# ZESPÓŁ ELEKTROWNI PĄTNÓW-ADAMÓW-KONIN CAPITAL GROUP

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

# Table of contents

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

**ZESPÓŁ ELEKTROWNI PĄTNÓW-ADAMÓW-KONIN S.A.**
**CONDENSED QUARTERLY REPORT**
**FOR THE PERIOD OF 9 MONTHS ENDED SEPTEMBER 30TH 2012.**

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the 3 and 9 month period ended 30 September 2012

| | *Note* | *9 month period ended 30 September 2012 (unaudited)* | *3 month period ended 30 September 2012 (unaudited)* | *9 month period ended 30 September 2011 (unaudited)* | *3 month period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Sales revenue** | *9.1* | **1 988 080** | **712 849** | **2 042 511** | **647 623** |
| Cost of goods sold | *9.6* | (1 538 397) | (541 916) | (1 531 913) | (483 599) |
| **Gross profit** | | **449 683** | **170 933** | **510 598** | **164 024** |
| Other operating income | *9.2* | 3 903 | 1 646 | 3 307 | 1 226 |
| Selling and distribution expenses | *9.6* | (2 728) | (670) | (14 995) | (4 810) |
| Administrative expenses | *9.6* | (89 118) | (50 633) | (61 451) | (25 004) |
| Other operating expenses | *9.3* | (8 576) | (4 327) | (4 260) | (697) |
| Finance income | *9.4* | 75 586 | 30 818 | 52 451 | 11 783 |
| Finance costs | *9.5* | (40 599) | (24 434) | (125 164) | (89 911) |
| **Profit before tax** | | **388 151** | **123 333** | **360 486** | **56 611** |
| Income tax expense | *12.1* | (71 816) | (21 429) | (70 727) | (15 507) |
| **Net profit/ (loss) for the period from continuing operations** | | **316 335** | **101 904** | **289 759** | **41 104** |
| **Discontinued operations** | | | | | |
| Profit/ (loss) after tax for the period from discontinued operations | | - | - | - | - |
| **Net profit/ (loss) for the period** | | **316 335** | **101 904** | **289 759** | **41 104** |
| Net profit/ (loss) attributable to equity holders of the parent | | 316 246 | 101 829 | 289 741 | 41 094 |
| Net profit/ (loss) attributable to non-controlling interests | | 89 | 75 | 18 | 10 |
| **Earnings per share (in PLN)** | *11* | | | | |
| Basic, for profit for the period attributable to equity holders of the parent | | 6,08 | 1,96 | 5,57 | 0,79 |
| Basic, for profit for the period from continuing operations attributable to equity holders of the parent | | 6,08 | 1,96 | 5,57 | 0,79 |
| Diluted, for profit for the period attributable to equity holders of the parent | | 6,08 | 1,96 | 5,57 | 0,79 |
| Diluted, for profit for the period from continuing operations attributable to equity holders of the parent | | 6,08 | 1,96 | 5,57 | 0,79 |

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the 3 and 9 month period ended 30 September 2012

| | | *9 month period ended 30 September 2012 (unaudited)* | *3 month period ended 30 September 2012 (unaudited)* | *9 month period ended 30 September 2012 (unaudited)* | *3 month period ended 30 September 2012 (unaudited)* |
|---|---|---|---|---|---|
| **Net profit for the period** | | **316 335** | **101 904** | **289 759** | **41 104** |
| **Other comprehensive income** | | | | | |
| Cash flow hedges | *10* | (6 189) | (1 907) | (24 999) | (17 469) |
| Foreign exchange differences on translation of foreign operations | *10* | (744) | (330) | 3 934 | 606 |
| Income tax concerning other comprehensive income | *10, 12.1* | 1 317 | 425 | 4 003 | 3 204 |
| **Net other comprehensive income** | | **(5 616)** | **(1 812)** | **(17 062)** | **(13 659)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **310 719** | **100 092** | **272 697** | **27 445** |
| Total comprehensive income for the period attributable to: | | | | | |
| Equity holders of the parent | | 310 631 | 100 018 | 272 679 | 27 435 |
| Non-controlling interests | | 89 | 75 | 18 | 10 |

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 30 September 2012

| | *Note* | *As at 30 September 2012 (unaudited)* | *As at 31December 2011* |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | *13* | 5 100 863 | 4 269 937 |
| Property, plant and equipment | | 2 218 | - |
| Intangible assets | *14.1* | 5 168 | 3 754 |
| Assets of removing overburden and other long-term mine assets | *15* | 125 416 | - |
| Other long-term financial assets | *16.1* | 31 201 | 42 734 |
| Other long-term non-financial assets | *16.2* | 4 603 | 3 235 |
| Deferred tax assets | *12.2* | 111 844 | 8 081 |
| **Total non-current assets** | | **5 381 313** | **4 327 741** |
| **Current assets** | | | |
| Intangible assets – short term | *14.2* | 33 518 | 84 729 |
| Inventories | *17* | 185 531 | 149 426 |
| Trade and other receivables | *18* | 233 536 | 219 367 |
| Current tax assets | | 4 703 | 14 840 |
| Other current financial assets | *16.1* | 99 251 | 109 738 |
| Other current non-financial assets | *16.2* | 13 913 | 9 789 |
| Assets of removing overburden and other short-term mine assets | *15* | 9 769 | - |
| Amounts due from customers under long-term construction contracts | *9.7* | 6 090 | 25 378 |
| Cash and cash equivalents | *19* | 395 176 | 385 429 |
| **Total current assets** | | **981 487** | **998 696** |
| Assets classified as held for sale | | - | - |
| **TOTAL ASSETS** | | **6 362 800** | **5 326 437** |

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 30 September 2012

| | *Note* | *As at 30 September 2012 (unaudited)* | *As at 31December 2011* |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Equity | *11* | 104 052 | 104 052 |
| Issued capital | | 1 956 261 | 1 671 610 |
| Revaluation reserve- valuation of hedging instruments | | (28 431) | (23 418) |
| Other reserve capital | | 3 472 | 3 472 |
| Retained earnings/ (unabsorbed losses) | | 1 510 577 | 1 473 200 |
| Exchange differences on translation of foreign entities | | (36) | 567 |
| **Equity attributable to equity holders of the parent** | | **3 545 895** | **3 229 483** |
| Non-controlling interests | | 495 | 90 |
| **Total equity** | | **3 546 390** | **3 229 573** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | *20* | 916 663 | 1 008 118 |
| Long-term employee benefits | | 228 516 | 92 255 |
| Trade and other financial liabilities | *23.2* | 51 127 | 979 |
| Long-term derivative financial instruments (liabilities) | | 25 940 | 21 696 |
| Long-term grants | | 51 535 | 52 967 |
| Other long-term provisions and accruals | *21* | 297 008 | 27 082 |
| Deferred tax liability | *12.2* | 250 647 | 219 785 |
| **Total non-current liabilities** | | **1 821 436** | **1 422 882** |
| **Current liabilities** | | | |
| Trade and other financial liabilities | *23.1* | 255 504 | 206 582 |
| Current portion of interest-bearing loans and borrowings | *20* | 433 730 | 245 811 |
| Short-term derivative financial instruments (liabilities) | | 11 338 | 8 671 |
| Other non-financial liabilities | *23.3* | 93 116 | 67 653 |
| Current tax liability | | 1 248 | 3 368 |
| Short-term employee benefits | | 24 842 | 9 074 |
| Short-term grants | *6* | 31 157 | 1 910 |
| Amounts due to customers under long-term construction contracts | *9.7* | 2 551 | 4 920 |
| Other short-term provisions and accruals | *21* | 141 488 | 125 993 |
| **Total current liabilities** | | **994 974** | **673 982** |
| Liabilities directly associated with assets classified as held for sale | | - | - |
| **Total liabilities** | | **2 816 410** | **2 096 864** |
| **TOTAL EQUITY AND LIABILITIES** | | **6 362 800** | **5 326 437** |

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

## For the 9 month period ended 30 September 2012

| | | *9 month period ended 30 September 2012 (unaudited)* | *9 month period ended 30 September 2011 unaudited)* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit/(loss) before taxation | | **388 151** | **360 486** |
| **Adjustments for:** | | | |
| Depreciation and amortization | | 187 447 | 168 546 |
| (Gain)/loss on investing activities | | 31 594 | 114 652 |
| (Increase)/decrease in receivables | | 107 336 | 43 732 |
| (Increase)/decrease in inventories | | 967 | (55 928) |
| Increase/ (decrease) in payables except for loans and borrowings | | (160 794) | (1 505) |
| Change in provisions, prepayments, accruals and employee benefits | | 30 700 | 908 |
| Income tax paid | | (31 198) | (77 493) |
| Other | *19* | 689 | (21 805) |
| **Net cash flow from operating activities** | | **554 892** | **531 593** |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | | 3 131 | 71 |
| Purchase of property, plant and equipment and intangible assets | | (266 578) | (311 876) |
| Proceeds and expenses relating to other financial assets | *19* | 67 562 | (90) |
| Entity acquisition without repossessed means | *6* | (161 601) | - |
| Dividends received | | - | 1 681 |
| Interests received | | 326 | 10 |
| **Net cash flow from investing activities** | | **(357 160)** | **(310 204)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of shares | | - | - |
| Payment of finance lease liabilities | | (8 234) | (603) |
| Proceeds from loans and borrowings and debt securities | | 1 503 | 343 796 |
| Repayment of loans and borrowings and debt securities | | (136 177) | (488 741) |
| Dividends paid | | - | - |
| Interest paid | | (43 466) | (57 444) |
| Other | | (672) | (11 989) |
| **Net cash flow from financing activities** | | **(187 046)** | **(214 981)** |
| **Net increase/ (decrease) in cash and cash equivalents** | | **10 686** | **6 408** |
| Net foreign exchange differences | | (939) | 1 929 |
| **Cash and cash equivalents at the beginning of the period** | *19* | **385 429** | **470 738** |
| **Cash and cash equivalents at the end of the period, of which:** | *19* | **395 176** | **479 075** |
| of restricted use | | 139 | - |

(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the 9 month period ended 30 September 2012

| | *Equity attributable to equity holders of the parent* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Issued capital* | *Reserve capital* | *Revaluation reserve-valuation of hedging instruments* | *Other reserve capital* | *Retained earnings /(Unabsorbed losses)* | *Foreign exchange differences on translation of foreign operations* | *Total* | *Non-controlling 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 | - | - | - | - | 316 246 | - | 316 246 | 89 | 316 335 |
| Total other comprehensive income | - | - | (5 013) | - | - | (603) | (5 616) | - | (5 616) |
| **Comprehensive income for the period** | **-** | **-** | **(5 013)** | **-** | **316 246** | **(603)** | **310 630** | **89** | **310 719** |
| Appropriation of profits from previous years | - | 283 746 | - | - | (283 746) | - | - | - | - |
| Reconciliation of reserve capital to statutory data | - | 905 | - | - | (905) | - | - | - | - |
| Acquisition of KWB Konin and KWB Adamów | - | - | - | - | - | - | - | 36 496 | 36 496 |
| Share payment program | - | - | - | - | 487 | - | 487 | 86 | 573 |
| Put option | - | - | - | - | 5 295 | - | 5 295 | (36 266) | (30 971) |
| **As at 30 September 2012** | **104 052** | **1 956 261** | **(28 431)** | **3 472** | **1 510 577** | **(36)** | **3 545 895** | **495** | **3 546 390** |

## For the 9 month period ended 30 September 2011

| | *Equity attributable to equity holders of the parent* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Issued capital* | *Reserve capital* | *Revaluation reserve-valuation of hedging instruments* | *Other reserve capital* | *Retained earnings /(Unabsorbed losses)* | *Foreign exchange differences on translation of foreign operations* | *Total* | *Non-controlling interests* | *Total equity* |
| **As at 1 January 2011** | **104 052** | **1 370 148** | **-** | **3 472** | **1 457 717** | **(2 680)** | **2 932 709** | **67** | **2 932 776** |
| Net profit for the period | - | - | - | - | 289 741 | - | 289 741 | 18 | 289 759 |
| Total other comprehensive income | - | - | (20 249) | - | - | 3 187 | (17 062) | - | (17 062) |
| **Comprehensive income for the period** | **-** | **-** | **(20 249)** | **-** | **289 741** | **3 187** | **272 679** | **18** | **272 697** |
| Appropriation of profits from previous years | - | 232 932 | - | - | (232 932) | - | - | - | - |
| Reconciliation of reserve capital to statutory data | - | 355 | - | - | (355) | - | - | - | - |
| Other | - | - | - | - | 1 | (1) | - | - | - |
| **As at 30 September 2011** | **104 052** | **1 603 435** | **(20 249)** | **3 472** | **1 514 172** | **506** | **3 205 388** | **85** | **3 205 473** |

# ADDITIONAL EXPLANATORY NOTES

## 1. General information

Zespół Elektrowni Pątnów-Adamów-Konin S.A. Capital Group ("Group", "Capital Group", "ZE PAK Group") is composed of Zespół Elektrowni Pątnów-Adamów-Konin S.A. ("parent company", "Company", "ZE PAK") and its subsidiaries.

Abbreviated consolidated interim financial report covers the period of 9 months ended September 30, 2012 and contains comparative data for the period of 9 months ended September 30, 2011 and as of December 31, 2011. Abbreviated consolidated interim report covering total income also presents financial information for the period of 3 months ended September 30, 2012 and comparative data for the period of 3 months ended September 30, 2011.

The data for the period of 3 and 9 months ended September 30, 2012 and as of that day and included in this abbreviated consolidated interim financial report as well as comparative data for the period of 3 and 9 months ended September 30, 2011 were subject to no audit or review by a statutory auditor. Comparative information as of December 31, 2011 was subject to audit by a statutory auditor.

The parent company was entered to the Register of Entrepreneurs of the National Court Register maintained by the District Court Poznań – Nowe Miasto and Wilda in Poznań, IX Commercial Division for the National Court Register under number KRS 0000021374.

The parent company was assigned statistical number REGON 310186795.

The duration of the parent company and the companies belonging to the Capital Group is indefinite.

The subject of the Company's business activity is following:

- electricity generation and distribution,
- production and distribution of heat (water steam and hot water),
- brown coal mining.

As of the balance sheet date i.e. September 30, 2012 the parent company operated within Elektrim S.A. Capital Group. As at September 30, 2012 the parent company for the Company in the meaning of Article 4 point 14 of the Act on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies (consolidated text: Journal of Laws of 2009, No. 185 item 1439 as amended) and in the meaning of Article 4 point 4 of the Code of Commercial Companies was Elektrim S.A. which held special rights concerning appointment and dismissal of the Management Board and Supervisory Board specified in the Articles of Association.

Since October 30, 2012, the shares of the Company have been listed on the Warsaw Stock Exchange.

This abbreviated consolidated interim financial report of the Group for the period of 3 and 9 months ended September 30, 2012 was approved by the Management Board for publication on November 14, 2012.

The interim financial result cannot fully reflect any potentially achievable financial result for the financial year.

# 2. Basis for the preparation of the abbreviated consolidated interim financial report

This abbreviated consolidated interim financial report is prepared in accordance with International Financial Reporting Standards ("IFRS"), particularly in accordance with International Accounting Standard No. 34 and IFRS approved by the EU. As of the day, when the present financial report was approved for publication – bearing in mind the ongoing process of implementation of the IFRS in the EU and the business pursued by the Company – there was no difference between the IFRS, which came into force and the IFRS approved by the European Union in the area of accounting methods applied by the Group.

IFRS include the standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Finance Reporting Interpretation Committee ("IFRIC")

This abbreviated consolidated interim financial report is presented in zloty thousands ("PLN thousands"), and all values are given in PLN thousands, unless otherwise indicated.

The abbreviated consolidated interim financial report was prepared on the going concern basis, i.e. with the assumption that the Group will continue its operations in the foreseeable future. As at the date of approval of this abbreviated consolidated interim financial report, no circumstances are found which could indicate the existence of threats for continuation of the Group's business.

The abbreviated consolidated interim financial report does not cover all information and disclosures required in the annual consolidated financial report and it should be read in conjunction with the consolidated financial report of the Group for year ended December 31, 2011 which was published in the prospectus of the Company.

# 3. Important accounting principles (policy)

The accounting principles (policy) used to prepare the abbreviated consolidated interim financial report are compliant with those which were used when preparing the annual consolidated financial report of the Group for year ended December 31, 2011 which was published in the prospectus of the Company, excluding the application of the following new or amended standards or interpretations valid for the annual periods commencing on or following January 1, 2012:

- Changes to IFRS 7 *Financial instruments: disclosure of information: transfer of financial assets* applicable to annual periods starting July 1, 2011 or later. The application of those changes had no impact on financial standing, results of the Group or the scope of information presented in the abbreviated consolidated interim financial report of the Group.

With reference to the acquisition of the control over PAK Kopalnia Węgla Brunatnego Konin S.A. capital group and PAK Kopalnia Węgla Brunatnego Adamów S.A. the Group presents additional accounting policies which were not described in the financial report for year ended December 31, 2011.

### *Investment real properties*

Initially, the investment real properties are recognized at their purchase price or the cost of producing, including transaction costs. The balance sheet value of the investment real properties covers the cost of replacement of an investment real property component when it is incurred provided that the criteria of recognition are met and it does not cover the costs of ongoing maintenance of those real properties. After the initial recognition, the value of the investment real properties is reduced with depreciation/amortization and impairment revaluation write-offs.

