

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

**ADDITIONAL INFORMATION FOR INTERIM CONDENSED CONSOLIDATED
QUARTERLY REPORT FOR THE PERIOD OF 3 AND 9 MONTHS ENDED
SEPTEMBER 30TH 2012**

Table of contents:

1. Selected financial data	3
1.1. Selected consolidated financial data	3
1.2. <i>Selected financial data of ZE PAK S.A.</i>	4
2. Description of the Group	5
2.1. <i>Basic information</i>	5
2.2. <i>Structure</i>	6
2.3. <i>Composition of the Management Board of the dominant entity</i>	8
2.4. <i>Description of changes in the capital structure in the period covered by the report</i>	8
3. Key events having impact on the business of the Group	9
3.1. <i>Key achievements and failures in the period covered by the report</i>	9
3.2. <i>Other important events in the reporting period and events taking place following the balance sheet date</i>	12
4. Information concerning important proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration authorities	15
5. Information concerning shares and shareholders	16
5.1. <i>Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at Company's General Meeting</i>	16
5.2. <i>Number of shares of the Company held by Company's managers and supervisors.</i>	16
6. Standpoint of the Management Board concerning a possibility to implement forecasts of results published earlier	17
7. Declared and paid dividend	17
8. Transactions with related entities at terms different then in usual market practice	17
9. Information on granted guarantees, loan or credit sureties	17
10. Information on issue, redemption and repayment of debt securities and other securities	17
11. Factors, which in Management Board's opinion, will affect the Group results within at least the next quarter	18

1. Selected financial data

1.1. Selected consolidated financial data

Selected consolidated financial data of the ZE PAK Capital Group	PLN thousands		EUR thousands	
	3rd quarter of 2012 period from 01.01.2012 to 30.09.2012	3rd quarter of 2011 period from 01.01.2011 to 30.09.2011	3rd quarter of 2012 period from 01.01.2012 to 30.09.2012	3rd quarter of 2011 period from 01.01.2011 to 30.09.2011
I. Sales revenues	1.988.080	2.042.511	473.939	505.409
II. Operating profit	353.164	433.199	84.191	107.193
III. Gross profit (before taxation)	388.151	360.486	92.531	89.201
IV. Net profit	316.335	289.759	75.411	71.699
V. Net profit attributable to equity holders of the parent company	316.246	289.741	75.390	71.695
VI. Total income	310.719	272.697	74.072	67.478
VII. Net cash from operating activities	554.892	531.593	132.281	131.540
VIII. Net cash from investing activities	(357.160)	(310.204)	(85.144)	(76.758)
IX. Net cash from financial activities	(187.046)	(214.981)	(44.590)	(53.196)
X. Net change in cash and cash equivalents	10.686	6.408	2.547	1.586
XI. Net earnings per share (in PLN/EUR per share)	6,08	5,57	1,45	1,38
XII. Number of shares	52.026.000	52.026.000	52.026.000	52.026.000

Selected consolidated financial data of the ZE PAK Capital Group	PLN thousands		EUR thousands	
	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
XIII. Total assets	6.362.800	5.326.437	1.546.696	1.205.949
XIV. Non-current assets	5.381.313	4.327.741	1.308.112	979.836
XV. Current assets	981.487	998.696	238.584	226.113
XVI. Equity	3.546.390	3.229.573	862.072	731.202
XVII. Share capital	104.052	104.052	25.293	23.558
XVIII. Equity attributable to equity holders of the parent	3.545.895	3.229.483	861.951	731.182
XIX. Total Liabilities	2.816.410	2.096.864	684.625	474.747
XX. Long term liabilities	1.821.436	1.422.882	442.762	322.152
XXI. Short term liabilities	994.974	673.982	241.863	152.595
XXII. Book value per share (in PLN/EUR per share)	68,17	62,08	16,57	14,06
XXIII. Number of shares	52.026.000	52.026.000	52.026.000	52.026.000

1.2. Selected financial data of ZE PAK S.A.

Selected financial data of ZE PAK SA	PLN thousands		EUR thousands	
	3rd quarter of 2012 period from 01.01.2012 to 30.09.2012	3rd quarter of 2011 period from 01.01.2011 to 30.09.2011	3rd quarter of 2012 period from 01.01.2012 to 30.09.2012	3rd quarter of 2011 period from 01.01.2011 to 30.09.2011
XXIV. Sales revenues	1.485.707	1.591.577	354.178	393.828
XXV. Operating profit	189.131	277.201	45.087	68.592
XXVI. Gross profit (before taxation)	255.336	321.154	60.870	79.468
XXVII. Net profit	215.617	257.862	51.401	63.807
XXVIII. Net cash flow on operating activity	218.232	183.155	52.024	45.321
XXIX. Net cash flow on investment activity	(315.546)	71.091	(75.223)	17.591
XXX. Net cash flow on financing activity	(41.522)	(413.522)	(9.898)	(102.324)
XXXI. Change in the net balance of cash and cash equivalents	(138.836)	(159.276)	(33.097)	(39.412)
XXXII. XI. Net earnings per share (in PLN/EUR per share)	4,14	4,96	0,99	1,23
XXXIII. Number of shares	52.026.000	52.026.000	52.026.000	52.026.000

