

**Independent Auditors' Review Report on the Interim Condensed Consolidated Financial Statements for the 6 month period ended 30 June 2015**

**To the Supervisory Board and Shareholders' Meeting of Zespół Elektrowni Pątnów – Adamów – Konin S.A.**

1. We have reviewed the accompanying condensed consolidated financial statements of Zespół Elektrowni Pątnów – Adamów – Konin S.A. Capital Group ('the Group') where Zespół Elektrowni Pątnów – Adamów – Konin S.A. is the dominant entity ('the Company'), and is located in Konin, Kazimierska 45 street, including the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income for the period from 1 January 2015 to 30 June 2015, the interim condensed statement of financial position as at 30 June 2015, the interim condensed consolidated statement of cash flow, the interim condensed consolidated statement of changes in equity for the period from 1 January 2015 to 30 June 2015 and other explanatory notes ('the interim condensed consolidated financial statements').
2. The Company's Management Board is responsible for the compliance of the interim condensed consolidated financial statements' with International Financial Reporting Standard IAS 34 "Interim financial reporting" as adopted by the European Union ('IAS 34'). Our responsibility was to issue a report on these consolidated financial statements, based on our review.
3. We conducted our review in accordance with the provisions of the law binding in Poland and national auditing standards issued by the National Council of Statutory Auditors in Poland. These standards require that we plan and perform our review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. The review was mainly based on applying analytical procedures to the financial data, inspection of accounting records and discussions with the management of the Company as well as its employees. The scope<sup>1</sup> of a review differs significantly from an audit of financial statements, the objective of which is to express an opinion on whether financial statements comply with the required applicable accounting policies, and on the truth and fairness<sup>2</sup> of these financial statements. Consequently, the review does not enable us to obtain sufficient assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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<sup>1</sup> Translation of the following expression in Polish language: "zakres i metoda"

<sup>2</sup> Translation of the following expression in Polish language: "rzetelności i jasności"

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not in accordance, in all material respects, with IAS 34.

on behalf of  
Ernst & Young Audyt Polska spółka z  
ograniczoną odpowiedzialnością sp. k.)  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

Robert Klimacki  
Certified auditor No. 90055

Warsaw, 31 August 2015

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT  
FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2015  
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW**

*This is a translation of the document issued originally in Polish language.  
The Polish original should be referred to in matters of interpretation.*

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Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report  
for the period of 6 months ended 30 June 2015  
(in thousands of zlotys)*

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## INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

**For the period of 6 months ended 30 June 2015**

	<i>Note</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
<b>Continuing operations</b>					
<b>Sales revenue</b>	<i>12.1</i>	<b>1 507 522</b>	<b>752 328</b>	<b>1 344 757</b>	<b>677 085</b>
Cost of goods sold	<i>12.6</i>	(1 423 732)	(733 377)	(1 141 351)	(594 971)
<b>Gross profit / (loss)</b>		<b>83 790</b>	<b>18 951</b>	<b>203 406</b>	<b>82 114</b>
Other operating income	<i>12.2</i>	11 392	5 686	11 123	4 449
Selling and distribution expenses	<i>12.6</i>	(1 924)	(1 101)	(1 681)	(828)
Administrative expenses	<i>12.6</i>	(56 858)	(26 656)	(72 429)	(28 738)
Other operating expenses	<i>12.3</i>	(2 743)	(1 059)	(10 390)	(7 527)
<b>Gross profit / (loss) from operations</b>		<b>33 657</b>	<b>(4 179)</b>	<b>130 029</b>	<b>49 470</b>
Finance income	<i>12.4</i>	11 618	(8 701)	8 987	7 121
Finance costs	<i>12.5</i>	(25 961)	(9 560)	(27 255)	(12 306)
<b>Profit / (loss) before tax</b>		<b>19 314</b>	<b>(22 440)</b>	<b>111 761</b>	<b>44 285</b>
Income tax expense (taxation)	<i>14.1</i>	(3 895)	3 480	(20 056)	(6 220)
<b>Net profit / (loss) for the period from continuing operations</b>		<b>15 419</b>	<b>(18 960)</b>	<b>91 705</b>	<b>38 065</b>
<b>Discontinued operations</b>					
Profit/ (loss) for the period from discontinued operations					-
<b>Net profit / (loss) for the period</b>		<b>15 419</b>	<b>(18 960)</b>	<b>91 705</b>	<b>38 065</b>
Net profit/ (loss) attributable to equity holders of the parent		15 103	(19 812)	86 793	34 351
Net profit/ (loss) attributable to non- controlling interests		316	852	4 912	3 714
<b>Earnings per share (in PLN)</b>					
Basic, for profit for the period attributable to equity holders of the parent	<i>15</i>	0,30	(0,39)	1,71	0,68
Basic, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	0,30	(0,39)	1,71	0,68
Diluted, for profit for the period attributable to equity holders of the parent	<i>15</i>	0,30	(0,39)	1,71	0,68
Diluted, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	0,30	(0,39)	1,71	0,68

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period of 6 months ended 30 June 2015

	<i>Note</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
<b>Net profit / (loss) for the period</b>		<b>15 419</b>	<b>(18 960)</b>	<b>91 705</b>	<b>38 065</b>
<b>Other comprehensive income</b>					
<i>Items to be reclassified to the profit / (loss) in subsequent reporting periods:</i>					
Cash flow hedges	<i>13</i>	4 584	2 137	(33)	406
Exchange differences on translation of foreign entities	<i>13</i>	1	22	29	13
Income tax on other comprehensive income	<i>13, 14.1</i>	(871)	(406)	6	(77)
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		3 714	1 753	2	342
<i>Items not to be reclassified to the profit / (loss) in subsequent reporting periods:</i>					
Profits / (losses) on provisions for post-employment	<i>13</i>	(1 591)	(633)	(4 193)	(2 675)
Income tax on other comprehensive income	<i>13, 14.1</i>	302	120	797	508
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		(1 289)	(513)	(3 396)	(2 167)
<b>Net other comprehensive income</b>		<b>2 425</b>	<b>1 240</b>	<b>(3 394)</b>	<b>(1 825)</b>
<b>Comprehensive income for the period</b>		<b>17 844</b>	<b>(17 720)</b>	<b>88 311</b>	<b>36 240</b>
Comprehensive income attributable to equity holders of the parent		17 528	(18 572)	83 399	32 526
Comprehensive income attributable to non-controlling interests		316	852	4 912	3 714

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2015

	<i>Note</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>16</i>	5 349 246	5 299 618
Investment property		2 422	2 799
Intangible assets	<i>18</i>	5 475	82 263
Loans and receivables		-	-
Assets of removing overburden and other mining assets (long-term)	<i>19</i>	133 606	149 901
Other long-term financial assets	<i>20.1</i>	10 953	12 591
Other long-term non-financial assets	<i>20.2</i>	21 879	25 949
Amounts due from customers under long-term construction contracts		-	-
Deferred tax assets	<i>14.2</i>	112 168	112 870
<b>Total non-current assets</b>		<b>5 635 749</b>	<b>5 685 991</b>
<b>Current assets</b>			
Short-term intangible assets	<i>18</i>	241 639	176 957
Inventories	<i>21</i>	225 183	237 116
Trade and other receivables	<i>22</i>	295 396	253 977
Income tax receivables		1 880	12 742
Short-term financial derivatives (assets)		-	-
Other short-term financial assets	<i>20.1</i>	91 407	94 748
Other short-term non-financial assets	<i>20.2</i>	35 777	39 434
Assets of removing overburden and other mining assets (short-term)	<i>19</i>	556	556
Amounts due from customers under long-term construction contracts	<i>12.7</i>	10 941	10 047
Cash and cash equivalents	<i>23</i>	225 697	356 120
<b>Total current assets</b>		<b>1 128 476</b>	<b>1 181 697</b>
Assets classified as held for sale		-	-
<b>TOTAL ASSETS</b>		<b>6 764 225</b>	<b>6 867 688</b>



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	<i>Note</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Issued capital		101 647	101 647
Reserve capital		2 542 058	2 398 399
Revaluation reserve from valuation of hedging instruments		(14 027)	(17 741)
Other reserve capital		5 877	5 877
Retained earnings / Accumulated losses		1 125 725	1 249 448
Net profit / (loss)		15 103	81 977
Exchange differences on translation of foreign entities		112	110
<b>Equity attributable to equity holders of the parent</b>		<b>3 776 495</b>	<b>3 819 717</b>
Equity attributable to non-controlling interests		-	-
<b>Total equity</b>		<b>3 776 495</b>	<b>3 819 717</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	25	956 294	867 221
Long-term employee benefits		95 698	108 554
Trade and other long-term financial liabilities	28.2	94 066	103 742
Long-term financial derivatives (liabilities)	28.4	11 140	15 059
Long-term subsidies	28.5	57 444	63 832
Other long-term provisions and accruals	26	347 368	361 142
Amounts due to customers under long-term construction contracts		-	-
Deferred tax liability	14.2	323 392	322 319
<b>Total non-current liabilities</b>		<b>1 885 402</b>	<b>1 841 869</b>
<b>Current liabilities</b>			
Trade and other short-term financial liabilities	28.1	352 251	355 202
Current portion of interest-bearing loans and borrowings	25	357 899	348 553
Short-term financial derivatives (liabilities)	28.4	7 836	8 684
Other non-financial liabilities	28.3	51 981	134 015
Current income tax liability		1 381	1 970
Short-term employee benefits		8 623	38 553
Short-term subsidies	28.6	12 775	12 779
Amounts due to customers under long-term construction contracts	12.7	3 800	20 245
Other short-term provisions and accruals	26	305 782	286 101
<b>Total current liabilities</b>		<b>1 102 328</b>	<b>1 206 102</b>
Liabilities directly associated with assets classified as held for sale		-	-
<b>Total liabilities</b>		<b>2 987 730</b>	<b>3 047 971</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6 764 225</b>	<b>6 867 688</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**For the period of 6 months ended 30 June 2015**

		<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>
	<i>Note</i>		
<b>Cash flow from operating activities</b>			
Profit/(loss) before tax		19 314	111 760
Adjustments for:			
Depreciation and amortization	23	183 343	179 457
Interests and shares in profits		14 077	13 344
(Profit) / loss on foreign exchange differences		(4 751)	2 722
(Profit) / loss on investing activities		(470)	(1 381)
(Increase) / decrease in receivables	23	(42 549)	(80 703)
(Increase) / decrease in inventories	23	11 933	(24 219)
Increase / (decrease) in payables except for loans and borrowings	23	(100 562)	(39 530)
Change in provisions, prepayments, accruals and employee benefits	23	132 778	126 217
Income tax paid		7 543	776
Allowances for emission of CO <sub>2</sub>		(162 425)	(107 526)
Other		819	(470)
<b>Net cash flow from operating activities</b>		<b>59 050</b>	<b>180 448</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		1 835	29 971
Purchase of property, plant and equipment and intangible assets		(252 673)	(322 179)
Proceeds and expenses relating to other financial assets		4 689	4 491
Purchase of other financial assets	23	(21 995)	-
Acquisition of subsidiary, after deducting cash acquired		-	-
Dividends received		-	5 466
Interest received		3	14
Other		53	(58)
<b>Net cash flow from investing activities</b>		<b>(268 088)</b>	<b>(282 295)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of shares		-	-
Purchase of treasury shares		-	-
Payment of finance lease liabilities		(6 705)	(10 265)
Proceeds from loans and borrowings and debt securities		233 400	201 525
Repayment of loans and borrowings and debt securities		(119 383)	(189 484)
Dividends paid		288	-
Interest paid		(27 889)	(26 571)
Other		(1 257)	31 224
<b>Net cash flow from financing activities</b>		<b>78 454</b>	<b>6 429</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(130 584)</b>	<b>(95 418)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>355 268</b>	<b>431 318</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	23	<b>224 684</b>	<b>335 900</b>
of restricted use		-	-

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report  
for the period of 6 months ended 30 June 2015  
(in thousands of zlotys)*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the period ended 30 June 2015 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve of financial instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings / Accumulated losses</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total Equity</i>
<b>As of 1 January 2015</b>	<b>101 647</b>	<b>2 398 399</b>	<b>(17 741)</b>	<b>5 877</b>	<b>1 331 425</b>	<b>110</b>	<b>3 819 717</b>	-	<b>3 819 717</b>
Net profit for the period	-	-	-	-	15 103	-	15 103	316	15 419
Total other comprehensive income	-	-	3 713	-	(1 289)	1	2 425	-	2 425
<b>Total income for the period</b>	<b>-</b>	<b>-</b>	<b>3 713</b>	<b>-</b>	<b>13 814</b>	<b>1</b>	<b>17 528</b>	<b>316</b>	<b>17 844</b>
Distribution of profits from previous years	-	143 659	-	-	(143 659)	-	-	-	-
Dividend	-	-	-	-	(60 988)	-	(60 988)	-	(60 988)
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	316	-	316	(316)	-
Other changes	-	-	1	-	(80)	1	(78)	-	(78)
<b>As of 30 June 2015</b>	<b>101 647</b>	<b>2 542 058</b>	<b>(14 027)</b>	<b>5 877</b>	<b>1 140 828</b>	<b>112</b>	<b>3 776 495</b>	-	<b>3 776 495</b>

### For the period ended 30 June 2014 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve of financial instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings / Accumulated losses</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total Equity</i>
<b>As of 1 January 2014</b>	<b>101 647</b>	<b>2 200 508</b>	<b>(18 831)</b>	<b>5 877</b>	<b>1 493 382</b>	<b>33</b>	<b>3 782 616</b>	-	<b>3 782 616</b>
Net profit for the period	-	-	-	-	86 793	-	86 793	4 912	91 705
Total other comprehensive income	-	-	(27)	-	(3 396)	29	(3 394)	-	(3 394)
<b>Total income for the period</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>83 397</b>	<b>29</b>	<b>83 399</b>	<b>4 912</b>	<b>88 311</b>
Distribution of profits from previous years	-	197 888	-	-	(197 888)	-	-	-	-
Dividend	-	-	-	-	(34 560)	-	(34 560)	-	(34 560)
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	4 912	-	4 912	(4 912)	-
Other changes	-	-	-	-	(60)	-	(60)	-	(60)
<b>As of 30 June 2014</b>	<b>101 647</b>	<b>2 398 396</b>	<b>(18 858)</b>	<b>5 877</b>	<b>1 349 183</b>	<b>62</b>	<b>3 836 307</b>	-	<b>3 836 307</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## ADDITIONAL EXPLAINING NOTES

### 1. General information

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

The interim consolidated condensed financial statement of the Group covers the 6-month period concluded on 30 June 2015 and includes comparative data for the 6-month period concluded on 30 June 2014 and the data as of 31 December 2014. The interim consolidated condensed financial statement of comprehensive income, the consolidated income statement, and additional explanatory notes present additional financial information for the 3-month period concluded on 30 June 2015 and comparative data for the 3-month period concluded 30 June 2014, which were not audited and reviewed by the statutory auditor.

The data for the 6-month period concluded on 30 June 2015 and as of this day included in this interim consolidated condensed financial statement and the comparative data for the 6-month period concluded on 30 June 2015 were audited and reviewed by the statutory auditor. The statutory auditor audited the comparative data as of 31 December 2014.

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

The parent company was assigned the statistical number (REGON) 310186795.

The duration of the parent and member companies of the Capital Group is unlimited.

The main activities of the Group are:

1. generation and sale of electricity,
2. production and distribution of heat (steam and hot water),
3. lignite extraction.

This interim condensed consolidated financial statement of the Group for the 6-month period concluded on 30 June 2015 was approved for issuing by the Management Board on 31 August 2015.

The interim financial result may not reflect the potential to achieve the financial result for the financial year entirely.

### 2. Composition of the Group

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

Entity	Seat	Scope of activities	Percentage share of the Group in capital as of	
			30 June 2015	31 December 2014
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.*	62-510 Konin ul. Przemysłowa 158	Repair and construction services	100,00%	100,00%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń „EL PAK” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services with regard to servicing industrial automation systems and electrical equipment	100,00%	100,00%
„Elektrownia Pątnów II” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production and distribution of electricity from the unit 464 MW	100,00%**	100,00%**
„PAK – HOLDCO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activities	100,00%	100,00%
„PAK Infrastruktura” sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction works with regard to engineering structures not elsewhere classified	100,00%	100,00%

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Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
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„PAK Centrum Usług Informatycznych” sp. z o.o. w likwidacji	62-510 Konin ul. Kazimierska 45	IT services	0,00%*****	100,00%
„PAK Centrum Badań Jakości” sp. z o.o. w likwidacji	62-510 Konin ul. Przemysłowa 158	Chemical tests and analyses	0,00%*****	100,00%
„PAK GÓRNICTWO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Coal mining	100%	100%
Energoinwest Serwis sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Repair and construction services	100%***	100%***
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Lignite mining	94,10%	85,00%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite mining	89,15%	85,00%
Ochrona Osób i Mienia „ASEKURACJA” sp. z o.o. w likwidacji	62-540 Kleczew ul. 600-lecia 9	Protection of people and property	94,10%****	85,00%****
„Aquakon” sp. z o.o.	62-610 Sompolno Police	Production and sale of mineral waters	90,50%****	81,80%****
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Railway transport of lignite, sale of lignite	94,10%****	85,00%****
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Wind farms, production of electricity	0,00%****	42,50%****
PAK-Volt S.A.	00-834 Warszawa ul. Pańska 77/79	Sale of electricity	100,00%	100,00%
EL PAK Serwis sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and service of electric devices and machinery	100,00%*****	100,00%*****
Centrum Zdrowia i Relaksu „Verano” sp. z o.o.	78-100 Kołobrzeg ul. Sikorskiego 8	Vacation and sanatorium services	23,53%	21,25%

\* *Affiliate – Przedsiębiorstwo Remontowe "PAK SERWIS" Sp. z o.o. with a foreign branch in Germany, which was closed down on 30 March 2015.*

\*\* *Indirect share by "PAK – HOLDCO" sp. z o.o.*

\*\*\* *Indirect share by Przedsiębiorstwo Remontowe PAK SERWIS Sp. z o.o.*

\*\*\*\* *Indirect share by PAK KWB Konin (the indirect participation of PAK KWB Konin in "Aquakon" sp. z o.o. amounts to 96.2%, in KWE sp. z o.o. in liquidation is 50%, and in other companies – 100%). On 29 January 2015, the PAK KWB Konin disposed all of its shares in KWE*

\*\*\*\*\* *Indirect share by "EL PAK" Sp. z o.o.*

\*\*\*\*\* *In the first quarter of 2015, the liquidation process of PAK CUI sp. z o.o. and PAK CBJ sp. z o.o. was completed.*

As of 30 June 2015, the share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

### 3. Composition of the Management Board of the parent company

The Company's Management Board composition was as follows at the beginning of the accounting year of 2015:

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

The composition of the Management Board of the Company as of 30 June 2015 until the date of preparation of this interim condensed consolidated financial statement remained unchanged.

### 4. Basis for development of the interim condensed consolidated financial statement

This interim condensed consolidated financial statement was developed in accordance with the International Accounting Standards no. 34 "Interim Financial Reporting" approved by the EU ("IAS 34").

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

The interim condensed consolidated financial statement does not include all information and disclosures required in the annual financial statement and should be read together with the consolidated financial statement of the Group for the year concluded on 31 December 2014 authorised for issue on 19 March 2015.

This interim condensed consolidated financial statement is presented in PLN, and all values, unless indicated otherwise, are provided in thousands of PLN.

This interim condensed consolidated financial statement was developed with the assumption of continuing business activity by the Group's companies in the foreseeable future that is no shorter than for 12 months from 30 June 2015. As of the date of authorisation of this financial statement, there are no reported circumstances indicating any risk to the continuation of the activity of the Group's companies.

## **5. New standards and interpretations, which have been issued, but are not applicable yet**

- IFRS 9 Financial Instruments (issued on 24 July 2014) applicable for annual periods beginning on 1 January 2018 or later – until the date of approval of this financial statement, not approved by the EU,
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued on 21 November 2013) – applicable for annual periods beginning on 1 July 2014 or later, in the EU, it is applicable at the latest annual periods beginning on 1 February 2015 or later,
- Amendments resulting from the IFRS review 2010-2012 (issued on 12 December 2013) – some amendments are applicable for annual periods beginning on 1 July 2014 or later, and some of them prospectively for the transactions occurring on 1 July 2014 or later, in the EU, it is applicable at the latest annual periods beginning on 1 February 2015 or later,
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – with its application for annual periods beginning on 1 January 2016 or later – the decision concerning the term, when EFRAG will conduct particular stages of works leading to authorisation of this standard, was not taken – until the day of authorisation of this financial statement, unapproved by the EU.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014) – with their application for annual periods beginning on 1 January 2016 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014) – with their application for annual periods beginning on 1 January 2016 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) – with their application for annual periods beginning on 1 January 2017 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued on 30 June 2014) – with their application for annual periods beginning on 1 January 2016 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued on 12 August 2014) – with their application for annual periods beginning on 1 January 2016 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- The amendments to IFRS 10 and IAS 28 Sales or transfers of assets between the investor and the associate or joint venture (issued on 11 September 2014) – applicable for annual periods beginning on 1 January 2016 or later, the term was initially postponed by RMSR – no decision as to the date on which EFRAG will conduct the various stages of the work leading to the approval of these amendments – until the date of approval of this financial statement, unapproved by the EU,
- Amendments resulting from the review of IFRS 2012-2014 (issued on 25 September 2014) – with their application for annual periods beginning on 1 January 2016 or later – until the day of authorisation of this financial statement, unapproved by the EU,
- The amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Application of the exception related to the consolidation (issued on 18 December 2014) – applicable for annual periods beginning on 1 January 2016 or later – until the date of approval of this financial statement, unapproved by the EU,
- The amendments to IAS 1 Disclosures (issued on 18 December 2014) – applicable for annual periods beginning on 1 January 2016 or later – until the date of approval of this financial statement, unapproved by the EU.

## 6. Significant principles (policy) of accounting

Principles (policies) of accounting applied to development of the interim condensed consolidated financial statement are coherent with these applied to development of the annual consolidated financial statement of the Group for the year concluded on 31 December 2014, except for application of the following new or amended standards and interpretations applicable for annual periods beginning on or after 1 January 2015.

- Amendments resulting from the review of IFRS 2011-2013 including:
  - Amendments to IFRS 3 Business Combinations

The amendments clarify that not only joint ventures, but also joint arrangements are not included in IFRS 3. This exception applies only to the preparation of a financial statement of a joint arrangement. The amendment is applied prospectively.

Application of these amendments affected neither the financial position, nor activities' results of the Group.
  - Amendments to IFRS 13 Fair Value Measurement

The amendments clarify that the exception concerning an investment portfolio applies not only to financial assets and financial liabilities, but also to other agreements included in IAS 39. The amendments are applied prospectively.

Application of these amendments affected neither the financial position, nor activities' results of the Group.
  - Amendments to IAS 40 Investment Property

The description of services described in IAS 40 distinguishes an investment property from an owner-occupied property (that is, from tangible fixed assets). The amendment is applied prospectively and explains that it is IFRS 3, not the definition of additional services included in IAS 40, is used to determine whether the transaction is a purchase of an asset or an arrangement.

Application of these amendments affected neither the financial position, nor activities' results of the Group.
- IFRIC 21 Levies

The interpretation explains, that an entity includes a liability for a levy when an obligating event – an action causing the necessity to pay the levy pursuant to regulations – occurs. In the case of the levies due after exceeding the minimum threshold, the entity does not recognise the liability until reaching this threshold. IFRIC 21 is applied retrospectively.

Application of these amendments affected neither the financial position, nor activities' results of the Group.

The Group did not decide for the early application of any other standard, interpretation, or amendment that was issued but is not yet effective in the light of the European Union regulations.

## 7. Essential values based on professional judgement and estimates

### 7.1. Professional judgement

Development of the interim condensed consolidated financial statement of the Group requires from the Parent company's Management Board judgements, estimates and assumptions influencing presented revenues, costs, assets and liabilities, and notes related to them, as well as disclosures concerning contingent liabilities. Uncertainty related to these assumptions and estimates may cause significant adjustments of balance value of assets and liabilities in future.

In the process of application of principles (policy) of accounting towards issues provided below, professional judgement of the management, apart from accounting estimates, was of the greatest significance.

#### *The capitalisation of foreign exchange differences*

Due to executed investments, the Group's companies use external resources of financing.

Financing costs, which are directly attributable to executed investments, are capitalised in value of capital work in progress to the day of putting capital work into service.

Companies capitalise foreign exchange differences related to credits and loans granted in foreign currency to the extend, in which they constitute adjustment of interest costs. The Group uses the cumulative approach

in the scope of capitalisation of external financing costs. The cumulative approach considers an investment as a whole. That is why the amount of foreign exchange differences possible to be capitalised as an adjustment of external financing costs in the reporting period may be subject to changes together with changes in exchange rates in the period of investment.

Positive and negative foreign exchange differences constituting an adjustment of included interests, which is the difference between financing costs, which the entity would pay, if it incurred credit in the functional currency,

and actual financing costs paid due to incurred credit in a foreign currency are mostly subject to activation. This method requires establishing theoretical interests, which would emerge, if the entity incurred credit in the functional currency. This amount constitutes the limit of interests' costs and foreign exchange differences incurred in credit in the currency different from the functional one.

### ***The classification of lease agreements***

The Group classifies lease as either operating, or financial one on the basis of the evaluation of the scope, in which risk and profits due to possession of leased asset fall in the share of the lessor, and in the share of the lessee. This evaluation is based on commercial substance of each transaction.

### ***Identification of embedded derivatives***

On each balance sheet date, the Group's management assesses whether under the contracts, there are economic characteristics and risk specific to the embedded derivative in a foreign currency, which are not closely related to the economic characteristics and risk of the host agreement.

## **7.2. Uncertainty of estimates**

Basic assumptions concerning the future and other key sources of uncertainty occurring on a reporting date, to which significant risk of the significant adjustment of balance value of assets and liabilities in next reporting periods may be related, are discussed below. The Group adopted assumptions and estimates concerning the future on the basis of the knowledge possessed during development of the financial statement. Occurring assumptions and estimates may be subject to change due to future events resulting from market fluctuations or fluctuation not controlled by the Group. Such fluctuations are reflected in estimates or assumption at the moment of occurrence.

### ***Loss in assets' value***

As a result of analyses conducted on 30 June 2015, the Group identified the existence of circumstances, which would indicate possible loss in the value of the component of assets, in the form of balance sheet value of net assets of the Group higher than value of its market capitalisation. In relation to the above fact, the Group conducted value impairment tests of components of fixed assets. On the basis of conducted tests, it was stated that there is no necessity of recognition of impairment write-downs against property, plant, and equipment. Another analysis will be conducted on 31 December 2015.

### ***Provisions' evaluation due to employee benefits***

Provisions due to employee benefits were estimated using actuarial methods.

Estimate was developed on the basis of following main assumptions:

- discount rate 2.6%
- predicted inflation rate 2.5%
- predicted increase in salaries rate 3.0%, in the case of ZE PAK S.A., in 2015, it is 1.5%.

### ***The component of deferred tax assets***

The Group recognises the component of deferred tax assets on the basis of assumption that tax profit enabling to its use will be achieved. The deterioration of achieved tax results in future would make this assumption unfounded.

### ***Fair value of financial instruments***

Fair value of financial instruments, for which there is no active market, is estimated using appropriate evaluation techniques. During choice of appropriate methods and assumptions, the Group is driven by professional judgement.



The way of estimation of fair value of particular financial instrument did not change in relation to methods used in order to develop the financial statement for the year concluded on 31 December 2014.

#### ***Capitalisation of stripping costs in the production phase***

In duly justified cases specified by IFRIC 20, the Group capitalises stripping costs in the phase of production of an open pit. The basis of costs capitalisation is fulfilling following conditions: it is plausible that the Group will achieve future economic benefits related to stripping, the Group is able to identify that part of the coal deposit, to which access was facilitated, and stripping costs concerning that part of the deposit may be evaluated reliably. The Group verifies estimates concerning above criteria in order to ensure proper costs capitalisation periodically.