Investment properties are removed from balance sheet in case of their disposal or in case of withdrawal from use of a given investment property when no future economic benefits from its disposal are expected. All profits or losses arising from the removal of the investment property form the balance sheet are included in the profit and loss account during the period in which such removal was made.

Assets are only carried to investment properties when the manner of their use is changed, which is confirmed by the fact that an asset ceased to be used by its owner or by conclusion of an operating lease agreement.

The Group recognizes post mining lands for which the reclamation process was completed as the investment real properties. Those lands, according to the plans of companies conducting mining operations, will be sold in the future.

### *Assets related to removal of the blanket layer and other mining assets*

Assets related to removal of the blanket layer and other mining assets cover activated costs incurred in the preproduction phase of the mines, in particular:

- expenditures related to excavation to access deposits,
- asset related to creation of reserve for reclamation, in the part in which it refers to the removed blanket layer as part of the works associated with making initial excavation,
- asset related to creation of reserves for significant, one-time costs related to the lands where open-cast mining works are carried out.

In each case the Group settles the activated costs based on the straight line approach during the economic lifetime of the individual open-cast mines (operation period adopted for individual open-cast mines). The adopted depreciation periods and depreciation methods are subject to periodic verification minimum at the end of each reporting financial year. Assets related to removal of the blanket layer and other mining assets with economic lifetime below 12 months are recognized as short-term assets.

The write-off related to settlement of a mining asset is recognized as operating costs under costs by type.

### *Expenditures related to exploration and evaluation of minerals*

Under mining assets the Group also presents expenditures related to exploration and evaluation of minerals.

The Group activates expenditures related to exploration and evaluation of minerals till the completion of exploration works. The next stage is verification whether the identified resources show technical feasibility and economic justification for mining. In case mining is not justified all incurred expenditures are recognized as other operating costs.

The expenditures related to exploration and evaluation of minerals include e.g.:

- topographical, geological, geochemical and geophysical analyses,
- drilling,
- open-cast mining works,
- sampling,
- obtaining license for mining.

### *Payments in the form of own shares*

Payments in the form of shares mean the transfer of capital instruments of an entity or their equivalents made by that entity or its shareholders for the benefit of third parties (also employees) that provided goods or services to a given company unless the transfer is made for a different purpose than the payment for goods and services delivered to the entity.

The Group recognizes goods or services received or acquired as part of the payment transaction in the form of shares settled in capital instruments or corresponding increase in equity when it receives those goods or services. If the goods or services received or acquired as part of the payment transaction in the form of shares do not qualify to be recognized as assets, the entity recognizes them as a cost.

The Group values the received goods and services and corresponding increase in equity at fair value of received goods or services unless reliable valuation of their fair value is not possible. If the Group cannot estimate the fair value of the received goods or services reliably, it determines their value and corresponding increase in equity indirectly through reference to the fair value of allocated capital instruments.

Payments in the form of own shares resulting from the right of employees of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A. to acquire shares of the companies free of charge based on the act of August 30, 1996 on commercialization and privatization, are recognized pursuant to the above principles. The Group recognizes costs of employee benefits in that respect from the date of taking over the control over PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A. On the other side, the Group recognizes payments in the form of shares in the item of retained profits allocating that part also to a capital of non-controlling shareholders.

*Reclamation reserves and other reserves related to mining operations*

- *Reserve for liquidation of mining facilities and lands*

Based on the Geology and Mining Law, the companies conducting mining operations are obligated to reclaim the lands where mining works were carried out. Due to that the Group creates a reserve both for land reclamation costs associated with current coal mining in a given open cast mine and for reclamation costs for abandoned excavation to the extent of coal mining progress in individual open-cast mines as of the reporting date.

Reserve for reclamation of abandoned excavation is created corresponding to a component of assets (to the extent to which it is related to initial excavation, based on the relation of the volume of initial excavation to the volume of abandoned excavation) and corresponding to the profit and loss account (to remaining extent, including the coal mining progress in individual open-cast mines as of the reporting date). Corresponding to the component of assets, the Group also creates a reserve for reclamation of external dump. Reserve for reclamation costs in relation to current coal mining is created corresponding to the profit and loss account.

The reserve is created based on estimates of future reclamation costs on the basis of reports prepared by independent experts estimating the reclamation costs upon the order of management boards of companies carrying out mining operations. Estimates related to planned reclamation costs are updated periodically, however as of each reporting date the value of the reserve is verified in accordance with up-to-date assumptions for discount rate, inflation and volume of mining. Reserve write off related to mining in a given year is recognized as operating costs (other costs by type) whereas the difference resulting from the reserve discount from previous years impacts financial costs. The use of the reserve is settled at the end of each reporting period, corresponding to operating costs. The use of the reserve with reference to taxes and fees is settled as reduction of costs of taxes and fees incurred in the reporting period, whereas the use of the reserve with reference to other costs of liquidation and reclamation is settled as reduction of other costs by type.

- *Reserve for preparation of mine lands*

The Group, as part of the operations conducted, is obligated to restore original state or remove damage caused by the mine operation. As a result the Group creates a reserve for estimated costs which it is obligated to incur based on concluded agreements. Estimates related to estimated costs associated with the mine operation are updated as of each reporting date. Creation of the reserve is recognized on both sides under mining assets.

# 4. Important values based on professional judgment and estimates

## 4.1. Professional judgment

In the process of applying accounting principles (policy) in relation to issues specified below, the professional judgment of the management will be of great importance, apart from accounting estimates.

*Capitalization of exchange rate differences*

In relation to completed projects, companies from the Group use external financing sources.

Costs of financing which can be directly assigned to performed projects are capitalized under the value of assets under construction till the date of taking over the tangible fixed asset for use.

The companies capitalize exchange rate differences related to obtained credits and loans in a foreign currency to the extent to which such differences constitute an adjustment of interest costs. The Group applies cumulative approach in relation to capitalization of external financing costs. The cumulative approach treats a project as a whole, thus the amount of exchange rate differences which can be capitalized as an adjustment of external financing costs in the reporting period may be subject to changes together with changes of exchange rates in the project period.

The activation covers positive and negative exchange rate differences constituting adjustment of included interest, being a difference between financing costs which the entity would have incurred if it had taken a credit in functional currency and financing costs for a credit taken in a foreign currency which were actually incurred. That method requires determination of theoretical interest which would have occurred if the entity had taken a credit in functional currency. That amount is a limit up to which the cost of interest and exchange rate differences for credit taken in a currency other than the functional currency can be activated.

*Classification of lease agreements*

The Group classifies lease as operating or financial lease based on the price, the extent to which the risk and benefits for holding the lease subject fall to a lessor and to a lessee. This evaluation is based on economic part of each transaction.

*Identification of embedded derivative instruments*

As of each balance sheet date the Group management evaluates whether under the concluded agreements there are economic features and risk typical of embedded derivative instrument in a foreign currency which would be strictly associated with economic features and risk typical of the basic agreement.

## 4.2. Uncertainty of estimates

Basic assumptions concerning the future and other key sources of uncertainty as of the reporting date, to which a risk of substantial adjustment of balance sheet values of assets and liabilities in the next reporting periods may be related, are presented below.

*Valuation of reserve for employee benefits*

Reserves for employee benefits were estimated using actuarial methods.

The estimate was prepared based on the following main assumptions:

- discount rate: 5.25% in the case of PAK KWB Konin and PAK KWB Adamów, 5.8% in the case of remaining entities
- estimated inflation rate: 2.5%
- estimated remuneration increase rate: 3%
- estimated power price increase rate: 3%

*Deferred tax asset*

The companies of the Group recognize the deferred tax asset item based on the assumption that in the future the Company will achieve a tax profit allowing to use deferred tax assets. Deterioration of the achieved tax results in the future could render this assumption unjustified.

*Depreciation/amortization rates*

The depreciation/amortization rates are determined based on the estimated period of economic life of the tangible fixed assets and intangible assets items. The Company verifies every year the assumed economic useful life periods based on the current estimates.

*Settlement period for assets related to removal of the blanket layer and other mining assets*

The Group periodically verifies determined settlement periods of assets related to removal of the blanket layer and other mining assets based on valid forecasts as to the open-cast mine operation period.

*Reclamation reserves and other reserves related to mining operations*

The Group creates a reserve for both land reclamation costs in relation to present coal mining in a given open-cast mine and reclamation costs in relation to abandoned excavation. The reserve is created based on estimates of future reclamation costs as well as planned dates of reclamation commencement and end on the basis of reports prepared by independent experts estimating the reclamation costs upon the order of the Management Board and discounted as of each reporting day.

*Payments in shares*

For the purpose of settling employee shares it was assumed that the date of commencing the acquisition of rights to shares was the Company commercialization date and the date of awarding the rights to shares was the date of final publication of lists with a number of shares assigned to employees of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A. The fair value of the program, as of the day of taking over the control, was determined based on fair value of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A.

# 5. Change of estimates

In the period of 9 months ended September 30, 2012 no significant changes of the estimated values and estimate methodology took place, which changes could impact the current period or future periods.

# 6. Takeovers of undertakings

As a result of the agreement signed on May 28, 2012 between ZE PAK S.A. and the Treasury, ZE PAK S.A. acquired 10,200,000 series A ordinary bearer shares of PAK Kopalnia Węgla Brunatnego Adamów S.A. ("PAK KWB Adamów") and 20,803,750 series A ordinary bearer shares of PAK Kopalnia Węgla Brunatnego Konin S.A. entitling to 85% votes during the General Shareholder Meeting and constituting 85% of the share capital. The payment for acquired shares and transfer of the ownership of those shares to ZE PAK were associated with the issue of the permit by the President of the Office of Competition and Consumer Protection for concentration consisting in takeover by ZE PAK of the control over PAK KWB Adamów and PAK Kopalnia Węgla Brunatnego Konin S.A. capital group ("PAK KWB Konin"), which took place on July 16, 2012. On July 18, 2012 the Minister of Treasury transferred the ownership of a block 85% of PAK KWB Adamów shares and a block of 85% of PAK KWB Konin shares to ZE PAK. Thus, upon effective acquisition of the said shares ZE PAK took over the control over PAK KWB Adamów and PAK KWB Konin.

The remaining 15% of the shares of PAK KWB Adamów and PAK KWB Konin will be transferred to eligible employees by the Treasury. Under the share purchase agreement ZE PAK is obligated to redeem employee shares once they are transferred to employees for the price specified in the agreement, which results in the liability related to the redemption option in the consolidate financial report of the Group.

The acquisition of 85% of shares in PAK KWB Adamów and PAK KWB Konin and recognizing the liability related to the redemption of employee shares were settled as separate transactions.

The sales price was set to be PLN 67,320,000 for PAK KWB Adamów and PLN 108,179,500 for PAK KWB Konin. ZE PAK made a payment of the above amounts on July 17, 2012.

As of September 30, 2012 the process of determining fair values of identified net assets was not completed by the Group, thus the settlement of the PAK KWB Konin and PAK KWB Adamów acquisition is not complete.

The Group adopted the following assumptions for temporary settlement of the acquisition based on available information:

- value of assets and liabilities of PAK KWB Konin and PAK KWB Adamów was determined based on financial information prepared by PAK KWB Konin and PAK KWB Adamów using accounting policies compliant with IFRS, assuming that the date of transfer of those entities to IFRS is January 1, 2011, excluding recognition of additional mining assets related to PAK KWB Adamów in the amount of PLN 22,075 thousand and deferred tax associated with that item.
- the fair value of conditional liabilities in both acquired companies is zero,
- the fair value of non-controlling shares is equal to the net value of percentage share in assets of PAK KWB Konin and PAK KWB Adamów,
- the valuation of ZE PAK obligation to submit an offer to eligible employees for redemption of shares under the share purchase agreement for KWB Konin and KWB Adamów is based on fixed price per share under the agreement for purchase of 85% of shares, excluding discount effect,

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

| **In thousands PLN** | **PAK KWB Konin** | **PAK KWB Adamów** |
|---|---|---|
| Acquired percent of the shares | | |
| Temporary fixed value at the day of acquisition | | |
| **Assets** | | |
| Property, plant and equipment | 705 003 | 112 238 |
| Investment properties | 2 665 | 817 |
| Intangible assets | 1 818 | 244 |
| Assets relating to overburden removal and other long-term mine assets | 111 804 | 24 249 |
| Deferred tax assets | 74 732 | 27 020 |
| Inventories | 24 761 | 12 311 |
| Trade and other receivables | 5 041 | 2 531 |
| Current tax receivables | 375 | 2 198 |
| Other financial and non-financial assets | 21 176 | 10 394 |
| Cash and cash equivalents | 4 299 | 9 600 |
| | **951 674** | **201 602** |
| **Liabilities** | | |
| Provisions and accruals | 243 792 | 69 626 |
| Long-term employee benefits | 114 010 | 42 766 |
| Interest-bearing loans, borrowings and bonds | 287 840 | - |
| Trade liabilities and other financial liabilities | 195 866 | 20 420 |
| Other non-financial liabilities | 30 530 | 11 380 |
| | **872 038** | **144 192** |
| **Identified net assets** | **79 636** | **57 410** |

Acquisition price estimation

| **thousands zł.** | **PAK KWB Konin** | **PAK KWB Adamów** |
|---|---|---|
| Cash transferred | 108 180 | 67 320 |
| Existing amount settlement - ZE PAK liabilities | (82 405) | (21 790) |
| Acquisition amount | 25 775 | 45 530 |

Acquisition settlement

**Company value estimation/ bargain acquisition profit**

| **thousands zł.** | **PAK KWB Konin** | **PAK KWB Adamów** |
|---|---|---|
| Acquisition amount | 25 775 | 45 530 |
| Non-controlling interests at fair value | 24 616 | 11 880 |
| **Total** | **50 391** | **57 410** |
| Bargain acquisition profit | 29 245 | - |

As a result of settlement of PAK KWB Adamów acquisition the Group recognized the value of mining assets in the amount of PLN 22,075 thousand (and deferred tax associated with that item).

Due to the provisions of IFRS 3.36 and the fact that the settlement of PAK KWB Konin acquisition is temporary, the Group did not recognize the aforementioned bargain purchase profit amount in the profit and loss account but presented it in the item "Short-term subsidies and accruals" until it is finally settled.

Transaction costs in the amount of PLN 3,301 thousand were recognized as overhead expenses in the profit and loss account and as an element of cash flows from operating activities in the cash flow statement.

(in PLN thousands)

Outflow of cash for acquisition:

| | **PAK KWB Konin** | **PAK KWB Adamów** | | **Total** |
|---|---|---|---|---|
| Net cash acquired together with a subsidiary (recognized as cash flows from investment activities) | 4,299 | 9,600 | - | 13,899 |
| Paid cash (recognized as cash flows from investment activities) | (108,180) | (67,320) | - | (175,500) |
| Paid transaction costs (recognized as cash flows from operating activities) | - | - | (1,759) | (1,759) |
| **Outflow of net cash** | **(103,881)** | **(57,720)** | **(1,759)** | **(163,360)** |

From the acquisition date PAK KWB Adamów generated PLN 61,974 thousand revenue and PLN 7,377 thousand profit which were included in the consolidated report covering total income for the reporting period (data prior to consolidation exclusions). From the acquisition date PAK KWB Konin generated PLN 138,073 thousand revenue and PLN 7,422 thousand loss which were included in the consolidated report covering total income for the reporting period. (data prior to consolidation exclusions).

As a result of conclusion of the agreement with the Treasury, ZE PAK, for the first time in its history, contracted obligation to redeem shares of non-controlling shareholders. Inclusion of that obligation in the consolidated financial report required the selection of accounting policy for transactions of that type.

In compliance with the selected policy the result and other total income will be allocated to non-controlling shares in subsequent reporting periods. At the end of each reporting period the value of non-controlling shares is adjusted as if they were acquired, with simultaneous recognition of liability related to the redemption of shares. The difference between the value of non-controlling shares derecognized as of the reporting date and identified financial liability is referred to the retained profit item.

# 7. Seasonal nature of operations

Consumption of electricity and heat, in particular by consumers, but also by other recipients, is subject to seasonal fluctuation, which impacts demand for generated electricity and heat. Generally, the consumption of electricity increases in winter (in particular due to low temperatures and shorter days) and decreases in summer (due to higher temperatures and longer days) although recently a higher demand for electricity in summer has been noted, which is caused by an increasing number of air conditioning units and cooling equipment used. Similarly, heat is sold in much higher volume in cold period which usually lasts from October to March. However, the above dependencies have no important impact on financial results, thus the presented results of the Group do not show significant fluctuations during the year.

# 8. Information on business activity segments

In relation to the acquisition of PAK KWB Konin and PAK KWB Adamów mines the Group verified information on operating segments. For management purposes the Group was divided into parts based on generated products and services provided.

The following operating segments were distinguished:

- The Generation segment covering the production of electricity both from conventional sources (including cogeneration) and as a result of biomass co-incineration. Basic fuels used by the Generation segment are brown coal and biomass. The Generation segment covers 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. in liquidation
- The Mining segment which covers brown coal mining. As part of the Mining segment within ZE PAK Capital Group the following entities operate:

    - "PAK GÓRNICTWO" sp. z o.o.
    - "PAK Kopalnia Węgla Brunatnego Konin" S.A. Capital Group (from the third quarter of 2012)
    - "PAK Kopalnia Węgla BrunatnegoAdamów" S.A. (from the third quarter of 2012)
- Maintenance segment providing services related to construction works and overhauls. The segment covers operations of the following companies:
    - Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.,
    - Przedsiębiorstwo Serwisu Automatyki i Urządzeń „EL PAK” sp. z o.o. and
    - "Energoinwest Serwis" sp. z o.o.