Selected financial data of ZE PAK S.A.	PLN thousands		EUR thousands	
	stan na 30.09.2012	stan na 31.12.2011	stan na 30.09.2012	stan na 31.12.2011
XXXIV. Total assets	3.134.183	3.036.145	761.871	687.408
XXXV. Non-current assets	2.658.491	2.414.449	646.237	546.651
XXXVI. Current assets	475.692	621.696	115.633	140.757
XXXVII. Equity	2.565.905	2.350.288	623.731	532.125
XXXVIII. Share capital	104.052	104.052	25.293	23.558
XXXIX. Liabilities and provisions for liabilities	568.278	685.857	138.139	155.284
XL. Long term liabilities	84.383	115.323	20.512	26.110
XLI. Short term liabilities	294.477	342.921	71.583	77.640
XLII. Book value per share (in PLN/EUR per share)	49,32	45,18	11,99	10,23
XLIII. Number of shares	52.026.000	52.026.000	52.026.000	52.026.000

Above financial data in tables presented in 1.1 i 1.2 were converted into EUR according to the following exchange rates:

- particular items of statement of comprehensive income and statement of cash flows – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of

the reporting period from January 1, 2012 till September 30, 2012 - EUR/PLN 4.1948; and for the period from January 1, 2011 till September 30, 2011 - EUR/PLN 4.0413.

- particular items of the assets and liabilities – according to average exchange rate published by the National Bank of Poland as of September 30, 2012 - EUR/PLN 4.1138 and as of December 31, 2011 – EUR/PLN 4.4168.

2. Description of the Group

2.1. Basic information

As at September 30, 2012 the ZE PAK Capital Group (hereinafter referred to as the "Group" or "ZE PAK Capital Group") is composed of a dominant entity Zespół Elektrowni Pątnów-Adamów-Konin S.A. (hereinafter referred to as the "ZE PAK S.A." or the "Company") and seventeen subsidiaries i.e. Elektrownia Pątnów II Sp. z o.o., PAK Kopalnia Węgla Brunatnego Adamów S.A. (hereinafter referred to as the "PAK KWBA S.A."), PAK Kopalnia Węgla Brunatnego Konin S.A. (hereinafter referred to as the "PAK KWBK S.A."), PAK Serwis Sp. z o.o., EL PAK Sp. z o.o., ASEKURACJA Sp. z o.o., Aquakon Sp. z o.o., Eko-Surowce Sp. z o.o., Energoinwest Serwis Sp. z o.o., KWE Sp. z o.o., PAK Biopaliwa w likwidacji Sp. z o.o., PAK CBJ Sp. z o.o., PAK CUI Sp. z o.o., PAK Górnictwo Sp. z o.o., PAK Holdco Sp. z o.o., PAK Infrastruktura Sp. z o.o., Verano Sp. z o.o. Following the day when the report was prepared, the Group was joined by Elektrim-Volt S.A. as a result of acquisition of 100% of shares. All companies belonging to the Group are seated in Poland and are subject to full consolidation (Elektrim-Volt S.A. from the fourth quarter of 2012).

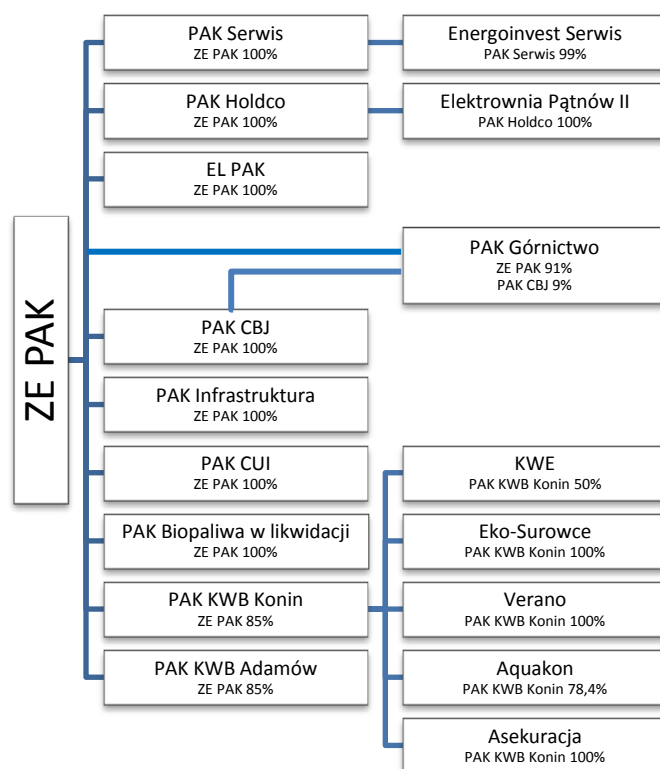
Pursuant to the articles of association, the core activities of the Company include production and distribution of electricity and generation and distribution of heat. The Company produces electricity using conventional sources and through biomass incineration and co-incineration. The Company may operate in the territory of the Republic of Poland and abroad.

The companies which are of the biggest importance for the Group due to the scale of their operations are: ZE PAK S.A. and Elektrownia Pątnów II Sp. z o.o., dealing with production of electricity and heat, and PAK KWBA S.A. and PAK KWBK S.A., dealing with brown coal mining. Apart from the core business, the Group comprises also other companies which perform e.g. construction and erection works, maintenance works, provide services, deal with production and trade to meet demand from and offer complex services for industry, protection of people and property, chemical analyses and research, IT.

The production facilities of the Group include four brown coal-fired power plants located in the central part of Poland in the Wielkopolskie voivodship. These are the Pątnów II Power Plant which is equipped with a supercritical power unit, Konin Power Plant and two power plants equipped additionally with biomass co-incineration plants: Pątnów I Power Plant and Adamów Power Plant. Total achievable gross power output of the production facilities of the Group was 2462 MWe as of September 30, 2012. In July 2012 a new 55MW power unit with biomass fired boiler was handed over for commercial operation in Konin Power Plant.