#### ***The settlement period for assets due to stripping and other mining assets***

The Group verifies specified settlement period of assets concerning stripping and other mining assets on the basis of current forecasts of the period of use of open pits.

#### ***Share based payments***

In order to settle employee share, it was accepted that the date of start vesting for shares is the date of the Company's commercialisation, and the date of granting entitlements to shares is the date of final hanging lists with a number of shares granted to PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A.'s employees. Fair value of the programme on the day of the acquisition of control was specified on the basis of fair value of PAK Kopalnia Węgla Brunatnego Konin S.A. and PAK Kopalnia Węgla Brunatnego Adamów S.A. companies. The process of acquisition of shares by entitled employees begun in February 2013 and finished in 2014. The price of shares redemption was specified in PAK KWB Konin S.A. and PAK KWB Adamów S.A.'s shares sale agreements dated 28 May 2012 and was established at the level of the price of purchase of shares of earlier purchased shares of mines index-linked by the consumption products and services prices indicator. Currently, the redemption of employee shares programme of the mines by ZE PAK, launched on 18 March 2015, is in progress.

#### ***Compensation for the termination of long-term contracts for sale of power and electricity***

In the note 29, the descriptions of essential contingent liabilities and essential legal proceedings, including these concerning compensations for the termination of long-term contracts for sale of power and electricity, were presented.

#### ***Revenue recognition***

The Group uses the percentage of the work completion method at settlement of long-term contracts. Use of this method requires from the Group estimation of proportions of completed works to all services to be performed.

On every balance sheet date, the Group reevaluates budgeted estimates of total revenues and costs of realised projects. The projected contract-related loss is recognised as costs of the period, when it was recognised in accordance with IAS 11.

#### ***Depreciation rates***

The amount of depreciation rates is determined on the basis of the projected period of economic usability of components of tangible fixed assets and intangible values. The Group verifies accepted periods of economic usability on the basis of current estimates annually.

#### ***Receivables impairment write-downs***

On the balance sheet date, the Group evaluates whether there is objective evidence of loss in value of the component of receivables or the group of receivables. If value possible to recover the component of assets is lower than its balance sheet value, a given entity establishes an impairment write-down to the level of current value of planned cash flows.

#### ***The provision for liquidation of components of tangible fixed assets***

The Group creates the provision for liquidation of components of tangible fixed assets in case of such obligation, or acceptance of such liability by the Group's management. The provision is created in the amount resulting from the received offers concerning liquidation of components of tangible fixed assets. The Group reevaluates the value of the provision on every balance sheet date. Value of the provision due to liquidation of components of tangible fixed assets is discounted on every balance sheet date.

### ***The provision for liquidation of ash dumps***

The Group creates the provision for liquidation of ash dumps due to a legal obligation resulting from the integrated approval entries. The basis of estimation are developments, technical and economic analyses developed by the Group, as well as received external offerings for planned directions of reclamation. At the end of every reporting period, the Group reevaluates values of the provision.

### ***Reclamation provisions and other related to mining activity***

The Group creates both the provision for reclamation costs related to current extraction of coal on a given open pit, and the provision for costs of the final excavation. The provision is created on the basis of estimates of future reclamation costs, as well as assumed dates of start and finish of reclamation, on the basis of reports by independent experts estimating reclamation costs on the order of the Board, and internal estimates of the Group, and is discounted on every balance sheet date.

### ***Evaluation of energy certificates***

Due to the energy production from renewable energy sources, gas, and peak load co-generation, the Group recognises certificates of origin of energy according to the prices on the day, when their granting became certain. The Group evaluates certificates of origin to net value possible to achieve on every balance sheet date – on 30 June 2015 to the price amounting to 106.50 PLN/MWh. An impairment write-down is established in case when the sale price possible to achieve is diminished by disposition costs is lower than the historical cost.

### ***The provision for liabilities due to the emission of greenhouse gases, and provisions for the redemption of certified emission reductions (CER)***

The Group recognises the provision for the redemption of greenhouse gases allowances and certified emission reductions. Due to the conclusion of the period of settlement of allocation of allowances of KPRU II, since 1 January 2013, another settlement period of 2013 – 2020 concerning allowances has been applicable. Assumption of this period is granting free EUA allowances to the Group resulting from the production of heat. Although, power engineering was additionally covered by opportunity of derogation resulting from Article 10c of the ETS Directive based on granting additional free allowances, provided that declared investment expenses for investments reported to the National Investment Plan are incurred.

Planned emission in the PAK Group in 2015 will amount to 12,689,534 tonnes of CO<sub>2</sub>. As of 31 December 2014, the Group possessed EUAs purchased in number of 13,268,619 tonnes. In April 2015, the Group received free EUAs resulting from Art. 10c for 2014 in number of 2,241,959 EUAs, so that the Group had 15,510,578 EUAs in total. Then, in April 2015, the redemption of emissions for 2014 in number of 12,574,175 EUAs was made. After the redemption, there were 2,936,403 EUAs, which have been transferred to redeem emissions for 2015, in the Group. Moreover, in April 2015, ZE PAK SA obtained free emission allowances under Art. 10a resulting from heat production for 2015 in number of 121,398 EUAs, which will be used in April 2016 in redemption for emissions for 2015. Bearing in mind that the ZE PAK Group, in 2015, after redemption, has a remaining excesses of EUAs from 2014 in number of 2,936,403 EUAs, received free EUAs for heat for 2015, and plans to obtain, under Art. 10c, for 2015, 418,724 EUAs, the Group plans to purchase 9,213,009 EUAs in order to perform of the obligation to redeem emission for 2015.

In the first and second quarters of 2015, the PAK Group purchased 5,537,500 EUAs for the needs of 2015.

As of 30 June 2015, the Company created the provision for allowances in relation to the actual size of emissions for the period between 1 January 2015 and 30 June 2015. Details concerning the provision for liabilities due to the redemption emission of greenhouse gases and certified emission reductions were presented in the note 26.3.1.

## **8. Change of estimates**

Within the 6-month-period concluded on 30 June 2015, except for these described in the financial statement, there was no significant changes in estimated sizes and the methodology of estimates that would affect the current period or future period.

## **9. Acquisitions of ventures**

In the period between 1 January 2015 and 30 June 2015, there was no new acquisitions of ventures.

## 10. Seasonality of the activities

The Group's activities are not seasonal; therefore, the presented Group's results are not subject to substantial fluctuation throughout the year.

## 11. Operating segments

For the purpose of management, the Group was divided into parts on the basis of manufactured products and provided services.

Therefore, there are following operating segments:

- The Generation Segment covering production of electricity both from conventional sources (including co-generation) and by combustion and co-combustion of biomass. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment covers following entities:
  - Zespół Elektrowni "Państw – Adamów – Konin" S.A.,
  - "Elektrownia Państw II" sp. z o.o.,
  - "PAK – HOLDCO" sp. z o.o.,
  - "PAK Infrastruktura" sp. z o.o.
- The Mining Segment covering the extraction of lignite. In the Mining Segment, within the Capital Group ZE PAK S.A.:
  - "PAK GÓRNICTWO" sp. z o.o.,
  - "PAK Kopalnia Węgla Brunatnego Konin" S.A.,
  - "PAK Kopalnia Węgla Brunatnego Adamów" S.A.
- The Renovation Segment performing services in the scope of construction and renovation services. The Segment covers activities of:
  - Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.,
  - Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych "EL PAK" sp. z o.o.,
  - "Energoinwest Serwis" sp. z o.o.,
  - "EL PAK Serwis" sp. z o.o.
- The Sales Segment performing services of the sale of electricity. The Sales Segment includes the Company PAK – Volt S.A.

The Group ZE PAK S.A. also performs other kinds of activities included in the Other column. In the first half-year of 2015, there is the EKO – Surowce sp. z o.o. and AQUAKON sp. z o.o. companies' activity. In the comparison data for the second quarter of 2014, in this column, activities of PAK Centrum Badań Jakości sp. z o.o. and PAK Centrum Usług Informatycznych sp. z o.o. companies liquidated at the beginning of 2015 are presented as well.

Transaction prices used in transactions between operating segments are determined on the basis of commercial principles, like in transactions with non-related entities.

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

The Board monitors separate results of the operating activities of segments in order to decide on allocation of resources, evaluation of this allocation's outcomes, and the results of activities. The basis of assessment of the results of activities is profit or loss on the operating activity and EBITDA.

Segments' results for periods concluded on 30 June 2015 and 30 June 2014 are presented below:

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**For the period of 6 months ended 30 June 2015 (unaudited)**

	<i>Generation</i>	<i>Mining</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustment</i>	<i>Total</i>
Sales revenue to external customers	904 324	3 219	84 841	511 552	3 586	-	1 507 522
Sales revenue between segments	217 206	445 397	159 175	2	60 354	(882 134)	-
<b>Sales revenue</b>	<b>1 121 530</b>	<b>448 616</b>	<b>244 016</b>	<b>511 554</b>	<b>63 940</b>	<b>(882 134)</b>	<b>1 507 522</b>
Cost of goods sold	(1 094 352)	(427 617)	(222 194)	(505 941)	(60 604)	886 976	(1 423 732)
<b>Gross profit / (loss)</b>	<b>27 178</b>	<b>20 999</b>	<b>21 822</b>	<b>5 613</b>	<b>3 336</b>	<b>4 842</b>	<b>83 790</b>
Other operating income	1 802	9 970	575	172	154	(1 281)	11 392
Selling and distribution expenses	(1 208)	(5)	-	(218)	(493)	-	(1 924)
Administrative expenses	(21 271)	(19 490)	(11 714)	(2 305)	(2 078)	-	(56 858)
Other operating expenses	(1 607)	(986)	(264)	(10)	(7)	131	(2 743)
Finance income	10 581	1 200	282	221	6	(672)	11 618
Finance costs	(16 244)	(10 027)	(341)	(7)	(14)	672	(25 961)
<b>Profit before tax</b>	<b>(769)</b>	<b>1 661</b>	<b>10 360</b>	<b>3 466</b>	<b>904</b>	<b>3 692</b>	<b>19 314</b>
Income tax expense	(33)	(201)	(2 235)	(687)	(39)	(700)	(3 895)
<b>Net profit/loss for the period from continuing operations</b>	<b>(802)</b>	<b>1 460</b>	<b>8 125</b>	<b>2 779</b>	<b>865</b>	<b>2 992</b>	<b>15 419</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>4 894</b>	<b>10 488</b>	<b>10 419</b>	<b>3 252</b>	<b>912</b>	<b>3 692</b>	<b>33 657</b>
Depreciation / Amortization	127 401	58 636	4 138	78	1 714	(2 217)	189 750
Change in impairment	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>132 295</b>	<b>69 124</b>	<b>14 557</b>	<b>3 330</b>	<b>2 626</b>	<b>1 475</b>	<b>223 407</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

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for the period of 6 months ended 30 June 2015  
(in thousands of zlotys)*

**For the period of 6 months ended 30 June 2014 (unaudited)**

	<i>Generation</i>	<i>Mining</i>	<i>Renovation</i>	<i>Sale</i>	<i>Other</i>	<i>Consolidation adjustment</i>	<i>Total</i>
Sales revenue to external customers	880 661	10 734	79 225	373 954	183	-	1 344 757
Sales revenue between segments	210 737	434 091	79 266	2	10 872	(734 968)	-
<b>Sales revenue</b>	<b>1 091 398</b>	<b>444 825</b>	<b>158 491</b>	<b>373 956</b>	<b>11 055</b>	<b>(734 968)</b>	<b>1 344 757</b>
Cost of goods sold	(988 983)	(366 676)	(145 125)	(366 583)	(8 245)	734 261	(1 141 351)
<b>Gross profit / (loss)</b>	<b>102 415</b>	<b>78 149</b>	<b>13 366</b>	<b>7 373</b>	<b>2 810</b>	<b>(707)</b>	<b>203 406</b>
Other operating income	4 266	8 570	442	72	1 525	(3 752)	11 123
Selling and distribution expenses	(1 348)	(18)	-	(315)	-	-	(1 681)
Administrative expenses	(22 831)	(36 472)	(10 471)	(2 312)	(823)	480	(72 429)
Other operating expenses	(3 892)	(6 285)	(180)	-	(33)	-	(10 390)
Finance income	2 503	5 974	318	595	416	819	8 987
Finance costs	(12 300)	(11 419)	(55)	(25)	(1 801)	(1 655)	(27 255)
<b>Profit before tax</b>	<b>68 813</b>	<b>38 499</b>	<b>3 420</b>	<b>5 388</b>	<b>2 094</b>	<b>(6 453)</b>	<b>111 761</b>
Income tax expense	(12 582)	(6 611)	(602)	(1 028)	(701)	1 468	(20 056)
<b>Net profit/loss for the period from continuing operations</b>	<b>56 231</b>	<b>31 888</b>	<b>2 818</b>	<b>4 360</b>	<b>1 393</b>	<b>(4 985)</b>	<b>91 705</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>78 610</b>	<b>43 944</b>	<b>3 157</b>	<b>4 818</b>	<b>3 479</b>	<b>(3 979)</b>	<b>130 029</b>
Depreciation / Amortization	137 225	41 612	3 720	78	568	(2 760)	180 443
Change in impairment	(142)	(221)	-	-	-	-	(363)
<b>EBITDA</b>	<b>215 693</b>	<b>85 335</b>	<b>6 877</b>	<b>4 896</b>	<b>4 047</b>	<b>(6 739)</b>	<b>310 109</b>

In the above table, in relation to the previous year's half-yearly financial statement, the presentation of financial income for the consolidation adjustments – the financial income in the amount of minus PLN 64,290 thousand, which are mainly dividends, was recognised in the item of financial income, in the Generation segment.

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## 12. Revenues and costs

### 12.1. Sales revenue

<i>Revenues by type</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
	<i>Note</i>			
Electricity	832 551	421 222	852 633	434 374
Electricity resold from the market	432 811	212 542	251 181	134 866
Energy certificates of origin	27 683	11 271	34 546	14 322
Construction contracts	12.7 81 163	44 868	70 220	36 352
Compensation related to PPAs termination	89 242	45 484	82 075	36 236
Heat	33 174	12 658	30 808	11 260
Other	12 141	4 858	23 694	9 819
Excise	(1 243)	(575)	(400)	(144)
<b>Total revenues by type</b>	<b>1 507 522</b>	<b>752 328</b>	<b>1 344 757</b>	<b>677 085</b>

### 12.2. Other operating revenues

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Compensations received	589	112	1 283	321
Reversal of write-downs against receivables	2	1	5	2
Grants received	1 362	915	1 163	581
Gain on the sale of non-financial fixed assets	5 945	2 498	2 538	1 921
Reimbursement of costs previously recognized as not deductible	-	-	-	-
Reversal of provisions for costs and losses and liabilities write-off	1 873	1 870	903	786
Other	1 621	290	5 231	838
<b>Total other operating income</b>	<b>11 392</b>	<b>5 686</b>	<b>11 123</b>	<b>4 449</b>

### 12.3. Other operating expenses

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Loss on the sale of property, plant and equipment	359	(60)	288	(23)
Creation of provisions	292	292	4 753	4 323
Impairment write-down against receivables	42	12	882	871
Compensations paid	72	60	39	(186)
Loss on liquidation of fixed assets	6	2	6	(301)
Electricity equivalents paid for pensioners and former employees	2	-	2 723	1 736
Electricity-related damages	72	72	239	129
Cost of social assets maintenance	-	-	99	40

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Donations given	228	135	370	251
Cost of trade unions	79	47	96	60
Cost of shortages and damages	148	28	28	-
Other	1 443	471	867	627
<b>Total other operating expenses</b>	<b>2 743</b>	<b>1 059</b>	<b>10 390</b>	<b>7 527</b>

The main component of the others item are prepayments of costs due to legal and enforcement proceedings in the amount of PLN 817 thousand.

#### 12.4. Finance income

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Interest income	1 954	980	3 345	1 827
Dividends	49	49	5 522	5 477
Foreign exchange gains	8 472	(10 863)	36	(42)
Valuation and realization of financial derivatives	-	-	-	-
Other	1 143	1 133	84	(141)
<b>Total Finance income</b>	<b>11 618</b>	<b>(8 701)</b>	<b>8 987</b>	<b>7 121</b>

#### 12.5. Finance costs

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Interest expenses	10 315	4 818	14 485	7 595
Valuation and realization of financial derivatives	4 362	2 174	4 769	2 324
Foreign exchange losses	5 619	(247)	3 340	1 551
Settlement discount	-	-	-	-
Power units utilisation provision discount	208	76	353	177
Revaluation of investments	-	-	-	-
Reclamation provision discount	3 108	1 239	3 973	596
Other	2 349	1 500	335	63
<b>Total finance costs</b>	<b>25 961</b>	<b>9 560</b>	<b>27 255</b>	<b>12 306</b>

#### 12.6. Costs by type

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Depreciation / Amortisation	189 750	97 309	180 443	91 474
Impairment write-downs against property, plant and equipment	-	-	(363)	(227)
Impairment write-downs against inventories	43 711	43 710	1 674	(142)
Materials	225 533	108 216	212 549	103 014

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External services	55 713	22 782	106 399	62 610
Taxes and charges, excluding excise duty	83 391	38 675	85 516	43 685
Costs of allowances for emission of CO <sub>2</sub>	158 456	82 520	87 283	50 279
Employee benefits	300 866	140 862	268 540	112 604
Other costs by type	22 968	18 447	17 535	9 137
Cost of goods for resale and raw materials sold and resale of electricity from the market	422 764	210 111	242 757	128 648
<b>Total cost by type</b>	<b>1 503 152</b>	<b>762 632</b>	<b>1 202 333</b>	<b>601 082</b>

Items included in cost of goods sold	1 423 732	733 377	1 141 351	594 971
Items included in selling and distribution expenses	1 924	1 101	1 681	828
Items included in administrative expenses	56 858	26 656	72 429	28 738
Change in the stocks of finished goods	20 540	1 449	(27 590)	(29 818)
Cost of goods and services for internal needs	98	49	14 462	6 363

## 12.7. Construction agreements

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Revenues from contracts for construction services recognised in the period	81 163	44 868	70 220	36 352
Revenues invoiced in the period	63 815	34 576	89 238	47 018
Balance sheet valuation	17 348	10 292	(19 018)	(10 666)
Costs applied in the period	74 137	38 334	61 363	31 111
Expected losses due to the contracts recognised in the period	(11)	-	(34)	(21)
Results due to performance of the contracts included in the period	7 037	6 534	8 891	5 262
	<i>6 months period ended 30 June 2015 (unaudited)</i>		<i>6 months period ended 30 June 2014 (unaudited)</i>	
Gross amount payable by contracting parties due to works resulting from the contract	10 941		5 892	
Gross amount paid to contracting parties due to works resulting from the contract	3 800		19 737	

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.



### 13. Components of other comprehensive income

Components of other total revenues present as follows:

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Cash flow securities				
Profits (losses) for the period	229	(30)	(4 802)	(1 973)
Adjustment resulting from reclassification of profits (losses) included in the profit or the loss	4 355	2 167	4 769	2 379
<b>Gross cash flow securities for the period</b>	<b>4 584</b>	<b>2 137</b>	<b>(33)</b>	<b>406</b>
Income tax concerning cash flow securities	(871)	(406)	6	(77)
<b>Net cash flow securities for the period</b>	<b>3 713</b>	<b>1 731</b>	<b>(27)</b>	<b>329</b>
<b>Actuarial gross profits (losses) concerning provisions for post-employment employee benefits</b>	<b>(1 591)</b>	<b>(633)</b>	<b>(4 193)</b>	<b>(2 675)</b>
Income tax concerning actuarial profits (losses)	302	120	797	509
<b>Actuarial net profits (losses) concerning provisions for post-employment employee benefits</b>	<b>(1 289)</b>	<b>(513)</b>	<b>(3 396)</b>	<b>(2 166)</b>
<b>Gross exchange rate differences from foreign currency conversion</b>	<b>1</b>	<b>22</b>	<b>29</b>	<b>13</b>
Income tax concerning exchange rate differences from foreign currency conversion	-	-	-	-
<b>Net exchange rate differences from foreign currency conversion</b>	<b>1</b>	<b>22</b>	<b>29</b>	<b>13</b>
<b>Other gross comprehensive income</b>	<b>2 994</b>	<b>1 526</b>	<b>(4 197)</b>	<b>(2 256)</b>
<b>Income tax concerning other comprehensive income</b>	<b>(569)</b>	<b>(286)</b>	<b>803</b>	<b>431</b>
<b>Other net comprehensive income</b>	<b>2 425</b>	<b>1 240</b>	<b>(3 394)</b>	<b>(1 825)</b>

### 14. Income tax

#### 14.1. Tax load

The main components of tax load for the 6-month period concluded on 30 June 2015 and 30 June 2014 are as follows:

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Included in the profit or the loss				
<i>Current income tax</i>				
Current income tax load	2 576	1 050	10 118	5 771
<i>Deferred income tax load</i>	-	-	-	-
Related to creation and reversal of temporary differences	1 281	(4 457)	4 737	(4 733)
Other changes	38	(73)	5 201	5 182

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<b>Tax load in the consolidated profit or loss</b>	<b>3 895</b>	<b>(3 480)</b>	<b>20 056</b>	<b>6 220</b>
Included in the consolidated statement of the comprehensive income	-	-	-	-
Net profit (loss) tax due to revaluation of cash flow securities	(871)	(406)	6	(77)
Actuarial allowance concerning actuarial profits/losses	302	120	797	508
<b>Tax advantage/(tax load) included in comprehensive income</b>	<b>(569)</b>	<b>(286)</b>	<b>803</b>	<b>431</b>

## 14.2. Deferred income tax

Deferred income tax results from following items:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
<b>Deferred tax asset</b>		
Balance sheet provisions	122 577	140 858
Overburden and other mining assets	2 206	(20)
Interest and exchange rate differences	10 630	13 422
Hedging instruments	3 605	4 511
Valuation of non-terminated agreements for building services	2 977	5 727
Tax loss from previous years	65 316	53 582
Impairment write-down against inventories	1 560	1 585
Impairment write-down against receivables	6 205	6 195
Impairment write-downs against fixed assets	-	126
Difference between the carrying amount and tax value of fixed assets	54	27
Settlements with employees	5 526	6 913
Other	44 618	35 104
<b>Total</b>	<b>265 274</b>	<b>268 030</b>
<b>Provision under deferred income tax</b>		
Difference between the balance sheet value and the tax value of fixed assets	377 703	383 381
Receivables under PPAs	23 817	12 736
Energy certificates	22 344	25 787
Interest and exchange rate differences	1 501	1 897
Valuation of non-terminated construction agreements	3 547	3 502
Accrued receivables under contractual penalty fees	824	824
Mining asset	792	848
Purchased CO <sub>2</sub> allowances	45 911	48 164
Other	59	340
<b>Total</b>	<b>476 498</b>	<b>477 479</b>

*After compensating balances at the level of companies from the Corporate Group, deferred tax is presented as:*

<b>Asset</b>	<b>112 168</b>	<b>112 870</b>
<b>Provision</b>	<b>323 392</b>	<b>322 319</b>

In the other item, the tax asset deferred on the main items consists of PLN 14,014 thousand of the provision for liability to the Zarządca Rozliczeń company in the Pańków II Power Plant (as of 31 December 2014, the amount was

PLN 14,583 thousand), PLN 8,490 thousand is an evaluation of preferential loans in the Pątnów II Power Plant (as of 31 December 2014, the amount was PLN 8,905 thousand), and PLN 4,111 thousand an excess of the sale-and-lease-back transaction settled in time (as of 31 December 2014, the amount was PLN 5,186 thousand).

As of 30 June 2015, the "Elektrownia Pątnów II" sp. z o.o company showed tax profit in the amount of PLN 11,925, and as of 31 December 2014, in the amount of PLN 24,103 thousand.

Before 2012, the company recorded tax losses, which are deducted from tax profits starting from 2012.

The cumulated value of tax losses for 2010-2011, remaining to be settled as of 30 June 2015, amounted to PLN 138,195 thousand. The cumulated value of tax losses for 2010-2011, remaining to be settled as of 31 December 2014, amounted to PLN 150,120 thousand.

The above values of cumulated losses as of 30 June 2015 and 31 December 2014 include cumulative loss write-downs made in in relation to 2013.

As of 31 December 2013, the company analysed opportunities of settlement of tax losses on future incomes on the basis of the developed budget. On the basis of the budget, due to lack of opportunity to deduct in whole tax losses for 2009 and 2011 (PLN 56,769 thousand in total), the company made a write-down in the books

of account for 2013 in relation to the deferred tax asset amounting to PLN 10,786.

As of 30 June 2015 and 31 December 2014, the company analysed again opportunities of settlement of tax losses on future incomes on the basis of the developed budget. Based on this analysis, the amount of the write-down, which the Company created in 2013, was not modified.

Tax losses, in accordance with the applicable Polish regulations of the tax law, may be deducted from future taxable income earned by the Company in next 5 years. However, the amount of deduction in any of these years must not exceed 50% of the loss amount.

Przedsiębiorstwo Remontowe "PAK Serwis" sp. z o.o. runs activities in Germany through the branch.

In 2008 – 2010, the company recorded tax losses. Cumulated value of losses for this period amounted to PLN 24,811 thousand.

On the basis of possessed budgets for subsequent years, the company analysed opportunities of settlement of tax losses. The value of tax losses for 2008 – 2009 amounted to PLN 18,087 thousand. The deferred tax asset was not recognised. This value amounted to PLN 5,426 thousand. For the year concluded on 31 December 2010, values of loss recorded by the German branch amounted to PLN 6,732 thousand.

Within this scope, the deferred tax asset also was not recognised – this value amounted to PLN 2,017 thousand.

In the year concluded on 31 December 2011, the branch recorded tax profit. Due to this, tax loss from previous years (not included in the asset earlier) was settled in the amount of PLN 4,214 thousand.

In the year concluded on 31 December 2012, the branch recorded tax profit. Due to this, tax loss from previous years (included in the asset of the amount of EUR 850 thousand earlier) was settled in the amount of PLN 3,586 thousand (an equivalent of EUR 859 thousand).

In the year concluded on 31 December 2012, the branch recorded tax profit amounting to PLN 1,936 thousand. (the equivalent of EUR 459 thousand). Due to this, tax loss from previous years (included in the asset of the amount of EUR 84 thousand earlier) was settled in the amount of achieved profit.

In the year concluded on 31 December 2014, the branch recorded tax profit amounting to PLN 1,263 thousand (the equivalent of EUR 301 thousand). Due to this, tax loss from previous years (included in the asset in whole earlier) was settled in the amount of the achieved profit.

Furthermore, on the basis of developed budgets for future years, the asset of cumulated tax loss from previous years in the amount of PLN 74 thousand (the equivalent of EUR 17 thousand) was recognised.

As of 31 December 2014, the value of the deferred tax asset of tax losses from previous years in the Przedsiębiorstwo Remontowe "PAK Serwis" company amounted to PLN 4,518 thousand (the equivalent of EUR 1,060 thousand). The asset was subject to impairment write-downs to the amount of PLN 4,444 thousand (the equivalent of EUR 1,043 thousand).

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As of 30 June 2015, the plant recorded tax profit amounting to PLN 536 thousand (the equivalent of EUR 130 thousand). Due to this, tax loss from previous years was settled in the amount of the achieved profit. In relation to the liquidation of the foreign plant in Germany's activity, the entire loss asset was covered with the write-off.

As of 30 June 2015, the PAK Kopalnia Węgla Brunatnego Konin S.A. company shows the following unsettled tax losses:

- for the tax year 2012, the amount of PLN 41,448 thousand,
- for the tax year 2013, the amount of PLN 17,458 thousand.

In the current period, the Company recognised the tax loss in the amount of PLN 6,873 thousand.

As of 30 June 2015, the PAK Kopalnia Węgla Brunatnego Adamów S.A. company shows the following unsettled tax losses:

- for the tax year 2012, the amount of PLN 23,391 thousand,
- for the tax year 2014, the amount of PLN 95 thousand.