ZE PAK S.A. Group also operates in other fields through "PAK Centrum Usług Informatycznych" sp. z o.o., "PAK Centrum Badań Jakości" sp. z o.o. Activities of those companies were aggregated in the column "Other".

Transaction prices used in transactions between operating segments are determined based on market rules as in the case of transactions with unrelated parties.

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

The Management Board separately monitors operating results of the segments to make decisions on allocation of resources, to evaluate such allocation and results of operations. The basis for evaluation of the results of operations is profit or loss on operating activities and EBITDA.

Below the results of segments are presented for periods ended September 30, 2012 and September 30, 2011.

(in PLN thousands)

**9 months period ended 30 September 2012 (unaudited)**

| | **Generation** | **Mining** | **Maintenance** | **Other** | **Consolidation adjustments** | **Total** |
|---|---|---|---|---|---|---|
| Revenues from sale to external costumers | 1 897 028 | 8 231 | 81 059 | 1 762 | - | 1 988 080 |
| Revenues from inter-segment sale | 12 649 | 191 768 | 163 542 | 13 889 | (381 848) | - |
| **Segment revenues** | **1 909 677** | **199 999** | **244 601** | **15 651** | **(381 848)** | **1 988 080** |
| Cost of goods sold | (1 544 450) | (164 806) | (194 913) | (9 100) | 374 872 | (1 538 397) |
| **Gross profit** | **365 227** | **35 193** | **49 688** | **6 551** | **(6 976)** | **449 683** |
| | | | | | | |
| Other operating income | 3 728 | - | 174 | 1 | - | 3 903 |
| Selling and distribution expenses | (2 442) | (285) | - | (1) | - | (2 728) |
| Administrative expenses | (42 665) | (28 221) | (14 729) | (1 743) | (1 760) | (89 118) |
| Other operating expenses | (5 654) | (2 723) | (197) | (2) | - | (8 576) |
| | | | | | | |
| Finance income | 119 138 | 874 | 1 162 | 73 | (45 661) | 75 586 |
| Finance costs | (32 184) | (6 826) | (1 589) | - | - | (40 599) |
| | | | | | | |
| **Profit before tax** | **405 148** | **(1 988)** | **34 509** | **4 879** | **(54 397)** | **388 151** |
| Income tax expense | (67 772) | 1 464 | (5 887) | (476) | 855 | (71 816) |
| **Net profit/ (loss) for the period from continuing operations** | **337 376** | **(524)** | **28 622** | **4 403** | **(53 542)** | **316 335** |
| | | | | | | |
| **Ebit** | **318 194** | **3 964** | **34 936** | **4 806** | **(8 736)** | **353 164** |
| Depreciation/amortization | 172 814 | 12 690 | 3 642 | 1 024 | (2 390) | 187 780 |
| **Ebitda** | **491 008** | **16 654** | **38 578** | **5 830** | **(11 126)** | **540 944** |

(in PLN thousands)

**9 months period ended 30 September 2011 (unaudited)**

| | Generation | Mining | Maintenance | Other | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|
| Revenues from sale to external costumers | 1 961 419 | - | 80 655 | 437 | - | 2 042 511 |
| Revenues from inter-segment sale | 6 292 | - | 133 948 | 10 559 | (150 799) | - |
| **Segment revenues** | **1 967 711** | **-** | **214 603** | **10 996** | **(150 799)** | **2 042 511** |
| Cost of goods sold | (1 490 488) | - | (184 160) | (7 374) | 150 109 | (1 531 913) |
| **Gross profit** | **477 223** | **-** | **30 443** | **3 622** | **(690)** | **510 598** |
| | | | | | | |
| Other operating income | 2 625 | - | 675 | 7 | - | 3 307 |
| Selling and distribution expenses | (14 995) | - | - | - | - | (14 995) |
| Administrative expenses | (43 037) | (916) | (15 475) | (2 023) | - | (61 451) |
| Other operating expenses | (4 127) | - | (131) | (2) | - | (4 260) |
| | | | | | | |
| Finance income | 47 645 | 6 | 4 771 | 29 | - | 52 451 |
| Finance costs | (125 051) | (1) | (111) | (1) | - | (125 164) |
| | | | | | | |
| **Profit before tax** | **340 283** | **(911)** | **20 172** | **1 632** | **(690)** | **360 486** |
| Income tax expense | (68 354) | - | (2 009) | (330) | (34) | (70 727) |
| **Net profit/ (loss) for the period from continuing operations** | **271 929** | **(911)** | **18 163** | **1 302** | **(724)** | **289 759** |
| | | | | | | |
| **Ebit** | **417 689** | **(916)** | **15 512** | **1 604** | **(690)** | **433 199** |
| Depreciation/amortyzation | 166 771 | 11 | 2 862 | 859 | (2 019) | 168 484 |
| **Ebitda** | **584 460** | **(905)** | **18 374** | **2 463** | **(2 709)** | **601 683** |

(in PLN thousands)

# 9. Revenues and costs

## 9.1. Revenues from sales

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| **Revenues by type** | | | | |
| Revenue from sale of electricity | 1 553 488 | 558 406 | 1 624 313 | 524 658 |
| Revenue from electricity from the market | 124 036 | 31 885 | 135 648 | 20 063 |
| Revenue from origin certificates | 98 587 | 47 126 | 90 046 | 37 763 |
| Revenue from construction contracts | 67 716 | 22 040 | 66 094 | 21 735 |
| Compensation related to PPAs termination | 62 484 | 25 454 | 53 261 | 16 051 |
| Revenue from sale of heat | 37 021 | 8 343 | 34 481 | 7 538 |
| Exchange of EUAs for CERs | 21 384 | 6 565 | 20 341 | 11 587 |
| Other sales revenue | 23 996 | 13 241 | 18 883 | 8 436 |
| Excise tax | (632) | (211) | (556) | (208) |
| **Total sales revenues** | **1 988 080** | **712 849** | **2 042 511** | **647 623** |

## 9.2. Other operating revenues

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Compensations received | 1 102 | 202 | 521 | 51 |
| Government grants received | 1 053 | 98 | 1 324 | 441 |
| Reversal of provisions for costs and losses and liabilities write-off | 1 250 | 1 250 | 424 | - |
| Other | 498 | 96 | 1 038 | 734 |
| **Total other operating revenues** | **3 903** | **1 646** | **3 307** | **1 226** |

## 9.3. Other operating costs

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Loss on the sale of property, plant and equipment | 817 | 812 | 60 | - |
| Recognition of provisions | 3 160 | 2 826 | - | - |
| Loss on liquidation of property, plant and equipment | 272 | - | 1 596 | 299 |
| Electricity equivalents paid for pensioners and former employees | 1 502 | - | 1 402 | - |
| Electricity-related damages | 556 | 332 | 220 | 46 |
| Donations given | 473 | 215 | 271 | 38 |
| Other | 1 796 | 142 | 711 | 314 |
| **Total other operating costs** | **8 576** | **4 327** | **4 260** | **697** |

(in PLN thousands)

## 9.4. Financial revenues

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Interest income | 18 210 | 4 824 | 14 344 | 5 836 |
| Valuation of foreign currency options (PAI MEDIA) | - | - | 23 089 | - |
| Foreign exchange gains | 36 524 | 25 844 | 7 119 | - |
| Valuation of instruments hedging against interest rate fluctuations (SWAP) | - | - | 1 950 | - |
| Gains on selling finance assets | 20 649 | - | - | - |
| Other | 203 | 150 | 5 949 | 5 947 |
| **Total finance revenues** | **75 586** | **30 818** | **52 451** | **11 783** |

In the period of 9 months ended September 30, 2011 the Group repaid the loan granted by PAI MEDIA S.A. in 2005. In relation to the above also the currency option separated as part of the loan was settled. The settlement of the embedded currency option was recognized in the abbreviated consolidated interim cash flow statement in the cash flows related to financial operations.

Within 9 months ended on September 30, 2012 the Group completed the transaction of TGE S.A. share sales to Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) where it earned profit of PLN 20,649 thousand. Profit on share sales was recognized in the abbreviated consolidated interim cash flow statement under the item of expenses and proceeds related to other financial assets.

## 9.5. Financial costs

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Interest expenses | 25 447 | 16 122 | 32 308 | 5 715 |
| Valuation and realization of derivative financial instruments | 7 362 | 2 776 | 3 454 | 1 866 |
| Power blocks provision discount | 651 | - | 1 254 | 640 |
| Foreign exchange losses | 836 | - | 84 090 | 79 405 |
| Other | 6 303 | 5 536 | 4 058 | 2 285 |
| **Total finance costs** | **40 599** | **24 434** | **125 164** | **89 911** |

(in PLN thousands)

## 9.6. Costs by type

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Depreciation/Amortisation | 188 880 | 65 389 | 169 870 | 33 809 |
| Impairment write-downs against inventories | 20 438 | 13 211 | - | - |
| Materials | 750 423 | 187 164 | 884 274 | 292 840 |
| External services | 142 634 | 71 697 | 66 695 | 11 925 |
| Taxes and charges, excluding excise duty | 75 337 | 29 864 | 53 954 | 6 784 |
| Social security and other allowances | 285 881 | 148 395 | 208 399 | 65 595 |
| Other costs | 38 899 | 25 407 | 31 924 | 12 488 |
| Cost of goods for resale and raw materials sold and electricity purchased from the market sold | 124 376 | 42 182 | 169 971 | 54 922 |
| **Total costs by type** | **1 626 868** | **583 309** | **1 585 087** | **478 363** |
| | - | - | - | - |
| Items included in cost of goods sold | 1 538 397 | 541 916 | 1 531 913 | 483 599 |
| Items included in selling and distribution expenses | 2 728 | 670 | 14 995 | 4 810 |
| Items included in administrative expenses | 89 118 | 50 633 | 61 451 | 25 004 |
| Change in the stocks of finished goods | (14 540) | (20 887) | (23 790) | (35 245) |
| Cost of goods and services for internal needs | 11 165 | 10 977 | 518 | 195 |

Inventory revaluation write-downs mainly refer to revaluation of the value of certificates of origin for electricity.

## 9.7. Contracts for construction services

The companies operating in the maintenance segment implement contracts for construction services.

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Revenue related to construction contracts recognized in the period: | 67 716 | 22 040 | 66 094 | 21 735 |
| Revenue invoiced in the period: | 80 337 | 19 109 | 76 072 | 25 009 |
| Valuation of construction contracts: | (12 620) | 2 932 | (9 978) | (3 274) |
| Expenses incurred in the period: | 55 860 | 16 950 | 51 873 | 7 594 |
| Expected losses recognized in the period: | (254) | (507) | 824 | (428) |
| Result on the construction contracts: | 12 110 | 5 597 | 13 397 | 14 569 |

| | *30 September 2012 (unaudited)* | 31 December 2011 |
|---|---|---|
| Gross amount due from ordering parties for works under contract | 6,090 | 25,378 |
| Gross amount due to ordering parties for works under contract | 2,551 | 4,920 |

(in PLN thousands)

# 10. Elements of other comprehensive income

Elements of other comprehensive income are as follows:

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| **Cash flow hedges** | | | | |
| Gains (losses) for the period | (13 422) | (4 574) | (28 504) | (19 387) |
| Adjustments relating to reclassification of gains (losses) recognized in profit or loss | 7 233 | 2 667 | 3 505 | 1 918 |
| **Gross cash flow hedge for the period** | **(6 189)** | **(1 907)** | **(24 999)** | **(17 469)** |
| Tax charge on cash flow hedge | 1 176 | 363 | 4 750 | 3 319 |
| **Net cash flow hedge for the period** | **(5 013)** | **(1 544)** | **(20 249)** | **(14 150)** |
| **Gross FX differences on translation of foreign operations** | | | | |
| Foreign exchange on translation of foreign operations | (744) | (330) | 3 934 | 606 |
| Tax charge on FX differences on translation of foreign operations | 141 | 62 | (747) | (115) |
| **Net FX differences on translation of foreign operations** | **(603)** | **(268)** | **3 187** | **491** |
| **Other comprehensive income gross** | (6 933) | (2 237) | (21 065) | (16 863) |
| **Tax charge on other comprehensive income** | 1 317 | 425 | 4 003 | 3 204 |
| **Other comprehensive income net** | **(5 616)** | **(1 812)** | **(17 062)** | **(13 659)** |

# 11. Earnings per share (EPS)

In September 2012 a split of Company shares was registered. Before the split transaction the share capital of the Company was split into 8,671,000 shares with face value of PLN 12 each. Following the split the share capital of the Company consisted of 52,026,000 ordinary shares with face value of PLN 2. Earnings per share for each presented periods in this abbreviated consolidated interim financial report were calculated, considering the increase in the number of shares. Figures for earnings and shares that were used to calculate basic and diluted EPS are presented below.

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| Net profit attributable to ordinary shareholders of the parent, used to compute diluted earnings per share | 316 246 | 101 829 | 289 741 | 41 094 |
| Weighted average number of shares | 52 026 000 | 52 026 000 | 52 026 000 | 52 026 000 |
| Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share | 52 026 000 | 52 026 000 | 52 026 000 | 52 026 000 |

(in PLN thousands)

# 12. Income tax

## 12.1. Tax burden

Main elements of the tax burden in the profit and loss account are as follows:

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| *Current income tax* | | | | |
| Current income tax expense | 44 501 | 10 534 | 48 141 | 20 560 |
| Adjustments to current income tax from previous years | (1 556) | - | - | - |
| *Deferred tax* | - | - | - | - |
| Relating to the origination and reversal of temporary differences | 30 187 | 12 336 | 22 698 | (4 884) |
| Other | (1 316) | (1 441) | (112) | (169) |
| **Income tax expense reported in the interim condensed consolidated income statement** | **71 816** | **21 429** | **70 727** | **15 507** |
| Income tax gain reported in the interim condensed consolidated income statement | 1 317 | 425 | 4 003 | 3 204 |

## 12.2. Deferred income tax

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| **Deferred tax asset** | | |
| Balance sheet provisions and accruals | 63 757 | 47 674 |
| Provisions and accruals due to lignite extraction activities | 67 145 | - |
| Interest and foreign exchange differences | 14 295 | 33 465 |
| Hedging instruments | 7 083 | 5 770 |
| Valuation of uncompleted construction contracts | 879 | 7 958 |
| Leases | 9 361 | |
| Prior year tax losses | 70 301 | 74 031 |
| Impairment write-downs against inventory | 1 774 | 338 |
| Impairment write-downs against receivables | 5 115 | 4 953 |
| Impairment write-downs against non – current assets | 186 | 2 239 |
| Employee settlements | 8 197 | 922 |
| Other | 12 729 | 389 |
| Total | 260 822 | 177 739 |
| **Deferred tax liability** | | |
| Difference between carrying amount and tax base of fixed assets | 355 690 | 342 417 |
| Lignite extraction assets | 8 027 | - |
| Receivables due to compensation (PPAs) | 15 252 | 13 420 |
| Energy certificates | 15 601 | 22 325 |
| Interest and foreign exchange differences | 1 783 | 3 923 |
| Valuation of uncompleted construction contracts | 1 656 | 7 358 |
| Other | 1 617 | - |
| **Total** | 399 626 | 389 443 |

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

| | | |
|---|---|---|
| **Deferred tax asset:** | **111 844** | **8 081** |
| **Deferred tax liability:** | **250 647** | **219 785** |

In the year ended December 31, 2011 "Elektrownia Pątnów II" sp. z o.o. showed tax loss in the amount of PLN 185,772 thousand. The cumulative value of tax losses for previous years amounted to PLN 388,836 thousand as of December 31, 2011.

Tax losses, pursuant to Polish tax law, can be deducted from future taxable income earned by the Company in subsequent five fiscal years, however the reduction rate in any of those years may not exceed 50% of the loss amount.

As of each balance sheet date "Elektrownia Pątnów II" analyzes the possibility of settling tax losses from previous income based on prepared budgets. In the period of 9 months ended September 30, 2012 "Elektrownia Pątnów II" sp. z o.o. indicated tax profit. As a result the tax loss from previous years was settled in the amount of PLN 69,749 thousand.

As of September 30, 2012 "Elektrownia Pątnów II" sp. z o.o. recognized asset for deferred tax for the entire value of tax losses from previous years to be settled pursuant to applicable tax law provisions. The value of non-recognized asset for overdue tax losses as of September 30, 2012 amounted to PLN 3,062 thousand.

Przedsiębiorstwo Remontowe "PAK Serwis" sp. z o.o. operates in Germany through its branch. In the period from 2008 to 2010 the company suffered tax losses. Based on budgets for subsequent years the company analyzed the possibility of settling tax losses. The value of tax losses for years 2008 - 2010 amounted to PLN 18,087 thousand. The company did not recognize asset for deferred tax in the amount of PLN 5,426 thousand. For the year ended December 31, 2010 the value of loss incurred by the German branch amounted to PLN 6,732 thousand. In that respect also asset for the deferred tax was not recognized; that value was PLN 2,017 thousand.