Most sales revenues generated by the Group are earned from the sales of electricity (generated inside the Group and purchased for the purpose of re-sale) and proprietary rights under the certificates of origin for electricity. Those revenues are supplemented with the sales of heat and contracts for construction services. Additional revenue source dependent on the level of electricity prices on the market and volume is revenue related to termination of long-term electricity sale contract and generated by Elektrownia Pątnów II Sp. z o.o. ZE PAK S.A., by purchasing the brown coal mines, ensured the access of the Group to uninterrupted supplies of brown coal for own power plants located in the immediate neighborhood of the coal mines. Horizontally integrated Group allows for optimization of stock and supplies of coal by coordinating coal mining with demand for that fuel. Demand for biomass is covered through supplies of the raw material based on contracts concluded with producers and intermediaries.

2.2. Structure



Drawing 1: Chart of the Group as of September 30, 2012.

ZESPÓŁ ELEKTROWNI „PĄTNÓW-ADAMÓW-KONIN” S.A. CAPITAL GROUP
Additional information for interim condensed consolidated quarterly report

The Group, as of September 30, 2012, comprises ZE PAK S.A. and the following subsidiaries:

Entity	Registered office	Principal business activities	% of issued capital held by the Group	
			30 September 2012	31 December 2011
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.*	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100%	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%	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%**	100%**
„PAK – HOLDCO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100%	100%
„PAK Infrastruktura” sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100%	100%
„PAK Centrum Usług Informatycznych” sp. z o.o.	62-510 Konin ul. Kazimierska 45	IT services	100%	100%
„PAK Centrum Badań Jakości” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Research and chemical analysis	100%	100%
„PAK GÓRNICTWO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Coal mining	100%***	100%***
„PAK Biopaliwa” sp. z o.o. w likwidacji	62-510 Konin ul. Przemysłowa 158	Purchase, warehousing and delivery of biomass	100%	100%
Energoinwest Serwis sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	99%****	99%****
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Coal mining	85%	-
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Coal mining	85%	-
Ochrona Osób i Mienia „ASEKURACJA” sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Protection of people and property	85%*****	-
„Aquakon” sp. z o.o.	62-610 Sompolno Police	Mineral water production and trade	66,6%*****	-
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Sale of lignite	85%*****	-
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Electric energy production from wind farms	42,5%*****	-
Centrum Zdrowia i Relaksu „Verano” sp. z o.o.	78-100 Kołobrzeg ul. Sikorskiego 8	SPA services	85%*****	-

* Subsidiary – Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o. has a foreign branch in Germany

** indirect share through "PAK – HOLDCO" sp. z o.o.

*** indirect share through PAK Centrum Badań Jakości sp. z o.o.: 9% as of December 31, 2011 and as of September 30, 2012

**** indirect share through Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

***** indirect share through PAK KWB Konin (direct share of PAK KWB Konin in „Aquakon” sp. z o.o. is 78.4%, in KWE sp. z o.o. 50%, and 100% in remaining companies).

2.3. *Composition of the Management Board of the dominant entity*

As at the day of issuing herein report, the Management Board of ZE PAK S.A. is consisted of:

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

As at 1 January 2012, the Management Board of company consist of:

- Katarzyna Muszkat President of the Management Board
- Anna Striżyk Vice-president
- Krzysztof Jędraszczyk Vice-president
- Piotr Jarosz Vice-president

On August 2, 2012, Krzysztof Jędraszczyk resigned from his function of the Vice President of the Management Board as of August 3, 2012.

2.4. *Description of changes in the capital structure in the period covered by the report*

On May 28, 2012 an agreement was signed between ZE PAK S.A. and the Treasury upon which ZE PAK S.A. acquired 10,200,000 shares of Kopalnia Węgla Brunatnego Adamów S.A. ("KWBA S.A.") with face value of PLN 10 each, representing 85% of the KWBA S.A. share capital and 20,803,750 shares of Kopalnia Węgla Brunatnego Konin S.A. ("KWBK S.A.") with face value of PLN 10 each, constituting 85% of the KWBK S.A. share capital. The total price of the share purchase amounted to PLN 175,499,500, including the purchase price of KWBA S.A. shares of PLN 67,320,000, whereas the purchase price of KWBK S.A. shares was PLN 108,179,500. The agreement was concluded provided that the permit of the President of the Office of Competition and Consumer Protection is obtained, which actually occurred on July 16, 2012. The ownership of the KWBA S.A. and KWBK S.A. shares was transferred on July 18, 2012 after ZE PAK S.A. had paid the total purchase price for the shares.

In August KWBA S.A. changed its name to PAK Kopalnia Węgla Brunatnego Adamów S.A. and KWBK S.A. changed its name to PAK Kopalnia Węgla Brunatnego Konin S.A.

Pursuant to the provisions of the share purchase agreement ZE PAK S.A. undertook to invest in tangible fixed assets of the acquired companies or their subsidiaries and in operations carried out by those companies in relation to exploration, evaluation, mining of brown coal and accompanying minerals, their delivery to recipients and generation of electricity in the total amount of PLN 250 m. by December 31, 2016. Until that day ZE PAK S.A. undertook to maintain the ownership of shares acquired from the Treasury.