In the current period, the Company recognised the tax loss in the amount of PLN 6,015 thousand.

## 15. Profit per one share

Basic profit per one share is calculated with division of net profit for the period of the parent company's ordinary shareholders by weighted average of number of issued ordinary shares occurring during the period.

Diluted earnings per one share are calculated with division of net profit for the period of the parent company's ordinary shareholders by weighted average of number of issued ordinary shares occurring during the period corrected by weighted average of ordinary shares, which would be issued by converting all diluting potential equity instruments into ordinary shares.

Data concerning profit and shares that served to calculated basic and diluting earning per one share were presented below:

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Net profit on continued activities of the parent company's shareholders	15 103	(19 812)	86 793	34 351
Profit on abandoned activities of the parent company's shareholders	-	-	-	-
Net profit of ordinary shareholders used for calculation of diluted earnings per one share	<u>15 103</u>	<u>(19 812)</u>	<u>86 793</u>	<u>34 351</u>
The average weighted number of ordinary shares used for calculation of basic and diluted earnings per one share	<u>50 823 547</u>	<u>50 823 547</u>	<u>50 823 547</u>	<u>50 823 547</u>

The below table shows the profit per one share for the 6 months concluded on 30 June 2015 and 30 June 2014 presented in the income statement.

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>	<i>3 months period ended 30 June 2014 (unaudited)</i>
Basic and diluted earnings per share for the financial year attributable to equity holders of the parent	<u>0,30</u>	<u>(0,39)</u>	<u>1,71</u>	<u>0,68</u>
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent	<u>0,30</u>	<u>(0,39)</u>	<u>1,71</u>	<u>0,68</u>

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

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## 16. Property, plant and equipment – changes

For the period of 6 months ended 30 June 2015 (unaudited)

	<i>Land and perpetual usufruct</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>Assets under construction</i>	<i>Total</i>
Gross value as at 1 January 2015	214 184	1 889 661	3 929 392	69 177	26 985	815 781	6 945 180
Direct purchase	1 104	2 529	4 822	4 309	681	213 180	226 625
Repairs	-	-	-	-	-	-	-
Transfer from fixed assets under construction	7 968	16 280	10 648	25	373	(35 294)	-
Sale and liquidation	(1 101)	(1 501)	(2 797)	(7 270)	(1 103)	-	(13 772)
Gross value as at 30 June 2015	<u>222 155</u>	<u>1 906 969</u>	<u>3 942 065</u>	<u>66 241</u>	<u>26 936</u>	<u>993 667</u>	<u>7 158 033</u>
Depreciation and impairment write-downs as at 1 January 2015	3 809	442 030	1 128 551	25 703	16 128	29 341	1 645 562
Depreciation write-down for the period	624	45 650	117 779	4 920	1 308	-	170 281
Impairment write-down	-	-	-	-	-	-	-
Sale and liquidation	-	(30)	(1 846)	(4 193)	(987)	-	(7 056)
Depreciation and impairment write-downs as at 30 June 2015	<u>4 433</u>	<u>487 650</u>	<u>1 244 484</u>	<u>26 430</u>	<u>16 449</u>	<u>29 341</u>	<u>1 808 787</u>
Net value as at 1 January 2015	<u>210 375</u>	<u>1 447 631</u>	<u>2 800 841</u>	<u>43 474</u>	<u>10 857</u>	<u>786 440</u>	<u>5 299 618</u>
Net value as at 30 June 2015	<u>217 722</u>	<u>1 419 319</u>	<u>2 697 581</u>	<u>39 811</u>	<u>10 487</u>	<u>964 326</u>	<u>5 349 246</u>

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**For the period of 6 months ended 30 June 2014 (unaudited)**

	<i>Land and perpetual usufruct</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>Assets under construction</i>	<i>Total</i>
Gross value as at 1 January 2014	188 660	1 858 901	3 844 966	70 972	30 023	328 162	6 321 684
Direct purchase	10	16	58 078	272	713	290 136	349 225
Repairs	-	-	103	-	-	478	581
Transfer from fixed assets under construction	11 384	9 306	21 253	665	1 075	(43 683)	-
Sale and liquidation	(1 141)	(4 276)	(32 777)	(2 395)	(4 345)	-	(44 934)
Gross value as at 30 June 2014	<u>198 913</u>	<u>1 863 947</u>	<u>3 891 623</u>	<u>69 514</u>	<u>27 466</u>	<u>575 093</u>	<u>6 626 556</u>
Depreciation and impairment write-downs as at 1 January 2014	2 339	360 623	900 928	19 465	18 302	29 815	1 331 472
Depreciation write-down for the period	775	43 035	125 119	4 604	1 626	-	175 159
Impairment write-down	-	(689)	(65)	(39)	(11)	(96)	(900)
Sale and liquidation	(1)	(3 035)	(9 448)	(1 424)	(3 234)	-	(17 142)
Depreciation and impairment write-downs as at 30 June 2014	<u>3 113</u>	<u>399 934</u>	<u>1 016 534</u>	<u>22 606</u>	<u>16 683</u>	<u>29 719</u>	<u>1 488 589</u>
Net value as at 1 January 2014	<u>186 321</u>	<u>1 498 278</u>	<u>2 944 038</u>	<u>51 507</u>	<u>11 721</u>	<u>298 347</u>	<u>4 990 212</u>
Net value as at 30 June 2014	<u>195 800</u>	<u>1 464 013</u>	<u>2 875 089</u>	<u>46 908</u>	<u>10 783</u>	<u>545 374</u>	<u>5 137 967</u>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

### **The value impairment test of assets of the ZE PAK SA Capital Group**

In accordance with IAS 36, at the end of every reporting period, the Group's Board evaluates whether there are any prerequisites indicating that there may have occurred loss in value of the component of fixed assets. In case of statement that there are such prerequisites, the Group estimates recoverable amount of assets' components.

According to IAS 36: "A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit)." The identified CGUs are discussed below:

ZE PAK SA, the parent company of the Group, apart from the manufacturing operations, within which it is responsible for ensuring a certain level of efficiency of the generating units and implementations of production schedules, is focused on the significant operational and financial functions at the Group level.

The Pałnów II Power Plant (El. Pałnów II) – the second electricity producer in the Group, pursuant to the Act on termination of long-term agreements, is involved in the programme of coverage of stranded costs by the end of 2025. The final settlement of this programme and, eventually, receipt of additional funds within the annual adjustment for 2025 and the final adjustment are planned in 2026.

Lignite mines "Konin" and "Adams" conduct the business at several open pits. In these companies, as profit generating units, smaller groups of assets that generate independent cash inflows were not, however, distinguished because of the many reasons inflows generated by particular groups of assets are very closely connected with each other. As a result, the Mine is expected to provide the Power Plant with a certain amount of coal; it is irrelevant, from which open pit it will come from. As a result, coal is supplied to the Power Plant from several open pits interchangeably. The organisational structure and registration systems are subordinated to such an established production target.

The above arguments determined distinguishing following units generating independent cash flows within the ZE PAK SA Capital Group:

- ZE PAK S.A.
- El. Pałnów II Sp. z o.o.
- PAK KWB "Konin" S.A.
- PAK KWB "Adamów" S.A.

Moreover, the remaining CGUs were distinguished within segments: Repairs, Sales, and Others.

Conducting the value impairment test of fixed assets, the Group based on the financial model reflecting strategic priorities of the parent entity, ZE PAK SA, for 2015-2047.

In ZE PAK SA, one cash-generating unit (CGU) was determined, although the following units generating cash inflows were distinguished within the cash-generating unit:

- the Pałnów I power plant - operation time until 31 December 2030
- the Adamów power plant - operation time until 31 December 2017
- the Konin-header power plant - operation time until 30 June 2019
- the Konin biomass unit power plant- operation time until 31 December 2047

For each of these units, it is possible to determine the cash flow stream, but these streams are, to a significant extent, dependent on each other. Therefore, they had to be considered together as a single unit (CGU). For the above unit (CGU), EBIT streams were estimated according to periods of operation of particular units. For the EBIT stream, depreciation adjusted after respectively 2017 and 2019 was added to units Adamów and Konin-header. In order to calculate of unrestricted cash flows, the EBITDA flows were adjusted with the investment expenses.

The planned expenses for the gas unit in Konin were excluded from the investment expenses.

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Moreover, on the basis of the developments by independent experts from the Energoprojekt Katowice SA company and the Company's own materials, the following annual sale of own electricity prices' increase rate in 2016-2030 were assumed:

2016	2017	2018	2019	2020	2021	2022	2023
2%	14%	7%	8%	6%	6%	5%	6%
2024	2025	2026	2027	2028	2029	2030	
6%	5%	9%	6%	0%	7%	6%	

In the case of the Elektrownia Pańków II sp. z o.o. company, the value impairment test was cancelled due to this unit's participation in the programme of coverage of stranded costs (KDT).

The basis of evaluation for both lignite mines is long-term financial projections including periods of operation of both mines and their particular open pits, which were agreed with assumptions accepted in the ZE PAK S.A.'s model.

Financial projections of lignite mines were built with consideration of following parameters:

1. The volume of production (extraction of coal) and revenue was determined on the basis of forecasts of the main recipient of coal that is ZE PAK SA and EP II Sp. z o.o. and its projected price curve for coal,
2. Stripping and extraction of coal were developed according to the schedule of utilisation of current and predicted open pits,
3. The level of investment expenses enabling to build new open pits and maintain specified production capacities during their operation was accepted,
4. The schedule of employment restructuring processes was accepted,
5. Costs of the following events were included:
  - costs of reclamation of open pits,
  - retirement benefits
  - costs of compensations due to the dismissals
  - revenues from sale of the asset after the end of open pit utilisation.

On the basis of such a model, cash flows were estimated according to periods of operation of particular open pits.

Every mine was treated as a separate CGU unit.

Values of revenues, costs, investment expenses, and working capital were introduced to the model, in which value of the enterprise was calculated on the basis of full and the best knowledge possible to have on the day of test conduction. The test was conducted on 30 June 2015.

On the basis of conducted tests, no necessity of recognition of impairment write-downs against property, plant and equipment was stated. We note that the results of the evaluation of the recoverable value depend on several factors, among which the key ones are: sold electricity price, coal purchase price, certificates of origin of energy produced from renewable energy sources price ("green certificates"), CO<sub>2</sub> allowances (EUA) purchase price, the amount of replacement outlays, and macroeconomic assumptions, including the weighted average cost of capital. The Group has no influence on shaping of these values in the future.

As of 30 June 2015, the value of the excess of the recoverable value of each cash generating units over the balance sheet value was:

- for ZE PAK S.A.: approximately PLN 81 million
- for PAK KWB "Konin" S.A.: approximately PLN –1 million
- for PAK KWB "Adamów" S.A.: approximately PLN 5 million

The changes of selected key financial parameters being the basis for evaluation of the recoverable value presented below would cause a change in the present value of discounted cash flows and could have a significant impact on the financial results and the financial situation of the Group, and thus on the financial statement.

	(+) <i> increase</i>	(-) <i> decrease</i>
<b>Zespół Elektrowni Pańków-Adamów-Konin S.A.</b>	<i>by 0.5 percentage points</i>	<i>by 0.5 percentage points</i>
weighted average cost of capital	(119 325)	127 212

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	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues (electricity price)	131 519	(131 519)

For evaluation of the recoverable value of the CGU ZE PAK S.A., weighted average cost of capital (WACC) was assumed at 7.16%. In the case of a decrease in revenues from electricity sales by 0.7% in a perspective of the forecast as the other parameters of the recoverable value evaluation remain unchanged and in the case of an increase in the weighted average cost of capital by 0.4 percentage points, while the other model parameters are unchanged, the recoverable value of the CGU would be equal to the balance sheet value.

<b>PAK KWB Konin S.A.</b>	<i>(+) increase by 0.5 percentage points</i>	<i>(-) decrease by 0.5 percentage points</i>
weighted average cost of capital	(49 337)	53 852
	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues	63 500	(63 500)

For evaluation of the recoverable value of the CGU PAK KWB Konin S.A., weighted average cost of capital (WACC) was assumed at 8.0%.

<b>PAK KWB Adamów S.A.</b>	<i>(+) increase by 0.5 percentage points</i>	<i>(-) decrease by 0.5 percentage points</i>
weighted average cost of capital	522	(601)
	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues	6 438	(6 438)

For evaluation of the recoverable value of the CGU PAK KWB Adamów S.A., weighted average cost of capital (WACC) was assumed at 8.0%. In the case of a decrease in revenues from electricity sales by 0.8% in a perspective of the forecast as the other parameters of the recoverable value evaluation remain unchanged, the recoverable value of the CGU would be equal to the balance sheet value.

## 17. Lease

### 17.1. Liabilities under financial lease agreements and lease agreement with purchase option

Fixed assets used on the basis of financial lease agreements include mostly cars, tracked dozers and loaders, tractors, and trailers.

As of 30 June 2015 and 31 December 2014, future minimal lease payments due to financial lease agreements and lease agreements with purchase option, as well as current value of minimal net lease payments are as follows:

	<i>As at 30 June 2015 (unaudited)</i>		<i>As at 31 December 2014</i>	
	<i>minimum payments</i>	<i>present value of payments</i>	<i>minimum payments</i>	<i>present value of payments</i>
Up to 1 year	14 377	13 378	14 423	13 108
1 to 5 years	13 548	12 733	20 168	19 151
Over 5 years	-	-	-	-
Total minimal lease payments	27 925	26 111	34 591	32 259
Minus finance expenses	1 646	-	(2 062)	-
Present value of minimal lease payments, including:				
Short-term	27 858	26 279	34 558	32 259
Long-term	14 350	13 378	14 404	13 108
	13 509	12 901	20 154	19 151

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## 18. Intangible assets

### *Long-term intangible assets – for the period of 6 months ended 30 June 2015 (unaudited)*

	<i>Development costs</i>	<i>Patents and licences</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Gross value as of 1 January 2015	-	18 549	1 847	76 922	97 318
Transfer EUA	-	-	-	(105 700)	(105 700)
Increases	-	-	(158)	-	(158)
Decreases	-	322	299	29 166	29 787
Gross value as of 30 June 2015	-	18 871	1 988	388	21 247
Depreciation and impairment write-downs as at 1 January 2015	-	13 286	1 475	294	15 055
Depreciation write-down for the period	-	626	214	13	853
Impairment write-down	-	-	-	-	-
Decreases	-	-	(136)	-	(136)
Depreciation and impairment write-downs as at 30 June 2015	-	13 912	1 553	307	15 772
Net value as at 1 January 2015	-	5 263	372	76 628	82 263
Net value as at 30 June 2015	-	4 959	435	81	5 475

In the other intangible assets item, the Group presents mainly purchased CO<sub>2</sub> emission allowances over the redemption obligation related to the emission for the period concluded on 30 June 2015. In the EUA Transfer, the Group presents transfer of CO<sub>2</sub> allowance between long-term and short-term intangible assets.

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**Long-term intangible assets – for the period of 6 months ended 30 June 2014 (unaudited)**

	<i>Development costs</i>	<i>Patents and licences</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Gross value as of 1 January 2014	-	33 231	1 822	25 528	60 581
Increases	-	(3 350)	(2)	(41 359)	(44 711)
Decreases	-	877	5	16 201	17 083
Gross value as of 30 June 2014	-	30 758	1 825	370	32 953
Depreciation and impairment write-downs as at 1 January 2014	-	27 702	1 155	269	29 126
Depreciation write-down for the period	-	701	150	11	862
Impairment write-down	-	-	-	-	-
Decreases	-	(2 076)	(2)	-	(2 078)
Depreciation and impairment write-downs as at 30 June 2014	-	26 327	1 303	280	27 910
Net value as at 1 January 2014	-	5 529	667	25 259	31 455
Net value as at 30 June 2014	-	4 431	522	90	5 043

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

**Short-term intangible assets (unaudited)**

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>
	<i>Certified emission reduction units (CERs/ERUs)</i>	<i>Certified emission reduction units (CERs/ERUs)</i>
Gross value as of 1 January	176 957	151 262
Purchase of EUA	133 263	132 684
Redemption of EUA	(174 281)	(151 260)
Transfer of EUA	105 700	-
Gross value as of 30 June	<u>241 639</u>	<u>132 686</u>
Redemption and impairment as of 1 January	-	-
Impairment write-down of a period	-	-
Depreciation and impairment write-down as of 30 June	<u>-</u>	<u>-</u>
Net value as of 1 January	<u>176 957</u>	<u>151 262</u>
Net value as of 30 June	<u>241 639</u>	<u>132 686</u>

**19. Assets for overburden removal and other mining assets**

As of 30 June 2015, the item of assets concerning stripping and other mining assets includes amongst other: expenses incurred by the "PAK Górnictwo" sp. z o.o. company related to search and evaluation of mineral resources in the amount of PLN 15,611 thousand and assets concerning stripping and other mining assets of PAK KWB Konin in the amount of PLN 114,378 thousand, and assets of PAK KWB Adamów in the amount of PLN 4,173 thousand.

	<i>30 June 2015 (unaudited)</i>	<i>30 June 2014 (unaudited)</i>
Status as of 1 January	150 457	139 268
Increases	2 321	8 803
Decreases	-	-
Depreciation for the period	(18 616)	(4 422)
Status as of end of period:	<u>134 162</u>	<u>143 649</u>
– long-term	133 606	143 093
– short-term	556	556

**20. Other assets**

**20.1. Other financial assets**

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Deposits for debt service security	88 611	90 561
Investments and deposits	3 543	2 499
Investments and MLF and MRF deposits	6 650	5 876
Shares	2 451	4 521
Other	1 105	3 882
Total other financial assets:	<u>102 360</u>	<u>107 339</u>
– short-term	91 407	94 748
– long-term	10 953	12 591

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## 20.2. Other non-financial assets

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
VAT receivables	5 638	28 922
Insurance	273	1 713
Other receivables from the state budget	-	1 017
Receivables from tax on civil law actions	104	-
Other non-financial assets	557	-
Other accruals	25 993	6 128
Delivery prepayments	3 765	2 298
Prepayments for intangible assets	82	242
Prepayments for assets under construction	17 337	24 643
Prepayments for tangible assets – land	-	-
Other	3 907	420
Total other non-financial assets:	<u>57 656</u>	<u>65 383</u>
– short-term	35 777	39 434
– long-term	21 879	25 949

The largest component of the other prepayments and accruals is a charge for taking out of agricultural and forestry production in the KWB Konin and KWB Adamów mines in total amount of PLN 16,745 thousand.

The main component of the other item is the amount of PLN 3,192 thousand of long-term receivables from compensation in relation to termination of the PPA in the Pańków II Power Plant.

## 21. Inventories

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Production fuel	22 318	21 367
Spare parts and other materials	80 275	71 523
Certificates of origin of energy	122 046	143 822
Goods	544	404
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	<u>225 183</u>	<u>237 116</u>

Certificates of origin of energy due to the energy production from renewable energy sources, gas, and peak load co-generation are presented according to fair value at the end of the month, when they were produced. As of 30 June 2015, according to entries in the book of accounts, the Group possessed 1,094,780.160 MWh of ownership units from green certificates produced. However, not all ownership units had certificates of origin issued by the Energy Regulatory Office (ERO). In the first half-year of 2015, the Group received outstanding certificates for 2013 in number of 106,522,800 MWh and outstanding certificates for the fourth quarter of 2014 in number of 83,791,577 MWh. As of the balance sheet date, the Company was waiting for the issue of approval certificates – the certificates for the production of 2015 in number of 94,703.989 MWh – a submitted application for the production in April and May of 2015 years and a non-submitted application for June of 2015. In the current reporting period, the Group was producing energy from renewable energy sources and presenting green certificates at current prices in the balance sheet at the end of every month that is at prices fluctuating between 106.51 – 155.52 PLN/MWh, as appropriate, whereas the highest prices were noted at the beginning of 2015. The write-down presented in the balance sheet as of 30 June 2015 in the amount of PLN 70,020 thousand concerns revaluation of allowances in possession of the Company on 30 June 2015 to the unit price in the amount of 106.51 PLN/MWh, which have not been liquidised by the Group yet.

## 22. Trade receivables and other receivables

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Deliveries and services receivables	151 006	156 072
Receivables due to compensation related to the termination of the PPAs	122 160	67 030
Receivables due to security of purchase of electricity in the balancing market	4 500	4 500
Other receivables	17 730	26 375
Net receivables	<u>295 396</u>	<u>253 977</u>
Write-down of receivables impairment	42 934	41 995
Gross receivables	338 330	295 972

In the other receivables line, as of 30 June 2015, the Group presents mainly receivables due to the security deposit in the amount of PLN 13,170 thousand.

Terms of transactions with affiliates are presented in the note 32.

Receivables due to supplies and services are not subject to interest and the date of payment is usually within the 14-day period.

The Group has appropriate policy concerning the sale to the verified clients only. Thanks to that, according to the management, there is no additional credit risk exceeding the level specified by non-collectible receivables impairment write-downs, specific to the Group's trade receivables.

## 23. Cash and cash equivalents

Cash at bank are subject to interest at volatile interest rates, whose amount depends on the interest rate on one-day bank deposits. Short-term deposits are established for various periods; from one day to three months, depending on current Group's demand for cash and are subject to interest at fixed interest rates. The fair value of cash and cash equivalents as of 30 June 2015 amounts to PLN 225,697 thousand (as of 30 June 2014: PLN 335,439 thousand).

The balance of cash and cash equivalents in the consolidated cash flow statement consisted of the following items:

	<i>30 June 2015 (unaudited)</i>	<i>30 June 2014 (unaudited)</i>
Cash in hand and at bank:	107 189	211 794
Short-term deposits	118 508	123 645
<b>Total cash and cash equivalents in the balance sheet</b>	<u><b>225 697</b></u>	<u><b>335 439</b></u>
Foreign exchange differences	(1 013)	461
<b>Total cash and cash equivalents in cash flow statement</b>	<u><b>224 684</b></u>	<u><b>335 900</b></u>

	<i>30 June 2015 (unaudited)</i>	<i>30 June 2014 (unaudited)</i>
Depreciation:		
Depreciation shown in the income statement	189 750	180 443
Settlement of subsidies	(6 407)	(986)
<b>Depreciation shown in the cash flow statement</b>	<u><b>183 343</b></u>	<u><b>179 457</b></u>

The main component of the subsidies settlement item is the settlement of an excess due to sale of assets components and lease them back in PAK KWB Konin. The amount of PLN 5,498 thousand adjusts depreciation.

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	<i>30 June 2015 (unaudited)</i>	<i>30 June 2014 (unaudited)</i>
<b>Receivables:</b>		
Balance sheet change in trade receivables and other receivables	(41 420)	(63 609)
Balance sheet change in other long and short-term non-financial assets	7 727	(14 242)
Balance sheet change in amounts due from clients under PPAs	(893)	7 337
Change in advances for fixed assets under construction	(7 465)	(12 897)
Other changes	(498)	2 708
<b>Change in receivables shown in the cash flow statement</b>	<b>(42 549)</b>	<b>(80 703)</b>
<b>Liabilities:</b>		
Balance sheet change in trade liabilities and other financial liabilities, long and short-term	(12 627)	70 629
Balance sheet change in other non-financial liabilities	(82 034)	(83 692)
Balance sheet change in amounts paid to clients under PPAs	(16 445)	11 667
Change in liabilities under investment settlements	49 135	(7 066)
Purchase of debt securities	-	-
New lease agreements and payment of lease liabilities	5 178	10 100
Other changes	(43 769)	(41 168)
<b>Change in liabilities shown in the cash flow statement</b>	<b>(100 562)</b>	<b>(39 530)</b>
<p>In other changes item, in the 6-month period concluded on 30 June 2015, presented the liability for the dividend payable to the shareholders of the Company in the amount of PLN 60,988 thousand and incurred financial liabilities for the bonds in the amount of PLN 5,003 thousand, and the payment in the amount of PLN 21,994 thousand of liabilities for the redemption of employee shares of PAK KWB Konin and PAK KWB Adamów.</p>		
<b>Change in provisions, prepayments and accruals and employee benefits:</b>		
Change in provisions and prepayments	5 909	(1 848)
Change in long and short-term employee benefits	(42 787)	(18 301)
Change in provision under EUAs/CERs/ERUs redemption	174 281	150 652
Change in actuarial provisions indicated in other comprehensive income	(1 591)	(4 193)
Other changes	(3 034)	(93)
<b>Change in provisions, prepayments and accruals and employee benefits</b>	<b>132 778</b>	<b>126 217</b>
<b>Inventory</b>		
Balance sheet change in inventory	11 933	(24 219)
Other changes	-	-
<b>Change in inventory shown in the cash flow statement</b>	<b>11 933</b>	<b>(24 219)</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

**Other:**

In the expenses and income related to other financial assets item, income and expenses related to the funds for debt service and obtained guarantees were presented.

In the other financial assets purchase item, there is mainly the amount of PLN 21,994 thousand for the redemption of employee shares of PAK KWB Konin and PAK KWB Adamów.

**24. Payment of dividend**

On 29 June 2015, the ZE PAK S.A. Ordinary General Meeting adopted a Resolution No. 5 on the distribution of the net profit for the financial year of 2014 in the amount of PLN 204,642,477.41, as follows:

- a) assignment of the amount of PLN 60,988,256.40 to the payment of dividend, which means that one share accounts for PLN 1.20,
- b) assignment of the amount of PLN 143,654,191.01 to the supplementary capital of the Company.

The date of determining the right to the dividend (dividend day) was established as 28 September 2015, and the date of the payment of dividend as of 14 October 2015.

**25. Interest-bearing bank credits and loans**

<i>Short-term</i>	<i>Maturity</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
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	-	14 643
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	133 510	135 427
Overdraft facility at BRE Bank in the amount of PLN 9 700 thousand; interest rate at WIBOR 1M + bank margin	24.06.2015	9 627	9 654
Overdraft facility at BZ WBK in the amount of PLN 65 000 thousand; interest rate at WIBOR 1M + bank margin	30.06.2015	59 476	64 105
Investment loan from BZ WBK S.A in the amount of PLN 46 463 thousand; interest rate at WIBOR 1M + bank margin	31.12.2016	18 657	12 438
Credit services agreement, BRE Bank S.A. (bill of Exchange loan) up to PLN 61 590 thousand – discounting of bills of exchange	30.06.2016	7 768	7 918
Bank BPH SA – loan agreement in the amount of PLN 67 000 thousand	31.10.2014	50 789	50 627
Overdraft facility at Millenium Bank in the amount of PLN 76 500 thousand; interest rate at WIBOR 3M + bank margin	31.12.2017	25 765	15 975
Overdraft facility at Millenium Bank in the amount of PLN 10 000 thousand	26.01.2015	-	9 840
Syndicated investment loan in amount of PLN 1 110 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.12.2023	39 882	17 644
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.12.2023	12 425	10 276
Overdraft facility		-	6
<b>Total</b>		<b>357 899</b>	<b>348 553</b>

<i>Long-term</i>	<i>Maturity</i>	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	415 354	481 269
Overdraft facility at Millenium Bank in the amount of PLN 76 500 thousand; interest rate at WIBOR 3M + bank margin	31.12.2017	43 147	43 950
Investment loan from BZ WBK S.A in the amount of PLN 46 463 thousand; interest rate at WIBOR 1M + bank margin	31.12.2016	-	12 438
Credit services agreement, BRE Bank S.A. (bill of Exchange loan) up to PLN 61 590 thousand – discounting of bills of	30.06.2016	-	3 851

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exchange

Syndicated investment loan in amount of PLN 1 110 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.12.2023	423 246	246 351
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.12.2023	74 547	79 362
<b>Total</b>		<b>956 294</b>	<b>867 221</b>

As of 30 June 2015, there were breaches of credit agreements in PAK KWB Konin. The Company did not comply with the financial indexes determined in the credit agreement concluded with BZ WBK for the investment credit, and thus in case of the above mentioned agreement, this liability was presented in the short-term liabilities.