In the year ended December 31, 2011 the German branch earned tax profit. As a result the tax loss from previous years (not covered by an asset earlier) in the amount of EUR 946,358 (converted by exchange rate of 4.1401 - PLN 3,918 thousand) was settled. In the period of 9 months ended September 30, 2012 the German branch recognized a tax profit of EUR 1,487,875 (converted by exchange rate of 4.1948 - PLN 6,241 thousand), which allows for settling the tax loss from previous years.

(in PLN thousands)

# 13. Tangible fixed assets

**9 months period ended 30 September 2012 (unaudited)**

| | *Land and perpetual usufruct* | *Buildings and constructions* | *Plant and machinery* | *Motor vehicles* | *Other fixed assets* | *Assets under construction* | *Total* |
|---|---|---|---|---|---|---|---|
| Gross carrying amount as at 1 January 2012 | 37 040 | 1 522 756 | 2 805 129 | 14 104 | 21 520 | 659 171 | 5 059 720 |
| Direct purchase | 5 203 | 245 | 3 216 | 935 | 1 554 | 192 628 | 203 781 |
| Acquisition of PAK KWB Konin and PAK KWB Adamów | 120 819 | 138 898 | 433 832 | 56 776 | 2 723 | 64 193 | 817 241 |
| Disposals and liquidation | (1 636) | (2 395) | (695) | (1 235) | (865) | - | (6 826) |
| Transfer from assets under construction | 2 838 | 150 629 | 501 613 | 928 | 164 | (656 172) | - |
| Gross carrying amount as at 30 September 2012 | 164 264 | 1 810 133 | 3 743 095 | 71 508 | 25 096 | 259 820 | 6 073 916 |
| 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 | 174 | 52 511 | 130 213 | 3 001 | 1 881 | - | 187 780 |
| Disposals and liquidation | - | (1 439) | (654) | (1 105) | (803) | (509) | (4 510) |
| Accumulated depreciation and impairment as at 30 September 2012 | 1 062 | 267 434 | 649 222 | 9 421 | 16 132 | 29 782 | 973 053 |
| 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 | 163 202 | 1 542 699 | 3 093 873 | 62 087 | 8 964 | 230 038 | 5 100 863 |

(in PLN thousands)

**9 months period ended 30 September 2011 (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 2011 | 36 975 | 1 472 025 | 2 889 930 | 12 173 | 17 891 | 281 492 | 4 710 486 |
| Direct purchase | - | 413 | 2 251 | 1 456 | 1 759 | 343 884 | 349 763 |
| Disposals and liquidation | - | (1 329) | (1 488) | (124) | (192) | - | (3 133) |
| Transfer from assets under construction | - | 2 956 | 5 060 | 63 | 352 | (8 431) | - |
| Gross carrying amount as at 30 September 2011 | 36 975 | 1 474 065 | 2 895 753 | 13 568 | 19 810 | 616 945 | 5 057 116 |
| Accumulated depreciation and impairment as at 1 January 2011 | 884 | 151 340 | 451 828 | 6 047 | 13 309 | - | 623 408 |
| Depreciation charge for the period | - | 45 986 | 120 024 | 1 175 | 1 299 | - | 168 484 |
| Disposals and liquidation | - | (1 312) | (1 468) | (124) | (129) | - | (3 033) |
| Accumulated depreciation and impairment as at 30 September 2011 | 884 | 196 014 | 570 384 | 7 098 | 14 479 | - | 788 859 |
| Net carrying amount as at 1 January 2011 | 36 091 | 1 320 685 | 2 438 102 | 6 126 | 4 582 | 281 492 | 4 087 078 |
| Net carrying amount as at 30 September 2011 | 36 091 | 1 278 051 | 2 325 369 | 6 470 | 5 331 | 616 945 | 4 268 257 |

(in PLN thousands)

# 14. Intangible assets

## 14.1. Long-term intangible assets

**9 months period ended 30 September 2012 (unaudited)**

| | *Costs of development activity* | *Licenses* | *Software* | *Other intangible assets* | *Total* |
|---|---|---|---|---|---|
| Gross carrying amount as at 1 January 2012 | - | 28 224 | 1 438 | 321 | 29 983 |
| Direct purchase | - | 424 | 23 | 52 | 499 |
| Acquisition of PAK KWB Konin and PAK KWB Adamów | - | 1 818 | 244 | - | 2 062 |
| Disposals and liquidation | - | (22) | (85) | - | (107) |
| Other | - | (55) | 360 | (305) | - |
| Gross carrying amount as at 30 September 2012 | - | 30 390 | 1 980 | 68 | 32 437 |
| Accumulated depreciation and impairment as at 1 January 2012 | - | 25 045 | 939 | 245 | 26 229 |
| Depreciation charge for the period | - | 898 | 201 | 1 | 1 100 |
| Other | - | 36 | 204 | (241) | - |
| Disposals and liquidation | - | (22) | (38) | - | (60) |
| Accumulated depreciation and impairment as at 30 September 2012 | - | 25 957 | 1 307 | 5 | 27 270 |
| 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 |

**9 months period ended 30 September 2011 (unaudited)**

| | *Costs of development activity* | *Licenses* | *Software* | *Other intangible assets* | *Total* |
|---|---|---|---|---|---|
| Gross carrying amount as at 1 January 2011 | 120 | 27 514 | 869 | 257 | 28 760 |
| Direct purchase | - | 515 | 180 | 1 | 696 |
| Disposals and liquidation | - | - | - | - | - |
| Construction in progres transfer | - | - | - | - | - |
| Gross carrying amount as at 30 September 2011 | 120 | 28 029 | 1 049 | 258 | 29 456 |
| Accumulated depreciation and impairment as at 1 January 2011 | 120 | 23 484 | 858 | 229 | 24 691 |
| Depreciation charge for the period | - | 1 213 | 172 | 1 | 1 386 |
| Disposals and liquidation | - | - | - | - | - |
| Accumulated depreciation and impairment as at 30 September 2011 | 120 | 24 697 | 1 030 | 230 | 26 077 |
| Net carrying amount as at 1 January  2011 | - | 4 030 | 11 | 28 | 4 069 |
| Net carrying amount as at 30 September 2011 | - | 3 332 | 19 | 28 | 3 379 |

(in PLN thousands)

## 14.2. Short-term intangible assets

In the short-term intangible assets item the Group presents assets acquired in transactions of exchange of free CO2 emission allowances to CER and ERU units.

| | *9 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* |
|---|---|---|
| Gross carrying amount as at 1 January | 84 729 | 98 522 |
| Direct purchase | 23 107 | 61 801 |
| Redemption of CERs | (74 318) | (101 001) |
| Gross carrying amount as at 30 September | 33 518 | 59 320 |
| Impairment write–down | - | - |
| Net carrying amount as at 1 January | 84 729 | 98 522 |
| Net carrying amount as at 30 September | 33 518 | 59 320 |

# 15. Assets related to overburden removal layer and other mining assets

As of September 30, 2012 the item of assets related to overburden removal and other mining assets covers: expenditures incurred by "PAK Górnictwo" sp. z o.o. in relation to exploration and evaluation of minerals in the amount of PLN 5,688 thousand and assets related to the removal of the blanket layer and other mining assets of PAK KWB Konin in the amount of PLN 104,998 thousand and of PAK KWB Adamów in the amount of PLN 24,499 thousand.

# 16. Other assets

## 16.1. Other financial assets

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Deposits to service debt costs | 88 357 | 97 844 |
| Deposits | 1 012 | 49 231 |
| Shares | 1 495 | 4 095 |
| Other | 39 588 | 1 302 |
| Total other financial assets | 130 452 | 152 472 |
| - short- term | 99 251 | 109 738 |
| - long- term | 31 201 | 42 734 |

As at 30 September 2012 other financial assets include the amount of PLN 28,080 thousand being deposits of Mining plant liquidation funds of PAK KWB Konin and PAK KWB Adamów.

## 16.2. Other non-financial assets

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| VAT receivables | 346 | 2 101 |
| Insurance | 1 190 | 2 946 |
| Other receivables from the state budget | - | 72 |
| Receivables from tax on civil law transactions | 4 997 | 4 022 |
| Prepayments for delivery | 208 | 32 |
| Prepayments for assets under construction | 6 937 | 2 008 |
| Other | 4 838 | 1 843 |
| **Total other non–financial assets** | **18 516** | **13 024** |
| - short- term | 13 913 | 9 789 |
| - long- term | 4 603 | 3 235 |

(in PLN thousands)

# 17. Inventories

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Production fuel | 9 970 | 10 832 |
| Spare parts and other raw materials | 84 578 | 21 092 |
| Energy origin certificates | 90 983 | 117 502 |
| Total inventories | 185 531 | 149 426 |

In the period of 9 months ended September 30, 2012 the Group made revaluation write-off for inventories for the amount of PLN 20,438 thousand (in the period of 9 months ended September 30, 2011 the Group did not reduce the value of inventory). The write-off mainly referred to the certificates of origin for electricity generated from renewable sources ("green certificates") as a result of the decrease in their market price (amount of PLN 20,137 thousand for 9 months ended September 20, 2012).

No category of inventory constituted a collateral for credits or loans in the period of 9 months ended September 30, 2012 or in the year ended December 31, 2011.

# 18. Trade and other receivables

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Trade receivables | 143 466 | 141 992 |
| Receivables for compensation due to the termination of the PPAs | 80 275 | 70 632 |
| Receivables from securing energy purchases on the balancing market | 5 163 | 5 000 |
| Other receivables | 4 632 | 1 743 |
| Total receivables (net) | 233 536 | 219 367 |
| Write–downs against receivables | 32 556 | 35 463 |
| Receivables (gross) | 266 092 | 254 830 |

Conditions of transactions with related entities are described in note 27.

Trade receivables do not bear interest and are payable usually within 14 days.

The Group has relevant policy put in place to sell only to verified customers. Thanks to that, in opinion of the management, there is no additional credit risk that would exceed the level determined by the revaluation write-off for bad debts with respect to trade receivables of the Group.

# 19. Cash and cash equivalents

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

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Cash on hand and cash at bank | 11 747 | 276 313 |
| Short-term deposits | 383 429 | 109 116 |
| Total balance of cash and cash equivalents presented in the statement of cash flow | **395 176** | **385 429** |

(in PLN thousands)

| | *9 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* |
|---|---|---|
| Total balance of cash and cash equivalents presented in the statement of cash flow at the beginning of a period | 385 429 | 470 738 |
| Total balance of cash and cash equivalents presented in the statement of cash flow at the end of a period | 395 176 | 479 075 |
| Change in cash | 9 747 | 8 337 |
| Including FX differences | (939) | 1 929 |
| Change presented in statement of cash flow | **10 686** | **6 408** |

Explanation of selected items in the cash flow statement:

The item of other adjustments for operating activities in the period of 9 months ended September 30, 2011 presents mainly the valuation of derivative instruments.

The item of expenditures and proceeds related to other financial assets in the period of 9 months ended September 30, 2012 presents proceeds related to the sales of TGE S.A, shares in the amount of PLN 24,178 thousand, proceeds related to cash for debt support in the amount of PLN 7,000 thousand and long-term deposits in the amount of PLN 25,086 thousand.

The item of other adjustments for financial activities in the period of 9 months ended September 30, 2011 presents mainly the amounts of bank commissions paid in relation to debt refinancing at Pątnów II Power Plant.

# 20. Interest-bearing bank credits and loans

| **Short-term** | | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|---|
| 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 | 31 289 | 30 619 |
| Bank Loan (syndicated) in the amount of EUR 240 000 thousand, interest rate at 3M EURIBOR+ bank margin | 20.07.2019 | 130 918 | 150 013 |
| Bank Loan in Bank Pocztowy S.A. in the amount of PLN 640 thousand, interest rate at 1M WIBOR+ bank margin | 29.07.2016 | 132 | - |
| Overdraft facility at BRE Bank S.A. in the amount of PLN 9 700 thousand, interest rate at 1M WIBOR+ bank margin | 29.04.2013 | 9 579 | - |
| Overdraft facility at BZ WBK in the amount of PLN 65 000 thousand, interest rate at 1M WIBOR+bank margin | 30.06.2013 | 63 263 | - |
| Bank loan in BZ WBK S.A. in the amount of PLN 46 463,4 thousand, interest rate 1M WIBOR+ bank margin | 31.12.2016 | 33 358 | - |
| Payment settlement agreement BRE Bank S.A. up to PLN 25 000 thousand, interest rate at 1M WIBOR + bank margin | 31.12.2012 | 1 053 | - |
| Financial services agreement BRE Bank S.A. (credit bills of exchange) up to PLN 49 000 thousand – rediscount rate | 30.06.2016 | 28 848 | - |
| Overdraft facility at BRE Bank S.A. in the amount of PLN 30 000 thousand, interest rate at 1M WIBOR+ bank margin | 29.04.2013 | 23 750 | - |
| Overdraft facility at BRE Bank S.A. in the amount of PLN 10 300 thousand, interest rate at 1M WIBOR+ bank margin | 24.01.2013 | 10 300 | - |
| Agreement of issuing, conducting and servicing of bonds PKO BP S.A. in the amount of PLN 135 000 thousand, interest rate at 3M WIBOR + bank margin | 31.12.2016 | 37 787 | - |
| Bank loan in Bank Pocztowy S.A. in the amount of PLN 15 000 thousand, interest rate 3M WIBOR+ bank margin | 28.06.2013 | 3 046 | 3 826 |
| Bank loan in BRE Bank S.A. in the amount of PLN 6 800 thousand, interest rate 3M WIBOR+ bank margin | 31.12.2012 | 281 | 1 425 |
| Bank loan in Pekao S.A. in the amount of PLN 12 000 thousand, interest rate 3M WIBOR+ bank margin | 30.12.2013 | 2 085 | 2 085 |

(in PLN thousands)

| | | | |
|---|---|---|---|
| Bank loan (syndicated) in the amount of PLN 291 000 thousand, interest rate at 3M WIBOR+ bank margin | 31.12.2015 | 58 041 | 57 843 |
| **Total** | | **433 730** | **245 811** |

| **Long-term** | | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|---|
| 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 | 52 686 | 64 640 |
| Bank Loan (syndicated) in the amount of EUR 240 000 thousand, interest rate at 3M EURIBOR+ bank margin | 20.07.2019 | 703 696 | 828 208 |
| Bank loan in Pekao S.A. in the amount of PLN 1 000 thousand, interest rate 1M WIBOR+ bank margin | 26.09.2016 | 300 | - |
| Bank Loan in Bank Pocztowy S.A. in the amount of PLN 640 thousand, interest rate at 1M WIBOR+ bank margin | 29.07.2016 | 386 | - |
| Overdraft facility at PEKAO S.A. in the amount of PLN 9 500 thousand, interest rate at 1M WIBOR+ bank margin | 31.10.2014 | 2 764 | - |
| Agreement of issuing, conducting and servicing of bonds PKO BP S.A. in the amount of PLN 135 000 thousand, interest rate at 3M WIBOR + bank margin | 31.12.2016 | 72 750 | - |
| 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 |
| Bank loan (syndicated) in the amount of PLN 291 000 thousand, interest rate at 3M WIBOR+ bank margin | 31.12.2015 | 83 560 | 111 686 |
| Total | | **916 663** | **1 008 118** |

Pursuant to the provisions of consortium loan agreement of January 14, 2011, the subsidiary "Elektrownia Pątnów II" sp. z o.o. is obligated to maintain, as of each December 31 and June 30, some financial indicators at the levels specified in the agreement. As of June 30, 2012 none of the indicators was breached. As of June 30, 2012 the subsidiary "Elektrownia Pątnów II" sp. z o.o. failed to maintain the indicator which conditions the payment of dividend and repayment of subordinated loans to the parent company. On August 7, 2012 the company applied to lenders for possibility of dividend payment and repayment of subordinated loans despite failure to maintain the indicator. On October 4, 2012 the lenders accepted the application of the company and agreed to payment to the parent company. On October 8 and 9, 2012 the company paid dividend in the amount of PLN 73,813 thousand and repaid subordinated loans in the amount of PLN 18,937 thousand.

# 21. Reserves and deferrals

## 21.1. Deferrals

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Provisions for bonuses and unused annual leave | 61 300 | 29 985 |
| Compensations from the insurer | 241 | 204 |
| Audit of financial statements | - | 509 |
| Other | 2 541 | 819 |
| Total | 64 082 | 31 517 |
| short-term | 64 082 | 31 517 |
| long-term | - | - |

Increase of the reserve for bonuses and holidays result mainly from identification of additional reserves due to acquisition of PAK KWB Konin and PAK KWB Adamów.

(in PLN thousands)

## 21.2. Reserves and provisions

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Provision for CERs redemption | 33 518 | 84 729 |
| Provision for dismantling of fixed assets | 22 687 | 21 710 |
| Provision for reclamation of ash stock yards | 4 984 | 6 114 |
| Provision for recultivation and other related with mining operations | 297 825 | - |
| Provision for expected loss on long-term agreement | 254 | 687 |
| Provision for redemption of energy origin certificates | 934 | 1 505 |
| Other | 14 212 | 6 813 |
| Total | 374 414 | 121 558 |
| Short-term | 77 406 | 94 476 |
| Long-term | 297 008 | 27 082 |

## 21.3. Description of key purposes of reserves and provisions

### *21.3.1. Provision for reclamation of ash stock yard and costs of fixed assets dismantling*

The Group creates a reserve for future land reclamation costs based on legal obligation under "Integrated Permits". The bases for estimating the value of reserves are specialist studies and technological and economic expert opinions prepared by internal services and external experts. The value of the reserve is estimated and verified as of each balance sheet date based on current cost estimates and discount. As of September 30, 2012 the created reserve amounted to PLN 4,984 thousand.