3. Key events having impact on the business of the Group

3.1. Key achievements and failures in the period covered by the report

Brief description of achieved financial results

Cumulatively after nine months of 2012 the sales revenues in the Group amounted to PLN 1,988,080 thousand and were lower by PLN 54,431 thousand compared to analogical period of previous year, which means decrease by 2.69%. The revenues decreased with reference to sales of electricity. The main reason was a volume of electricity sold which was lower by 0.5 TWh, which means negative dynamics at the level of 5%. The effect of volume decrease was partly weakened by sales price for electricity, which was higher by 0.6%, obtained during nine months of 2012. The mentioned volume decrease resulted from lower production of Adamów Power Plant, which was caused by limited production capabilities of PAK KWBA S.A. due to recent removal of the blanket layer by that mine. From among other revenue items it is worth paying attention to the increase of revenues from proprietary rights under certificates of origin for electricity. Dynamic increase by approximately 10% compared to analogical period of the previous year is a result of starting the production at new biomass fired power unit in Konin Power Plant in the third quarter of 2012.

When analyzing just the third quarter of 2012 compared to the third quarter of 2011 we should pay attention to the fact that the sales revenues of the Group are higher by PLN 65,226 thousand, which constitutes increase by approximately 10%.

When comparing the structure and value of costs both by type and by function in the period of nine months of 2012 to the period of nine months of 2011, we should consider the fact of takeover of coal mines in the third quarter of 2012. Differences related to the presented types of costs are mainly a result of transfers between individual items due to consolidation. Total costs for 9 months of 2012 are higher by PLN 41,781 thousand than in analogical period of the previous year, which means increase by 2.6%. Prime sales cost for nine months of 2012 increased by just 0.4% compared to analogical period of the previous year. The attention should be paid to dynamic decrease of the sales costs by approximately 82%, which resulted from termination of cooperation with a sales agent on previous terms and conditions, eliminating the agent's commission as part of the sales costs. Overhead expenses increased significantly i.e. by 45% when comparing nine months of 2012 to nine months of 2011. The main reason of the increase in overhead expenses by PLN 27,667 thousand was inclusion of overhead costs of acquired coal mines in the third quarter.

Return on sales after three quarters of 2012 amounted to 22.6%, which means insignificant decrease compared to 24.9% of return on sales after three quarters of the previous year. Considering only the third quarter the decrease in return on sales is a little bit smaller compared to analogical period of the previous year, the index is 25.3% for the third quarter of 2011 and 23.9% for the third quarter of 2012.

The attention should be paid to significant differences in the level of revenues and financial costs. The main explanation of those changes is fluctuation of the EUR/PLN exchange rate. Both in the period of nine months of 2012 and 2011 as well as in three quarters of the analyzed years the trends on the currency market were different. As a result, the valuation of FX liabilities of ZE PAK Capital Group companies (mainly the consortium loan of Pątnów II Power Plant) had a negative impact on the financial result at the end of the third quarter of 2011. Reversal of the PLN depreciation trend compared to EUR resulted in financial revenues in the analogical period of 2012. The important reason was lower interest as well. Due to the repayment of a significant part of liabilities in 2011, the level of interest after three quarters of 2012 decreased by 21%. Higher costs of interest only in the third quarter of 2012 compared to the third quarter of 2011 is a result of consolidation of the acquired coal mines.

Due to the above events the gross profit after three quarters of 2012 was at the level of PLN 388,151, which means the increase by 7.6% compared to the same period of 2011. Gross profit margin compared to the sales amounted to 19.5% compared to 17.6% achieved after three quarters of 2011.

Income tax decreased the gross profit by PLN 71,816 thousand as a result of which the net profit on continued operations amounted to PLN 316,335 thousand, which means positive dynamics at the level of 9% compared to net results in analogical period of the previous year. Net profit margin compared to the sales amounted to 15.9 % compared to 14.1% achieved after three quarters of 2011.

The difference in net profit margin for only the third quarter of the compared periods was even bigger - 14.3% achieved in the third quarter of 2012 compared to 6.3% achieved in the third quarter of 2011.

Description of factors and events, including in particular those of untypical nature, having significant impact on assets, liabilities, capital, net financial result and cash flows

In ZE PAK Capital Group there were no events of untypical nature, having significant impact on assets, liabilities, capital, net financial result and cash flows in the third quarter.

Implementation of the investment plan

The important achievements certainly include the implementation of the investment plan planned to be executed in the third quarter of 2012.

In the period from July 1, 2012 to September 30 the capital expenditures at ZE PAK Capital Group amounted to PLN 48,223 thousand and was mainly related to the operations of electricity production. The largest projects include tasks related to the construction of boiler dedicated to biomass incineration in Konin Power Plant (PLN 15,227 thousand), reconstruction of a turbine hall and cooling water system in Konin Power Plant (PLN 7,628 thousand), commencement of turbine no. 1 modernization in Pątnów Power Plant - ordering

turbine forging (PLN 2,200 thousand), construction of emergency ash handling for power units 1-4 for ash slurry pumping stations no. 1 and no. 2 in Pątnów Power Plant (PLN 1,510 thousand), migration of WDPF control system to Ovation standard for power unit no. 1 in Pątnów Power Plant (PLN 1,350 thousand), laboratory building in Konin Power Plant (PLN 1,111 thousand). As far as mining is concerned the mines owned by ZE PAK Capital Group implemented e.g. tasks related to Józwin IIA and IIB open-cast mine (PLN 2,475 thousand), tasks related to Drzewce open-cast mine (PLN 3,327 thousand), tasks related to Tomisławice open-cast mine (PLN 2,509 thousand), tasks related to Koźmin open-cast mine (PLN 5,390 thousand).

