balance sheet date, i.e. 30 September 2013, control over the Company was exercised by Mr. Zygmunt Solorz-Żak, controlling, indirectly, 51.55% of shares, through: Elektrim SA, Embud Sp. z o.o., Polsat Media B.V.

The Company is parent company of the Zespół Elektrowni Pątnów Adamów Konin Corporate Group.

According to the articles of association, the object of the Company's activities covers:

1. production and distribution of electric energy,
2. production and distribution of heat (steam and hot water),
3. intake, treatment and distribution of water,
4. erecting of complete building structures or their parts, civil and water engineering,
5. land preparation for construction,
6. making of building installations,
7. wholesale of semi-finished products and non-agricultural waste and scrap,
8. retail sale of non-food articles in specialized stores not elsewhere classified, including coal (lignite) and wood for the needs of households,
9. other retail sale beyond retail chains,
10. pipeline transportation,
11. transshipment, warehousing and storage of goods,
12. other forms of granting credits, including granting loans beyond the banking system,
13. other financial intermediation, not elsewhere classified, including investing in securities,

14. consulting in computer hardware,
15. software activities,
16. data processing,
17. other computer-related activities,
18. business activities and management consulting,
19. activities in the field of holding management,
20. research and technical analyses,
21. other commercial activities not elsewhere classified,
22. real estate service on one's own account,
23. rental of real properties on one's own account,
24. management of metal waste and scrap,
25. development of non-metallic waste and incomplete goods,
26. agricultural cultivations, market gardening, gardening,
27. forestry, together with service activities.

2. Assumption of the continued business operations

The Company's financial statement has been prepared with the assumption that the Company will continue business activities in the foreseeable future.

As at the day of signing this financial statement, the Company's Board of Directors does not find facts and circumstances which could affect the Company's possibility to continue activities.

3. Merger of commercial companies

\In the reporting period, for which the financial statement was drawn up, pursuant to Article 492 § 1 item 1 of the Code of Commercial Companies no merger with other commercial company was recorded.

4. Adopted accounting principles (policy)

The Company, operating based on the following legal acts:

1. The Act on Accounting of 29 September 1994 (consolidated version: Journal of Laws No. 152 of 2009, as amended – hereinafter referred to as "the Act on Accounting", "the Act"),
2. Act of 15 February 1992 on Corporate Income Tax (Journal of Laws No. 54/2000 item 654 as amended),

introduced for use in the scope of methods of valuation of assets and liabilities, the following regulations:

1. Regulation No. 35 of the President of ZE PAK S.A. in Konin of 1 July 2003 on management of tangible fixed assets components,
2. Regulation No. 34 of the President of ZE PAK S.A. in Konin of 1 July 2003 on Corporate Chart of Accounts for ZE PAK S.A.

The financial statement was drawn up in accordance with the historical cost convention which was modified in the case of:

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