As the fixed assets are required by law to be liquidated once they are no longer used the Group creates a reserve for estimated future costs which will have to be incurred to fulfill that obligation. As of September 30, 2012 the reserve for that purpose amounted to PLN 22,687 thousand.

### *21.3.2. Reclamation provisions and other reserves related to mining operations*

Based on the Geology and Mining Law, PAK KWB Konin and PAK KWB Adamów are obligated to reclaim the lands where mining works were carried out. Due to that the Group creates a reserve both for land reclamation costs associated with current coal mining in a given open-cast mine and for reclamation costs for abandoned excavation to the extent of coal mining progress in individual open-cast mines as of the balance sheet date.

The reserve is created based on estimates of future reclamation costs on the basis of reports prepared by independent experts estimating the reclamation costs upon the order of the Management Board. Estimates related to planned reclamation costs are updated periodically, however as of each reporting date the value of the reserve is verified in accordance with up-to-date assumptions for discount rate, inflation and volume of mining.

AK KWB Konin and PAK KWB Adamów , as part of the operations conducted, are obligated to restore original state or remove damage caused by the mine operation. As a result the Group creates a reserve for estimated costs which it is obligated to incur based on concluded agreements. Estimates related to estimated costs associated with the mine operation are updated as of each reporting date.

Reserve for liquidation of mining facilities and reclamation of mining lands and for preparation of mine lands at KWB Konin and KWB Adamów amounted to PLN 297,825 thousand as of September 30, 2012.

### *21.3.3. Provision for redemption of certificates of origin for electricity*

Due to the sales of electricity to final users, the Group is obligated to redeem a specific number of certificates of origin for electricity from renewable sources, gas sources and cogeneration. As of September 30, 2012 the created reserve for that purpose amounted to PLN 934 thousand.

(in PLN thousands)

# 22. Carbon dioxide emission allowances

In compliance with the adopted accounting policy the Group creates a reserve for covering emission allowance shortage when the actual emission exceeds allowances granted in the whole settlement period.

For the period from 2008 to 2012, pursuant to the National Allocation Plan II, the CO2 emission limit for Zespół Elektrowni Pątnów – Adamów – Konin S.A. is 11,685,526 tons per year and for Pątnów II Power Plant - 2,760,000 tons per year.

The tables below present carbon dioxide emission allowances granted under the National Allocation Plan, acquired on a secondary market, including division into the part used for own needs and sold in the periods of 9 months ended September 30, 2012 and September 30, 2011.

CO2 emission allowances in the period ended 30 September 2012

| (in 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 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 at 30.09.2012 | 13 022 280 | 3 275 356 |
| **CER** | Balance at 1.01.2012 | 1 752 829 | 452 000 |
| | Purchases | – | – |
| | Redemption** | (2 422 886) | – |
| | Sales | – | – |
| | Exchange | 1 130 057 | 276 000 |
| | Balance at 30.09.2012 | 460 000 | 728 000 |
| **ERU** | Balance at 1.01.2012 | – | 100 000 |
| | Purchases | – | – |
| | Redemption** | – | (100 000) |
| | Sales | – | – |
| | Exchange | – | – |
| | Balance at 30.09.2012 | – | – |

CO2 emission allowances in the period ended 30 September 2011

| (in tons) | | *Zespół Elektrowni Pątnów – Adamów – Konin S.A.* | *Elektrownia Pątnów II sp. z o.o.* |
|---|---|---|---|
| | CO2 Emission* | 7 991 418 | 1 856 755 |
| | | | |
| **EUA** | Balance at 1.01.2011 | 32 330 014 | 8 365 151 |
| | Purchases | – | – |
| | Redemption** | (8 296 857) | (2 080 035) |
| | Sales | – | – |
| | Exchange | (930 419) | (552 000) |
| | Balance at 30.09.2011 | 23 102 738 | 5 733 116 |
| **CER** | Balance at 1.01.2011 | 1 366 687 | 220 000 |
| | Purchases | – | – |
| | Redemption** | (1 412 687) | (220 000) |
| | Sales | – | – |
| | Exchange | 930 277 | 452 000 |
| | Balance at 30.09.2011 | 884 277 | 452 000 |
| **ERU** | Balance at 1.01.2011 | 340 000 | 56 000 |
| | Purchases | – | – |
| | Redemption** | (340 142) | (56 000) |
| | Sales | – | – |
| | Exchange | 142 | 100 000 |
| | Balance at 30.09.2011 | – | 100 000 |

(in PLN thousands)

* Emission for the period of 9 months (unverified data).

** Actual redemption of emission allowances for a given year takes place in the first quarter of the next year.

# 23. Trade liabilities and other liabilities

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

| | *As at 30 September 2012 (unaudited)* | *As at 31 December 2011* |
|---|---|---|
| Trade payables | 154 456 | 135 419 |
| Financial lease liabilities | 21 331 | 533 |
| Investment liabilities | 18 990 | 59 001 |
| Payroll | 23 609 | 8 806 |
| Share redemption liabilities | 30 971 | - |
| Other liabilities | 6 147 | 2 823 |
| Total | 255 504 | 206 582 |

As of September 30, 2012 the Group recognized liability for redemption of remaining 15% of PAK KWB Konin and PAK KWB Adamów shares in the amount of PLN 30,971 thousand.

The increase in lease liabilities is related to the acquisition of PAK KWB Konin.

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

| | *As at 30September2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Financial lease liabilities | 46 210 | 430 |
| Other | 4 148 | 6 |
| Short-term liabilities for other entities – over 12 months | 769 | 543 |
| Total | 51 127 | 979 |

## 23.3. Other non-financial liabilities

| | *As at 30 September 2012 (unaudited)* | *As at 31December 2011* |
|---|---|---|
| Liabilities arising from VAT settlements | 30 654 | 12 664 |
| Liabilities arising from environmental charges | 13 278 | 24 696 |
| Excise tax liabilities | 345 | 70 |
| Social security liabilities | 29 475 | 10 209 |
| Personal Income Tax | 8 200 | 2 701 |
| Other state budget liabilities | 637 | 359 |
| Prepayments for inventory | 10 437 | 15 933 |
| Other | 90 | 1 021 |
| Total | 93 116 | 67 653 |

# 24. Contingent liabilities and description of key court disputes

Apart from the liabilities described in the note below and in note 25 the Group had no other contingent liabilities, granted guarantees or sureties as of September 30, 2012.

## 24.1. Court Disputes

### Compensation for termination of long-term power and electricity sales contracts

Subsidiary "Elektrownia Pątnów II" sp. z o.o. receives compensation to cover stranded costs pursuant to the Act of June 29, 2007 on principles of covering costs incurred by producers in connection with early termination of long-term contracts for the sales of power and electric energy. The revenue related to compensation is recognized successively to the obtained rights to the compensation till they cease to be effective. In order to estimate the value of revenue assigned to a given period the company make estimations to determine the rate of estimated stranded costs to the total amount of received, reimbursed and expected discounted annual advance payments (including annual advance payments received to date), annual adjustments and expected final adjustment.

"Elektrownia Pątnów II" sp. z o.o., in compliance with accounting policy adopted, based on prepared financial model, recognized, in the period of 9 months ended September 30, 2012 and in years 2011, 2010 and 2009, revenues related to compensation in the amount of PLN 62,484 thousand, PLN 98,331 thousand, PLN 102,132 thousand and PLN 155,801 thousand respectively. Based on the decision of the President of the Energy Regulatory Office of July 31, 2009 the company was obligated to reimburse the compensation system administrator, Zarządca Rozliczeń S.A., for the amount of PLN 52,493 thousand, as an adjustment of stranded costs for 2008. As the Management Board of the company did not agree with the decision of the President of the Energy Regulatory Office, the Management Board appealed to the Regional Court in Warsaw, the Court of Competition and Consumer Protection. On September 23, 2009 the Court decided on withholding the enforcement of part of the decision and ordered the payment of PLN 26,493 thousand.

On December 1, 2010 the Court of Competition and Consumer Protection made a decision where it dismissed the appeal of the company against the decision of the President of the Energy Regulatory Office, determining that his arguments were right.

The Company made a detailed legal analysis of the issue in cooperation with a renowned legal firm and on February 9, 2011 the company lodged an appeal to the Appeal Court in Warsaw against the decision of the Court of first instance.

On October 11, 2012 the Appeal Court 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, determining the amount of annual adjustment of stranded costs for 2008 for "Elektrownia Pątnów II" sp. z o.o. which Zarządca Rozliczeń S.A. is obligated to pay "Elektrownia Pątnów II" sp. z o.o. in the amount of plus PLN 29,082 thousand. The decision of the Appeal Court is final and binding. In relation to the above, on October 17, 2012 "Elektrownia Pątnów II" sp. z o.o. requested Zarządca Rozliczeń S.A. to pay the adjudicated amount of the adjustment for 2008 and reimburse for the amount of PLN 26,493 thousand which was paid by "Elektrownia Pątnów II" sp. z o.o. as the partial enforcement of the decision of the President of the Energy Regulatory Office pursuant to the decision of the Court of Competition and Consumer Protection of September 23, 2009. The request for payment was issued for the total amount of PLN 55,576 thousand. On October 22, 2012 Zarządca Rozliczeń S.A. paid the above amount to the bank account of the company.

The decision of the Appeal Court confirmed the correctness of adjustment calculation by "Elektrownia Pątnów II" sp. z o.o. in each of the periods so far and as a result the company did not change the principles of determining revenues related to compensation for 2012 and previous years. The President of the ERO may lodge a cassation appeal against the decision of the Appeal Court.

### Proceedings related to failure to meet the obligation of maintaining fuel stock

On September 17, 2008 and May 29, 2009 the President of the Energy Regulatory Office initiated proceedings related to determining a fine for the Company as a result of its failure to meet the obligation of maintaining fuel stock ensuring continuity of electricity and heat supply to recipients as of December 31, 2007, March 31, 2008, July 1, 2008, September 1, 2008, October 1, 2008, November 1, 2008, December 1, 2008, January 1, 2009, February 1, 2009 and March 1, 2009.

By the decision of the President of the Energy Regulatory Office of December 28, 2010 a fine was imposed on ZE PAK S.A. for its failure to meet the obligation of maintaining fuel stock ensuring continuity of electricity and heat supply to recipients in 2008 and 2009 in the amount of PLN 1,500 thousand. In 2010 the Company created a reserve for the cost of the fine in full amount. On January 17, 2011 the Company lodged an appeal against the decision of the President of the Energy Regulatory Office to the Regional Court in Warsaw - the Court of Competition and Consumer Protection.

As the case has not been settled yet, the Company has not dissolved the created reserve and as of September 30, 2012 the Company still have that reserve for the fine in full amount of PLN 1,500 thousand in its books.

### Proceedings related to reimbursement of the overpayment of excise tax

Under the regulations applicable in the territory of the European Union and in particular Article 21 section 5 of the Energy Efficiency Directive in conjunction with Article 6 section 1 of the Horizontal Directive, following January 1, 2006 the sale of the energy at the last stage of trading i.e. sale by a distributor to a final recipient (consumer) is subject to excise tax. Earlier stage of trading e.g. between electricity producer and its distributor is not subject to that tax. In such a case the tax obligation occurs upon delivery of the electricity to a consumer.

In relation to the above the parent company ZE PAK S.A., based on Article 75 § 1 in conjunction with Article 75 § 2 of the Act of August 29, 1997 on Tax Ordinance (Journal of Laws of 1997, No. 137, item 926 as amended), filed applications for determining the overpayment of the excise tax for 2006, 2007, 2008 and January and February of 2009 in the total amount of approximately PLN 626 million, with justification that pursuant to the regulations applicable in the territory of the European Union and decisions issued by administrative courts the activities performed by the Company are not subject to excise tax. Individual applications are examined at the levels of Customs Office in Kalisz, Customs Chamber in Poznań, Voivodship Administrative Court in Poznań and Supreme Administrative Court. In relation to the decisions of Administrative Courts, and first of all the Resolution of the Chamber of Commerce of the Supreme Administrative Court of June 22, 2011, the Company, on September 14, 2012 submitted to the Customs Chamber in Poznań an explanatory letter showing the results of detailed economic analysis aimed at proving that the Company suffered damage related to the payment of the excise tax which it was not obligated to pay. Proceedings, which are currently at the stage of the Customs Chamber in Poznań, refer to the period from December 2001 to September 2008. However, in the opinion of the Company the submitted document also refers to remaining months of the period from January 2006 to February 2009 covered by the applications of the Company for determining the overpayment of the excise tax.

On March 1, 2009 an act of December 6, 2008 on the excise tax became effective; pursuant to that act the sale of the electricity to an entity which is not a final recipient is not subject to excise tax.

### Request for payment of a contractual penalty for failure to meet the availability parameters by the flue gas desulphurization plant in Pątnów I Power Plant.

On October 28, 2005, a contract was concluded by PAK Odsiarczanie (whose legal successor is ZE PAK) 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 and on December 29, 2009 there was a fan failure in one of those plants as a result of which ZE PAK 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, 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 ZE PAK 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 ZE PAK filed an application to the District Court in Racibórz for summon to the reconciliation hearing. As of the date of this financial report the Company cannot predict whether RAFAKO S.A. will pay the contractual penalty and thus whether a court dispute will be initiated and what the final outcome will be.

# 25. Liabilities repayment collaterals

In order to secure the repayment of liabilities the Group applies various forms of collaterals. The most common ones are mortgages and registered pledges.

In the period of 9 months ended September 30, 2012 an agreement for transfer of rights, claims and authorizations granted to "Elektrownia Pątnów II" sp. z o.o in relation to transactions of sales on the Power Exchange was concluded. As a result the debt assignment agreements related to the sale agreements concluded by "Elektrownia Pątnów II" sp. z o.o with trading companies expired.

As far as other liability repayment collaterals are concerned, there were no significant changes compared to the status as of December 31, 2011.

As of September 30, 2012 the Group had the following liabilities secured on its assets and other liability repayment collaterals:

(in PLN thousands)

## Liabilities secured on assets:

| | | | As at 30September 2012 (unaudited) | | As at 31December 2011 | |
|---|---|---|---|---|---|---|
| *No.* | | *Assets pledged as security* | *value of collateral* | *currency* | *value of collateral* | *currency* |
| **ZE PAK S.A.** | | | | | | |
| | 1 | Registered and financial pledge | | | | |
| 1.1 | | Registered pledge on ZE PAK S.A.'s assets (power units No. 3 and 4 in the Pątnow Power Plant) | 460 000 | PLN | 460 000 | PLN |
| 1.2 | | Registered and financial pledge on rights and cash arising from ZE PAK S.A.'s IOS bank account held in PKO BP | 240 000 | PLN | 240 000 | PLN |
| 1.3 | | Registered and financial pledge on rights and cash arising from ZE PAK S.A's A and B bank accounts held in PKO BP and PEKAO | 460 000 | PLN | 460 000 | PLN |
| 1.4 | | Registered pledge on a group of movables being part of the Desulphurising Installation in the Pątnow Power Plant | 240 000 | PLN | 240 000 | PLN |
| | 2 | Registered and financial pledge on shares in subsidiaries | | | | |
| 2.1 | | Registered and financial pledge on the shares of ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO sp. z o.o. in favour of BRE Bank S.A. (ZE PAK as guarant of the "Pątnów II" project) | 400 000 | EUR | 400 000 | EUR |
| | | | 339 750 | PLN | 339 750 | PLN |
| | 3 | Mortgage | | | | |
| 3.1 | | Joint and ceiling mortgage on plot No. KN1N/00072269/2 in favour of PEKAO S.A. | 145 500 | PLN | 145 500 | PLN |
| 3.2 | | Joint and ceiling mortgage on plot No. KN1N/00072269/2 in favour of PEKAO S.A. | 73 000 | PLN | 73 000 | PLN |
| 3.3 | | Joint and ceiling mortgage on plot No. KN1N/00072269/2 in favour of PKO BP S.A. | 145 500 | PLN | 145 500 | PLN |
| 3.4 | | Joint and ceiling mortgage on plot No. KN1N/00072269/2 in favour of PKO BP S.A. | 73 000 | PLN | 73 000 | PLN |
| **PAK Serwis Spółka z o.o.** | | | | | | |
| | 1 | Registered pledge | | | | |
| 1.1 | | Registered pledge on group of movables of PAK Serwis in favour of BGŻ Bank | 4 525 | PLN | 4 525 | PLN |
| 1.2 | | Registered pledge on group of movables of PAK Serwis in favour of DZ Bank | 2 521 | PLN | 3 441 | PLN |
| **EL PAK sp. z o.o.** | | | | | | |
| | 1 | Bank deposit up to the amount of guarantee sum | | | | |
| 1.1 | | Bank guarantee for proper performance | 1 012 | PLN | 420 | PLN |
| | 2 | Bank deposit above teh amount of guarantee sum | | | | |
| 2.1 | | Bank auction guarantee (depositial) | 620 | PLN | - | |
| **Elektrownia Pątnów II sp. z o.o.** | | | | | | |
| | 1 | Registered and financial pledge | | | | |
| 1.1 | | Registered and financial pledge on rights arising from bank accounts of Elektrownia Pątnów II sp. z o.o. held in PEKAO and BRE Bank | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |
| 1.2 | | Registered and financial pledge on rights arising from bank accounts of Elektrownia Pątnów II sp. z o.o. held in BOŚ | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |

(in PLN thousands)

| *No.* | | *Assets pledged as security* | *As at 30September 2012 (unaudited)* *value of collateral* | *currency* | *As at 31December 2011* *value of collateral* | *currency* |
|---|---|---|---|---|---|---|
| 1.3 | | Registered pledge on group of movables and rights of Elektrownia Pątnów II sp. z o.o. | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |
| | 2 | Mortgage | | | | |
| 2.1 | | Joint and ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots Nos. KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 in favour of BRE Bank S.A. | 400 000 | EUR | 400 000 | EUR |
| 2.2 | | Joint and ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots Nos. KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 in favour of BRE Bank S.A. | 339 750 | PLN | 339 750 | PLN |
| **PAK Holdco sp. z o.o.** | | | | | | |
| | 1 | Registered and financial pledge | | | | |
| 1.1 | | Registered and financial pledge on the shares of PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of BRE Bank S.A. | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |
| 1.2 | | Registered pledge on group of movables and rights of PAK Holdco sp. z o.o. | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |
| **PAK Infrastruktura sp. z o.o.** | | | | | | |
| | 1 | Registered and financial pledge | | | | |
| 1.1 | | Registered pledge of group of movables and rights of PAK Infrastruktura sp. z o.o. | 339 750 | PLN | 339 750 | PLN |
| | | | 400 000 | EUR | 400 000 | EUR |

(in PLN thousands)

## Other liability repayment collaterals:

| | | *As at 30September 2012 (unaudited)* | | *As at 31 December 2011* | |
|---|---|---|---|---|---|
| *No.* | *Type of security* | *value of collateral* | *currency* | *value of collateral* | *currency* |
| **ZE PAK S.A.** | | | | | |
| 1 | Guarantees | | | | |
| 1.1 | Bank guarantee of payment No. DDF/4869/2010 issued by PEKAO S.A. for Condix S.A. | - | | 7 920 | PLN |
| 1.2 | Bank guarantee of payment No. DDF/4870/2010 issued by PEKAO S.A. for Condix S.A. | - | | 12 037 | PLN |
| 2 | Bail and contract transffering rights and obligations for ALPIQ | 1 000 | PLN | - | |
| **EL PAK sp. z o.o.** | | | | | |
| 1 | Bills of exchange | | | | |
| 1.1 | Insurance guarantees for proper performance | 4 296 | PLN | 5 671 | PLN |
| 1.2 | Insurance guarantees relating to payment of tender deposit | 220 | PLN | 570 | PLN |
| 1.3 | Lease liabilities | 7 | PLN | 43 | PLN |
| **Elektrownia Pątnów II sp. z o.o.** | | | | | |
| 1 | Assignment of receivabels under electricity sale agreement | | | | |
| 1.1 | Agreement with Elektrim Volt S.A., Framework Agreement No. SPOT/129/EPII/E- VOLT/2009 + Sales Agreement No. EPII/EV(1)/2011, for the benefit of BRE Bank S.A. | - | | 188 536 | PLN |
| 1.2 | Agreement with Inter Energia S.A., Framework Agreement No. SPOT/127/EPII/InterEnergia/2009 + Sales Agreement No. EPII/InterEnergia(1)/2011, for the benefit of BRE Bank S.A. | - | | 19 139 | PLN |
| 1.3 | Agreement with Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., Framework Agreement No. SPOT/68/EPII/PEPKH/2010 + Sales Agreement No. EPII/ PEPKH(1)/2011, for the benefit of BRE Bank S.A. | - | | 71 134 | PLN |
| 1.4 | Agreement with Zespół Elektrowni Pątnów-Adamów-Konin S.A., each sales agreement concluded under Framework Agreement by the Assignor as the seller, for the benefit of BRE Bank S.A. | - | | n/a | PLN |
| **PAK Serwis sp. z o.o.** | | | | | |
| 1. | Bills of exchange | 3 048 | PLN | - | |
| 2. | Guarantees | | | | |
| 2.1 | Guarantees for proper performance | 4 516 | PLN | 2 621 | PLN |
| 2.1 | Guarantees for proper performance | 1 484 | EUR | 684 | EUR |
| 2.3 | Guarantee for defects repair | - | | 1 674 | PLN |
| 2.4 | Guarantee for defects repair | - | | 932 | EUR |
| 2.5 | Guarantee for refund of prepayment | - | | 705 | PLN |

(in PLN thousands)

# 26. Obtained guarantees and sureties

| | | *As at 30 September 2012 (unaudited)* | | *As at 31 December 2011* | |
|---|---|---|---|---|---|
| *No.* | *Type of liabilities, guarantees and suretyships* | *issued in PLN* | *issued in EUR* | *issued in PLN* | *issued in EUR* |
| | **ZE PAK S.A.** | | | | |
| 1 | Bills of exchange | 27 500 | - | 27 500 | - |
| 2 | Payment guarantees | 975 | 15 000 | 13 672 | 15 000 |
| 3 | Guarantees for proper performance | 26 841 | 1 053 | 38 954 | 4 480 |
| 4 | Guarantees for withheld amounts | - | - | 6 898 | 790 |
| 5 | Guarantee for advance repayment | 5 289 | - | 3 567 | - |
| 6 | Suretyships received | 211 143 | 17 550 | 211 143 | 17 550 |
| | **EL PAK sp. z o.o.** | | | | |
| 1 | Guarantees: | | | | |
| 1.1 | Guarantees for proper performance and removal of defects and faults | 84 | - | 215 | - |
| 1.2 | Guarantees for proper performance and removal of defects and faults | 2 810 | - | 2 216 | - |
| | **PAK Serwis sp. z o.o.** | | | | |
| 1 | Guarantees | 1 048 | 61 | 1 396 | 61 |
| 2 | Bills of Exchange | 171 | 56 | 171 | 56 |

(in PLN thousands)

# 27. Information about related entities

The table below presents total amounts of transactions with related entities in the period of 9 months ended September 30, 2012 and 2011 and balances of settlements as of September 30, 2012 and December 31, 2011:

| Related party | | *Sales to related parties* | *Purchases from related parties* | *Receivables from related parties* | *Liabilities towards related parties* |
|---|---|---|---|---|---|
| Elektrim S.A. | *2012* | - | - | - | - |
| | *2011* | - | 4 697 | - | 13 |
| Elektrim Megadex S.A. | *2012* | - | - | - | - |
| | *2011* | - | - | 10 | - |
| Elektrim Volt S.A. | *2012* | 367 790 | - | 23 957 | 200 |
| | *2011* | 151 077 | 10 603 | 52 | 16 115 |
| Megadex Serwis Sp. z o.o. | *2012* | - | 32 372 | - | - |
| | *2011* | - | 3 197 | - | 426 |
| Energia-Nova S.A. | *2012* | - | - | - | - |
| | *2011* | - | 2 876 | - | 320 |
| Polkomtel sp. z o.o. | *2012* | 57 | 95 | 20 | 24 |
| | *2011* | 57 | 5 | 13 | 1 |
| Centernet S.A. | *2012* | - | 22 | - | - |
| | *2011* | - | 40 | - | 12 |
| WKS Śląsk Wrocław S.A. | *2012* | - | 2 000 | - | - |
| | *2011* | - | 2 000 | - | - |
| Rafako S.A. | *2012* | Not applicable* | Not applicable* | Not applicable* | Not applicable* |
| | *2011* | 12 | 2 843 | 171** | -** |
| Laris Investments sp. z o.o. | *2012* | - | 114 | - | 20 |
| | *2011* | - | 65 | - | - |
| Total | *2012* | 367 847 | 34 603 | 23 977 | 244 |
| | *2011* | 151 146 | 26 326 | 246 | 16 887 |

* Rafako S.A. ceased to be a related entity of ZE PAK S.A. Capital Group October 25, 2011

** data as of October 25, 2011 - Rafako S.A. ceased to be a related entity of ZE PAK S.A. Capital Group

(in PLN thousands)

## 27.1. Transactions with participation of State Treasury companies

The aggregate value of transactions with the State Treasury companies is presented in the table below.

| | *9 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* |
|---|---|---|
| Revenues | 715 380 | 1 031 261 |
| Costs | 549 304 | 781 235 |
| | *As at 30 September 2012 (unaudited)* | *As at 31December 2011* |
| Receivables | 160 045 | 149 857 |
| Liabilities | 17 753 | 66 996 |

From among the State Treasury companies the biggest customers of Zespół Elektrowni Pątnów – Adamów – Konin S.A. Capital Group in the period of 9 months ended on September 30, 2012 were: Energa Obrót S.A., PSE Operator S.A., ENEA S.A. and TAURON Polska Energia S.A. In total the sale to the above contractors amounted to 82.66% of the revenues earned in transactions with the State Treasury companies.

In the period of 9 months ended September 30, 2012 the biggest purchase transactions carried out by the Group were those with Kopalnia Węgla Brunatnego Konin S.A., Kopalnia Węgla Brunatnego Adamów S.A. ( till July 18, 2012) and PSE Operator S.A i Energa- Obrót S.A. The purchases from the above contractors constituted 96.35% of the value of purchases from the State Treasury companies.

Transactions with the State Treasury companies mainly refer to operating activities of the Group and are made on market conditions.

# 28. Objectives and rules of financial risk management

In addition to derivative instruments, the main financial instruments used by the Group include bank credits, loans obtained from related entities and other institutions, cash and short-term deposits. The main objective of those financial instruments is to obtain financial means for operations of the Group. The Group also holds other financial instruments, such as receivables and liabilities for deliveries and services that come into existence directly in the course of its business.

The Group also concludes transactions with derivative instruments, most of all, contracts for the change of interest rates (percentage swaps). The purpose of these transactions is managing the interest rate risk occurring in the course of the Group's operations and resulting from financing sources used by the Group.

The principle that the Group applies currently and applied during the entire period subject to the report is that the Group does not trade in financial instruments.

Main risks arising from financial instruments of the Group include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board verifies and agrees on rules applicable to the management of each risk; these rules are discussed briefly below. The Group monitors also the market price risk for all financial instruments it holds.

## 28.1. Interest rate risk

Exposure of the Group to risk related to fluctuations of interest rates concerns mainly the long-term financial liabilities.

The Group has financial liabilities, mostly variable rate credits and loans.

In order to minimize interest rate risk the Group concludes contracts for the change of interest rates (percentage swaps) under which it agrees to the exchange, in specific intervals, of the difference between the amount of interest calculated at fixed and variable rate on the agreed principal amount. Those transactions aim at securing financial liabilities.

## Interest rate risk - vulnerability to changes

To the analysis of sensitivity to interest rate risk the Group also applies shifting the yield curve by possible change in reference interest rates in the following year. For the purposes of the analysis of sensitivity to interest rate risk average levels of reference interest rates in a given year were applied. The scale of possible changes of interest rates was estimated on the basis of implied ATMF option volatilities for interest rate quoted on interbank market for currencies to which the Group is exposed as regards interest rate risk as of the balance sheet date.

| ***Classes of financial instruments*** | **30 September 2012** | | **Analysis of sensitivity to interest rate risk as at 30 September 2012** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ***WIBOR*** | | | | ***EURIBOR*** | | | |
| | ***Carrying amount in PLN thousand*** | ***Value at risk in PLN thousand*** | ***WIBOR + 43 bp*** | | ***WIBOR -43 bp*** | | ***EURIBOR + 139 bp*** | | ***EURIBOR -139b bp*** | |
| | | | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** |
| Other financial assets | 130 452 | 99 693 | 117 | - | (117) | - | 1 009 | - | (1 009) | - |
| Trade and other receivables | 233 536 | - | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | 395 176 | 395 176 | 1 303 | - | (1 303) | - | 1 281 | - | (1 281) | - |
| 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)** |

| ***Classes of financial instruments*** | **30 September 2011** | | **Analysis of sensitivity to interest rate risk as at 30 September 2011** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ***WIBOR*** | | | | ***EURIBOR*** | | | |
| | ***Carrying amount in PLN thousand*** | ***Value at risk in PLN thousand*** | ***WIBOR + 57 bp*** | | ***WIBOR -57 bp*** | | ***EURIBOR + 74 bp*** | | ***EURIBOR -74 bp*** | |
| | | | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** | ***Profit/loss*** | ***Equity*** |
| Other financial assets | 128 307 | 124 512 | 242 | - | (242) | - | 607 | - | (607) | - |
| Trade and other receivables | 193 770 | - | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | 479 075 | 479 075 | 2 285 | - | (2 285) | - | 579 | - | (579) | - |
| Interest–bearing loans and borrowings | (1 296 632) | (1 296 632) | (1 676) | - | 1 676 | - | (7 419) | - | 7 419 | - |
| Trade payables and other financial liabilities | (204 750) | - | - | - | - | - | - | - | - | - |
| Derivative financial instruments | (26 462) | (26 462) | - | - | - | - | - | 12 380 | - | (12 380) |
| **Total** | | | **851** | **-** | **(851)** | **-** | **(6 233)** | **12 380** | **6 233** | **(12 380)** |

## 28.2. Foreign currency risk

The Group is exposed to foreign currency risk in connection with concluded transactions. Such risk refers to liabilities for credits and loans and liabilities towards the EPC contractor of 464 MW power unit, expressed in currencies other than the valuation currency. The Group does not use derivative instruments securing against changes of currency exchange rate.

Possible changes of currency exchange rates were determined based on annual implied volatility for currency options quoted on interbank market for a given pair of currency as of the balance sheet date

The Group identifies the exposure to foreign currency risk EUR/PLN. The table herein below presents the sensitivity of the gross financial result on reasonably possible changes of foreign currency rates, assuming that other risk factors for those classes of financial instruments which are exposed to the foreign currency risk remain unchanged.

| *Classes of financial instruments* | *30 September 2012* | | *Analysis of sensitivity to interest rate risk as at 30 September 2012 EUR/PLN* | | | |
|---|---|---|---|---|---|---|
| | *Carrying amount* | *Value at risk* | *rate EUR/PLN +17,15% 4,8193* | | *rate EUR/PLN -17,15% 3,4083* | |
| | *in PLN thousand* | *in PLN thousand* | *Profit/loss* | *Equity* | *Profit/loss* | *Equity* |
| 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** | **-** |

| *Classes of financial instruments* | *30 September 2011* | | *Analysis of sensitivity to interest rate risk as at 30 September 2011 EUR/PLN* | | | |
|---|---|---|---|---|---|---|
| | *Carrying amount* | *Value at risk* | *rate EUR/PLN +14,55% 5,0530* | | *rates EUR/PLN -14,55% 3,7694* | |
| | *in PLN thousand* | *in PLN thousand* | *Profit/loss* | *Equity* | *Profit/loss* | *Equity* |
| Other financial assets | 128 307 | 82 071 | 11 941 | - | (11 941) | - |
| Trade and other receivables | 193 770 | 12 239 | 1 781 | - | (1 781) | - |
| Cash and cash equivalents | 479 075 | 78 183 | 11 376 | - | (11 376) | - |
| Interest–bearing loans and borrowings | (1 296 632) | (1 002 591) | (145 877) | - | 145 877 | - |
| Trade and other short–term financial liabilities | (204 750) | (8 178) | (1 190) | - | 1 190 | - |
| Derivative financial instruments (liabilities) | (26 462) | - | - | - | - | - |
| **Total** | | **(838 277)** | **(121 969)** | **-** | **121 969** | **-** |

(in PLN thousands)

## 28.3. Credit risk

The credit risk is a potential credit event which may materialize in the form of the following factors: insolvency of a contractor, partial payment of receivables, significant delay in the payment of receivables or another unpredictable deviation from contractual conditions.

The Group enters into transactions solely with renowned companies of good creditworthiness. All customers that desire to make use of merchant credits undergo initial eligibility procedures. Besides, the Group's exposure to bad debt risk is very low, due to current monitoring of the receivable positions.

The main customers for electricity are large power groups such as ENERGA S.A., ENEA S.A., TAURON Polska Energia S.A. Capital Group, RWE Group and related company Elektrim Volt S.A. Transactions made on Power Exchange are settled daily by Towarowa Giełda Energii S.A., which minimizes the credit risk.

In relation to other financial assets of the Group, such as cash and its equivalents, financial assets available for sale and certain derivative instruments, credit risk on the part of the Group arises as the counter party to a contract cannot make the payment, and the maximum exposition to that risk equals the balance sheet value of those instruments.

## 28.4. Liquidity risk

The Group monitors the risk of no funds using the periodical liquidity planning tool. The tool takes into account maturity dates both for investments and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from operating activities.

The aim of the Group is to maintain balance between the continuity and flexibility of financing through the use of various financing sources such as overdraft facilities, bank loans, bonds, preference shares, financial lease agreements and lease agreements with purchase option.