Investment tasks which are currently being implemented or planned in the Group focus on three key areas:

1. The process of modernization of power units 1-4 and limited modernization of power unit no. 5 in Pątnów I Power Plant, including modernization of condensing turbines, start-up of the NOX emission reduction system (to reduce the emission of NOX from 1.37 kg/MWh in 2011 to the planned level of 0.74 kg/MWh in 2015) and replacement or modernization of elements of key importance to the efficiency of power units (including coal handling system and cooling system) in order to improve safety and efficiency of the electricity production (from 32.9% in 2011 to the planned level of 37.5% in 2015), reduce CO2 emission (from 1.17 Mg/MWh in 2011 to the planned level of 1.05 Mg/MWh in 2015).

An important step in the modernization process was signing on July 27, 2012, with TurboCare Sp. z o.o., a contract for replacement of complete flow systems of low pressure parts of condensing turbines for power units 1-4, including replacement or adjustment of existing auxiliary systems. Subject to other provisions of the contract, including those related to contractual penalties, the contractual remuneration of TurboCare sp. z o.o. shall be PLN 85,000 thousand. The time limit for completion of power unit 5 modernization is planned by the end of 2012 and modernization of power units 1-4 by the end of 2015. According to estimates, in years 2012-2015 the projects of modernization of power units 1-5 in Pątnów I Power Plant will require capital expenditures of approximately PLN 1,600,000 thousand, and approx. 50% of that amount will be financed from own funds and the remaining part from funds obtained in the form of investment loans. According to the planned work schedule the main part of expenditures will be incurred from 2013 to 2015.

2. Continuation of exploration works in the area of Poniec - Krobia brown coal deposit, which are planned to be completed in 2014. According to estimates, the implementation of the above exploration works is associated with capital expenditures of approximately PLN 40,000 thousand. All those works will be financed from own funds.

3. Continuation of exploration works carried out in perspective deposits of Piaski (planned mining from 2017 to 2050), Ościslów (planned mining from 2019 to 2031) and Dęby Szlacheckie (planned mining from 2024 to 2050) and further expenditures on

maintaining Drzewce, Józwin, Tomisławice, Koźmin and Adamów open-cast mines, which are still mined, until their resources are exhausted.

Pursuant to the share purchase agreement for Kopalnia Węgla Brunatnego Adamów S.A. and Kopalnia Węgla Brunatnego Konin S.A. shares, dated May 28, 2012, ZE PAK S.A. undertook to invest, by December 31, 2016, the total amount of PLN 250,000 thousand in tangible fixed assets of purchased mines and their subsidiaries and in operations carried out by those entities in relation to exploration, evaluation, mining of brown coal and accompanying minerals, their delivery to recipients and generation of electricity.

In accordance with the implemented investment plan and above contractual obligation, as estimates indicate, approximately PLN 400,000 thousand (50% of that amount from own funds and the remaining part from funds obtained as investment loans) will be allocated to the implementation of investment projects to maintain the operation of the current open-cast mines and to construct new brown coal open-cast mines from 2012 to 2015; the above amount includes PLN 300,000 thousand which will be allocated to maintain brown coal mining in current open cast mines.

3.2. Other important events in the reporting period and events taking place following the balance sheet date.

Important events in the reporting period

On August 2, 2012, Krzysztof Jędraszczyk resigned from his function of the Vice President of the Management Board as of August 3, 2012.

On October 28, 2005, a contract was concluded by PAK Odsiarczanie (whose legal successor is ZE PAK S.A.) and RAFAKO S.A. for the design and "turn-key" construction of two flue gas desulphurization plants for power units 1-4 in Pątnów I Power Plant. On August 12, 2008 the parties signed a preliminary acceptance certificate for the two flue gas desulphurization plants. On December 29, 2009 there was a fan failure in one of those plants as a result of which ZE PAK S.A. incurred losses due to emergency shutdowns of the plant. On September 2, 2011 the parties prepared final minutes from the meeting of a team for calculation of emergency shutdowns and availability parameter. The calculations included in the minutes indicate that ZE PAK S.A., pursuant to the provisions of the aforementioned contract, is entitled to claim from RAFAKO S.A. a payment of contractual penalty in the total amount of PLN 21,700 thousand. On August 3, 2012 the Company requested RAFAKO S.A. to voluntarily pay the contractual penalty for failure to meet the availability parameter by the flue gas desulphurization plant delivered by RAFAKO S.A. and on August 10, 2012 the Company filed an application to the District Court in Racibórz for summon to the reconciliation hearing. The Company also used the good performance bond in the form of a bank guarantee for the amount of PLN 3,628,812. In its letter of August 24, 2012 RAFAKO S.A. rejected the request for payment of the said contractual penalty as unjustified, referring to held expert opinions

indicating the impact of excessive volume of flue gas and too big dustiness on the occurrence of failure in December 2009. The District Court in Racibórz set the date of hearing with reference to ZE PAK S.A. application for summon to the reconciliation hearing for November 16.

Events taking place following balance sheet date

From the end of the reporting period to the date of publication of the report for the third quarter of 2012 a few key events took place, which events were important for results achieved by the Company and companies from ZE PAK Capital Group. The most important ones are indicated below:

Purchase of Elektrim-Volt S.A. shares

On October 1, 2012 ZE PAK S.A. purchased, through TRIGON Dom Maklerski S.A., 2,950,000 shares of Elektrim-Volt S.A. with face value of PLN 10 each, representing 100% of the share capital of Elektrim-Volt S.A., entitling to 100% of votes at the general shareholder meeting of Elektrim-Volt S.A., for the total purchase price of PLN 118.5 million. The transaction of Elektrim-Volt S.A. share purchase, described above, was implemented through a letter of intent concluded on September 20, 2012 by ZE PAK S.A. and Argumenol Investment Company Limited, an entity related to Elektrim S.A., where the parties included intent to perform the aforementioned transaction of the sales of Elektrim Volt S.A. shares by October 15, 2012.