In the 6-month period concluded on 30 June 2015, the Group repaid credits including interests in the amount of PLN 123,846 thousand, including:

- repayment of the capital of the corporate credit by the II Pątnów Power Plant in the amount of PLN 68,014 thousand with interests,
- repayment of the capital of the investment credit A for the modernisation of units 1-4 in Pątnów Power Plant by ZE PAK in the amount of PLN 13,226 thousand with interest
- repayment of the capital of the working capital facility B to refinance IOS credit by ZE PAK in the amount of PLN 3,903 thousand with interest,
- repayment of the capital of the investment credit by PAK KWB Konin in the BZ WBK S.A. bank in the amount of PLN 6,969 thousand with interest,
- repayment of the capital of the bill credit by PAK KWB Konin in the mBank S.A. bank in the amount of PLN 4,156 thousand in interest,
- repayment of the capital of the working capital facility by PAK KWB Konin in the Millennium Bank S.A. bank in the amount of PLN 11,239 thousand with interest,
- repayment of the capital in the overdraft facility by PAK KWB Konin in the Millennium Bank S.A. bank in the amount of PLN 9,918 thousand with interest,
- repayment of the capital in the overdraft facility by PAK KWB Konin in the mBank S.A. bank in the amount of PLN 164 thousand with interest,
- repayment of the capital in the overdraft facility by PAK KWB Konin in the BZ WBK S.A. bank in the amount of PLN 5,497 thousand with interest,
- repayment of interest by PAK KWB Konin on the multi-purpose credit line in BPH S.A. in the amount of PLN 760 thousand.

On 13 March 2014, ZE PAK concluded the Corporate Credit Agreement with mBank, Millennium, PEKAO SA and PKO BP banks in the amount of PLN 1,200,000 thousand. The credit was divided into two parts, the A Credit in the amount of PLN 1,110,000 thousand for modernisation of units 1-4 in the Pątnów I Power Plant, the B Credit in the amount of PLN 90,000 thousand for the purpose of refinancing the IOS credit repaid on 2 January 2014. Interest of A and B Credits amounts to WIBOR 3M plus the bank's profit margin. The repayment of the credit started on 20 June 2015 and will last until 20 December 2023. On 27 May 2014, ZE PAK commenced the disbursement of the first credit advance in the amount of PLN 191,000 thousand (the A Credit – PLN 101,000 thousand, the B Credit – PLN 90,000 thousand). The second credit advance in the amount of PLN 164,000 thousand (the A Credit) was launched on 16 September 2014, while the third one in the amount of PLN 121,000 thousand (the A Credit) – on 19 February 2015. The fourth credit advance was commenced on 22 June 2015 in the amount of PLN 88,00 thousand (the A Credit).

On 18 March 2015, PAK KWB Konin signed an Annex to the Working capital credit agreement concluded with Bank Millennium S.A., whose balance, on the date of conclusion, amounted to PLN 57,263 thousand. This annex renewed the credit limit to the amount of PLN 76,500 thousand. (the credit in the amount of PLN 19,237 thousand was incurred)

On 18 June 2015, PAK KWB Konin signed an Annex to the Working capital credit agreement concluded with mBank S.A. to the amount of PLN 9,700 thousand, extending the deadline for repayment of the credit until 21 August 2015. On 30 June 2015, PAK KWB signed the Annex to the Working capital agreement concluded with BZ WBK S.A. extending the deadline for repayment of the credit to the amount of PLN 65,000 thousand until 30 June 2016.

## 26. Provisions and accruals

### 26.1. Accruals

	30 June 2015 (unaudited)	31 December 2014
Bonus and holiday leave provision	38 602	34 591
Insurance company compensations	74	102
Audit of the financial statement	30	307
Others	29 332	251
Total	<u>68 038</u>	<u>35 251</u>
– short-term	68 038	35 251
– long-term	-	-

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**26.2. Change in provisions**

	<i>Land and perpetual usufruct</i>	<i>Provision for the fixed assets liquidation costs</i>	<i>Provision for the reclamation of ash storage yards</i>	<i>Provision for the long-term contract loss</i>	<i>Provision for the certificates of origin of energy redemption</i>	<i>Reclamation provisions and other provisions related to mining activities</i>	<i>Other</i>	<i>Total</i>
<b>As of 1 January 2015</b>	<b>176 957</b>	<b>14 671</b>	<b>4 025</b>	<b>98</b>	<b>6 056</b>	<b>343 829</b>	<b>66 356</b>	<b>611 992</b>
Increases	158 456	1 540	-	3	4 937	5 082	23 270	193 288
Decreases	(174 281)	-	(1 689)	(13)	(6 056)	(14 096)	(24 033)	(220 168)
<b>As of 30 June 2015</b>	<b>161 132</b>	<b>16 211</b>	<b>2 336</b>	<b>88</b>	<b>4 937</b>	<b>334 815</b>	<b>65 593</b>	<b>585 112</b>
Long-term	-	16 211	781	-	-	307 966	22 410	347 368
Short-term	161 132	-	1 555	88	4 937	26 849	43 183	237 744
<b>As of 1 January 2014</b>	<b>150 652</b>	<b>17 779</b>	<b>4 384</b>	<b>133</b>	<b>1 801</b>	<b>297 705</b>	<b>30 698</b>	<b>503 152</b>
Increases	176 957	705	-	43	5 391	66 034	64 174	313 304
Decreases	(150 652)	(3 813)	(359)	(78)	(1 136)	(19 911)	(28 515)	(204 464)
<b>As of 30 June 2014</b>	<b>176 957</b>	<b>14 671</b>	<b>4 025</b>	<b>98</b>	<b>6 056</b>	<b>343 828</b>	<b>66 357</b>	<b>611 992</b>
Long-term	-	14 671	2 470	-	-	321 261	22 740	361 142
Short-term	176 957	-	1 555	98	6 056	22 567	43 617	250 850

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

## **26.3. Description of significant titles of provisions**

### **26.3.1. The provision for liabilities due to the emission of greenhouse gases and provisions for the redemption of certified emission reductions (CER)**

The Group recognises the provision for the redemption of greenhouse gases allowances and certified emission reductions (EUA).

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning allowances has been applicable. This period's assumption is granting the Group the free EUA allowances resulting from the production of heat. Although, power engineering was additionally covered by opportunity of derogation. Derogation resulting from Article 10c of the ETS Directive is based on granting additional free allowances, provided that declared investment expenses for investments reported to the National Investment Plan are paid. ZE PAK S.A. submits to the Ministry of the Environment the annual material and financial statements from investment expenses paid for tasks reported to the National Investment Plan, applying for granting free EUAs for the subsequent reporting years at the same time.

On 3 April 2014, the resolution of the Council of Ministers of 31 March 2014 on the list of systems other than producing electricity included in the system of greenhouse gases allowances trade in the reporting period commencing since 1 January 2013, and the number of allowances granted to them resulting from Art. 10a for heat production, which was amended by the resolution of the Council of Ministers of 10 April 2015, was issued.

Then, on 10 April 2014, the Council of Ministers issued resolution of 8 April 2014 on the list of systems producing electricity included in the system of greenhouse gases allowances trade in the reporting period commencing since 1 January 2013 and the granted number of CO<sub>2</sub> emission allowances of Art. 10c – derogation for power engineering – on condition of incurring declared investment expenses on the investments reported in the National Investment Plan. Then, this resolution was amended by the resolution of the Council of Ministers of 13 April 2015.

The planned emission in the PAK Group in 2015 will amount to 12,689,534 tonnes of CO<sub>2</sub>. As of 31 December 2014, the Group possessed EUAs purchased in the number of 13,268,619 tonnes. In April 2015, the Group received free EUAs resulting from Art. 10c for 2014 in the number of 2,241,959 EUAs, so that the Group had 15,510,578 EUAs in total. Then, in April 2015, the redemption of emissions for 2014 in the number of 574,175 EUAs was made. After the redemption, there were 2,936,403 EUAs, which have been transferred to redeem emissions for 2015, in the Group.

Moreover, in April 2015, ZE PAK SA obtained free emission allowances under Art. 10a resulting from heat production for 2015 in the number of 121,398 EUAs, which will be used in April 2016 in redemption for emissions for 2015. Bearing in mind that the ZE PAK Group, in 2015, after redemption, has a remaining excesses of EUAs from 2014 in the number of 2,936,403 EUAs, received free EUAs for heat for 2015, and plans to obtain, under Art. 10c, for 2015, 418,724 EUAs, the Group plans to purchase 9,213,009 EUAs in order to perform the obligation to redeem the CO<sub>2</sub> emission for 2015.

Within the framework of the Group's allowance balance, the EP II Sp. z o.o. subsidiary, at the planned CO<sub>2</sub> emissions for 2015 at the level of 2,596,100 tonnes of CO<sub>2</sub>, after taking into consideration of the excess of 2014, has to purchase additional 2,513,504 tonnes of the CO<sub>2</sub> emission allowances.

In the first and second quarters of 2015, the PAK Group purchased 5,537,500 EUAs for the needs of 2015.

The provision for the burden of core operating activities for purchased CO<sub>2</sub> allowances, which the Group wants to present for the redemption for 2015, is being created. As the actual redemption of allowances happens, the provision created earlier will be terminated.

### **26.3.2. Provision for reclamation of ash storage yards and costs of liquidation of fixed assets**

The Group is creating the provision for future costs of reclamation of the land on the basis of legal obligation resulting from the "Integrated Approval Entries." The basis of estimation of the provision size are specialised studies and technical and economical expert opinions developed by domestic services, or external experts. Values of the provision is estimated and verified on every balance sheet date on the basis of current cost estimates and a discount. As of 30 June 2015, the created provision amounted to PLN 2,336 thousand.

Due to the legal obligation to liquidate fixed assets after their period of use, the Group is creating the provision for projected future costs, which will be necessary to pay for fulfilment of this obligation. As of 30 June 2015, the provision due to this amounted to PLN 16,211 thousand.

### **26.3.3. Reclamation provisions and other provisions related to mining activities**

PAK KWB Konin and PAK KWB Adamów are obliged to reclaim areas of extraction works pursuant to the Geological and Mining Law act. Due to this, the Group is creating the provision both for costs of area reclamation related to current coal extraction on a given open pit and for costs of the final excavation reclamation in the state of advancement of coal extraction in particular open pits on every balance sheet day.

The provision is created on the basis of estimation of future reclamation costs based on reports of independent experts estimating reclamation costs on the order of the Management Board. Estimates concerning projected reclamation costs are analysed periodically; on every reporting date, the size of provision is verified in accordance with current assumptions within discount rate, inflation, and the size of extraction.

PAK KWB Konin and PAK KWB Adamów, within run activities, are obliged to restore to the original condition, or to rebuild damages caused by the mine operations. Due to this, the Group creates the provision for projected costs, to pay which it is obliged on the basis of concluded agreements. Estimates concerning projected costs related to the mine operations are updated on every reporting date.

The provision for the liquidation of facilities and reclamation of mining areas, and due to preparation of exploration areas in PAK KWB Konin and PAK KWB Adamów according to the status as of 30 June 2015 amounted to PLN 334,815 thousand and decreased in comparison with the year concluded on 31 December 2014 by PLN 9,013 thousand. Calculating the provision, the Group accepted following assumption: the discount rate at the level of 2.6%, the level of inflation at the level of 2.5%. Changes in provisions also result from changes in estimated costs of reclamation and liquidation on the basis of data of the independent experts' reports and the percentage coal extraction, as well as the report of the environmental protection division.

### **26.3.4. Provision for redemption of energy certificates**

Due to the sale of electricity to the final recipients, the Group is obliged to redeem the specified number of certificates of origin of energy from renewable energy sources, gas, and peak load co-generation. As of 30 June 2015, the provision due to this amounted to PLN 4,937 thousand.

### **26.3.5. Other provisions**

In PAK KWB Konin, the main items of other provisions as of 30 June 2015 are: the provisions for mining damage in the amount of PLN 30,999 thousand, the provision for property tax in the amount of PLN 4,020 thousand, the provision for remuneration for mining usufruct in the amount of PLN 2,489 thousand, the provisions for proceedings in progress in the amount of PLN 856 thousand. In PAK KWB Adamów: the provision for permanent taking out of production for the final reservoir of the Adamów open pit in the amount of PLN 15,828 thousand, the provision for compensation for the occupied roads in the amount of PLN 3,881 thousand, the provision for remuneration for mining usufruct in the amount of PLN 1,095 thousand, and the provision for the legal proceedings in the amount of PLN 1,154 thousand. In addition, in EI PAK and PAK SERWIS, the provisions for warranty repairs and losses on long-term contracts in the total amount of PLN 1,730 thousand, and in ZE PAK, the provision for the URE fine in the amount of PLN 1,500 thousand.

## **27. CO<sub>2</sub> emission allowances**

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning CO<sub>2</sub> emission allowances has been applicable.

In 2013, the Group, purchasing allowances for needs of redemptions for ZE PAK SA and EP II sp. z o.o., due to an attractive price, purchased more EUA allowances than it resulted from the needs to cover redemption and the excess of these units in the Group is moved from the year to the next year.

In December 2013, the Ministry of Environment issued the sample of material and financial statement, which is sent annually by the ZE PAK Capital Group to the Ministry of the Environment in the scope of incurred investment expenses for investment tasks reported to the National Investment Plan in order to use derogation for power engineering within Article 10c of the ETS Directive. For the incurred investment expenses in the period from 1 July 2013 to 30 June 2014, the ZE PAK Capital Group submitted the material and financial statement and, at the same time, applied for 2,241,959 free EUAs that the Group received in April 2015 and that were used for redemption for 2014.

On 3 April 2014, the resolution of the Council of Ministers of 31 March 2014 (amended on 10 April 2015) on the list of systems other than producing electricity included in the system of greenhouse gases allowances trade in the

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reporting period commencing on 1 January 2013 and the number of allowances granted to them resulting from Art. 10a for electricity production was issued.

Then, on 10 April 2014, the resolution of the Council of Ministers of 8 April 2014 (amended on 31 April 2015) on the list of systems producing electricity included in the system of greenhouse gases allowances trade in the reporting period commencing on 1 January 2013 and the number of allowances granted to them under Art. 10c (derogations for power engineering) was issued.

For the Elektrownia Państw II sp. z o.o. system, a certain number of CO<sub>2</sub> allowances was allocated. However, for this system, any investment tasks that would cover receivables for CO<sub>2</sub> allowances are not reported to the National Investment Plan (KPI), so allocation of free EUAs for this system depends on expenses for tasks conducted for systems of ZE PAK S.A.

In 2014, the Group purchased EUAs (including 2.9 million EUAs for 2015) and 0.36 million ERUs. Purchasing ERUs, the Group used the opportunity to purchase 11% EUAs in order to exchange them for cheaper CERs or ERUs (10% from the 2008-2012 period, and 1% from the 2013-2020 period) and, at the same time, finished the exchange of EUA/CER units or ERUs in the 2013-2020 period.

After introduction of opportunity to exchange ERUs and CERs for equivalent EUAs into the EU ETS register, on 31 March 2014, the Group exchanged ERUs into EUAs in the number of about 0.54 million, leaving CERs in the number of about 0.18 million for exchange into EUAs later.

In December 2014, the Group exchanged 0.18 million CERs (180,570 CERs) for EUAs.

As of 1 January 2015, the Group possessed the purchased EUAs in the number of 13,268,619 tonnes. Then, during the first quarter of 2015, the Group purchased 3,140,000 EUAs, thus closing the status of EUAs for the end of March 2015 in the number of 16,408,619 units. In April 2015, the Group received free EUA resulting from Art. 10c for 2014 in the number of 2,241,959 EUAs, so that, in April 2015, the Group had 15,510,578 EUAs in total for the needs of redemption. Then, in April 2015, the redemption of emissions for 2014 in the number of 12,574,175 EUAs was made. After the redemption, there were 2,936,403 EUAs, which have been transferred to redeem emissions for 2015, in the Group. Furthermore, in April 2015, ZE PAK SA obtained free emission allowances under Art. 10a resulting from heat production for 2015 in the number of 121,398 EUAs.

In the second quarter of 2015, the Group has purchased 2,397,500 EUAs, which together with the purchase of in the first quarter, results in the total number of 5,537,500 EUAs.

In the tables presented below, the carbon dioxide allowances granted in the scope of the National Allocation, purchased on the secondary market including the division into the part used for their own purposes, and the one sold in the periods concluded on 30 June 2015, and 30 June 2014.

**CO<sub>2</sub> emission allowances in the period of 6 months ended 30 June 2015**

(in tonnes)	<i>Zespół Elektrowni Państw-Adamów-Konin S.A.</i>	<i>„Elektrownia Państw II” sp. z o.o.</i>
	Emission of CO <sub>2</sub>	10 085 564
	Balance at the beginning of the period	2 488 611
	Purchased	10 697 412
	Free of charge	3 994 000
	Redemption*	2 363 357
	Sale	-
	Exchange	-
	Balance at the end of the period	(10 085 564)
	Balance at the beginning of the period	-
	Purchased	-
	Redemption*	-
	Sale	-
	Exchange	-
	Balance at the end of the period	1 626 096
	Balance at the beginning of the period	-
	Purchased	-
	Redemption*	-
	Sale	-
	Exchange	-
	Balance at the end of the period	-
	Balance at the beginning of the period	-

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ERU	Purchased	-	-
	Redemption*	-	-
	Sale	-	-
	Exchange	-	-
	Balance at the end of the period	-	-

\*Physical redemption of the allowances for a given year takes place in the first months of the next year.

**CO<sub>2</sub> emission allowances in the period of 6 months ended 30 June 2014**

(in tonnes)	Zespół Elektrowni Pątnów-Adamów-Konin S.A.	„Elektrownia Pątnów II” sp. z o.o.	
	5 087 288	1 340 717	
EUA	Balance at the beginning of the period	11 558 393	2 832 473
	Purchased	3 519 578	1 178 686
	Redemption*	(10 596 759)	(2 532 137)
	Sale	-	-
	Exchange	438 207	103 500
	Free of charge - article 10a and 10c of the ETS Directive	1 995 268	-
	Balance at the end of the period	6 914 687	1 582 522
CER	Balance at the beginning of the period	146 070	34 500
	Purchased	-	-
	Redemption*	-	-
	Sale	-	-
	Exchange	-	-
	146 070	34 500	
ERU	Balance at the beginning of the period	146 070	34 500
	Purchased	292 137	69 000
	Redemption*	-	-
	Sale	-	-
	Exchange	(438 207)	(103 500)
	-	-	

\*Physical redemption of the allowances for a given year takes place in the first months of the next year.

## 28. Trade liabilities, other liabilities and accruals

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

	30 June 2015 (unaudited)	31 December 2014
Delivery and service liabilities	172 991	163 837
Financial liabilities	-	-
Other liabilities:		
Liabilities due to the put option	8 976	30 971
Investment liabilities	57 722	108 169
Liabilities to employees due to salaries	19 029	20 921
Other liabilities	93 533	31 304
<b>Total</b>	<b>352 251</b>	<b>355 202</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

In the other liabilities line, as of 30 June 2015, the Group mainly presents liabilities due to the dividend in the amount of PLN 60,988 thousand, liabilities due to financial lease amounted to PLN 13,726 thousand, liabilities related to settlement of adjustment of PPAs for 2008, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and the agreement of 2 October 2014 concluded between the Państw II Power Plant and Zarządca Rozliczeń [in English: Claims Manager] in the amount of PLN 4,989 thousand. The remaining amount in the other liabilities item as of 30 June 2015 concerns mainly settlements with employees and deductions from the pay roll in the amount of PLN 4,849 thousand, settlements due to security amounted to PLN 997 thousand, and liabilities due to the KWB Konin debentures in the amount of PLN 5,003 thousand.

Liabilities due to the put option concern the obligation of ZE PAK to redeem the employee shares pursuant to the PAK KWB Konin and PAK KWB Adamów's share sale agreement, in case if employees request for the resale. The agreement's provisions determine the price and the date of redemption. In accordance with IFSR, ZE PAK recognised the obligation to redeem shares owned by non-controlling interests on the day of the acquisition of control. On the basis of the chosen policy of accounting, ZE PAK presented the financial liability in the amount of PLN 11,880 thousand, in case of PAK KWB Adamów, and in the amount of PLN 19,091 thousand, in case of PAK KWB Konin, in the annual consolidated financial statement. According to the ongoing process of the redemption of employee shares as of 30 June 2015, the remaining amount of the liability is PLN 8,976 thousand.

Principles and terms of payment of the above financial liabilities:

Terms of transactions with affiliates are presented in the note 32 of additional information and explanations.

Liabilities due to supplies and services are not subject to interest and are usually settled within either the 14-day or 30-day periods.

Liabilities due to interests are usually settled within either monthly, or quarterly periods during the whole financial year.

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

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Liability due to financial lease	13 592	19 251
Liability due to the put option	-	-
Short-term liabilities to other entities – over 12 months	1 109	719
Other financial liabilities	-	-
Other	79 365	83 772
<b>Total</b>	<b>94 066</b>	<b>103 742</b>

In the other item, as of 30 June 2015, the Group presents primarily liabilities related to settlement of adjustment of PPAs for 2008, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and the agreement of 2 October 2014 concluded between the Państw II Power Plant and Zarządca Rozliczeń in the amount of PLN 69,031 thousand, and investment liabilities in ZE PAK in the amount of PLN 9,655 thousand.

## 28.3. Other non-financial liabilities

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
VAT tax liabilities	6 640	13 758
Liabilities due to environmental charges	-	62 822
Liabilities due to the excise tax	615	216
Liabilities due to social insurance	25 255	31 712
Personal income tax	6 220	8 881
Other budget liabilities	82	2 425
Advanced payments for deliveries	805	1 293
Mining fee	11 944	11 969
Other	420	939
<b>Total</b>	<b>51 981</b>	<b>134 015</b>

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.



Liabilities due to environmental charges concern charges for air pollution, waste storage, intake of water, and waste sewage. The year is the settlement period.

Liabilities due to mining fees concern charges for extracted mineral resulting from the Geological and Mining Law. The half-year is the settlement period.

#### 28.4. Derivative financial instruments

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2015</i>
Instruments securing floating interest rates (SWAP)	18 976	23 743
Other currency options	-	-
<b>Total</b>	<b>18 976</b>	<b>23 743</b>
– short-term	7 836	8 684
– long-term	11 140	15 059

#### 28.5. Grants and deferred income (long-term)

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Long-term preferential loans	-	-
Long-term settlement of sale-and-lease-back	10 655	16 147
Long-term grants	46 489	47 383
Other	300	302
<b>Total</b>	<b>57 444</b>	<b>63 832</b>

#### 28.6. Grants and deferred income (short-term)

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Short-term preferential loans	1 456	-
Short-term settlement of sale-and-lease-back	10 984	10 984
Short-term grants	332	1 795
Other	3	-
<b>Total</b>	<b>12 775</b>	<b>12 779</b>

### 29. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in the note below, as of 30 June 2015, the Company did not possess other contingent liabilities, granted guarantees, and sureties.

#### 29.1. Judicial cases

##### *Compensation for the termination of long-term contracts for sale of power and electricity*

The affiliate "Elektrownia Pańków II" sp. z o.o. receives compensation for the coverage of the stranded costs pursuant to the Act of 29 June 2007 on the principles of coverage of costs incurred by producers due to early termination of long-term contracts for the sale of power and electricity. The revenue due to compensation is successively included in the obtained rights to compensation to the end of the period of their application. In order to estimate the value of revenue assigned to a given period, the company estimates in order to determine a ratio of estimated stranded costs to the total sum of earned, returned, and expected discounted annual advanced payments (including annual advanced payments earned so far), annual adjustments, and a projected final adjustment.

"Elektrownia Pątnów II" sp. z o.o., in accordance with the accepted policy of accounting, on the basis of the built financial model, in 2014 and 2013, recognised revenues due to compensation in respective amounts of PLN 99,223 thousand and PLN 155,239 thousand. On the basis of the decision of the President of the Energy Regulatory Office S.A. ("the URE President") issued on 31 July 2009, the company was obliged to return to the compensation scheme administrator, Zarządca Rozliczeń S.A., the amount of PLN 52,493 thousand due to the adjustment of stranded costs for 2008. The company's Management Board did not agree with the URE President's decision and appealed to the Regional Court of Warsaw – the Court for Protection of Competition and Consumers ("SOKiK"). On 23 September 2009, the Court decided about supersede of the execution of the part of the decision, and ordered to pay the amount of PLN 26,493 thousand.

On 1 December 2010, the SOKiK decided about a dismissal of the company's appeal against the URE President's decision, acknowledging legitimacy of his arguments.

On 9 February 2011, the Company submitted the appeal to the Court of Appeal in Warsaw contesting a judgement of the Court of First Instance.

On 11 October 2012, the Court of Appeal issued a beneficial judgement for the company changing the judgement of the Court of First Instance and the URE President's decision of 31 July 2009. The Court determined the amount of the annual adjustment of the stranded costs for 2008 for "Elektrownia Pątnów II" sp. z o.o., which Zarządca Rozliczeń S.A. is obliged to pay to "Elektrownia Pątnów II" sp. z o.o. in the amount plus PLN 29,082 thousand. The judgement of the Court of Appeal is legally binding. Due to the above, on 17 October 2012, "Elektrownia Pątnów II" Sp. z o.o. summoned Zarządca Rozliczeń S.A. to pay a judged amount of the adjustment for 2008, and to return the amount of PLN 26,493 thousand paid by "Elektrownia Pątnów II" Sp. z o.o. due to partial execution of the decision of the URE President pursuant to the SOKiK decision of 23 September 2009. The request for payment was issued for the total amount of PLN 55,576 thousand. On 22 October 2012, Zarządca Rozliczeń S.A. paid the above mentioned amount to the Company's account.

On 22 February 2013, the URE President submitted a cassation appeal from the judgement of the Court of Appeal in Warsaw before the Supreme Court.

On 22 May 2014, the Supreme Court during a closed door hearing issued a judgement overruling the judgement of the Court of Appeal in Warsaw of 11 October 2012 and referred the proceedings to that court for judicial review.

On 4 November 2014, the Court of Appeal of Warsaw issued a judgement dismissing the appeal of "Elektrownia Pątnów II" sp. z o.o. against the judgement of the Regional Court of Warsaw – the Court for Protection of Competition and Consumers of 1 December 2010 upholding the URE President's decision of 31 July 2009 determining the amount of the annual adjustment of the stranded costs for 2008 for "Elektrownia Pątnów II" sp. z o.o., which "Elektrownia Pątnów II" sp. z o.o. is obliged to return to Zarządca Rozliczeń S.A., in the amount of (-) PLN 52,493,081 million. "Elektrownia Pątnów II" sp. z o.o. included the Court's judgement in the statement for three quarters of 2014 taking into account previous settlements of the Parties in the subject case that is taking into account the necessity to return the amount of PLN 29,082 thousand obtained from Zarządca Rozliczeń S.A. by "Elektrownia Pątnów II" sp. z o.o. by virtue of the judgement of the Court of Appeal of 11 October 2012.

The judgement is legally binding.

As a result of the judgement, "Elektrownia Pątnów II" sp. z o.o. decreased the revenues due to the PPA settlements in 2014 by PLN 81,5 million.

On 15 April 2015, "Elektrownia Pątnów II" sp. z o.o. submitted a cassation appeal from this judgement.

Until the date of the preparation of this information, the Supreme Court did not settle whether it accept the cassation appeal of "Elektrownia Pątnów II" sp. z o.o. to review.

#### ***Proceedings due to failure to perform obligation to maintain stocks of fuel***

On 17 September 2008 and 29 May 2009, the URE President initiate proceedings due to impose a pecuniary penalty on the ZE PAK S.A. company due to failure to perform obligation to maintain stocks of fuel securing continuity of supplies of electricity and heat to recipients on 31 December 2007, 31 March 2008, 1 July 2008, 1 September 2008, 1 October 2008, 1 November 2008, 1 December 2008, 1 January 2009, 1 February 2009, and 1 March 2009.