The table below presents the Group's financial liabilities as of September 30, 2012 and December 31, 2011 according to maturity dates based on contractual non-discounted payments.

| *30 September 2012 (unaudited)* | *Less than 3 months* | *3 – 12 months* | *1 – 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|
| Interest bearing loans and borrowings | 279 635 | 151 959 | 776 768 | 277 746 | 1 486 108 |
| Trade payables and other financial liabilities | 239 775 | 15 729 | 51 127 | - | 306 631 |
| Derivative financial instruments | 3 350 | 9 128 | 32 333 | 4 736 | 49 547 |
| | **522 760** | **176 816** | **860 228** | **282 482** | **1 842 286** |

(in PLN thousands)

| *31 December 2011* | *Less than 3 months* | *3 – 12 months* | *1 – 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|
| Interest bearing loans and borrowings | 39 435 | 195 414 | 817 980 | 415 405 | 1 468 234 |
| Trade payables and other financial liabilities | 206 582 | - | 979 | - | 207 561 |
| Derivative financial instruments | 3 839 | 10 879 | 40 409 | 9 190 | 64 317 |
| | **249 856** | **206 293** | **859 368** | **424 595** | **1 740 112** |

The derivative instruments indicated in the above tables were presented in gross values of non-discounted payments. However, those contracts may be settled in gross values or in net amounts. The tables below present reconciliation of those value with balance sheet values of derivative instruments:

| *30 September 2012 (unaudited)* | *On demand* | *Less than 3 months* | *3 – 12 months* | *1 – 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Inflow | - | 507 | 623 | 7 684 | 3 119 | 11 933 |
| Outflow | - | 3 350 | 9 128 | 32 333 | 4 736 | 49 547 |
| **Net amount** | - | (2 843) | (8 505) | (24 649) | (1 617) | (37 614) |
| **Discounted using appropriate interbank rates** | - | **(2 843)** | **(8 495)** | **(24 403)** | **(1 537)** | **(37 278)** |

| *31 December 2011* | *On demand* | *Less than 3 months* | *3 – 12 months* | *1 – 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Inflow | - | 1 980 | 4 022 | 18 928 | 8 310 | 33 240 |
| Outflow | - | 3 839 | 10 879 | 40 409 | 9 190 | 64 317 |
| **Net amount** | - | (1 859) | (6 857) | (21 481) | (880) | (31 077) |
| **Discounted using appropriate interbank rates** | - | **(1 859)** | **(6 812)** | **(20 892)** | **(804)** | **(30 367)** |

(in PLN thousands)

# 29. Financial instruments

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

The following table compares balance sheet values and fair values of all financial instruments of the Group, split by individual classes and categories of assets and liabilities.

| | | *Carrying amount* | | *Fair value* | |
|---|---|---|---|---|---|
| *Financial assets* | *Category in accordance with IAS 39* | *30 September 2012 (unaudited)* | *31 December 2011* | *30 September 2012 (unaudited)* | *31 December 2011* |
| Other financial assets | PiN | 130 452 | 152 472 | 130 452 | 152 472 |
| Trade and other receivables | PiN | 233 536 | 219 367 | 233 536 | 219 367 |
| Derivatives | WwWGpWF | - | - | - | - |
| Cash and cash equivalents | PiN | 395 176 | 385 429 | 395 176 | 385 429 |
| *Financial liabilities* | | | | | |
| Interest–bearing loans and borrowings, of which: | | 1 350 393 | 1 253 929 | 1 350 393 | 1 253 929 |
| – floating rate long–term borrowings | PZFwgZK | 916 663 | 1 008 118 | 916 663 | 1 008 118 |
| –floating rate short–term borrowings | PZFwgZK | 433 730 | 245 811 | 433 730 | 245 811 |
| Trade and other financial liabilities | PZFwgZK | 306 631 | 207 561 | 306 631 | 207 561 |
| Derivatives | WwWGpWF | 37 278 | 30 367 | 37 278 | 30 367 |

Abbreviations used:
UdtW – Financial assets held to maturity,
WwWGpWF – Financial assets and liabilities valued at fair value through financial result,
PiN – Loans and amounts due,
DDS – Financial assets available for sale,
PZFwgZK – Other financial liabilities valued according to the depreciated cost.

(in PLN thousands)

In the period ended September 30, 2012 and year ended December 31, 2011 no transfers between level 1 and level 2 of the fair value hierarchy occurred and no instrument was transferred to level 3 of the fair value hierarchy.

## 29.2. Interest rate risk

The table below presents a gap of the interest rate constituting exposure of the Group to the interest rate risk and concentration of that risk split by currencies and type of interest rate, including the effect of Interest Rate Swap securing transactions changing the stream of interest payments based on EURIBOR variable rate to a fixed rate in EUR.

| | | Type of interest rate | Carrying amount as at 30 September 2012 (unaudited) | Carrying amount as at 30 September 2011 (unaudited) |
|---|---|---|---|---|
| Financial assets exposed to interest rate risk | PLN | Fixed | - | - |
| | | Variable | 330 | 443 |
| | Other currencies | Fixed | - | - |
| | | Variable | 165 | 160 |
| Financial liabilities exposed to interest rate risk | PLN | Fixed | - | - |
| | | Variable | 516 | 294 |
| | Other currencies | Fixed | 419 | 503 |
| | | Variable | 416 | 499 |
| **Net exposure** | **PLN** | **Fixed** | **-** | **-** |
| | | **Variable** | **(186)** | **149** |
| | **Other currencies** | **Fixed** | **(419)** | **(503)** |
| | | **Variable** | **(251)** | **(339)** |

Variable rate financial instrument interest rate is updated in the periods shorter than one year. Interest on fixed rate financial instruments is fixed through the entire period till maturity of those instruments. Other financial instruments of the Group which were not indicated in the tables above bear no interest rate and therefore they are not subject to interest rate risk.

***ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A.***

**CONDENSED QUARTERLY REPORT**

**FOR THE PERIOD OF 9 MONTHS ENDED SEPTEMBER 30TH 2012**

(in PLN thousands)

# BALANCE SHEET

| ASSETS | *As at 30 September 2012 (unaudited)* | *As at 30 June 2012 (unaudited)* | *As at 31 December 2011* | *As at 30 September 2011 (unaudited)* | *As at 30 June 2011 (unaudited)* |
|---|---|---|---|---|---|
| **A. Non-current assets** | **2 658 491** | **2 468 907** | **2 414 449** | **2 169 325** | **2 141 927** |
| **I Intangible assets** | **8 808** | **4 571** | **60 435** | **35 165** | **145 570** |
| 1. Development expenses | - | - | - | - | - |
| 2. Goodwill | - | - | - | - | - |
| 3. Other intangible assets | 8 808 | 4 571 | 60 434 | 35 165 | 145 570 |
| 4. Prepayments for intangible assets | - | - | - | - | - |
| **IIProperty, pland and equipment** | **1 507 642** | **1 495 449** | **1 380 716** | **1 039 156** | **927 243** |
| 1. Tangible fixed assets | 1 389 760 | 821 594 | 792 228 | 448 382 | 458 926 |
| a) Land (including perpetual usfruct) | 1 248 | 1 249 | 1 099 | 860 | 861 |
| b) Buildings, premises and constructions | 632 041 | 499 652 | 505 194 | 259 009 | 264 848 |
| c) Plant and machinery | 754 131 | 318 291 | 283 773 | 186 553 | 191 372 |
| d) Motor vehicles | 1 033 | 1 054 | 814 | 869 | 993 |
| e) Other | 1 307 | 1 348 | 1 348 | 1 091 | 852 |
| 2. Construction in progress | 113 747 | 673 194 | 586 767 | 586 736 | 463 575 |
| 3. Prepayments for construction in progress | 4 135 | 661 | 1 721 | 4 038 | 4 742 |
| **III Long-termreceivables** | - | - | - | - | **2 955** |
| 1. from affiliates | - | - | - | - | **2 955** |
| 2. from other entities | - | - | - | - | - |
| **IV Long-term investments** | **1 138 080** | **964 780** | **968 898** | **1 090 458** | **1 061 468** |
| 1. Property | - | - | - | - | - |
| 2. Intangible assets | - | - | - | - | - |
| 3. Long-term financial assets | 1 138 080 | 964 780 | 968 898 | 1 090 458 | 1 061 468 |
| a) in affiliates | 1 137 929 | 964 629 | 968 747 | 1 086 778 | 1 057 787 |
| - shares | 1 012 965 | 835 706 | 835 706 | 938 006 | 922 106 |
| - other securities | - | - | - | - | - |
| - loans granted | 124 964 | 128 923 | 133 041 | 148 772 | 135 682 |
| - other long-term financial assets | - | - | - | - | - |
| b) in other entities | 151 | 151 | 151 | 3 680 | 3 680 |
| - shares | 151 | 151 | 151 | 3 680 | 3 680 |
| - loans granted | - | - | - | - | - |
| - other long-term financial assets | - | - | - | - | - |
| 4. Other long-term investments | - | - | - | - | - |
| **V Long-term prepayments and deferred costs** | **3 961** | **4 107** | **4 400** | **4 546** | **4 691** |
| 1. Deferred tax assets | - | - | - | - | - |
| 2. Other prepayments and deferred costs | 3 961 | 4 107 | 4 400 | 4 546 | 4 691 |

(in PLN thousands)

| | *As at 30 September 2012 (unaudited)* | *As at 30 June 2012 (unaudited)* | *As at 31 December 2011* | *As at 30 September 2011 (unaudited)* | *As at 30 June 2011 (unaudited)* |
|---|---|---|---|---|---|
| **B. Current assets** | **475 692** | **653 630** | **621 696** | **599 436** | **808 089** |
| **I. Inventories** | **131 715** | **106 358** | **144 966** | **142 432** | **100 179** |
| 1. Row materials | 40 707 | 41 162 | 27 433 | 33 022 | 28 468 |
| 2. Semi-finished goods and work-in-progress | - | - | - | - | - |
| 3. Finished goods | - | - | - | - | - |
| 4. Property rights | 90 983 | 64 764 | 117 502 | 109 410 | 71 647 |
| 5. Inventory prepayments | 25 | 432 | 31 | - | 64 |
| **II Short-term receivables** | **170 258** | **175 305** | **162 459** | **172 148** | **206 163** |
| 1. Receivables from affiliates | 62 889 | 76 479 | 16 222 | 41 473 | 50 092 |
| a) trade receivables, due in: | 61 327 | 72 962 | 14 655 | 38 430 | 47 583 |
| - under 12 months | 61 327 | 72 962 | 14 655 | 38 430 | 47 583 |
| - over 12 months | - | - | - | - | - |
| b) other | 1 562 | 3 517 | 1 567 | 3 043 | 2 509 |
| 2. Receivables from other entities | 107 369 | 98 826 | 146 237 | 130 675 | 156 071 |
| a) trade receivables, due in: | 87 827 | 75 886 | 108 883 | 105 769 | 131 577 |
| - under 12 months | 87 827 | 75 886 | 108 883 | 105 769 | 131 577 |
| - over 12 months | - | - | - | - | - |
| b) taxation, subsidy, customs duty and social security debtors | 11 273 | 14 739 | 31 541 | 16 657 | 16 388 |
| c) other | 8 269 | 8 201 | 5 813 | 8 249 | 8 106 |
| d) submitted to court | - | - | - | - | - |
| **III.Short-term investments** | **171 433** | **367 233** | **312 649** | **282 630** | **498 692** |
| 1. Short-term financial assets | 171 433 | 367 233 | 312 649 | 282 630 | 498 692 |
| a) in affiliates | 18 477 | 18 275 | 16 894 | 175 959 | 169 458 |
| - shares | - | - | - | - | - |
| - other securities | - | - | - | - | - |
| - loans granted | 18 477 | 18 275 | 16 894 | 175 959 | 169 458 |
| - other short-term financial assets | - | - | - | - | - |
| b) in other entities | - | - | 3 529 | - | 19 409 |
| - shares | - | - | 3 529 | - | - |
| - other securities | - | - | - | - | - |
| - loans granted | - | - | - | - | - |
| - other short-term financial assets | - | - | - | - | 19 409 |
| c) cash and other monetary assets | 152 956 | 348 958 | 292 226 | 106 671 | 309 825 |
| - cash on hand and at bank | 152 956 | 348 958 | 267 140 | 106 671 | 309 825 |
| - cash equvalents | - | - | 25 086 | - | - |
| - other monetary assets | - | - | - | - | - |
| 2. Other short-term investments | - | - | - | - | - |
| **IV. Short-term prepayments and deferred costs** | **2 286** | **4 734** | **1 622** | **2 226** | **3 055** |
| 1. Short-term prepayments and deferred costs | 2 286 | 2 974 | 1 622 | 2 226 | 3 055 |
| 2. Other accruals and deferred costs | - | 1 760 | - | - | - |
| **Total assets** | **3 134 183** | **3 122 537** | **3 036 145** | **2 768 761** | **2 950 016** |

(in PLN thousands)

| EQUITY AND LIABILITIES | *As at 30 September 2012* | *As at 30 June 2012* | *As at 31 December 2011* | *As at 30 September 2011* | *As at 30 June 2011* |
|---|---|---|---|---|---|
| **A. Equity** | **2 565 905** | **2 509 153** | **2 350 288** | **2 259 317** | **2 187 019** |
| **I. Share capital** | **104 052** | **104 052** | **104 052** | **104 052** | **104 052** |
| **II.Unpaid share capital (negative value)** | | | | | |
| **III. Treasury shares (negative value)** | | | | | |
| **IV. Reserve capital** | **1 956 261** | **1 956 261** | **1 671 610** | **1 603 435** | **1 603 380** |
| **V. Revaluation reserve** | **287 338** | **287 338** | **288 242** | **290 496** | **290 551** |
| **VI. Other reserves** | **3 472** | **3 472** | **3 472** | **3 472** | **3 472** |
| **VII. Accumulated profits/losses from previous years** | **- 834** | **- 834** | **- 834** | | |
| **VIII. Net profit/loss for the period** | **215 617** | **158 865** | **283 746** | **257 862** | **185 564** |
| **IX. Deductions from net profit (negative value)** | | | | | |
| **B. Liabilities and profisions for liabilities** | **568 278** | **613 384** | **685 857** | **509 444** | **762 997** |
| **I. Provisions for liabilities** | **146 513** | **142 039** | **192 220** | **183 414** | **289 579** |
| 1. Deferred tax liability | 31 399 | 27 058 | 26 308 | 50 908 | 46 894 |
| 2. Provision for retirement benefits and similar obligations | 79 821 | 79 096 | 75 224 | 73 924 | 73 924 |
| - long-term | 74 259 | 72 944 | 68 581 | 67 445 | 67 445 |
| - short-term | 5 563 | 6 151 | 6 642 | 6 479 | 6 479 |
| 3. Other provisions | 35 293 | 35 885 | 90 687 | 58 583 | 168 761 |
| - long-term | 27 301 | 26 975 | 26 024 | 55 283 | 165 461 |
| - short-term | 7 992 | 8 910 | 64 664 | 3 300 | 3 300 |
| **II. Long-term liabilities** | **84 383** | **105 279** | **115 323** | **6 455** | **134 674** |
| 1. To affiliates | | | | 1 170 | 127 689 |
| 2. To other entities | 84 383 | 105 279 | 115 323 | 5 285 | 6 985 |
| a) loans | 84 081 | 105 032 | 115 270 | 5 132 | 6 780 |
| b) debt securities issued | | | | | |
| c) other financial liabilities | 30 | 34 | 49 | 104 | 158 |
| d) other | 272 | 214 | 4 | 49 | 47 |
| **III. Short-term liabilities** | **294 477** | **337 566** | **342 921** | **278 472** | **312 366** |
| 1. To affiliates | 123 538 | 63 409 | 86 659 | 96 067 | 73 038 |
| a) trade creditors, payable in: | 113 707 | 39 143 | 62 765 | 70 526 | 63 011 |
| - under 12 months | 113 707 | 39 143 | 62 765 | 70 526 | 63 011 |
| - over 12 months | | | | | |
| b) other | 9 831 | 24 266 | 23 893 | 25 540 | 10 027 |
| 2. To other entities | 159 845 | 262 298 | 252 021 | 170 901 | 227 168 |
| a) loans | 63 453 | 54 132 | 65 172 | 6 976 | 19 328 |
| b) debt securities issued | | | | | |
| c) other financial liabilities | 121 | 176 | 219 | 244 | 733 |
| d) trade creditors, payable in: | 39 670 | 100 144 | 82 030 | 76 965 | 91 394 |
| - under 12 months | 39 670 | 100 144 | 82 030 | 76 965 | 91 394 |
| - over 12 months | | | | | |
| e) advance payments received | 269 | 398 | 335 | 6 041 | 243 |
| f) bills of exchange payable | | | | | |
| g) taxation, customs duty and social security creditors | 36 900 | 59 748 | 52 016 | 31 158 | 58 133 |

(in PLN thousands)

| | | | | | |
|---|---|---|---|---|---|
| h) payroll | 3 562 | 3 516 | 3 700 | 3 243 | 3 213 |
| i) other | 15 871 | 44 184 | 48 549 | 46 273 | 54 124 |
| 3. Special funds | 11 094 | 11 860 | 4 241 | 11 505 | 12 161 |
| **IV. Accruals and deferred income** | **42 905** | **28 500** | **35 394** | **41 103** | **26 378** |
| 1. Negative goodwill | | | | | |
| 2. Other accruals and deferred income | 42 905 | 28 500 | 35 394 | 41 103 | 26 378 |
| - long-term | 16 439 | 16 553 | 16 780 | 17 147 | 17 225 |
| - short-term | 26 465 | 11 947 | 18 613 | 23 956 | 9 153 |
| **Total equity and liabilities** | **3 134 183** | **3 122 537** | **3 036 145** | **2 768 761** | **2 950 016** |