Decision of the Appeal Court of October 11, 2012, on the adjustment of stranded costs for 2008.

On October 11, 2012 the Appeal Court in Warsaw made a decision, amending the decision of the Court of first instance and decision of the President of the Energy Regulatory Office of July 31, 2009 which was negative for Pątnów II Power Plant and related to the adjustment of stranded costs (i.e. capital expenditures incurred, which will not be covered by revenues following long-term contract termination) of Pątnów II Power Plant for 2008.

The decision of the President of the Energy Regulatory Office of July 31, 2009 requested the Pątnów II Power Plant to pay PLN 52,439,081,00 for adjustment of stranded costs for 2008. Such a decision meant the obligation of Pątnów II Power Plant to pay such an amount to the account of Zarządca Rozliczeń S.A (company established to e.g. carry out cash settlements of stranded costs). Pątnów II Power Plant which did not agree with that decision, lodged an appeal on August 19, 2009 to the Court of Competition and Consumer Protection in Warsaw to withhold the enforcement of the decision of the President of the Energy Regulatory Office and to amend the decision of the President of the Energy Regulatory Office so that Zarządca Rozliczeń S.A. was obligated to pay Pątnów II Power Plant the amount of PLN 29,082,473.00, which, according to calculations made by the company, constitutes the amount due for the adjustment of stranded costs for 2008. On August 23, 2009 the Court of Competition and

Consumer Protection in Warsaw decided to dismiss the motion of Pątnów II Power Plant to withhold the enforcement of the decision in excess of PLN 26,000,000.00 as a result of which the company paid Zarządca Rozliczeń S.A. the amount of PLN 26,493,081.00.

As a result of the decision of October 11, 2012, the total amount of PLN 55,575,554.00 was credited to Pątnów II Power Plant account on October 22, 2012 as a sum of PLN 29,082,473.00 and PLN 26,493,081.00. The payments were made by Zarządca Rozliczeń S.A.

*Exemption of Pątnów II Power Plant from sales of electricity through
Power Exchange by the President of the Energy Regulatory Office*

On October 17, 2012 the President of the Energy Regulatory Office, based on the application of Pątnów II Power Plant of May 10, 2012, issued a decision exempting the company from the obligation referred to in Article 49a section 2 of the Power Law of April 10, 1997, with reference to 60% of net electricity generated by the company. The exemption covers the period from January 1, 2013 to December 31, 2014.

The decision of the President of the Energy Regulatory Office means that in the defined period 60% of the net electricity generated by 464 MW power unit in Pątnów II Power Plant will be sold based on standard bilateral trade contracts instead of, as the Power Law requires, through open tender or on commodity exchange. Through conclusion of bilateral contracts the rights and obligations under the sales contracts can be assigned for at least 60% of net electricity to institutions financing the construction of 464MW power unit in Pątnów II Power Plant, which is compliant with the requirements of loan agreement. No possibility of assignment would mean the breach of loan documentation conditions.

*Expiry of personal rights awarded to Elektrim SA in the Articles of
Association*

Starting with the day when the Company shares were introduced to the regulated market conducted by Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange) i.e. from October 30, 2012, special rights awarded to Elektrim S.A. in the Articles of Association with reference to appointment and dismissal of the members of Management Board and Supervisory Board ceased to be effective.

As a result of the expiry of the aforementioned personal rights of Elektrim S.A. included in the Articles of Association and as a result of purchase by Embud Sp. z o.o., a company indirectly controlled by Zygmunt Solorz - Żak, of 443,101 shares of the Company under the initial public offering, the control over the Company was taken over by Zygmunt Solorz - Żak who, in accordance with the notification received by the Company on November 2, 2012, holds indirectly 26,200,867 ordinary shares of Company in total, which shares constitute 50.36% of share capital of the Company, entitling to 26,200,867 votes during the general shareholder meeting of the Company, including: (a) 196,560 ordinary shares of the Company constituting 0.38% of share capital of the Company, entitling to 196,560 votes during the

general shareholder meeting of the Company, constituting 0,38% of general number of votes in the Company held by Elektrim S.A, (b) 5,809,231 ordinary shares of the Company constituting 11.16% of the share capital of the Company, which entitle to 5,809,231 votes during the general shareholder meeting of the Company, constituting 11.16% of the general number of votes in the Company held by Embud sp. z o.o., and (c) 20,195,076 ordinary shares of the Company constituting 38.82% of the share capital of the Company, which entitle to 20,195,076 votes during the general shareholder meeting of the Company, constituting 38.82% of the general number of votes in the Company held by Polsat Media B.V.

Decision of the Voivodship Administrative Court in Poznań of November 6 on Tomisławice open-cast mine.

On November 6, 2012 the Voivodship Administrative Court in Poznań announced a decision revoking the decision of the Self-Government Appeal Court of March 25, 2009 refusing to state the invalidity of the environmental decision issued on August 7, 2007, by the Head of Wierzbinek Commune, and related to the operation of Tomisławice brown coal open-cast mine by PAK Kopalnia Węgla Brunatnego Konin S.A.. As of the publication date of this report the decision of the Voivodship Administrative Court in Poznań, dated November 6, 2012, is not legally binding and final. In case the said decision becomes legally binding and final, the Self-Government Appeal Court will re-examine the case concerning the statement of invalidity of the environmental decision issued by the Head of Wierzbinek Commune. PAK Kopalnia Węgla Brunatnego Konin S.A. intends to examine bases for lodging an appeal against the said decision once it is received and read by the company, including statement of reasons in writing. The decision of the Voivodship Administrative Court in Poznań of November 6, 2012 does not deprive the environmental decision issued by the Head of Wierzbinek Commune of legal force and does not withhold the mining in Tomisławice open-cast mine.