On the basis of the decision of the President of the Energy Regulatory Office of 28 December 2010, ZE PAK S.A. was imposed the pecuniary penalty due to failure to perform obligation to maintain stocks of fuel in the quantity securing continuity of supplies of electricity and heat to recipients in 2008 and 2009 in the amount of PLN 1,500 thousand. The Company redeemed the provision to pay the penalty in full. On 17 January 2011, the Company appealed against the URE President before the Regional Court of Warsaw – SOKiK.

On 30 January 2014, the SOKiK decided about a dismissal of the company's appeal against the URE President's decision. On 30 April 2014, the Company submitted the appeal to the Court of Appeal in Warsaw.

On 13 May 2015, the Court of Appeal in Warsaw dismissed the Company's appeal against the judgement of the SOKiK of 30 January 2014, the result of which is to uphold the URE President's decision. The Company expects receiving the judgement of the Court of Appeal with the justification, and after its analysis, the Company will reach a decision related to submission of the cassation appeal to the Supreme Court.

#### ***Proceedings in case of the excise tax excess payment***

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

Due to the above fact, pursuant to Article 75 § 1, in relation to Article 75 § 2 of the Act of 29 August 1997 – Tax Ordinance (Polish Journal of Laws of 1997; Dz. U. No. 137, item 926 as amended), ZE PAK S.A. submitted applications for stating overpayment of the excise tax for 2006, 2007, 2008 as well as January and February 2009 for the total amount of PLN 626,000 thousand, with the justification that pursuant to the regulations of the EU law and the judicial decisions of the Provincial Administrative Courts, the activities executed by ZE PAK S.A. are not subject to excise tax. Particular applications were recognised at the following levels: Customs Office in Kalisz, Customs Chamber in Poznań and currently the Provincial Administrative Court in Poznań as well as the Supreme Administrative Court.

In relation to the decisions of the Administrative Courts in the cases of other energy companies regarding the overpaid excise tax, ZE PAK S.A., in cooperation with a tax advisor, analysed the resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011 where the Supreme Administrative Court recognised that the pass-through of tax to the price excludes the possibility of refunding the excess payment. The justification of the resolution allows for the assumption of the risk that tax authorities will dismiss any claims regarding the refunding of overpayments indicating that the tax proceeding is not appropriate for such type of claims. In such case, it is possible to seek them under civil law, as a result of which expiration (on the grounds of civil law, this term is 3 years) becomes a significant issue. In relation to the above fact, on 10 February 2012, ZE PAK S.A. submitted to the District Court of Warszawa Śródmieście a summons for the State Treasury for a conciliatory hearing for the amount of approx. PLN 626,460 thousand and thus stopped the statute of limitation. The conciliatory settlement was not reached since during the hearing of 16 April 2012, case ref. No. VI Co 311/12, the representatives of the Treasury did not agree to settle. Simultaneously, on 14 September 2012, while waiting for the results of the tax proceedings regarding the previously submitted applications for excess payment, the Company submitted in writing, to the Customs Chamber in Poznań, additional explanations in the form of results of a detailed economic study, the purpose of which was to demonstrate whether the Company suffered a loss related to the payment of the excise tax to which it was not obligated. The Company is of the opinion that the submitted document also applies to other overpayment applications from the entire period embraced by the proceedings, i.e. between January 2006 and February 2009. Ultimately, all applications were included in the cause lists of the Provincial Administrative Court (WSA) and the Supreme Administrative Court (NSA). As of the date of development of this statement, the status of the proceeding is as follows:

- twenty two proceedings for the period of January 2006 – November 2007 (excluding November 2006) are conducted from the start by the Head of the Customs Office, after they were returned from the Supreme Administrative Court. We included monthly economic analyses of punitive damage. On 18 August 2014, the Company received twenty two decisions of the Head of the Customs Office dismissing the statement of overpayment. On 1 September 2014, the Company submitted 22 appeals against the decision of the Head of the Customs Office to the Head of the Customs Chamber, and currently, after the negative decisions of the Head of the Customs Office, complaints have been filed and we are waiting for setting the date of the hearing before the Provincial Administrative Court in Poznań,
- fourteen proceedings for the period of December 2007 – February 2009 (excluding July 2008) are suspended in the Provincial Administrative Court on the joint request of the parties due to the resolution case ref. No. II FPS 5/13 adopted by the Supreme Administrative Court on 27 January 2014. So far, none of the parties requested a resumption of the proceedings. These proceedings also included economic analysis,
- the proceedings for November 2006 was concluded with a negative result in the Supreme Administrative Court of 8 December 2011

- the proceedings for July 2008 has reached the recognition of our cassation appeal by the Supreme Administrative Court. At the hearing of 29 April 2015, the Supreme Administrative Court dismissed the Company's cassation appeal and pointed out that it fully agrees with the Provincial Administrative Court in Poznań in the judgment, against which the cassation appeal was submitted.

Depending on the provisions of the issued decisions, the Company will take further actions.

In case of Pątnów II Power Plant, the proceedings for all period (one case) was included in the cause lists of the Provincial Administrative Court after the negative decision of the Head of Customs Chamber for the Company. The Company does not have analyses because it did not conduct activities in 2001 and there is no comparative data.

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

#### ***The proceeding due to the Company's failure to perform obligation of sales of electricity on commodity exchanges***

The proceedings on imposing a pecuniary penalty on the ZE PAK SA Company due to failure to disclose irregularities based on failure to perform obligations specified in Article 49a paragraph 1 of the Act – Energy Law that is the obligation to sell the electricity produced in the period between 1 January 2011 and 31 December 2011 on commodity exchanges.

On 30 June 2014, the President of the Energy Regulatory Office ("the URE President") issued a decision, in which he concluded that the Company failed to perform obligation specified in Article 49a paragraph 1 of the Act – Energy Law that is obligation to sell the electricity produced in the period between 1 January 2011 and 31 December 2011 on commodity exchanges and imposed the pecuniary penalty on the Company in the amount of PLN 204,250.

On 21 July 2014, the Company appealed against the URE President before the Regional Court in Warsaw – the Court for Protection of Competition and Consumers.

On 31 December 2014, the URE President, after consideration of the Company's appeal, issued a decision, in which he changed the appealed decision reducing the pecuniary penalty to PLN 10,000 thousand.

On 23 January 2015, the Company paid the pecuniary penalty in the reduced amount and did not appeal against the decision.

The legal proceedings is completed.

#### ***The proceeding due to determining the amount of the annual adjustment of the stranded costs for 2012***

On 20 March 2013, the President of the Energy Regulatory Office ("the URE President") initiated the administrative proceedings ex officio in case of determining the amount of the annual adjustment of the stranded costs for 2012 for the "Elektrownia Pątnów II" sp. z o.o. company. On 31 July 2013, the URE President issued the decision, in which he determined the amount of the annual adjustment of the stranded costs for 2012 for "Elektrownia Pątnów II" sp. z o.o., which Zarządca Rozliczeń S.A. is obliged to pay the Company in the amount of (+) PLN 20,689 thousand. According to "Elektrownia Pątnów II" sp. z o.o. the adjustment should amount to (+) 22,341,000 dollars.

On 14 August 2013, "Elektrownia Pątnów II" sp. z o.o. appealed against the URE President's decision before the Regional Court in Warsaw – the Court for Protection of Competition and Consumers.

On 12 February 2015, the Regional Court in Warsaw issued a judgement, in which it changed the decision of the URE President of 31 July 2013 to the effect that it determined the amount of the annual adjustment of the stranded costs for "Elektrownia Pątnów II" sp. z o.o., which Zarządca Rozliczeń S.A. is obliged to pay to "Elektrownia Pątnów II" sp. z o.o., in the amount of (+) PLN 22,300 thousand.

The parties did not appeal against the judgement.

The judgement is legally binding.

Zarządca Rozliczeń S.A. paid to "Elektrownia Pątnów II" sp. z o.o. the amount of (+) PLN 1,611 thousand resulting from the decision.

#### ***The proceeding due to determining the amount of the annual adjustment of the stranded costs for 2014***

On 27 March 2015, the President of the Energy Regulatory Office ("the URE President") initiated administrative proceedings ex officio in order to determine the amount of the annual adjustment of the stranded costs for 2014 for "Elektrownia Pątnów II" sp. z o.o.

On 30 July 2015, the URE President issued a decision, in which he determined the amount of the adjustment of the stranded costs for "Elektrownia Państw II" sp. z o.o. for 2014, which amounts to (+) PLN 64,311,497.

The decision is consistent with the "Elektrownia Państw II" sp. z o.o. calculations. Therefore, "Elektrownia Państw II" sp. z o.o. will not appeal against the decision.

The legal proceedings is completed.

***The dispute between PAK KWB Konin S.A. and FUGO S.A. concerning damages and the unjust enrichment***

On 26 June 2008, between the Mine and the FUGO S.A. consortium (the leader) and SKW Biuro Projektowo-Techniczne Sapkowski, Kanczewski, Wocka General Partnership, pursuant to the Public Procurement Law, the Agreement for "Disassembly, transport, assembly of two bucket wheel excavators SRs 1800-type from the mine in liquidation 'As Pontes' Endesa Generacion S.A. (Spain)" was concluded.

The primal deadline of the agreement execution in the scope of the first excavator – until 31 October 2009, and, in case of the second excavator, 31 January 2010 – was changed pursuant to the annex of 16 February 2009 in the scope of the first excavator – until 31 May 2010, and in case of the second excavator – until 31 August 2010.

On demand of the Mine of 29 July 2010, the Guarantor, HDI-Gerling Polska Towarzystwo Ubezpieczeń S.A., on the basis of paragraph 5 of the Proper Performance of the Contract Guarantee No 3018763/8402 of 23 November 2009, paid to the Mine the amount of PLN 762 thousand due to failure to perform within the term by obliged FUGO S.A. – the Leader of the Consortium in the composition of: FUGO S.A. and SKW Biuro Projektowo -Techniczne Sapkowski, Kanczewski, Wocka General Partnership, the Agreement of 26 June 2008, included in the guarantee in the scope of the first excavator.

Furthermore, on demand of the Mine of 20 October 2010, the Guarantor, HDI-Gerling Polska Towarzystwo Ubezpieczeń S.A., paid to the Mine the amount of PLN 2,349 thousand due to damages for the period between 16 September 2010 and 25 October 2010 due to delay of the execution by obliged FUGO S.A. – the Leader of the Consortium in the composition of: FUGO S.A. and SKW Biuro Projektowo -Techniczne Sapkowski, Kanczewski, Wocka General Partnership, the Agreement of 26 June 2008, included in the guarantee in the scope of the second excavator.

Then, the Mine, on the basis of the charge memo of 26 May 2011 in the amount of PLN 2,762 thousand, burdened FUGO S.A. with remaining damages of the Agreement of 26 June 2008. Due to lack of payment of the above mentioned receivable, the Mine deducted from remunerations entitled to FUGO S.A. due to execution of the agreement.

It cannot be disputed that execution of the Agreement of 26 June 2008 was delayed.

On 14 May 2012, the FUGO S.A. company submitted to the District Court in Konin a summons for a conciliatory hearing for the amount of PLN 12,896 thousand. The amount consists of the following claims:

- the amount of PLN 5,872 thousand due to the unjust enrichment,
- the amount of PLN 7,024 thousand due to remuneration for performance of the extended scope of works related to the above mentioned agreement.

The Board of PAK Kopalnia Węgla Brunatnego Konin S.A. refused to reach conciliatory settlement and considered claims unjustified. In this situation, the proceedings of the summons was concluded with the Court's statement that the Conciliatory Settlement was not reached and conclusion of the proceedings on 26 September 2012.

On the day of development of this statement, the Company cannot exclude that FUGO S.A. may submit to the common court of law with the claim for payment of indicated amounts. Currently, there is no formal court dispute. FUGO S.A. only attempted to conclude the Conciliation Settlement costlessly before the court, which enabled to stop the statute of limitation of reported claims, and further steps depend on the evaluation by the above mentioned company the possibility to bear witness in the trial.

The dispute with FUGO S.A. was not reflected in the books of account of the Company. According to the Management Board's assessment, there is no premises justifying creation of provisions in relation with the dispute.

***The proceedings in the case of the environmental decision issued in favour of PAK KWB Konin SA concerning the Tomisławice brown coal deposit***

PAK KWBK Konin S.A. is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of the Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine

physical persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK S.A and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and handed over the case for the judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open pit by PAK KWBK S.A. On 7 January 2013, PAK KWBK Konin S.A. submitted a cassation appeal from the described decision.

After the review on the hearing on 7 October 2014, the Supreme Administrative Court dismissed the PAK Kopalnia Węgla Brunatnego Konin S.A.'s cassation appeal from the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 revoking the decision of the Self-government Appeal Court in Konin of 25 March 2009 dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open pit.

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin S.A. means that the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 became legally binding, and the case regarding the statement of invalidity of the environmental decision will be examined again by the Self-government Appeal Court.

The decision of the Supreme Administrative Court in Warsaw of 7 October 2014 does not invalidate the environmental decision issued by the Head of the Wierzbinek Commune and does not halt the extraction and utilisation works at the Tomisławice open pit. The environmental decision of the Head of the Wierzbinek Commune of 7 August 2007 still remains in the legal transactions, and it causes legal consequences until issuing the final settlement by the Local Government Court.

## 29.2. Tax settlements

Tax settlements and other regulated areas of activities (for example, customs or foreign exchange matters) may be the subject to inspection of the authorities entitled to impose high penalties and sanctions. The lack of reference to fixed legal regulations in Poland causes ambiguities and inconsistencies of the laws in force. Common differences in opinions as to the legal interpretation of the tax law, both inside national authorities, as well as between them and businesses, cause uncertainty and conflicts. Such phenomena result in the significantly higher tax risks in Poland than these normally existing in the countries of a more developed tax system.

Tax settlements may be subject to inspection for a period of five years, starting from the end of the year of the payment of the tax. As a result of the conducted inspections, the current tax settlements of the Group may be increased by the additional tax liabilities. In the Group's opinion, as of 31 March 2015 and 30 June 2015, appropriate provisions for recognised and calculable tax risks were created.

## 30. Liability repayment securities

In order to protect the repayment of liabilities, the Group uses many forms of protections. Mortgages and registered pledges are the most common ones.

As of 30 June 2015, the Group had liabilities protected with its assets and other protections of payment of liabilities:

### *Liabilities protected with the entity's assets*

<i>Kind of liabilities, guarantees, and sureties</i>	<i>30 June 2015 (unaudited)</i>		<i>31 December 2014</i>	
	<i>Amount of security</i>	<i>Currency</i>	<i>Amount of security</i>	<i>Currency</i>
<b>"Elektrownia Państw II" sp. z o.o.</b>				
1. Registered and financial pledges				
1.1. Registered and financial pledges on rights of bank account agreements of Elektrownia Państw II sp. z o.o. in PEKAO and mBank banks				
	400 000	EUR	400 000	EUR

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1.2. Registered and financial pledges on rights of bank account agreements of Elektrownia Pątnów II sp. z o.o. in PEKAO and mBank banks	339 750	PLN	339 750	PLN
<b>2. Mortgage</b>				
2.1. Contractual joint ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots of land and mortgage registers with nos. KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 in favour of mBank S.A.	400 000	EUR	400 000	EUR
2.2. Contractual joint ceiling mortgage established by Elektrownia Pątnów II sp. z o.o. and PAK Infrastruktura sp. z o.o. on plots of land and mortgage registers with nos. KN1N/00071134/0, KN1N/00040530/0, KN1N/00064879/2, KN1N/00064880/2, KN1N/00071136/4 in favour of mBank S.A.	339 750	PLN	339 750	PLN
<b>3. Registered pledge</b>				
3.1. Registered pledge on a group of items and rights of Elektrownia Pątnów II sp. z o.o.	400 000	EUR	400 000	EUR
3.2. Registered pledge on a group of items and rights of Elektrownia Pątnów II sp. z o.o.	339 750	PLN	339 750	PLN
<b>"PAK – HOLDCO" sp. z o.o.</b>				
1. Registered and financial pledges on shares in affiliates				
1.1. Registered and financial pledges on shares held by PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of mBank S.A.	400 000	EUR	400 000	EUR
1.2. Registered and financial pledges on shares held by PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of mBank S.A.	339 750	PLN	339 750	PLN
2. Registered pledge				
2.1. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	400 000	EUR	400 000	EUR
2.2. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	339 750	PLN	339 750	PLN
<b>"PAK Infrastruktura" sp. z o.o.</b>				
1. Registered pledge				
1.1. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	400 000	EUR	400 000	EUR
1.2. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	339 750	PLN	339 750	PLN
<b>PAK Kopalnia Węgla Brunatnego Konin S.A.</b>				
1. Registered and financial pledges				
1.1. Registered pledge on machines and devices, including assignment of insurance policy	100 500	PLN	100 500	PLN
1.2. Registered pledge on receivables of agreements of lignite sales to Elektrowni Pątnów II Sp. z o.o. (Millenium Bank)	-		76 500	PLN
1.3. Registered pledge on receivables of agreements of lignite sales to ZE PAK S.A.	-		15 000	PLN
1.4. Registered pledge on receivables of agreements of lignite sales to Elektrowni Pątnów II Sp. z o.o. (Millenium Bank)	122 400	PLN	-	
1.5. Transfer of title to one excavator including assignment of insurance	46 942	PLN	46 942	PLN
2. Mortgage				
2.1. Mortgage on right of perpetual usufruct	100 500	PLN	100 500	PLN
<b>Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.</b>				

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

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1. Bank deposit				
1.1. Bank deposit above the guaranteed amount - bank performance bond	1 013	PLN	1 013	PLN
2. Payment of security				
2.1. Cash - transfer	36	PLN	-	
<b>Zespół Elektrowni Państw-Adamów-Konin S.A.</b>				
1. Registered and financial pledges				
1.1. Financial pledge on cash on bank accounts of ZE PAK SA in banks: mBank, BGK, PEKAO SA, PKO BP, Millennium due to credit of PLN 1.2 billion of 13 March 2014	2 040 000	PLN	2 040 000	PLN
2. Registered and financial pledges on shares in affiliates				
2.1. Registered and financial pledges on shares held by ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. in favour of mBank S.A. (ZE PAK as a guarantor of the "Państw II" project)	339 750	PLN	339 750	PLN
2.2. Registered and financial pledges on shares held by ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. in favour of mBank S.A. (ZE PAK as a guarantor of the "Państw II" project)	400 000	EUR	400 000	EUR
3. Mortgage				
3.1. Contractual joint ceiling mortgage established on real estate in Konin consisting of plots of lands with nosh 89/20, 89/53, 89/57, 89/55, 89/56, and 89/21 and on real estate in the Municipality of Kazimierz Biskupi consisting of plots of lands nos. 148/26, 148,28, and 148/34, for which the District Court in Konin keeps land and mortgage registers with nos. KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272,	2 040 000	PLN	2 040 000	PLN
4. Registered pledge				
4.1. Registered pledge on a group of items of ZE PAK (units Nos. 1-4 in the Państw Power Plant) for the mBANK bank in relation to the credit of PLN 1.2 billion of 13 March 2014	2 040 000	PLN	2 040 000	PLN
4.2. Registered pledge on cash on bank accounts of ZE PAK SA established for the mBank bank in relation to the credit of PLN 1.2 billion of 13 March 2014	2 040 000	PLN	2 040 000	PLN

**Other repayment securities of liabilities**

<i>Kind of liabilities, guarantees, and sureties</i>	<i>30 June 2015 (unaudited)</i>		<i>31 December 2014</i>	
	<i>Amount of security</i>	<i>Currency</i>	<i>Amount of security</i>	<i>Currency</i>
<b>"Elektrownia Państw II" sp. z o.o.</b>				
1. Assignment				
1.1. Assignment from the Framework Electricity Sales Agreement no. TPE/HOU/2009/0082 concluded on 30 April 2009 between EPII and TAURON Polska Energia S.A. including Transaction Agreements for 2014 concluded in 2013	236 716	PLN	142 910	PLN
1.2. Assignment from the Framework Electricity Sales Agreement no. SPOT/127/EPII/Inter Energia/2009 concluded on 9 December 2009 between EPII and Inter Energia S.A. including Transaction Agreements for 2014 concluded in 2013	66 251	PLN	44 752	PLN
1.3. Assignment from the Framework Electricity Sales Agreement no. 41/SPOT/EPII/ ENEA/2008 concluded on 20 August 2008 between EPII and ENEA S.A. including the	-		25 108	PLN

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.



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concluded Transaction Agreements for 2014

1.4. Assignment from the Trilateral Agreement concluded on 2 December 2013 in case of execution of the Transaction Agreement for 2014 no. 63(3) of 16 September 2013 to the Long-term Electricity Sales Agreement no.

23/12/PAK/ENERGA/2013-2015 concluded on 1 August 2012 between ZE PAK and ENERGA-OBRÓT S.A.

- 71 935 PLN

1.5. Assignment from the insurance policy no 908200170145/908200174147 in favour of the mBank SA bank

651 159 EUR 651 159 EUR

**PAK Kopalnia Węgla Brunatnego Konin S.A.**

1. Guarantees

1.1. Guarantee of Bank Przemysłowo Handlowy S.A

4 000 PLN 4 000 PLN

1.3. Guarantee of Bank Przemysłowo Handlowy S.A

4 800 PLN 4 800 PLN

2. Sureties

2.1. Zakład opieki zdrowotnej i Medycy Pracy "MED ALKO" [in Polish: the Health Care and Occupational Medicine Facility "MED ALKO"]

800 PLN 800 PLN

2.2. Surety of the credit in the amount of PLN 1 million for AQUAKON Sp. z o .o.

1 000 PLN 1 000 PLN

2.3. Surety of the credit in the amount of PLN 1 million for Eko-Surowce Sp. z o .o.

1 000 PLN 1 000 PLN

3. Assignments of receivables

3.1. Assignment of receivables 1.6 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (BANK mBANK)

19 200 PLN -

3.2. Assignment of receivables 3 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (BANK mBANK)

36 000 PLN -

3.3. Assignment of receivables 120 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (Bank BPH)

120 000 PLN -

**Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.**

1. Guarantees

1.1. Performance Bond

7 674 PLN 4 350 PLN

1.2. Defect Liability Guarantee

781 EUR 781 EUR

1.3. Defect Liability Guarantee

2 373 PLN 2 229 PLN

1.4. Payment Guarantee

4 PLN 12 PLN

1.5. Advanced Payment Refund Guarantee

765 PLN 1 310 PLN

2. Sureties

2.1. Surety of Pak Serwis for Energoinvest's credit agreement in Bank Millenium

1 125 PLN 1 125 PLN

2.2. Surety of Pak Serwis for Energoinvest's multi-product limit agreement in the BGŻ bank

1 500 PLN 1 500 PLN

**Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL**

**PAK sp. z o.o.**

1. Guarantees

1.1. 1. Proper Performance of the Contract Guarantees

4 936 PLN 5 040 PLN

1.2. 3. Security Payment Guarantee

875 PLN 2 500 PLN

1.3. 2. Receivables Payment Guarantee due to use of fleet cards of PKN ORLEN S.A.

33 PLN 24 PLN

2. Other

2.1. Transfer of title to fixed assets securing the insurance guarantee

702 PLN 702 PLN

**Zespół Elektrowni Państw-Adamów-Konin S.A.**

1. Sureties

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1.1. Surety of ZE PAK for PAK KWB due to the investment credit in the BZ WBK bank in the amount of PLN 32,572 thousand	23 839	PLN	32 572	PLN
1.2. Surety of ZE PAK for PAK KWB Konin due to the overdraft facility in the BZ WBK bank in the amount of 65,000 thousand	65 000	PLN	65 000	PLN
1.3. Surety of ZE PAK for PAK KWB Konin due to the working capital facility in the Millennium bank in the amount of PLN 76,500 thousand	76 500	PLN	76 500	PLN
1.4. Surety of ZE PAK for PAK KWB Adamów due to the overdraft facility in the BZ WBK bank in the amount of PLN 10,000 thousand	10 000	PLN	10 000	PLN
2. Assignment				
2.1. Assignment from the insurance agreement of property of the Pałnów Power Plant and assignment from insurance of the investment entitled "Modernisation of Units 1-4 in the Pałnów Power Plant" due to the credit of PLN 1.2 billion of 13.03.2014 in favour of the mBANK bank	1 200 000	PLN	1 200 000	PLN
2.2. Assignment from electricity sales agreements with ENERGA Obrót, Elektrim-Volt, RWE Polska, ENEA, Tauron, and PSE Operator due to the credit of PLN 1.2 billion of 13.03.2014 in favour of the mBANK bank	1 200 000	PLN	1 200 000	PLN
3. Other				
3.1. Power of attorney to bank accounts of ZE PAK SA in mBANK, PEKAO SA, BGK, PKO BP, and Millennium banks due to the credit of PLN 1.2 billion of 13.03.2014	1 200 000	PLN	1 200 000	PLN
3.2. Power of attorney to the bank account of ZE PAK SA in the PEKAO SA bank due to the overdraft facility in the amount of PLN 80.0 million of 20.12.2005	80 000	PLN	80 000	PLN
3.3. Statement on submission to enforcement due to the credit of PLN 1.2 billion of 13.03.2014	2 040 000	PLN	2 040 000	PLN

### 31. Obtained guarantees and sureties

<i>Kind of liabilities, guarantees and sureties</i>	<i>30 June 2015 (unaudited) Obtained in PLN</i>	<i>30 June 2015 (unaudited) Obtained in EUR</i>	<i>31 December 2014 Obtained in PLN</i>	<i>31 December 2014 Obtained in EUR</i>
<b>"Elektrownia Pałnów II" sp. z o.o.</b>				
1. Guarantees				
1.1. Payment guarantees	10 891	-	7 356	-
1.2. Performance bonds	2 887	-	2 659	-
<b>Energoinwest Serwis sp. z o.o.</b>				
1. Guarantees				
1.1. Performance and retention bonds	799	-	853	-
2. Sureties				
2.1. Surety of the credit agreement in Bank Millennium from PAK Serwis	1 125	-	1 125	-
2.2. Surety of the multi-product limit agreement in Bank BGŻ from PAK Serwis	1 500	-	1 500	-
<b>PAK Kopalnia Węgla Brunatnego Konin S.A.</b>				
1. Sureties				
1.3. Surety of ZE PAK S.A.	76 500	-	76 500	-
1.4. Surety of ZE PAK S.A.	65 000	-	65 000	-
1.5. Surety of ZE PAK S.A.	34 885	-	34 885	-

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**Przedsiębiorstwo Remontowe "PAK  
SERWIS" sp. z o.o.**

1. Bills of exchange				
1.1. In blanco as a security for the guarantee period	-	-	31	-
2. Guarantees				
2.1. Retention Bond (including the validity period starting after 31.12.2014)	1 469	40	1 303	40
2.2. Performance Bond	954	-	906	-

**Przedsiębiorstwo Serwisu Automatyki  
i Urzędzeń EL PAK sp. z o.o.**

1. Guarantees				
1.1. Performance and retention bonds (cash payment)	187	-	167	-
1.2. Performance and retention bonds	2 722	-	3 292	-

**Zespół Elektrowni Państw-Adamów-  
Konin S.A.**

1. Bills of exchange				
1.1. Bills of exchange	27 500	908	27 500	908
2. Guarantees				
2.1. Performance bonds	71 801	351	57 418	351
2.2. Advanced Payment Refund Guarantees	20 737	-	38 665	-
3. Sureties				
3.1. Sureties	211 143*	17 550	211 143*	17 550

\*Sureties in the amount of PLN 211,143 thousand concern the agreement no. 1/2009 of 30 July 2009 with Foster Wheeler Energia Polska sp. z o.o.