(in PLN thousands)

## PROFIT AND LOSS ACCOUNT

| | *9 month period ended 30 September 2012 (unaudited)* | *3 month period ended 30 September 2012 (unaudited)* | *9 month period ended 30 September 2011 (unaudited)* | *3 month period ended 30 September 211 r (unaudited)* |
|---|---|---|---|---|
| **Net sales of finished goods, goods for resale and raw materials, of which:** | **1 485 707** | **532 128** | **1 591 577** | **519 609** |
| from affiliates | 450 728 | 150 871 | 109 851 | 43 160 |
| Net sales of finished goods | 1 357 487 | 487 679 | 1 450 635 | 475 249 |
| Net sales of goods for resale and raw materials | 128 220 | 44 449 | 140 942 | 44 360 |
| **Cost of finished goods, goods for resale and raw materials sold, of which:** | **1 234 838** | **439 996** | **1 262 289** | **430 505** |
| Cost of finished goods sold | 1 121 698 | 400 219 | 1 130 382 | 389 403 |
| Cost of goods for resale and raw materials sold | 113 140 | 39 777 | 131 907 | 41 102 |
| **Gross profit/loss on sales** | **250 869** | **92 132** | **329 288** | **89 104** |
| Selling expenses | 2 278 | 520 | 14 122 | 4 643 |
| Administrative expenses | 35 410 | 14 110 | 34 360 | 15 447 |
| **Profit/loss on sales** | **213 181** | **77 502** | **280 806** | **69 014** |
| Other operating income | 2 146 | 1 266 | 887 | 317 |
| Gains on the sale of non-financial long-term assets | 68 | 29 | - | - |
| Subsidies | 341 | 114 | 233 | 78 |
| Other | 1 737 | 1 123 | 654 | 239 |
| Other operating expenses | 26 196 | 21 718 | 4 492 | 741 |
| Loss on sale of non-financial long-term assets | - | - | 40 | - |
| Impairment of non-financial assets | 20 038 | 20 038 | - | - |
| Other | 6 158 | 1 680 | 4 452 | 741 |
| **Operating profit/loss** | **189 131** | **57 050** | **277 201** | **68 590** |
| Finance revenue | 85 953 | 18 597 | 49 638 | 24 303 |
| Dividends and shares in profits, of which: | 51 598 | 15 753 | 7 824 | 1 687 |
| from affiliates | 51 544 | 15699 | 6 137 | - |
| Interest, of which: | 13 658 | 2 844 | 14 270 | 3 028 |
| from affiliates | 2 904 | 858 | 8 838 | 1 134 |
| Gains on the sale of investments | 20 649 | - | - | - |
| Revaluation of investments | - | - | 15 589 | 18 457 |
| Other | 48 | - | 11 955 | 1 131 |
| Finance costs | 19 748 | 8 345 | 5 685 | 605 |
| Interest, of which: | 8 449 | 2 745 | 5 684 | 604 |
| to affiliates | - | - | 4 928 | 383 |
| Loss on the sale of investments | - | - | - | - |
| Impairment of investments | 9 399 | 4 616 | - | - |
| Other | 1 900 | 984 | 1 | 1 |
| **Gross profit/loss on ordinary activities** | **255 336** | **67 302** | **321 154** | **92 288** |
| **Extraordinary gains** | - | - | | |
| **Gross profit/loss** | **255 336** | **67 302** | **321 154** | **92 288** |
| Corporate profits tax | 39 719 | 10 550 | 63 292 | 19 990 |
| Other tax charges | - | - | - | - |
| **Net profit/loss** | **215 617** | **56 752** | **257 862** | **72 298** |

(in PLN thousands)

# CASH FLOW STATEMENT

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| **A. Cash flow from operating activities** | | | | |
| **I. Net profit** | **215 617** | **56 752** | **257 862** | **72 298** |
| **II. Adjustments for:** | **2 615** | **16 404** | **(74 707)** | **(5 643)** |
| 1. Depreciation | 49 249 | 18 860 | 34 188 | 11 524 |
| 2. Foreign exchange gains/losses | 9 832 | 4 990 | (12 839) | (13 638) |
| 3. Interests and shares in profits (dividends) | (46 056) | (13 867) | (10 977) | (2 216) |
| 4. Profit/loss on investing activities | (20 810) | (60) | (204) | (81) |
| 5. Change in provisions | 5 517 | 244 | 24 914 | 4 014 |
| 6. Change in inventory | 13 252 | (25 357) | (51 881) | (42 253) |
| 7. Change in receivables | (7 799) | 3 805 | (38 361) | 36 970 |
| 8. Change in short-term liabilities, except for loans and credits | (7 856) | 10 790 | (25 973) | (15 662) |
| 9. Change in prepayments, accruals and deferred income | 7 286 | 16 999 | 6 426 | 15 699 |
| 10. Other adjustments | - | - | - | |
| **III. Net cash flow from operating activities** | **218 232** | **73 156** | **183 155** | **66 655** |
| **B. Cash flow from investing activities** | | | | |
| **I. Inflows** | **77 154** | **17 054** | **370 611** | **21 317** |
| 1. Sale if intangible assets and tangible fixed assets | 1 378 | 1 301 | 34 | - |
| 2. Sale of investments in property and intangible assets | - | - | - | - |
| 3. From financial assets, of which: | 75 776 | 15 753 | 350 947 | 1 687 |
| a) in affiliates | 51 544 | 15 699 | 349 260 | - |
| b) in other entities | 24 232 | 54 | 1 687 | 1 687 |
| - sale of financial assets | 24 178 | - | - | - |
| - dyvidends and shares in profits | 54 | 54 | 1 687 | 1 687 |
| - repayment of long-term loans granted | - | - | - | - |
| - interest received | - | - | - | - |
| - other | - | - | - | - |
| 4. Other investing inflows | - | - | 19 630 | 19 630 |
| **II. Outflows** | **392 700** | **271 404** | **299 520** | **142 231** |
| 1. Purchase of intangible assets and tangible fixed assets | 215 441 | 94 145 | 283 041 | 126 109 |
| 2. Investments in property and intangible assets | - | - | - | - |
| 3. For financial assets, of which: | 177 259 | 177 259 | 15 900 | 15 900 |
| a) in affiliates | 177 259 | 177 259 | 15 900 | 15 900 |
| b) in other entities | - | - | - | - |
| - purchase of financial assets | - | - | - | - |
| - long-term loans granted | - | - | - | - |
| 4. Other investing outflows | - | - | 579 | 222 |
| **III. Net cash flow from investing activities** | **(315 546)** | **(254 350)** | **71 091** | **(120 914)** |

(in PLN thousands)

| | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|
| **C. Cash flow from financing activities** | | | | |
| **I. Inflows** | - | - | - | - |
| 1. Loans and credits | - | - | - | - |
| 2. Net inflows from issue of shares, other capital instruments and from additional payments to capital | - | - | - | - |
| 3. Other | - | - | - | - |
| **II. Outflows** | **41 522** | **14 433** | **413 522** | **149 638** |
| 1. Re-acquisition of own shares | - | - | - | - |
| 2. Dividends and other payments to shareholders | - | - | - | - |
| 3. Outflows due to appropriation of profit other than payments to shareholders | - | - | - | - |
| 4. Repayment of loans and credits | 35 531 | 11 648 | 391 595 | 147 192 |
| 5. Redemption of debt securities | - | - | - | - |
| 6. Relating to other financial liabilities | - | - | - | - |
| 7. Finance lease payments | 168 | 59 | 4 826 | 544 |
| 8. Interest | 5 823 | 2 726 | 17 101 | 1 902 |
| 9. Other financing outflows | - | - | - | - |
| **III. Net cash flow from financing activities** | **(41 522)** | **(14 433)** | **(413 522)** | **(149 638)** |
| **D. Total net cash flow** | **(138 836)** | **(195 627)** | **(159 276)** | **(203 897)** |
| **E. Balance sheet change in cash and cash equivalents, of which:** | **(139 270)** | **(196 001)** | **(157 571)** | **(203 155)** |
| **- change in cash and cash equivalents due to foreign exchange gains/losses** | **(434)** | **(374)** | **1 705** | **742** |
| **F. Cash and cash equivalents at the beginning of the period** | **291 937** | **348 727** | **263 408** | **308 029** |
| **G. Cash and cash equivalents at the end of the period, of which:** | **153 100** | **153 100** | **104 132** | **104 132** |
| **- of restricted use** | **3 910** | **3 910** | **23 173** | **23 173** |

(in PLN thousands)

## STATEMENT OF CHANGES IN EQUITY

| | | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *As at 31 December 2011* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|---|---|
| **I** | **Shareholder's equity at the beginning of the period (OB)** | **2 350 288** | **2 509 153** | **2 066 542** | **2 001 455** | **2 187 019** |
| | - adjustments due to fundamental errors | - | - | - | - | - |
| I.a. | Shareholder's equity at the beginning of the period, after adjustments | 2 350 288 | 2 509 153 | 2 066 542 | 2 001 455 | 2 187 019 |
| **1.** | **Share capita lat the beginning of the period** | **104 052** | **104 052** | **104 052** | **104 052** | **104 052** |
| 1.1. | Changes in share capital | - | - | - | - | - |
| | a) increases | - | - | - | - | - |
| | b) decreases | - | - | - | - | - |
| **1.2.** | **Share capital at the end of the period** | **104 052** | **104 052** | **104 052** | **104 052** | **104 052** |
| **2.** | **Unpaid share capital at the beginning of the period** | **-** | **-** | **-** | **-** | **-** |
| 2.1 | Changes in unpaid share capital | - | - | - | - | - |
| | a) increases | - | - | - | - | - |
| | b) decreases | - | - | - | - | - |
| **2.2.** | **Unpaid share capital at the end of the period** | **-** | **-** | **-** | **-** | **-** |
| **3.** | **Treasury shares at the beginning of the period** | **-** | **-** | **-** | **-** | **-** |
| | a) increases | - | - | - | - | - |
| | b) decreases | - | - | - | - | - |
| **3.1.** | **Treasury shares at the end of the period** | **-** | **-** | **-** | **-** | **-** |
| **4.** | **Reserve capital at the beginning of the period** | **1 671 610** | **1 956 261** | **1 407 523** | **1 370 148** | **1 603 380** |
| 4.1. | Changes in reserve capital | - | - | - | - | - |
| | a) increases (due to:) | 284 651 | - | 264 087 | 233 287 | 55 |
| | - share premium | | | | | |
| | - statutory profit appropriation | | | | | |
| | - profit appropriation (in excess of statutory amounts) | 283 746 | - | 261 478 | 232 932 | - |
| | - disposal of fixed assets | 905 | - | 2 609 | 355 | 55 |
| | b) decreases | - | - | - | - | - |
| **4.2.** | **Reserve capital at the end of the period** | **1 956 261** | **1 956 261** | **1 671 610** | **1 603 435** | **1 603 435** |
| **5.** | **Revaluation reserve at the beginning of the period** | **288 242** | **287 337** | **290 851** | **290 851** | **290 551** |
| 5.1. | Changes in revaluation reserve | | | | | |
| | a) increases | - | - | - | - | - |
| | b) decreases (due to:) | 905 | - | 2 609 | 355 | 55 |
| | - disposal of fixed assets | 905 | - | 2 609 | 355 | 55 |
| | - adjustments of revaluation resrve | - | - | - | - | - |
| **5.2.** | **Revaluation reserve at the end of the period** | **287 337** | **287 337** | **288 242** | **290 496** | **290 496** |
| **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 | | | | | |
| | b) decreases | | | | | |

| | | *9 months period ended 30 September 2012 (unaudited)* | *3 months period ended 30 September 2012 (unaudited)* | *As at 31 December 2011* | *9 months period ended 30 September 2011 (unaudited)* | *3 months period ended 30 September 2011 (unaudited)* |
|---|---|---|---|---|---|---|
| **7.** | **Accumulated profits/losses from previous years at the beginning of the period** | **283 746** | **158 865** | **260 644** | **510 741** | **185 564** |
| 7.1. | Accumulated profits from previous years at the beginning of the period | 283 746 | 158 865 | 261 478 | 232 932 | 185 564 |
| | - adjustments due to fundamental errors | | | | | |
| 7.2. | Accumulated profits from previous years at the beginning of the period, after adjustments | 283 746 | 158 865 | 261 478 | 232 932 | 185 564 |
| | a) increases (due to:) | - | - | - | - | - |
| | - appropriation of profit from previous years | | | | | |
| | b) decreases (due to:) | 283 746 | - | 261 478 | 232 932 | - |
| | - transfer to reserve capital | 283 746 | - | 261 478 | 232 932 | - |
| | - transfer to Intercollegiate Social Fund | | | | | |
| **7.3.** | **Accumulated profit from previous years at the end of the period** | **-** | **158 865** | **-** | **-** | **185 564** |
| **7.4** | **Loss from previous years at the beginning of the period** | **(834)** | **(834)** | **(834)** | **-** | **-** |
| | - adjustments due to fundamental errors | | | | | |
| 7.5 | Loss from previous years at the beginning of the period after adjustments | - | - | - | - | - |
| | a) increases (due to:) | | | | | |
| | - transfer of loss from previous years to cover | | | | | |
| | b) decreases (due to:) | | | | | |
| **7.6** | **Loss from previous years at the end of the period** | **(834)** | **(834)** | **(834)** | **-** | **-** |
| **8.** | **Net result** | **215 617** | **56 752** | **283 746** | **257 862** | **72 298** |
| | a) net profit | 215 617 | 56 752 | 283 746 | 257 862 | 72 298 |
| | b) net loss | | | | | |
| **II.** | **Shareholdr's equity at the end of the period (CB)** | **2 565 905** | **2 565 905** | **2 350 288** | **2 259 317** | **2 259 317** |
| **III.** | **Shareholder's equity after proposed appropriation of profits/absorption of losses** | **2 565 905** | **2 565 905** | **2 350 288** | **2 259 317** | **2 259 317** |

## ADDITIONAL INFORMATION TO THE QUARTER ABBREVIATED FINANCIAL REPORT

# 1. General information

Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna ("ZE PAK S.A.", "Company") was established based on the Notary Deed of December 29, 1994. The registered office of the Company is located in Konin at ul. Kazimierska 45.

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

The company operates under Taxpayer Identification Number (NIP) 665-00-01-645 assigned on September 17, 1993 and State Statistical Number (REGON) 310186795.

The duration of the Company shall be indefinite.

As of the balance sheet date i.e. September 30, 2012 the parent company operated within Elektrim S.A. Capital Group. As at September 30, 2012 the parent company for the Company in the meaning of Article 4 point 14 of the Act on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies (consolidated text: Journal of Laws of 2009, No. 185 item 1439 as amended) and in the meaning of Article 4 point 4 of the Code of Commercial Companies was Elektrim S.A. which held special rights concerning appointment and dismissal of the Management Board and Supervisory Board specified in the Articles of Association.

The company is a parent company of Zespół Elektrowni Pątnów Adamów Konin Capital Group.
According to the articles of association the activities of the Company include:

1. electricity generation and distribution,
2. production and distribution of heat (water steam and hot water),
3. water intake, treatment and distribution,
4. erecting complete buildings and constructions or parts thereof, civil engineering,
5. construction site preparation,
6. construction installation activities,
7. wholesale of non-agricultural intermediate products, waste and scrap,
8. retail sale of non-food products in specialized shops, not classified elsewhere, including coal (lignite) and wood for households,
9. other non-store retail sale,
10. transport via pipeline,
11. reloading, warehousing and storage,
12. other credit granting, including lending outside the banking system,
13. other financial intermediation, not elsewhere classified, including investment in securities,
14. hardware consultancy,
15. software activity,
16. data processing,
17. other IT-related activities,
18. consulting in the area of business and management,
19. management activities of holding companies,
20. technical testing and analyses,
21. other commercial activity, not elsewhere classified,
22. management of real property on Company’s own account,
23. lease of real property on Company’s own account,
24. recycling of metal waste and scrap,
25. recycling of non-metal waste and defective goods,

26. agricultural production, vegetable farming, gardening,
27. forestry, including services.

# 2. Going concern assumption

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

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

# 3. Merger of commercial companies

An important event having impact on comparability of data of the separate financial report for the presented periods was a merger under Article 492 § 1 point 1 of the Commercial Companies Code with PAK Odsiarczanie Sp. z o.o. where ZE PAK S.A. held 100% of shares. The merger through the transfer of assets means that PAK Odsiarczanie Sp. z o.o. ceases to exist from legal perspective. The change was entered into the National Court Register on November 30, 2011.

# 4. Adopted accounting principles (policies)

The Company acting based on the following legal acts:

1. Accounting Act of September 29, 1994 (consolidated text, Journal of Laws of 2009, No, 152, as amended - hereinafter "Accounting Act", "Act"),
2. The Act of February 15, 1992 on corporate income tax (Journal of Laws No. 54/2000 item 654, as amended),

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

1. Ordinance No. 35 of President of ZE PAK S.A. in Konin of July 1, 2003 on management of tangible fixed assets,
2. Ordinance No. 34 of President of ZE PAK S.A. in Konin of July 1, 2003 on Company's Chart of Accounts for ZE PAK S.A.

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

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