Resignation of the member of the Supervisory Board

On November 12, 2012, Krzysztof Majewski resigned from his function of the member of ZE PAK S.A. Supervisory Board as of November 13, 2012.

4. Information concerning important proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration authorities

Zespół Elektrowni Pątnów-Adamów-Konin S.A. and its subsidiaries were not a party in proceedings in front of court, body appropriate for arbitration or in front of public administration authorities concerning liabilities or claims, in which the total value of a dispute constitutes at least 10% of Company equity.

5. Information concerning shares and shareholders

5.1. Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at Company's General Meeting

In below table there is specification of shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at Company's General Meeting as at the day of submission of quarterly report (according to Company's information).

Shareholder	Number of shares and corresponding number of votes on General Meeting	[%] in total shares/votes
Zygmunt Solorz-Żak (indirect) via:	26.200.867	50,36
<i>Elektrim S.A. (direct)</i>	196.560	0,38
<i>Elektrim S.A. (indirect via: Embud Sp. z o.o.)</i>	5.809.231	11,16
<i>Polsat Media B.V.</i>	20.195.076	38,82
ING OFE	5.600.000	10,76

5.2. Number of shares of the Company held by Company's managers and supervisors.

In below table there is specification of number of shares of the Company held by Company's managers and supervisors as at the day of submission of quarterly report.

Shareholder	Position	Number of shares and corresponding number of votes on General Meeting	[%] in total shares/votes
Zygmunt Solorz-Żak (indirect) via:	Chairman of Supervisory Board	26.200.867	50,36
<i>Elektrim S.A. (direct)</i>		196.560	0,38
<i>Elektrim S.A. (indirect via: Embud Sp. z o.o.)</i>		5.809.231	11,16
<i>Polsat Media B.V.</i>		20.195.076	38,82
Tomasz Klapsa	Member of Supervisory Board	708	0,001

6. Standpoint of the Management Board concerning a possibility to implement forecasts of results published earlier

Zespół Elektrowni Pątnów-Adamów-Konin S.A. did not publish any forecasts of financial results.

7. Declared and paid dividend

Zespół Elektrowni Pątnów-Adamów-Konin S.A. did not declared any dividend from profits of 2011 year.

8. Transactions with related entities at terms different then in usual market practice

Transactions between Zespół Elektrowni Pątnów-Adamów-Konin S.A. and it's affiliated entities are concluded under market conditions.

9. Information on granted guarantees, loan or credit sureties

In the 3rd quarter of 2012 neither Zespół Elektrowni Pątnów-Adamów-Konin S.A., nor its subsidiaries have granted any loan or credit sureties or guaranties – jointly to one entity or this entity's subsidiary, at the aggregate value equivalent to the value of at least 10% of Zespół Elektrowni Pątnów-Adamów-Konin S.A. equity.

10. Information on issue, redemption and repayment of debt securities and other securities

In the 3rd quarter 2012 PAK KWBK S.A., consolidated company of GK ZE PAK issued and repaid bond securities:

- On 7 August 2012 PAK KWBK S.A. issued 1.150 bond securities at nominal value 10.000,00 PLN each, which is 11.500.000,00 PLN total, with redemption date on 14 September 2012. Obtained amount used for redemption of bond securities marked as D i BG, with the redemption date on 7 August 2012.;
- On 14 September 2012 PAK KWBK S.A. issued 1350 bond securities at nominal value 10.000,00 PLN each, which is 13.500.000,00 PLN total, with redemption date on 7

November 2012. Obtained amount used for redemption of bond securities marked as H i BH, with the redemption date on 14 September 2012 r.

11. Factors, which in Management Board’s opinion, will affect the Group results within at least the next quarter

In process of predicting future results of Zespół Elektrowni Pątnów-Adamów-Konin S.A. it is necessary to take into consideration important factors, existing, potential, or theoretical, appropriate for the industry and markets of Group activity. Those factors comes from both inside and outside the Company. In consideration of Management Board’s opinion it might be divided into permanent factors and disposable, concerning only reported period.

Among the most important permanent factors affecting Group results should be listed:

- macroeconomic trends in the Polish economy and demand for electricity;
- regulatory framework;
- price of electricity;
- certificates of origin;
- fuel cost and cost of lignite extraction;
- CO2 emissions allowances;
- compensation for stranded costs following the termination of the PPAs of Elektrownia Pątnów II;
- seasonality and weather conditions;
- capital expenditures;
- the EUR/PLN exchange rate

Macroeconomic trends in the Polish economy and demand for electricity

Operation based exclusively in Poland and generation significant majority of revenues from the sale of electricity is connected with macroeconomic trends in the Polish economy. Polish real GDP growth, industrial production in Poland, service sector growth and personal consumption have historically had and, we expect, will continue to have an impact on our business and results of operations.

Regulatory framework

Power production business highly-regulated. Group operations are affected by, among other things, the provisions of the Energy Law, EU regulations and international conventions, such as those relating to environmental protection and climate change (including in respect of CO2 emissions) and the obligation to publicly sell part of produced electricity, as well as the support afforded to certain generation technologies, including electricity generation from

RES and high-efficiency cogeneration. In addition, in the past Group has been and, we expect, will continue to be affected by tax regulations and interpretations.