## 32. Information about related entities

The following table presents total amounts of transactions with affiliates for a period of 6 months concluded on 30 June 2015 and 30 June 2014:

<i>Related entity</i>		<i>Sales to related entities</i>	<i>Purchase from related entities</i>	<i>Receivables from related entities</i>	<i>Liabilities towards related entities</i>
Elektrim S.A.	2015	-	60	-	-
	2014	-	63	-	3
Megadex Serwis Sp. z o.o.	2015	7	57 437	742	12 838
	2014	6	39 506	-	11 891
Polkomtel Sp. z o.o.	2015	23 629	1 260	9 213	831
	2014	17 804	4 783	6 532	221
Laris Investments Sp. z o.o.	2015	183	536	214	32
	2014	21	482	177	-
<b>Total</b>	<b>2015</b>	<b>23 819</b>	<b>59 293</b>	<b>10 169</b>	<b>13 701</b>
	<b>2014</b>	<b>17 831</b>	<b>44 834</b>	<b>6 709</b>	<b>12 115</b>

### 32.1. Loan granted to a member of the Management Board

Both in the 6-month period concluding on 30 June 2015, and in the one concluded on 30 June 2014, the Parent Company did not grant any loans and similar benefits to members of the management and supervisory authorities.

### 32.2. Other transactions involving members of the Management Board

Both in the 6-month period concluding on 30 June 2015, and in the one concluded on 30 June 2014, there were no transactions with members of the management and supervisory authorities.

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### 32.3. Remuneration of chief executive staff of the Group

#### 32.3.1 Remuneration paid or payable to the members of the Management Board and to the members of the Supervisory Council of the Group

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>
<b>Management Board of the parent company</b>		
Short-term employee benefits	1 653	1 671
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
<b>Supervisory Board of the parent company</b>		
Short-term employee benefits	554	510
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
<b>Management Boards of subsidiaries</b>		
Short-term employee benefits	3 132	3 427
Long-service bonuses	406	47
Post-employment benefits	49	67
Benefits for termination of the contract of employment	11	320
Share-based employee benefits	-	-
<b>Supervisory Board of subsidiaries</b>		
Short-term employee benefits	-	-
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
<b>Total</b>	<b>5 805</b>	<b>6 042</b>

#### 32.3.2. Remuneration paid or entitled to other members of the main management

	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>6 months period ended 30 June 2014 (unaudited)</i>
Short-term employee benefits	8 879	9 057
Long-service bonuses	1 345	91
Post-employment benefits	64	67
Benefits for termination of the contract of employment	-	252
Share-based employee benefits	-	-
<b>Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)</b>	<b>10 288</b>	<b>9 467</b>

### 33. Goals and rules of financial risk management

Apart from derivative instruments, the main financial instruments used by the Group consist of bank credits, loans granted from affiliates and other institutions, funds, and short-term deposits. The main goal of these financial instrument is obtaining funds for the Group's activities. The Group also has other financial instruments, such as receivables and liabilities due to supplies and services created directly within conducted activities.

The Group also concludes transactions with the use of derivative instruments, above all contracts for interest rates change (interest rate swaps). The goal of these transactions is the interest rate risk management arising within the Group's activities, and resulting from resources of financing used by it.

The rule which the Group follows currently and through the whole period included in the statement is non-conducting of the exchange of financial instruments.

Main kinds of risk resulting from financial instruments of the Group include the interest rate risk management, liquidity risk, foreign currency risk, and credit risk. The Management Board verifies and consults rules of the management of any of these kinds of risk – these rules were discussed shortly below. The Group also monitors market price risk regarding all possessed financial instruments.

### **33.1. Interest rate risk**

Exposure of the Group to risk caused by the changes of interest rates mainly concerns long-term financial liabilities.

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

In order to minimise interest rate risk, the Group concludes the contracts for interest rates change (interest rate swaps), within which it agreed to change, within specified time intervals, the difference between the amount of interests calculated according to the fixed and the variable rate of the agreed main amount. The transactions are to protect incurred financial liabilities.

#### ***Interest rate risk – the sensitivity gap***

In the interest rate sensitivity gap analysis, the Group uses yield curve shift by potential possible change of benchmark interest rates during the coming year. For the needs of the interest rate sensitivity gap analysis, average levels of benchmark interest rates in a given year were used. The scale of potential interest rate sensitivity gap was estimated on the basis of volatilities implied of ATMF options for an interest rate quoted on the interbank market for foreign currencies, for which the Group has the exposition to interest rate risk from the balance sheet date.

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Classes of financial instruments	As of 30 June 2015 (unaudited)		Interest rate risk sensitivity study as of 30 June 2015 (unaudited)							
	Carrying amount	Value at risk	WIBOR + 58bp		WIBOR – 58bp		EURIBOR + 22bp		EURIBOR – 22bp	
			Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income
Other financial assets	102 360	99 154	154	-	(154)	-	160	-	(160)	-
Trade and other receivables	295 396	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	225 697	225 697	1 055	-	(1 055)	-	96	-	(96)	-
Interest-bearing loans and borrowings	(1 314 193)	(1 314 193)	(4 439)	-	4 439	-	(1 208)	-	1 208	-
Trade payables and other financial liabilities	(446 317)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(18 976)	(18 976)	-	-	-	-	-	1 478	-	(1 478)
<b>Total</b>	<b>(1 156 033)</b>	<b>(1 008 318)</b>	<b>(3 230)</b>	<b>-</b>	<b>3 230</b>	<b>-</b>	<b>(952)</b>	<b>1 478</b>	<b>952</b>	<b>(1 478)</b>

Classes of financial instruments	As of 30 June 2014 (unaudited)		Interest rate risk sensitivity study as of 30 June 2014 (unaudited)							
	Carrying amount	Value at risk	WIBOR + 49bp		WIBOR – 49bp		EURIBOR + 17bp		EURIBOR – 17bp	
			Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income
Other financial assets	118 768	106 855	167	-	(167)	-	123	-	(123)	-
Trade and other receivables	261 456	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	335 439	335 439	1 125	-	(1 125)	-	180	-	(180)	-
Interest-bearing loans and borrowings	(1 078 011)	(1 078 011)	(2 061)	-	2 061	-	(1 117)	-	1 117	-
Trade payables and other financial liabilities	(372 255)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(25 009)	(25 009)	-	-	-	-	-	1 679	-	(1 679)
<b>Total</b>	<b>(759 612)</b>	<b>(660 726)</b>	<b>(769)</b>	<b>-</b>	<b>769</b>	<b>-</b>	<b>(814)</b>	<b>1 679</b>	<b>814</b>	<b>(1 679)</b>

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### 33.2. Currency risk

The Group is exposed to currency risk due to concluded transactions. Such risk also concerns credit and loan liabilities. The Group does not use derivative instruments protecting from the change of currency rate.

Potential possible changes of currency rates were calculated on the basis of annual volatilities implied of currency options quoted on the interbank market for a given pair of currencies from the balance sheet date.

The Group identifies exposure to EUR/PLN exchange rate changes. The below table presents gross financial results sensitivity for rationally possible to occur exchange rate changes, assuming invariability of other risk factors for these classes of financial instruments exposed to exchange rate change risk.

<i>Classes of financial instruments</i>	<i>As of 30 June 2015 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 30 June 2015 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 7,75% 4,5195</i>	<i>Other comprehensive income</i>	<i>rate EUR/PLN – 7,75% 3,8693</i>	<i>Other comprehensive income</i>
Other financial assets	102 360	72 542	5 622	-	(5 622)	-
Trade and other receivables	295 396	986	76	-	(76)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	225 697	43 801	3 395	-	(3 395)	-
Interest-bearing loans and borrowings	(1 314 193)	(548 865)	(42 537)	-	42 537	-
Trade payables and other financial liabilities	(446 317)	(5 323)	(413)	-	413	-
Derivative financial instruments	(18 976)	-	-	-	-	-
<b>Total</b>	<b>(1 156 033)</b>	<b>(436 859)</b>	<b>(33 857)</b>	<b>-</b>	<b>33 857</b>	<b>-</b>

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<i>Classes of financial instruments</i>	<i>As of 30 June 2014 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 30 June 2014 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 6,575% 4,4345</i>		<i>rate EUR/PLN – 6,575% 3,8873</i>	
			<i>Profit / (loss)</i>	<i>Other comprehensive income</i>	<i>Profit / (loss)</i>	<i>Other comprehensive income</i>
Other financial assets	118 768	72 758	4 784	-	(4 784)	-
Trade and other receivables	261 456	4 166	274	-	(274)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	335 439	105 819	6 958	-	(6 958)	-
Interest-bearing loans and borrowings	(1 078 011)	(657 219)	(43 212)	-	43 212	-
Trade payables and other financial liabilities	(372 255)	(3 263)	(215)	-	215	-
Derivative financial instruments	(25 009)	-	-	-	-	-
<b>Total</b>	<b>(759 614)</b>	<b>(477 739)</b>	<b>(31 411)</b>	<b>-</b>	<b>31 411</b>	<b>-</b>

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### 33.3. Credit risk

Credit risk is a potential credit event, which may be materialised in the form of the following factors: counterpart insolvency, partial repayment of receivables, significant delay in receivables repayment, or other not predicted default on contractual terms.

The Group concludes transactions only with reputable companies of good credit rating. All customer who want to use credit terms, are subject to procedures of initial verification. Moreover, thanks to current monitoring of receivables, exposure of the Group to non-collectible receivables risk is insignificant.

Main recipients of electricity are big energy groups, such as ENERGA S.A., the TAURON Polska Energia S.A. Capital Group, RWE Polska. Transactions concluded on an exchange are settled on a day-to-day basis by the Towarowa Giełda Energii S.A. company, which minimises credit risk.

In relation to other financial assets of the Group, such as funds and their equivalents, financial assets available for sale, and some derivative instruments, the Group's credit risk occurs as a result of incapability to pay by the other party of an agreement, and the maximum exposure to this risk is equal to the balance sheet amount of these instruments.

### 33.4. Liquidity risk

The Group monitors risk to a shortage of funds by means of the tool for periodic planning of liquidity. This tool takes into account maturity dates of both investment and financial assets (e.g. receivables accounts, other financial assets), as well as projected cash flows from operating activities.

The goal of the Group is maintenance of balance between continuity and flexibility of financing through the use of various resources of financing, such as overdraft facilities, bank credits, debentures, preferred shares, financial lease agreements, and lease agreements with the purchase option.

The table below presents financial liabilities of the Group as of 30 June 2015 and 31 December 2014 according to the maturity date based on contractual non-discounted payments.

<i>30 June 2015 (unaudited)</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	193 387	167 835	818 105	250 436	1 429 762
Trade payables and other financial liabilities	181 035	171 216	93 990	76	446 317
Derivative financial instruments	2 127	5 731	11 948	-	19 806
<b>Total</b>	<b>367 549</b>	<b>354 782</b>	<b>924 043</b>	<b>250 512</b>	<b>1 895 885</b>
<i>31 December 2014</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	180 585	171 088	789 537	184 951	1 326 161
Trade payables and other financial liabilities	288 338	66 864	103 671	71	458 944
Derivative financial instruments	2 416	6 479	15 899	-	24 794
<b>Total</b>	<b>471 339</b>	<b>244 431</b>	<b>909 107</b>	<b>185 022</b>	<b>1 809 899</b>

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Derivative instruments indicated in above tables were presented in gross values of non-discounted payments. However, these contracts can be settled either in gross values, or net amounts. The tables shown below present agreements of these values to balance sheet values of derivative instruments:

<i>30 June 2015 (unaudited)</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Inflows	-	1	21	789	-	811
Outflows	-	2 127	5 731	11 948	-	19 806
Net amount	-	(2 126)	(5 710)	(11 159)	-	(18 995)
<b>Discounted using appropriate</b>	<b>-</b>	<b>(2 125)</b>	<b>(5 711)</b>	<b>(11 140)</b>	<b>-</b>	<b>(18 976)</b>
<i>31 December 2014</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Inflows	-	64	145	807	-	1 016
Outflows	-	2 416	6 479	15 899	-	24 794
Net amount	-	(2 352)	(6 334)	(15 092)	-	(23 778)
<b>Discounted using appropriate</b>	<b>-</b>	<b>(2 352)</b>	<b>(6 332)</b>	<b>(15 059)</b>	<b>-</b>	<b>(23 743)</b>

## 34. Financial instruments

### 34.1. Fair values of particular classes of financial instruments

The tables shown below present a comparison between balance sheet values and fair values of all financial instruments of the Group, divided into particular classes and categories of assets and liabilities.

	Category according to IAS 39	Carrying amount		Fair value		Level of the fair value hierarchy for needs of disclosures
		30 June 2015 (unaudited)	31 December 2015	30 June 2015 (unaudited)	31 December 2015	
<b>Financial assets</b>						
Other financial assets	LaR	102 360	107 339	102 360	107 339	2
Trade receivables and other receivables	LaR	295 396	253 977	295 396	253 977	2
Derivative financial instruments	FVtPoL	-	-	-	-	2
Cash and cash equivalents	FAHtM	225 697	356 120	225 697	356 120	1
<b>Financial liabilities</b>						
Interest-bearing bank credits and loans, including:	FLaAC	1 314 193	1 215 774	1 314 193	1 215 774	3
– long-term ones interested according to a variable rate	FLaAC	956 294	867 221	956 294	867 221	
– short-term ones interested according to a variable rate	FLaAC	357 899	348 553	357 899	348 553	
Liabilities due to supplies and services and other financial liabilities	FLaAC	446 317	458 944	446 317	458 944	2
Derivative financial instruments	FVtPoL	18 976	23 743	18 976	23 743	2

Abbreviations used:

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

Accounting principles (policies) and additional explanatory notes to the consolidated financial statement are its integral part.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report  
for the period of 6 months ended 30 June 2015  
(in thousands of zlotys)*

As of 30 June 2015 and 31 December 2014, the Group had following financial instruments evaluated in the fair value:

	<i>30 June 2015 (unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	18 976	-
	<i>31 December 2014</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	23 743	-

In the 6-month period concluded on 30 June 2015 and the one concluded on 31 December 2014, there we no shifts between the level 1 and the level 2 of the fair value hierarchy, and none of instruments was shifted to the level 3 of the fair value hierarchy.

### 34.2. Interest rate risk

The below table presents the interest rate gap constituting the Group's exposure to interest rate risk and concentration of this risk divided into currencies and kind of interest rate taking into account effect of protection transactions Interest Rate Swap exchanging stream of cash interest payments based on the variable EURIBOR rate for the fixed rate in EUR.

	<i>Type of interest rate</i>	<i>Carrying amount as of 30 June 2015 (unaudited)</i>	<i>Carrying amount as of 31 December 2014</i>
Financial assets at interest rate risk – PLN	Fixed	-	-
	Variable	208 509	311 992
Financial assets at interest rate risk – Other currencies	Fixed	-	-
	Variable	116 343	146 987
Financial liabilities at interest rate risk – PLN	Fixed	-	-
	Variable	765 329	599 077
Financial liabilities at interest rate risk – Other currencies	Fixed	274 729	308 714
	Variable	274 136	307 982
Net exposure – PLN	Fixed	-	-
	Variable	(556 820)	(287 085)
Net exposure – Other currencies	Fixed	(274 729)	(308 714)
	Variable	(157 793)	(160 995)

Interest rate of financial instrument of variable interest rate is updated in periods shorter than one year. Interests on financial instruments of fixed interest rate are fixed through the whole period to the date of maturity of these instruments. Other financial instruments of the Group not included in above tables are not subject to interest and they are not subject to interest rate risk.

#### 34.2.1 Hedging

The Group secures interest rate risk related to the incurred corporate credit denominated in EUR of variable interest rate based on the EURIBOR 3M benchmark interest rate using derivative transactions. The instrument securing exposure to interest risk rate is the Interest Rate Swap transaction, within which the Groups exchanges stream of cash interest payments based on the variable EURIBOR 3M rate for payments of fixed interest rate at 3.1050%. The Groups indicates designated derivative instruments as protecting instruments in the model of cash flow security, and includes them in accordance with protections accounting rules.

In the tables shown below, basic parameters of derivative transaction indicates as security instruments, including periods, when cash flows due to cash flow securities and when they will influence the financial result, as well as their fair value in PLN as of 30 June 2015 and 31 December 2014 are presented.

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<i>Instrument type</i>	<i>Nominal value in the transaction currency [EUR]*</i>	<i>Fair value in PLN</i>	<i>Expected duration of hedged item's realisation</i>
	<i>30 June 2015 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>
IRS transaction	65 499	(18 976)	in quarterly periods, in January, April, July, and October each year, until the date of maturity of IRS, i.e. July 2019

*\* the nominal values depreciated in accordance with the credit repayment schedule*

<i>Instrument type</i>	<i>Nominal value in the transaction currency [EUR]*</i>	<i>Fair value in PLN</i>	<i>Expected duration of hedged item's realisation</i>
	<i>31 December 2014</i>	<i>31 December 2014</i>	<i>31 December 2014</i>
IRS transaction	72 429	(23 743)	in quarterly periods, in January, April, July, and October each year, until the date of maturity of IRS, i.e. July 2019

*\* the nominal values depreciated in accordance with the credit repayment schedule*

The change in the fair value of cash flow securities transferred onto the equity is presented below:

	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Opening balance	(21 902)	(23 248)
Effective part of profits / losses on a security instrument	1 263	(8 059)
Amounts charged to the income statement, including:	(3 322)	(9 405)
– adjustment of costs of interest	(3 322)	(9 405)
– adjustment under ineffective hedging	-	-
Closing balance	<u>(17 317)</u>	<u>(21 902)</u>
Deferred tax assets – recognized in the revaluation reserve	<u>3 290</u>	<u>4 161</u>
Closing balance including deferred tax	<u>(14 027)</u>	<u>(17 741)</u>

### 35. Capital management

The main goal of the management of the Group's capital is maintenance of good credit rating and safe equity ratios, which would support the Group's operating activities and increase the values for its shareholders.

The Group manages the capital structure, and as a result of changes of economic conditions, introduces amendments to it. In the 6-month period concluded on 30 June 2015 and the year concluded on 31 December 2014, there were no introduced amendments to goals, rules and processes applying in this area.

The Group monitors the balance of its capitals using the leverage ratio, which is calculated as a relation of net debt to the sum of capitals enlarged with net debt. The Group's principles state that this rate was within the range of 20-60%. The Group includes interest bank credits and loans, liabilities due to supplies and services,

and other liabilities, decreased by the cash and cash equivalents in the net debt. The capital includes the equity decreased by reserve capitals due to unrealised net profits.

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	<i>30 June 2015 (unaudited)</i>	<i>31 December 2014</i>
Interest-bearing credits and loans	1 314 193	1 215 774
Derivative financial instruments (liabilities)	18 976	23 743
Trade liabilities and other financial liabilities	446 317	458 944
Minus cash and its equivalents	225 697	356 120
Net debt	<u>1 553 789</u>	<u>1 342 341</u>
Equity	3 776 495	3 819 717
Capitals from revaluation of security instruments	(14 027)	(17 741)
Total capital	<u>3 790 522</u>	<u>3 837 458</u>
<b>Net capital and debt</b>	<b><u>5 344 311</u></b>	<b><u>5 179 799</u></b>
<b>Leverage ratio</b>	<b>29,07%</b>	<b>25,91%</b>

### 36. Events after the balance sheet date

#### *Redemption of employee shares programme*

On 28 August 2015, ZE PAK S.A. acquired the additional number of 499,062 shares of PAK KWB Konin S.A. The subject shares were acquired within the programme of redemption of the employee shares, which in accordance with the act on commercialisation and privatisation were entitled to eligible employees of this company.

The PAK KWB Konin S.A. shares acquired on 28 August, as well as the shares acquired under the previous tranche obtained on 30 June 2015 on the day of drawing up and publication of the report, i.e. on 31 August 2015, they will not be entered in the KWB Konin share register. The entry of the two tranches will occur after the date of the drawing up and publication of the report.

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

**MANAGEMENT BOARD'S REPORT ON ZE PAK CAPITAL GROUP  
OPERATIONS FOR THE I HALF OF 2015**

*This is a translation of the document issued originally in Polish language.  
The Polish original should be referred to in matters of interpretation.*

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## 1. SELECTED FINANCIAL DATA

	<i>PLN thousand</i> <i>6 months of 2015</i> <i>period</i> <i>from 01.01.2015</i> <i>to 30.06.2015</i>	<i>PLN thousand</i> <i>6 months of 2014</i> <i>period</i> <i>from 01.01.2014</i> <i>to 30.06.2014</i>	<i>EUR thousand</i> <i>6 months of 2015</i> <i>period</i> <i>from 01.01.2015</i> <i>to 30.06.2015</i>	<i>EUR thousand</i> <i>6 months of 2014</i> <i>period</i> <i>from 01.01.2014</i> <i>to 30.06.2014</i>
Sales revenue	1 507 522	1 344 757	364 655	321 835
Operating profit/loss	33 657	130 029	8 141	31 119
Profit/Loss before tax	19 314	111 761	4 672	26 747
Net profit/loss for the period	15 419	91 705	3 730	21 947
Net profit attributable to equity holders of the parent	15 103	86 793	3 653	20 772
Total comprehensive income	17 844	88 311	4 316	21 135
Net cash flow from operating activities	59 050	180 448	14 284	43 186
Net cash flow from investing activities	(268 088)	(282 295)	(64 848)	(67 561)
Net cash flow from financing activities	78 454	6 429	18 977	1 539
Net increase / (decrease) in cash and cash equivalents	(130 584)	(95 418)	(31 587)	(22 836)
Net profit per share (in PLN/EUR per share)	0,30	1,71	0,07	0,41
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

	<i>PLN thousand</i> <i>as of</i> <i>30.06.2015</i>	<i>PLN thousand</i> <i>as of</i> <i>31.12.2014</i>	<i>EUR thousand</i> <i>as of</i> <i>30.06.2015</i>	<i>EUR thousand</i> <i>as of</i> <i>31.12.2014</i>
Total assets	6 764 225	6 867 688	1 612 680	1 611 263
Non-current assets	5 635 749	5 685 991	1 343 637	1 334 019
Current assets	1 128 476	1 181 697	269 043	277 244
Total equity	3 776 495	3 819 717	900 366	896 163
Share capital	101 647	101 647	24 234	23 848
Share capital attributable to equity holders of the parent	3 776 495	3 819 717	900 366	896 163
Total liabilities	2 987 730	3 047 971	712 314	715 100
Non-current liabilities	1 885 402	1 841 869	449 505	432 130
Current liabilities	1 102 328	1 206 102	262 809	282 970
Book value per share (in PLN/EUR per share)	74,31	75,16	17,72	17,63
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

*Above financial data were converted into EUR according to the following exchange rates:*

- *particular items of statement of comprehensive income (Profit & loss account) and statement of cash flows (Cash flow) – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period starting from 1 January 2015 to 30 June 2015, which is 4,1341 EUR/PLN and starting from 1 January 2014 to 30 June 2014, which is 4,1784 EUR/PLN;*
- *particular items of the Statement of financial position (Balance sheet) according to average EUR/PLN exchange rate published by the National Bank of Poland as of 30 June 2015, which is 4,1944 EUR/PLN and as of 31 December 2014, which is 4,2623 EUR/PLN.*

## 2. DESCRIPTION OF THE GROUP

### 2.1. Basic information

As at 30 June 2015 the ZE PAK Capital Group (hereinafter referred to as the Group, ZE PAK Capital Group or GK ZE PAK) is composed of a dominant entity Zespół Elektrowni Pątnów-Adamów-Konin S.A. and fourteen subsidiaries i.e. Elektrownia Pątnów II Sp. z o.o. (hereinafter referred to as the EPII), PAK Volt S.A., PAK Kopalnia Węgla Brunatnego Adamów S.A. (hereinafter referred to as the PAK KWBA S.A.), PAK Kopalnia Węgla Brunatnego Konin S.A. (hereinafter referred to as the PAK KWBK S.A.), Przedsiębiorstwo Remontowe PAK Serwis Sp. z o.o. (hereinafter referred to as the PAK Serwis Sp. z o.o.), Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych EL PAK Sp. z o.o. (hereinafter referred to as the EL PAK Sp. z o.o.), EL PAK Serwis Sp. z o.o., Ochrona Osób i Mienia ASEKURACJA Sp. z o.o. in liquidation, Aquakon Sp. z o.o., Eko-Surowce Sp. z o.o., Energoinwest Serwis Sp. z o.o., PAK Górnictwo Sp. z o.o., PAK Holdco Sp. z o.o., PAK Infrastruktura Sp. z o.o. All companies belonging to the Group are seated in Poland. Consolidation covers all the above-mentioned companies and the effect of consolidation of one subsidiary of PAK KWBK S.A. (Ochrona Osób i Mienia Asekuracja Sp. z o.o. in liquidation) is not significant for the result of the Capital Group.

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

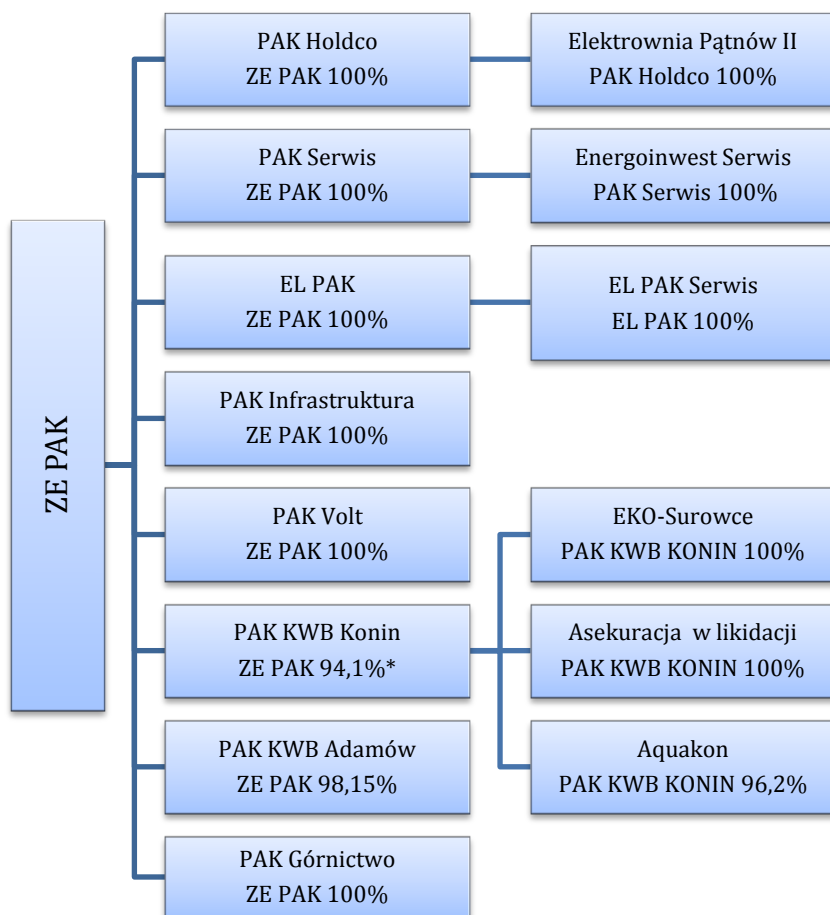
The production facilities of the Group include four lignite-fired power plants located in the central part of Poland in the Wielkopolskie voivodship. These are the Pątnów II Power Plant which is equipped with a supercritical power unit, Pątnów I Power Plant, Adamów Power Plant and Konin Power Plant equipped additionally with 55 MW power unit with biomass fired boiler. Total achievable gross power output of the production facilities of the Group was 2462 MWe as of 30 June 2015.

The Group's mining assets are concentrated in three companies. (1) The PAK KWBK, which currently operates on Józwin, Tomisławice and Drzewce open casts, (2) the PAK KWBA, which operates on Adamów and Koźmin open casts as well as (3) PAK Górnictwo S.A. which executes works related to search and identification of lignite deposits in the areas of Poniec-Krobia and Oczkowice in the southern Wielkopolskie Province.

Majority of the Group's sales revenue is derived from sale of electricity (both generated within the Group and purchased for resale) and revenue from energy certificates. This is supplemented by revenues from sale of heat and from construction contracts. An additional sales revenue, which depends on the level of electricity prices on the market as well as the volume of generated electricity, is revenue from termination of long-term contracts for sale of electricity (Power Purchase Agreements), generated by Elektrownia Pątnów II Sp. z o.o. ZE PAK S.A., by purchasing lignite mines, provided the Group with an access to continuous supplies of lignite for its own power plants located in the direct vicinity of mines. The vertically integrated Group allows for optimization of lignite inventories and supplies while coordinating lignite extraction with its requirements for this fuel. The requirements for biomass are satisfied by the supplier of this raw material.

## 2.2. Structure

Picture 1: Structure of the Group as at 30 June 2015



\* As at 30 June 2015 ZE PAK S.A. share in capital of PAK KWBK S.A. presented in share book is 85%, and not includes shares acquired from employees.

Table 1: Listing of the Group companies (without ZE PAK S.A.)

Entity	Registered office	Scope of activity	Percentage of capital held by the Group as of:	
			30.06.2015	31.12.2014
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%	100,00%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń „EL PAK” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services related to industrial automatics and electric appliances maintenance	100,00%	100,00%
„Elektrownia Pątnów II” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electric energy production and distribution from the new 464 MW power unit	100,00%*	100,00%*
„PAK – HOLDCO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100,00%	100,00%
„PAK Infrastruktura” sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100,00%	100,00%
„PAK Centrum Usług Informatycznych” sp. z o.o. w likwidacji	62-510 Konin ul. Kazimierska 45	IT services	-	100,00%

„PAK Centrum Badań Jakości” sp. z o.o. w likwidacji	62-510 Konin ul. Przemysłowa 158	Research and chemical analysis	-	100,00%
„PAK GÓRNICTWO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Lignite extraction	100,00%	100,00%
Energoinwest Serwis sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	100,00%*	100,00%*
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	94,1%**	85,00%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite extraction	98,15%	85,00%
Ochrona Osób i Mienia „ASEKURACJA” sp. z o.o. w likwidacji	62-540 Kleczew ul. 600-lecia 9	Security guard services relating to people and property	94,1%*	85%*
„Aquakon” sp. z o.o.	62-610 Sompolno Police	Mechanical services, repairs, reclamation of land, production and trade of mineral water	90,5%*	81,8%*
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	vulcanization services, sale of lignite	94,1%*	85%*
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Preparation for construction of wind farms, generation of electricity	-	42,5%*
PAK-Volt S.A.	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
EL PAK Serwis sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of electric equipment, repair and maintenance of machines.	100,00%*	100,00%*
Centrum Zdrowia i Relaksu „Verano” sp. z o.o.	78-100 Kołobrzeg ul. Sikorskiego 8	SPA services	23,53%*	21,25%*

\* indirect share via companies from ZE PAK Group.

\*\* As at 30 June 2015 ZE PAK S.A. share in capital of PAK KWBK S.A. presented in share book is 85%, and not includes shares acquired from employees.

### 2.3. Composition of the Management Board

The Management Board of ZE PAK S.A. as at the day of submission of the report, included the following members:

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

In I half of 2015 there were no changes in the Management Board of the parent company.

### 2.4. Description of changes within the Group's structure during the period covered by the report

In the first half of 2015, the following changes were made to the ZE PAK Capital Group's structure:

- On 29 January 2015, the liquidation process of the PAK CUI Sp. z o. o. company was ended with the adoption of the liquidation report of the Extraordinary Shareholders' Meeting. As of the date of submission of this report, the company was deleted from the National Court Register. PAK CUI Sp. z o.o. provided the IT services, the company's employees were transferred according to § 231 of the Labor Code to the ZE PAK S.A. structures.
- On 29 January 2015, the liquidation process of the PAK CBJ Sp. z o. o. company was ended with the adoption of the liquidation report of the Extraordinary Shareholders' Meeting. As of the date of submission of this report, the company was deleted from the National Court Register. PAK CUI Sp. z o.o. provided the services in terms of the performed research, analyses as well as physic and chemical measurements, the

company's employees were transferred according to § 231 of the Labor Code to the ZE PAK S.A. structures.

- On 29 January 2015, PAK KWBK S.A. sold all shares in KWE Sp. z o.o. in liquidation for the entity from outside the Capital Group. KWE Sp. z o.o. was formed with the participation of PAK KWB Konin S.A. in the period prior to the acquisition of the mine's shares by ZE PAK S.A. The purpose of appointing KWE Sp. z o.o. was the execution of the joint venture project involving the construction of a wind farm with the use of, among others, the excavated areas intended for reclamation.
- In accordance with the provisions of the agreement of acquisition from the State Treasury 85% of the shares of PAK KWBK S.A. and PAK KWBA S.A. of 2012, the Company obliged to the redemption of the remaining 15% of shares, which, in accordance with the Act on the commercialisation and privatisation, were granted to the entitled employees of both companies. On 18 March 2015, the Company launched the programme related to the redemption of employee shares. Until 30 June, the Company, by the redemption of shares, increased its share in the PAK KWB Adamów SA initial capital to 98.15%, and in PAK KWB Konin SA to 94.1%, while in case of PAK KWB Konin SA, as of 30 June 2015, any changes of the entry in the company share register were performed.

### **3. SIGNIFICANT EVENTS AFFECTING THE GROUP'S ACTIVITY**

#### **3.1. Significant achievements and failures during the period covered by the report**

##### **Short description of the achieved financial results**

Sales revenues in the first half of 2015 years amounted to PLN 1,507,522 thousand and in comparison with the ones achieved in the first half of 2014 increased by PLN 162,765 thousand, i.e. by 12.10%.

In the analysed first half of the year, in comparison to the analogous first half of the previous year, the Group's electricity sale increased from 6.70 to 7.19 TWh, i.e. by 7.36%. At the same time, the average achieved price of the electricity sale increased to 175.71 PLN/MWh, i.e. by 6.71%. Both of the above mentioned factors resulted in the increase of the revenues of the electricity sales by PLN 160,705 thousand, i.e. 14.56%.

The growth of the electricity sales was the effect of the increased electricity sales from the market, which increased from 1.51 TWh to 2.44 TWh. The sales of electricity from its own production decreased from 5.19 TWh to 4.75 TWh. The lower electricity production derived from the weather conditions that we observed during the analysed period (among others, the large generation of wind power plants), which resulted in the reduction of the generating units that belong to the Group, by OSP.

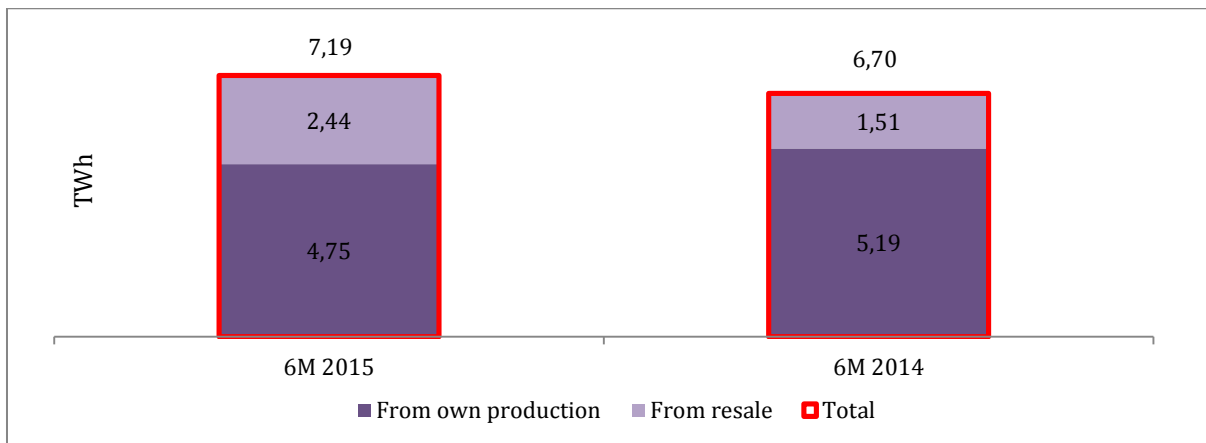
In the first half of 2015, revenues from selling energy certificates of origin decreased by PLN 6,862 thousand, i.e. by 19.87% in relation to the first half of the year. The decrease in revenues was caused by the lower price, which decreased from 214.89 PLN/MWh in the first half of 2014 to 129.53 PLN/MWh in the first half of 2015. The decrease in revenues from the price of certificates was partly compensated by their higher production of 0.04 TWh.

The increase of the CO<sub>2</sub> allowance prices caused that despite the increase in the electricity prices in the first half of 2015, the compensation for the termination of long-term contracts for the Pątnów II Power Plant was higher by PLN 7,167 thousand, i.e. by 8.73% in comparison with the compensation obtained in the first half of 2014.

Revenues from contracts for construction services in the first half of 2015 increased by PLN 10,943 thousand, i.e. by 15.58% in relation to the revenues achieved in the analogous first half of the previous year. The greater involvement in the Pątnów I Power Plant modernisation influenced the obtained level of revenues.

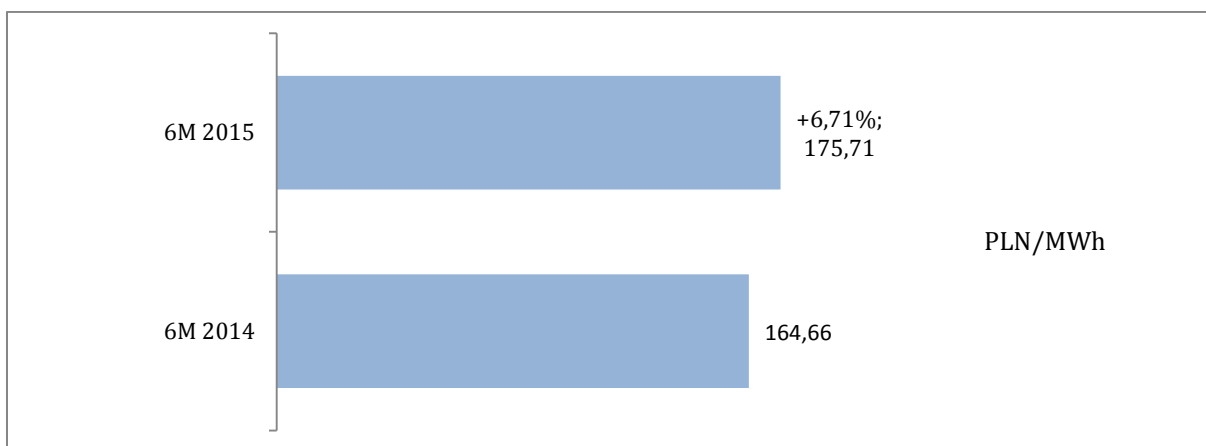
The revenues from the sale of heat in the analysed first half of 2015 were higher than those achieved in the first half of the previous year by PLN 2,366 thousand, i.e. 7.86% due to the executed greater production and higher price.

Chart 1: Sale of electricity



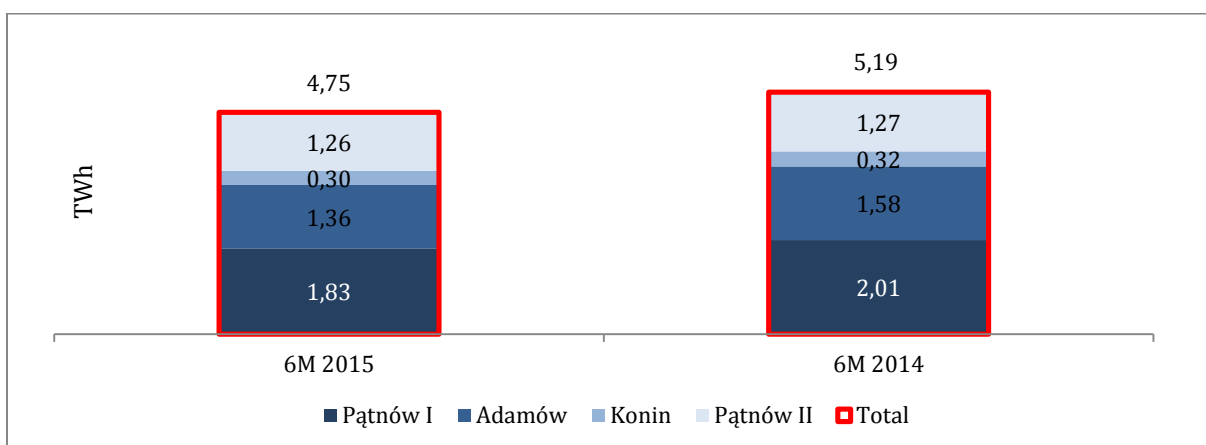
Source: own data

Chart 2: Average electricity sale prices



Source: own data

Chart 3: Net production of electricity



Source: own data

Table 2: Specification of consolidated sales revenue

	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2015</i>	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2014</i>	<i>PLN thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Electricity (decreased by excise tax)	831 308	852 233	(20 925)	(2,46)
Electricity resold from the market	432 811	251 181	181 630	72,31
Energy certificates of origin	27 683	34 546	(6 863)	(19,87)
Construction contracts	81 163	70 220	10 943	15,58
Compensation related to LTC termination	89 242	82 075	7 167	8,73
Heat	33 174	30 808	2 366	7,68
Other	12 141	23 694	(11 553)	(48,76)
<b>Total sales revenues</b>	<b>1 507 522</b>	<b>1 344 757</b>	<b>162 765</b>	<b>12,10</b>

Table 3: Selected items from the consolidated profit and loss account and the consolidated comprehensive income statement

	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2015</i>	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2014</i>	<i>PLN thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
<b>Sales revenues</b>	<b>1 507 522</b>	<b>1 344 757</b>	<b>162 765</b>	<b>12,10</b>
Cost of goods sold	(1 423 732)	(1 141 351)	(282 381)	24,74
Gross profit (loss) on sales	83 790	203 406	(119 616)	(58,81)
Other operating income	11 392	11 123	269	2,42
Selling and distribution expenses	(1 924)	(1 681)	(243)	14,46
Administrative expenses	(56 858)	(72 429)	15 571	(21,50)
Other operating expenses	(2 743)	(10 390)	7 647	(73,60)
<b>Profit (loss) on operating activities*</b>	<b>33 657</b>	<b>130 029</b>	<b>(96 372)</b>	<b>(74,12)</b>
Finance income	11 618	8 987	2 631	29,28
Finance costs	(25 961)	(27 255)	1 294	(4,75)
<b>Gross profit (loss)</b>	<b>19 314</b>	<b>111 761</b>	<b>(92 447)</b>	<b>(82,72)</b>
Income tax (taxation)	(3 895)	(20 056)	16 161	(80,58)
<b>Net profit (loss)</b>	<b>15 419</b>	<b>91 705</b>	<b>(76 286)</b>	<b>(83,19)</b>
Net other comprehensive income	2 425	(3 394)	5 819	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>17 844</b>	<b>88 311</b>	<b>(70 467)</b>	<b>(79,79)</b>
<b>EBITDA*</b>	<b>223 407</b>	<b>310 109</b>	<b>(86 702)</b>	<b>(27,96)</b>

\* The Company defines and calculates EBITDA as gross profit/(loss) on operating activities (calculated as net profit/(loss) adjusted by (i) income tax (taxation), (ii) financial income and (iii) financial costs) adjusted by depreciation (presented in the income statement) and write-offs of fixed assets, intangible assets and mining assets.

Table 4: Consolidated cost by type

	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2015</i>	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June</i> <i>2014</i>	<i>PLN thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Depreciation and amortization	189 750	180 443	9 307	5,16
Impairment of fixed assets	-	(363)	363	(100,00)
Impairment of inventory	43 711	1 674	42 037	2 511,17
Materials	225 533	212 549	12 984	6,11
External services	55 713	106 399	(50 686)	(47,64)
Taxes and fees excluding excise tax	83 391	85 516	(2 125)	(2,48)
Costs of CO <sub>2</sub> emission	158 456	87 283	71 173	81,54
Employee benefits	300 866	268 540	32 326	12,04
Other costs by type	22 968	17 535	5 433	30,98
Cost of goods for resale and raw materials sold and resale of electricity purchased from the market	422 764	242 757	180 007	74,15
<b>Total costs by type</b>	<b>1 503 152</b>	<b>1 202 333</b>	<b>300 819</b>	<b>25,02</b>

Cost of goods sold in the first half of 2015 amounted to PLN 1,423,732 thousand and in relation to the one incurred

in the first half of 2014 increased by PLN 282,381 thousand, i.e. 24.74%. The increase in the cost of goods sold was mostly influenced higher by PLN 71,173 thousand, i.e. by 81.54%, CO<sub>2</sub> emission costs, as a result of purchasing a greater amount of the emission allowances than last year, and the higher price of their purchase, the created impairment write-down of PLN 43,711 thousand, for the revaluation of inventories of green certificates due to the decrease in their market prices as well as the higher by PLN 180,007 thousand value of sold goods and materials, and sold energy purchased in trade.

Other operating income in the first half of 2015 years amounted to PLN 11,392 thousand and they were higher by PLN 269 thousand than those achieved in the same period of the last year.

Selling and distribution expenses in the first half of 2015 amounted to PLN 1,924 thousand and they were higher by PLN 243 thousand than those incurred in the same period of the last year.

Administrative expenses in the first half of 2015 amounted to PLN 56,858 thousand and they are lower than the ones incurred in the same period of the last year by PLN 15,571 thousand.

Other operating expenses in the reporting half of the year amounted to PLN 2,743 thousand and they decreased in relation to the first half of the previous year by PLN 7,647 thousand.

In the first half of 2015, the ZE PAK Group obtained a profit on the operating activity of PLN 33,657 thousand.

As in the first half of the previous year, a negative result in the financial activity, which amounted to PLN 14,343 thousand that is better by PLN 3,925 thousand, which is largely the result of lower interest costs and positive foreign exchange differences, influenced the achieved results.

Gross profit in the first half of 2015 amounted to PLN 19,314 thousand. In relation to the one obtained in the same period of the previous year decreased by PLN 92,447 thousand, i.e. 82.72%.

Net profit generated by the Group amounted to PLN 15,419 thousand. In relation to the previous year, it decreased by PLN 76,286 thousand, i.e. 83.19%.



## **The description of factors and events, especially unusual events, substantially affecting the assets, liabilities, capital, net financial result or cash flows.**

ZE PAK S.A., in the "inventories" balance sheet item, recognises, among others, the asset in the form of the generated and unsold energy certificates of origin, the so-called "green certificates". At the end of June 2015, inventories of green certificates constituted the equivalent of the production of 1,094,780 MWh of energy from RES. In accordance with a significant decrease of the certificate prices, also the valuation of the held by the Company certificates of origin. As a result of the revaluation, the Company decided to make the impairment write-down against inventories of the green certificates in the amount of PLN 43,753 thousand. The price, to which the value of one certificate amounted to PLN 106.51 was overestimated.

## **Execution of the investment programme**

In the period from 1 January to 30 June 2015, the investment expenses in the ZE PAK Capital Group along with the renovation components amounted to PLN 226,622 thousand. The investment tasks executed in this period mostly regarded the generation segment.

The investment tasks currently executed and planned in the Group are focused on four most important areas:

1. Continuation of the final stage of the modernisation process of units 1-4 in the Pańków I Power Plant, including the execution of investment tasks, among others, related to the construction of the nitrogen oxide (NO<sub>x</sub>) emission reducing system (in order to reduce the NO<sub>x</sub> emission to the projected level of 0.74 kg/MWh after 2015) as well as those crucial for the operation of the units (including, among others, carbonisation and cooling systems) in order to improve the safety and operation of electricity production to the projected level of 37.5% after 2015, and the decrease of CO<sub>2</sub> emissions to the projected level of 1.05 Mg/MWh after 2015.

In the first half of 2015, modernisation works on units No. 1 and 2 in the Pańków Power Plant were continued. On both units, the works were executed in accordance with the signed schedules with annexes to the contracts, in which the key deadlines of completion of tasks were specified:

- commissioning of the unit no 1 - 31 August 2015
- commissioning of the unit no 2 - 22 December 2015.

The basic modernisation works were completed on the unit No. 1. On 20 May 2015, the first passing of steam from the boiler to the turbine. The first synchronisation of the unit No. 1 of the Public Power System (PPS) was executed on 26 May 2015. They were two very important "milestones" of modernisation of the unit No. 1. From that moment, testing various technological systems, which are part of the range of the adjustment operation of the unit, was started. The adjustment of the combustion process in the combustion chamber, among others, was executed. Tests of the automatic adjustment of each system were conducted. The generator heating test was conducted, the electric power of the turbo set, which is close to the nominal value of 220 MWe, was achieved. The correct operation of individual automatic adjustment systems during alternate deceleration and acceleration mode of the turbine operation within the load of 150 – 190 MWe. Master regulators of the boiler and turbine were included in the coordinated operation mode. The tests of "hot" distribution on the secondary air system were completed.

The assembly of the boiler pressure part of the primary and secondary circuits of the boiler in the entire range. The internal pressure test of the primary circuit, with the participation of the Office of Technical Inspection, was executed. The works connected with thermal insulation of the boiler and other boiler systems are continued. In the scope of the turbine No. 2, the activities on the LP (low-pressure) once-through part of the boiler were completed. Final mechanical works that concern start up the condensing steam turbine auxiliaries are in progress.

The course of the modernisation works on both units does not threaten meeting the deadlines of units commissioning.

The original investment schedule assumed that with the acceptance of the unit 1 to operation, the investment tasks in the unit 3 will start (analogous with the acceptance to operation of the unit 2, the investment tasks of the unit 4 was to be started). The Company's investment programme was developed in the market conditions which are different from the ones currently occurring in the energy market, and in particular in the sector of the electricity producers. The change of the economic and legal conditions, including the decrease in the profitability of production in coal-fired power plants, currently justifies a re-analysis of the effectiveness of the investment tasks planned for the units No. 3 and 4. It should take into account, in particular, the current

and expected economic, legal and technical conditions, including the assessment of viability of incurring the investment expenses related to the requirements concerning the BAT conclusions, which will be announced within the framework of the IED.

Considering the above fact, the decision on starting the investment works in the units 3 and 4 will be made after conducting the re-analysis of economic assumptions for these units.

The Company is closely monitoring all reports of potential legislative and legal changes related to the energy market. Having regard to the difficult situation in all Polish professional power plants as well as the government assurances, URE (Energy Regulatory Office) and PSE S.A. can hope that the essential decisions which improve the economic condition of conventional power plants in a short- and long-term basis, should be reached soon. The legal solutions, which would permanently influence the shape of the future energy market (relatively the power market), can play an important role in assessing the planned investments.

2. Preparations for execution of the investment involving the start-up of a high-efficiency electricity and heat production facility by way of construction of a gas and steam unit with a capacity of approx. 120 MWe and approx. 90 MWt as well as a gas-fired peak load boiler with a capacity of approx. 40 MWt (dedicated to the supply of heat for the city of Konin), the commissioning of which is initially planned for 2018. The execution of this investment would allow replacing the lignite-fire units in the Konin Power Plant and obtaining additional revenues from the sale of yellow certificates.

In the last half of the year, the procedure of selecting the contractor of the investment task was initiated, and it was called: "The 'turnkey' construction of the gas-steam unit with the peak-load boiler house in the Konin Power Plant and provision of service of the steam turbine generators" was also initiated.

After completion of the first stage of the procedure, i.e. pre-qualification, invitations with the request to prepare a pricing for execution of this task were sent to selected entities. In the second quarter of 2015, bidders were provided with answers to the asked questions. The answers clarified the relevant details of the terms of reference.

The efforts to obtain a building permit for construction of a gas transmission pipeline to the Konin Power Plant are also continued.

Deliberations are also conducted with financial institutions in order to ensure external financing for the planned investment.

3. The identification works in the area of the brown coal deposit of Poniec-Krobia and Oczkowice are continued pursuant to the license No. 10/2011/p of 11 May 2011 granted for the period of 5 years.

In 2014, PAK Górnictwo Sp. z o.o. preceded to the development of geological data obtained from the drilling works executed so far and the purchased archive information. This resulted in the preparation of Appendix No. 1 to the geological documentation of the lignite deposit in Oczkowice. The Minister of the Environment, by the decision of 17 December 2014, approved this appendix to the documentation. The above decision approving the appendix no. 1 to the documentation of the Oczkowice deposit became final on 2 January 2015.

In the first quarter of 2015, PAK Górnictwo Sp. z o. o., based on the approved geological documentation of the deposit, proceeded to activities related to the development of technical and economic assumptions aimed at assessment of the economic evaluation of the profitability of the Oczkowice deposit exploitation and being a basis for further decisions in this regard in the future. The obtained, in the course of concession works, geological samples started to be transferred to the Central Geological Archives.

Activities aimed at protection of the coal deposits from any installations in the area of exercise of the aforementioned license were continued.

4. The continuation of identification and designing works executed at perspective brown coal deposits of Dęby Szlacheckie, Ościsłowo and Piaski, and the continuation of the currently used open pits of Drzewce, Józwin, Tomisławice, Koźmin and Adamów until the exhaustion of their resources.

In the first half of 2015, both mines belonging to the Capital Group executed investment tasks at active open pits with the purpose of maintaining optimal production capacities. The works related to the necessity of construction of water draining systems arising from the progress of extraction works and the need to prepare the area for future extraction are being executed in PAK KWBK S.A. at the Józwin, Drzewce and Tomisławice open pits. The biggest expenses for the lasting construction of the SK-6 pump station in order to drain the area of the Józwin open pit as well as the renovation of the dumping conveyor 8800/2 at the

Józwin open pit were incurred.

PAK KWBA S.A. is executing the works related to the construction of the deep-seated water draining system related to the progress of extraction works, executed in order to enable the correct deposit exploitation. The biggest expenses were incurred for modernisation of the B1800 station at the Adamów and Koźmin open pits and for the construction of collector at the Koźmin open pit to the mine water settling tank. Both mines featured the execution of the planned purchase of area and real estates on areas projected for extraction operations.

According to the perspective deposits, the following activities are executed at the current stage:

#### Dęby Szlacheckie brown coal deposit

##### Stage of documentation of the deposit

As the part of works aimed at documentation of the deposit, the so-called "Appendix No. 1 to the geological documentation of Dęby Szlacheckie deposit" was prepared and on 22 December 2014, the document was sent for approval to the Ministry of the Environment. The documentation was approved by the decision of the Minister of Environment of 13 May 2015.

The stage of works aiming at the preparation for the construction of the new Dęby Szlacheckie open pit.

In the first quarter of 2015, the "Poltegor-Instytut" company was commissioned to prepare "The concept of water drainage and the determination of the amounts and directions of mine waters draining from the Dęby Szlacheckie open pit. "The preparation of "The multi-industry concept of the Dęby Szlacheckie lignite deposit utilisation (including a supply route)" was planned as well. For 2015, the preparation of "Project of Utilising the Deposit" was planned. On 18 May 2015, in the Regional Directors of Environmental Protection (RDOŚ) in Poznań, the application for the issue on environmental conditions (including determination of the scope of the report) was submitted for the project called: "Extraction of brown coal and associated minerals from the Dęby Szlacheckie deposit in communes: Babiak and Koło, Wielkopolskie province". In July 2015, the mine received the RDOŚ Poznań letter, which determines the subject matter jurisdiction of the body. RDOŚ Poznań decided that it is a competent body for issuing the environmental decision in the following scope of: execution of the open pit excavation with the construction of the technological system of collecting overburden in it, execution of the external dump and construction of the system for the overburden dumping, execution of the well draining and surface draining systems, execution of the infrastructure facilities of the local internal transport, execution of the final reservoir at the end of the deposit exploitation, and execution of reclamation works at the top of dumps. In August 2015, the mine received the RDOŚ Poznań letter with the observations of the bodies of the proceeding to the complex investment project's data sheet and compiled report on environmental impact. According to the decision of 12 August 2015, RDOŚ Poznań determined the scope of the report on environmental impact.

"Report on environmental impact on the designed Dęby Szlacheckie open pit" is currently being developed.