Price of electricity

Company generates a significant majority of revenues from the generation and sale of electricity and, consequently, the price at which the Company is able to sell electricity is critical to the results of operations. In addition, Company purchases electricity from the market (including from power exchanges and the balancing market) and re-sell it to other customers.

Certificates of origin

Since a portion of electricity is generated from a biomass fuel mix (comprising wood and agricultural biomass) and Company also employs high-efficiency cogeneration for heat production, subject to meeting certain regulatory requirements, we are eligible for green and red certificates. The number of received certificates of origin is significantly higher than the number of certificates which are required to present for redemption and, consequently, we are able to sell the surplus to other market participants. However, the cost associated with the production of electricity from the biomass fuel mix is significantly higher than the cost of production of electricity from lignite. Consequently, the Management regularly evaluates the relevant economic parameters, including the market price of energy certificates and the relative cost of electricity production, in order to evaluate the economic viability of producing electricity from the biomass fuel mix.

Fuel cost and cost of lignite extraction

The most significant cost associated with Group's electricity and heat production is the cost of fuel. To a large extent, fuel prices determine the competitiveness of individual technologies of electricity generation. Group power plants generate a significant majority of electricity from lignite, but also utilize agricultural biomass. In addition, in the process of generating electricity, we also utilize, to a very limited extent, heavy fuel oil and light fuel oil. As a result of acquiring two lignite mines, KWBA and KWBK, exclusive lignite suppliers, Group's proprietary mines fully cover the demand of generation assets for the basic fuel. This gives independence from external suppliers and eliminates exposure to lignite price fluctuations. Nevertheless, it remains exposure to fluctuations in prices of other fuels used by Group's plants (mainly biomass), and due to the fact that the costs associated with lignite extraction depend on factors which are, to a great extent beyond our control.

CO₂ emissions allowances

Electricity and heat generation from lignite and other fuels business and, consequently, results of operations are largely dependent on the level of free CO₂ emissions allowances (EUA) allocated for a given period. CO₂ emissions allowances may be either obtained through free allocation under the NAP or purchased in the open market. If Group's emissions

exceed such free amount of allowances, we will have to purchase emissions allowances in the open market.

Compensation for stranded costs following the termination of the PPAs of Elektrownia Pątnów II

Power Purchase Agreement (PPA) was made between Elektrownia Pątnów II Sp. z o.o. and Polskie Sieciami Elektroenergetyczne S.A. It was a long term agreement early terminated (on April 1, 2008) under the Act dated 29 June 2007 rules of covering costs arose from early termination of PPA. Pursuant to the PPA Act, throughout the periods under review, Elektrownia Pątnów II received, and continue to receive, compensation for stranded costs. We are entitled to receive such compensation until December 31, 2025.

Seasonality and weather conditions

Electricity and heat consumption, primarily among consumers but also other customers, fluctuates seasonally which has an impact on demand for electricity and heat generated. In general, consumption of electricity increases during the winter (primarily because of low temperatures and a low number of daylight hours) and declines during the summer (as the temperature rises and the number of daylight hours increase), although recently the demand for electricity in the summer has increased as a result of increased use of air conditioning and cooling units. Similarly, sales of heat are generally significantly higher in the cold weather season, which normally runs from October to March. However operation activity of a Group has no seasonal nature, financial results are stable during the year. Group's power plants produce as base load generators considering low costs of production comparing to other producers.

Capital expenditures

Power generation and lignite extraction requires significant capital expenditures, most of which are related to electricity generation business. Group's generating assets require periodic overhauls and ongoing upgrades, both due to the increasingly stringent environmental protection regulations and the need to improve the efficiency of electricity generation. The level of capital expenditures has had and, as expected, will continue to have a significant impact on our business, the level of indebtedness and cash flow. Delays in the implementation of, or changes to investment program, or budget overruns, can therefore have a significant impact on expected capital expenditures, and also business, results of operations, financial condition and prospects.

EUR/PLN exchange rate

Despite the fact that Group operates at the polish market, generate costs and revenues in PLN, there are some significant factors in connection with EUR/PLN exchange rate. The most important are:

- Significant portion of indebtedness (including, in particular, the Syndicated Loan of Elektrownia Pątnów II) is denominated in EUR and, consequently, the depreciation in the value of PLN against EUR has a negative impact on results of operations by increasing the cost of financing in PLN relating to such indebtedness. Conversely, the depreciation in the value of EUR against PLN has a positive impact on results of operations by decreasing the cost of financing in PLN.
- PAK Serwis, has a branch in Germany where a significant portion of its operations are based (consisting principally of acting as a subcontractor in construction projects), and EUR is the functional currency of the German branch.
- Group generates a portion of revenues from the exchange of EUAs for CERs and ERUs, in each instance carried out by way of a sale of EUAs to a counterparty and a purchase of CERs or ERUs from such counterparty. As these transactions are denominated in EUR, fluctuations in the value of PLN against EUR have an impact on the revenue generated by such transactions when translated into PLN.

Currently Group does not use any derivative instruments for limitation of risk related to changes in exchange rates. The Management Boards of Group's companies monitors financial situation and the market situation. In case of necessity it is possible to take decision about usage of financial instruments to protect the position against exchange rate. Any derivative transactions will be hedging tailored in terms of volume and maturity date. The choice of hedging instrument will also include: cost, market liquidity, product simplicity, easiness of valuation and accounting and it's flexibility.