#### Ościsłowo brown coal deposit

The "Quotation of values of geological information in the scope of the current documentation of the Ościsłowo brown coal deposit" was developed. According to the Annex to the chargeable use of the geological information agreement concerning the Ościsłowo brown coal deposit, PAK KWBK SA obtained the right for geological information. By the end of 2014, the "Project of Utilising the Ościsłowo Brown Coal Deposit" was completed and in February 2015, it was sent for an opinion to the District Mining Office in Poznań. In March 2015, PAK KWBK SA applied to the Head of the Wilczyn Commune for the closure of the proceeding for the issue of the environmental decision concerning the project "Extraction of brown coal and associated minerals from the Ościsłowo deposit" because the competence of the authority issuing the environmental decision changed and, currently, the competent authority is the Regional Directors of Environmental Protection in Poznań ("RDOŚ Poznań"). The expert's report concerning the impact of the designed Ościsłowo open pit on bodies of surface and underground waters as well as protected areas, as well as the report on the impact of the Ościsłowo open pit on the environment were prepared.

On 6 August 2015, in RDOŚ Poznań, the application for issuing the decision on environmental conditions for the designed Ościsłowo open pit was submitted.

## **3.2. Other significant events of the reporting period and events after the balance sheet date**

### **Significant events of the reporting period**

#### ***Municipal referendum on the Dęby Szlacheckie open pit***

On 21 June 2015, in the Babiak commune, the municipal referendum on expressing the public opinion about the brown coal mine that is to be established in the Babiak Commune – the Dęby Szlacheckie open pit was held. The content of the referendum question was as follows: “Are you in favor of the construction of the brown coal mine in the Babiak Commune based on the Dęby Szlacheckie open pit?” Most of the eligible participants of the referendum voted against the construction of the mine. The attendance in the referendum was 42.98%, which means that the referendum is valid. Despite the negative result of the referendum, PAK KWBK S.A. is still interested in the exploitation of the Dęby Szlacheckie deposit and it does not stop the activities aimed at obtaining the necessary decisions. After completion of all works which provide the complex assessment of the impact of the planned open pit on the environment, PAK KWBK S.A. will continue the dialogue with the local community. According to PAK KWBK S. A., many-year positive effects of cooperation between the mine and residents and authorities of the areas covered by the past mining activities will allow to successfully complete the conducted processes for start up the Dęby Szlacheckie open pit while obtaining the acceptance of the local population for the mining activity.

### **Events after the balance sheet date**

#### ***Acquisition of shares within the programme of redemption of employee shares of PAK KWB Konin S.A.***

On 28 August 2015, ZE PAK S.A. acquired additional the additional number of 499,062 of PAK KWB Konin S.A. The subject shares were acquired within the programme of redemption of the employee shares, which in accordance with the act on commercialisation and privatisation were entitled to eligible employees of this company.

The PAK KWB Konin S.A. shares acquired on 28 August, as well as the shares acquired under the previous tranche obtained on 30 June 2015, which is widely described in section 2.4 of this statement, on the date of drawing up and publication of the statement, that is on 31 August 2015, they will not be entered in the KWB Konin share register. The entry of the two tranches will occur after the date of the drawing up and publication of the report.

## **4. INFORMATION ON SIGNIFICANT PROCEEDINGS PENDING BEFORE A COURT, A BODY COMPETENT FOR ARBITRATION PROCEEDINGS OR A PUBLIC ADMINISTRATION BODY RELATED TO ZE PAK S.A. OR SUBSIDIARIES CONSOLIDATED UNDER THE GROUP**

In the first half of 2015, Zespół Elektrowni Pątnów-Adamów-Konin S.A. and the consolidated companies under the Group were not a party in any proceedings pending before a court, a body competent for arbitration proceedings or a public administration body, whose single or total value would exceed 10% of equity of ZE PAK S.A., except the ones specified below.

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

Due to the above fact, pursuant to Article 75 § 1, in relation to Article 75 § 2 of the Act of 29 August 1997 – Tax Ordinance (Polish Journal of Laws of 1997; Dz.U. no. 137, item 926, as amended), ZE PAK S.A. submitted applications for stating overpayment of the excise tax for 2006, 2007, 2008, as well as January and February 2009 for the total amount of PLN 626,000 thousand, with the justification that pursuant to the regulations of the EU law and the judicial decisions of the Provincial Administrative Courts, the activities executed by ZE PAK S.A. are not subject to the excise tax. Particular applications were recognised at the following levels: the Customs Office in Kalisz, the Customs Chamber in Poznań, and, currently, the Provincial Administrative Court in Poznań, as well as the Supreme Administrative Court.

In relation to the decisions of the Administrative Courts in the cases of other energy companies in the subject of the overpaid excise tax, ZE PAK S.A., in cooperation with a tax advisor, analysed the resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011, where the Supreme Administrative Court recognised that the pass-through of the tax load to the price excludes the possibility of refunding the overpayment. The justification of the resolution allows for the assumption of the risk that tax authorities will dismiss any claims regarding the refunding of overpayments indicating that the tax proceeding is not appropriate for such type of claims. In such case, it is possible to seek them under civil law, as a result of which expiration (on the grounds of civil law this term is 3 years) becomes a significant issue. In relation to the above fact, on 10 February 2012, ZE PAK S.A. submitted to the District Court of Warszawa Śródmieście a summons for the State Treasury for a conciliatory hearing for the amount of approx. PLN 626,406 thousand and thus stopped the statute of limitation.

A conciliatory settlement was not reached since during the hearing of 16 April 2012, the representatives of the Treasury did not agree to settle. Simultaneously, the Company, waiting for the results of the tax proceedings regarding the previously submitted application for overpayment, submitted in writing, on 14 September 2012, in the Customs Chamber in Poznań, additional explanations in the form of results of a detailed economic analysis, the purpose of which was to demonstrate whether the Company suffered loss related to the payment of excise tax to which it was not obliged. The Company's opinion is that the submitted document also applies to other overpayment applications from the entire period embraced by the proceedings, i.e. between January 2006 and February 2009. Ultimately, all applications were included in the cause lists of the Provincial Administrative Court (WSA) and the Supreme Administrative Court (NSA).

As of the date of development of this statement, the status of the proceeding is as follows: 22 cases for the period January 2006 – November 2007 (excluding November 2006) are conducted from the beginning by the Head of the Customs Office, when cases were referred from the Supreme Administrative Court. On 18 August 2014, the Company received 22 decisions of the Head of the Customs Office refusing ascertaining overpayment. On 1 September, the Company submitted 22 appeals from the decision of the Head of the Customs Office to the Director of the Customs Chamber, and, currently, after receiving negative decisions of the Head of the Customs Office, appeals have been submitted, and the Company awaits for the specification of the date of hearing in the Provincial Administrative Court in Poznań. 14 proceedings for the period December 2007 – February 2009 (excluding July 2008) are suspended in the Provincial Administrative Court. These proceedings also included the presentation of annual economic analyses, whereas the proceeding for November 2006 was concluded with a negative result in the Supreme Administrative Court, and the proceeding for July 2008 is subject to the recognition of our cassation appeal by the Supreme Administrative Court, and the date of the hearing has not yet been specified. The Company will make further actions depending on the provisions of the issued decisions. In the case of EPII, the proceeding for all periods (one case) was included in the cause list of the Provincial Administrative Court after the negative decision of the Head of the Customs Office. We do not possess economic analyses as the Company was not operational in 2001 and there is no comparative data. On 1 March 2009, the Act of 6 December 2008 on excise tax came into effect and, pursuant to the act, sale of electric energy to an entity which is not its final recipient is not subject to the excise tax.

PAK KWBK S.A. is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of the Wierzbiniek Commune issued an environmental decision regarding the Tomisławice lignite open pit.

On 5 December 2008, this decision was contested by nine natural persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to revoke the environmental decision. The plaintiffs applied for a repeated examination of the case. On 4 May 2009, after repeated examination of the case, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK S.A. and the Self-government Appeal Court submitted an appeal against this decision. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań, and handed the case over for repeated examination. On 6 November 2012, the Regional Administrative Court in Poznań announced the decision overruling the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision. On 7 October 2014, the Supreme Administrative Court in Warsaw announced the judgment dismissing the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin S.A. against the judgment of the Regional Administrative Court in Poznań of 6 November 2012 overruling the decision of the Local Government Appeal Court of 25 March 2009 refusing the annulment of the environmental approval issued on 7 August 2007 by the Head of the Wierzbiniek Commune, associated with the exploitation of the Tomisławice lignite pit.

The dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin S.A. means that the judgment of the Regional Administrative Court in Poznań of 6 November 2012 became final, and the case concerning the annulment of the environmental decision will be returned for judicial review to the Local Government Appeal Court.

The judgment of the Supreme Administrative Court in Warsaw of 7 October 2014 does not make the environmental approval, issued by the Head of the Wierzbinek Commune, invalid, and does not withhold the exploitation and mining works on the Tomisławice pit. The environmental approval of the Head of the Wierzbinek Commune of 7 August 2007 still remains in the legal transactions and causes legal consequences until the final settlement is issued by the Local Government Appeal Court.

Other judicial cases are presented in paragraph 29.1 of the Group's consolidated financial statement for the period ended 30 June 2015.

## 5. INFORMATION REGARDING THE SHAREHOLDING STRUCTURE

Share capital of ZE PAK is represented by 50,823,547 shares. Shares are ordinary. Each share gives right to one vote at General Meeting of Shareholders.

### 5.1. Shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes

Table 5: List of shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Company's General Meeting as of the date of submission of this half year report\*

Shareholder	Number of shares and corresponding number of votes at the General Meeting*	% Share [%] in the total number of shares/votes
<b>Zygmunt Solorz-Żak (indirectly) through:</b>	<b>26 200 867</b>	<b>51,55</b>
– Elektrim S.A.	196 560	0,39
– Embud Sp. z o.o.	592 533	1,16
– IPOPEMA 116 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	4 500 000	8,85
– Trigon XIX Fundusz Inwestycyjny Zamknięty	10 004 001	19,68
– Argumenol Investment Company Limited	10 907 773	21,46
<b>ING OFE</b>	<b>5 068 410</b>	<b>9,97</b>

\* According to the information available to the Company on the basis of the submission of notifications on the acquisition / disposal of shares.

### 5.2. List of the shareholding structure of the management and supervising personnel

Table 6: List of management and supervising personnel holding ZE PAK S.A. shares, including the number of held shares, as of the date of submission of this half year report\*

Shareholder	Position in the Company's authorities	Number of shares and the corresponding number of votes at the General Meeting	% Share [%] in the total number of shares/votes
<b>Zygmunt Solorz-Żak (indirectly) through:</b>	<b>President of the Supervisory Board of the Company</b>	<b>26 200 867</b>	<b>51,55</b>
– Elektrim S.A.		196 560	0,39

– Embud Sp. z o.o.	592 533	1,16
– IPOPEMA 116 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	4 500 000	8,85
– Trigon XIX Fundusz Inwestycyjny Zamknięty	10 004 001	19,68
– Argumenol Investment Company Limited	10 907 773	21,46

\* According to the information available to the Company on the basis of the submission of notifications on the acquisition / disposal of shares.

## **6. OPINION OF THE MANAGEMENT BOARD ON THE POSSIBILITY OF EXECUTION OF FINANCIAL FORECASTS PUBLISHED EARLIER**

Zespół Elektrowni Pątnów-Adamów-Konin S.A. has not published any financial forecasts.

## **7. INFORMATION REGARDING THE PAID OR DECLARED DIVIDENDS**

At the Ordinary General Meeting, which took place on 29 June 2015 there was adopted a resolution on distribution of ZE PAK S.A. net profit for the operation year 2014 in amount of PLN 204 642 447,41 as specified:

- assignment of the amount of PLN 60 988 256,40 to the payment of dividend, which means that one share will account for PLN 1,20,
- assignment of PLN 143 654 191,01 to the supplementary capital of the Company.

Day of the assignment of the right to the dividend is settled on 28 September 2015, and the day of dividend payment as on 14 October 2015.

## **8. INFORMATION ON THE CONCLUSION BY ZE PAK S.A. OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT TRANSACTIONS WITH ENTITIES AFFILIATED PURSUANT TO CONDITIONS OTHER THAN MARKET CONDITIONS**

Zespół Elektrowni Pątnów-Adamów-Konin S.A. and companies consolidated under the Group have not concluded transactions with entities affiliated pursuant to conditions other than market conditions in the first half of 2015.

## **9. INFORMATION ON GRANTING BY ZE PAK S.A. OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT GUARANTEES, SURETIES, CREDITS OR LOANS**

Zespół Elektrowni Pątnów-Adamów-Konin S.A. and companies consolidated under the Group have not granted guarantees, sureties, credits or loans in the first half of 2015, the standalone or total value of which would comprise 10% of ZE PAK S.A.'s equity.

## **10. INFORMATION CONCERNING THE ISSUE, REDEMPTION, AND REPAYMENT OF NON-EQUITY AND CAPITAL SECURITIES**

In the first half of 2015, PAK KBWK S.A., a company subject to consolidation under the ZE PAK Capital Group, made six issuances of debentures in the total amount of PLN 37 500 thousand (including debentures of a value of PLN 32 500 thousand covered within the Group). In the first half of 2015, PAK KWBK S.A. also made redemptions of debentures in the amount of PLN 20 000 thousand (fully within the Group).

## **11. FACTORS WHICH, IN THE MANAGEMENT BOARD'S OPINION, WILL AFFECT THE COMPANY'S RESULTS IN THE PERSPECTIVE OF AT LEAST ONE QUARTER**

The process of forecasting future results of the Zespół Elektrowni Pątnów-Adamów-Konin S.A. Capital Group must include a wide range of factors, actually, potentially, or theoretically, existent in the branch and markets, in which the Group conducts its activities. These are factors which originate both from the inside of the Group as well as from its environment. In the view of the Board, they can be divided into factors, which occur constantly in all periods as well as those, which occur incidentally in the period, which is concerned by a given periodical report.

The most important factors with constant impact on the Group's results include the following:

- macro-economic trends in the Polish economy and the demand for electricity;
- regulatory environment;
- electricity prices;
- prices and supply of certificates of origin;
- fuel costs, coal extraction costs;
- CO<sub>2</sub> allowance costs;
- compensation for the stranded costs related to the termination of the Pątnów II Power Plant's PPA contract;
- seasonality and meteorological conditions;
- the investment expenses, especially entitling to receive free CO<sub>2</sub> allowances;
- EUR/PLN exchange rate, the level of interest rates.

Furthermore, the important factor that could have a significant impact on the Group's financial results in the coming quarters includes the value impairment test result of the Group. The last such test was conducted on 30 June 2015 and its result did not justify the write-down for asset components. However, it should be noted that the valuation model of the Group's assets shows a sensitivity to the range of parameters, among others, the ones described in this section. Therefore, in the face of further deterioration of the operational perspectives, both market ones and those having its origin in the legal conditions, the assumptions for the valuation model of the Group's assets can change, and consequently the value impairment test result may result in the necessity of making the write-downs against the asset components in the future. Another test for the Group's impairment of assets will be conducted on 31 December 2015.

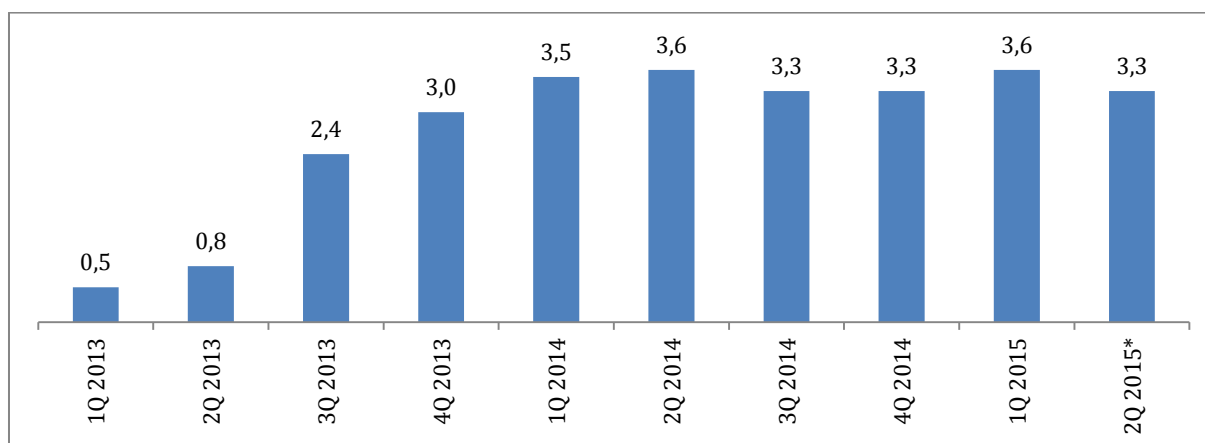
### **11.1. Macro-economic trends in the Polish economy and the demand for electricity**

When conducting activities within the territory of Poland and obtaining most revenues from the sale of electricity, it is necessary to take into consideration the macro-economic trends in the Polish economy. A very significant factor is the increase in the real GDP and industrial production in Poland, the development of the service sector as well as the increase in individual consumption. All of the aforementioned factors significantly affect the demand for electricity and its consumption.

The dynamics of the gross domestic product ("GDP") in the first quarter of 2015 was 3.6% and equalised the level recorded in the first half of 2014, and in the second quarter, it returned to the levels recorded in the second half of 2014, reaching 3.3%. The reading related to the second quarter was clearly below expectations, which were to increase at a higher level, or at least the same one as in the first quarter of 2015. Despite some disappointment related to the data for the second quarter of 2015, it should be noted that the stable GDP growth rate at the similar level is already quoted since more than year and a half, and the further disclose data concerning the economy are rather in favor of maintaining this trend in subsequent months of the year. Nevertheless, it should be noted that the basis for readings in the coming quarters is getting higher.



Chart 4: GDP dynamics (%) in relation to the analogous quarter of the year before (yearly average fixed prices)



\* „Fast estimation of gross domestic product for the II quarter 2015”  
 Source: own development based on the Central Statistical Office data.

By analysing data related to the growth rate of the industrial production in the first half of 2015, it occurred that the sold industrial production was by 4.6% higher compared with the same period of the previous year, when the growth by 4.3% was recorded, and the construction and assembly production was only 1.0% higher than last year, when the growth by 9.8% was recorded. The increase in the dynamics of the retail sales for the period since June 2015 amounted to 3.9% in comparison with the same period of the previous year. The trend in the retail sales remains strong, supported by a very good situation on the labor market, better consumer confidence as well as the moderate growth of credits for households. The relatively high increases of the real wage bill, which are at the highest levels since 2008 (6.8% in the first quarter and 5.2% in the second quarter), constitute the confirmation of positive trends, and a factor supporting the consumer demand. The sustaining recovery lacks significant inflation stresses, which encouraged the Monetary Policy Council to lower basic interest rates by as many as 50 basis points in March.

Based on the data from the functioning of the Public Power System and the Balancing Market, presented by Polskie Sieci Elektroenergetyczne S.A., it is visible that the national electricity consumption in the first half of 2015, in comparison with the analogous period of the previous year, increased by 1.85%. While in January there was a slight decrease in consumption, in all other months of the half of the year, the increase in consumption was recorded. In addition to the weather conditions (slightly warmer January and smaller deviations in other months), the impact on consumption was also the result of the stable pace of economic development, including the dynamics of growth in industrial production. In the period from January to June 2015, the total electricity production increased by 2.94%, while there were no significant changes in the electricity generation structure of two main (taking into account the volume of the produced electricity) resources. The electricity production of hard coal decreased by 1.21% and in case of the brown coal increased by 2.02%. The dynamic generation growth from wind sources, was recorded again, this time by 21.94%. Generation from wind sources has grown rapidly in the last half of the year due to both the increase in the installed capacities and excellent wind conditions, especially in the first half of this period. In stepped manner, in comparison to the analogous period of the previous year, the production from gas sources increased by as many as 67.44%, which can probably be related to the reintroduction of support for the production in co-generation. The adverse balance in the foreign trade decreased – the increase of import over the export of electricity decreased in the half of the year by over 68% in the first half of 2015, the trade balance amounted to 0.38 TWh while in the first half of 2014, the import increase was even 1.2 TWh.

## 11.2. Regulatory environment

The entities conducting activities in the electricity market are subject to strict regulation. Their functioning is regulated by primarily the Energy Law Act, shaping, among others, rules for implementing the obligation of public sale of the part of the produced energy, as well as the principles of support for specific technologies for energy production. In addition, the functioning of the entities of the sector of electricity producers is determined by EU regulations and directives as well as international conventions on, among others, environment protection and climate change (including CO<sub>2</sub> emission). It is also necessary to take into consideration the regulations of the tax law as well as interpretations and recommendations issued by the Energy Regulatory Office.

In the first half of this year, especially significant changes occurred in the legal environment regulating the sphere of energy production from renewable energy sources. On 20 February 2015, after several years of works, the Act on renewable energy sources (RES) was passed. The most important provisions of the Act include the maintenance of the current system of support based on the certificates of origin of energy from RES (green certificates) for existing RES systems. The auction system is to start operation from 2016 and the current RES producers will have the choice whether to take part in it, or to stay in the current certificate system. In the auction system, it is the government that will decide on the quantity of renewable energy it needs and prepare auctions for its delivery for particular technologies and volume of sources. The auction will be won by the producer who proposes the lowest price. In return, the support will be guaranteed to the producer. The scope of the cost optimisation will include lowering the support for the so called multi-fuel (co-firing) firing systems. The provisions also included elimination of support mechanisms for water turbine plants with the installed capacity of above 5 MW, which produced electricity for the first time before the entry of the act into force. The Act also includes regulations regarding prosumers (simultaneous energy producers and consumers) producing energy from RES in micro- and small systems. These energy producers will be able to sell the produced excess energy, which is not used for their own purposes in permanent prices for 15 years.

On 8 July 2015, the European Parliament approved regulations for the creation of the market stability reserve (MSR) for the EU market for the CO<sub>2</sub> emission allowances. According to the original arrangements, the reserve was to be launched since 2021, however, under the heavy pressure of some EU countries, the date of its start up was accelerated and the rules of its operation were modified. Since the very beginning, Poland was against the creation of the reserve, and then it tried to mobilise a group of EU countries, which would obstruct the modified rules for the creation of the market stability reserve coming into force. The main assumptions of the gained changes include the creation of the market stability reserve in 2018 as well as start up it since 1 January 2019, and the transfer to the provision 900 million of allowances withdrawn from the market within the so-called backloading. Initially, in accordance with the adopted principles, those allowances were to reach the market again. By the end of 2025, 10% of allowances are to be excluded from the reserve within the framework of the solidarity package, and then they will be divided between the poorest EU countries (with the GDP of less than 90% of the EU average). According to the creators' assumptions, MSR is aimed at influencing the prices of the CO<sub>2</sub> emission allowances, and then, by interfering the market mechanism, it aims to contribute to control their prices depending on the needs the process of implementing the assumptions of the EU climate policy.

At the end of July, the Parliament (Sejm) supported the draft amendment to the Energy Law on the wholesale energy market integrity and transparency, which implements the REMIT regulation to the Polish Union law. The amendment to the law introduces penalties for the failure to comply with obligations as well as the abuses associated with the operation in the energy market. The penalties for using the internal information for manipulation or trying to manipulate in the energy trade, or for the failure to report the transaction data, were passed. The new rules provide the President of the Energy Regulatory Office (ERO) with competence to ensure effective monitoring of the energy market in order to detect the potential abuse. The cooperation in this area with the EU institution, the Agency for the Co-operation of Energy Regulators (ACER), will be an important aspect. The new rules provide the President of the Energy Regulatory Office with tools similar to the ones used by the Office of Competition and Consumer Protection (UOKiK). The President of the Energy Regulatory Office was obliged to control and execute the investigations on manipulation and misuse information in the energy market. Moreover, the President will have the ability to impose financial penalties for breach the provisions of the regulation.

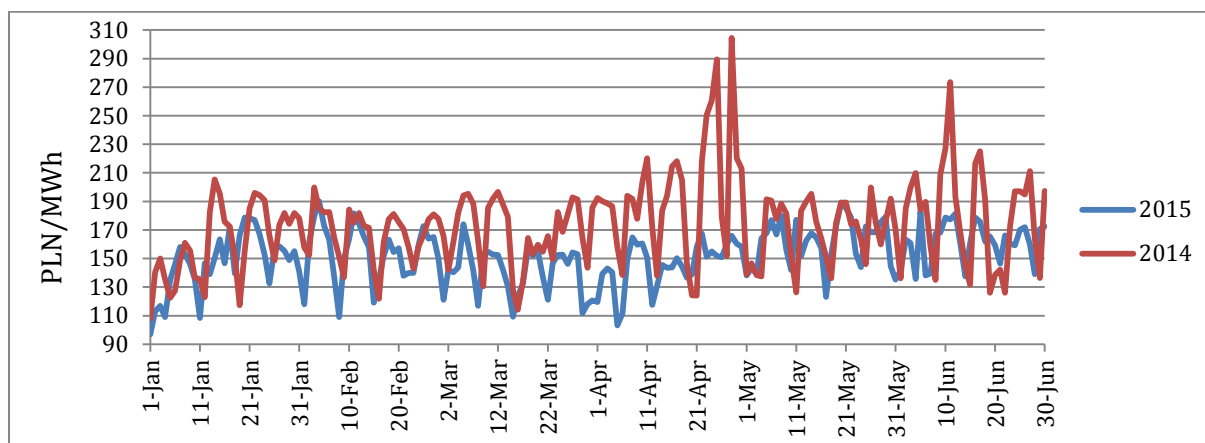
### **11.3. Electricity prices**

The Group generates most of their revenues from the production and sales of electricity, therefore the price for which it sells electricity is very important for the results of its activities. In addition, the Company practices the purchase of energy on the market of electricity and re-sale to recipients.

The first half of the year was characterised by a significant decrease of the average energy price in relation to the same period of the previous year. The energy on the SPOT market has been getting cheaper from the first day of the year. Referring the price level of transactions concluded on this market, year-on-year, and a decrease by about PLN 21 is observed (the analysis of the semi-annual BASE rate calculated as the arithmetic mean of all quotations of the index in the day-ahead market in the first half of 2015). Indeed, the level of stock prices on the SPOT market is influenced by such factors like the size of the wind generation rate, Nordpool import transmission capacities, the reserves in the National Power Grid, as well as weather conditions. The first months of the year were characterised by excellent wind conditions, for example, in January, wind power plants covered over 8.5% of the demand for power in the National Power Grid. Moreover, March and April also provided good conditions for the wind generation. In the entire first half of the year, the wind generation covered 6.3% of the demand for power. The relatively high temperatures in the first quarter of 2015, in relation to the average ones of

the previous years, were another factor supporting the decrease of prices in the energy market. Purchasers contracting energy in advance probably did not consider such high temperatures, and, thus, the reduced energy demand. In order to get rid of the contracted excesses, they created additional price pressure on the market. A factor that also influenced on the quotations of the energy prices on the SPOT market was the change in the rules for the provision of the operational power reserve service with introduction of the hourly budget and the modification of the concept of reasonable costs of obtaining operational power reserve. In relation to the introduced change, energy prices during peak hours were adjusted. A difficult situation in the coal mining industry could also have an impact on energy prices in the first half of the year. Kopalnia Węglowa, the largest mining company in Europe, started to sell its growing coal lignite inventories offering the constantly dropping prices, which were not previously recorded in the market, it resulted in pressure on other mining companies and consequently reduced the prices of raw materials for producers of the energy based on black coal.

Chart 5: Electricity prices (day-ahead-market index)



Source: own development based on the data (the Polish Power Exchange)

On the electricity futures market of the Polish Power Exchange, the most liquid instrument, the BASE\_Y-16 one-year future contract, was quoted at ever lower levels over the first half of 2015. The most dynamic decrease was recorded in the first quarter, when the price decreased from PLN 180 to about PLN 162 in the middle of April. Since that moment, the contract price moved in a narrow range without falling below PLN 161, and at the same time, not growing more than PLN 164.

The level of the future contract quotations is largely determined by the SPOT market moods, and the predictions related to the carbon market moods concerning the plan to withdraw the excess of allowances to the provision (MSR – Market Stability Reserve) constituted an important variable. In the first half of this year, the arrangements in this regard strongly influenced the level of price quotations of energy in subsequent years.

Chart 6: The price of the futures contract for the supply of electricity (base) for 2016



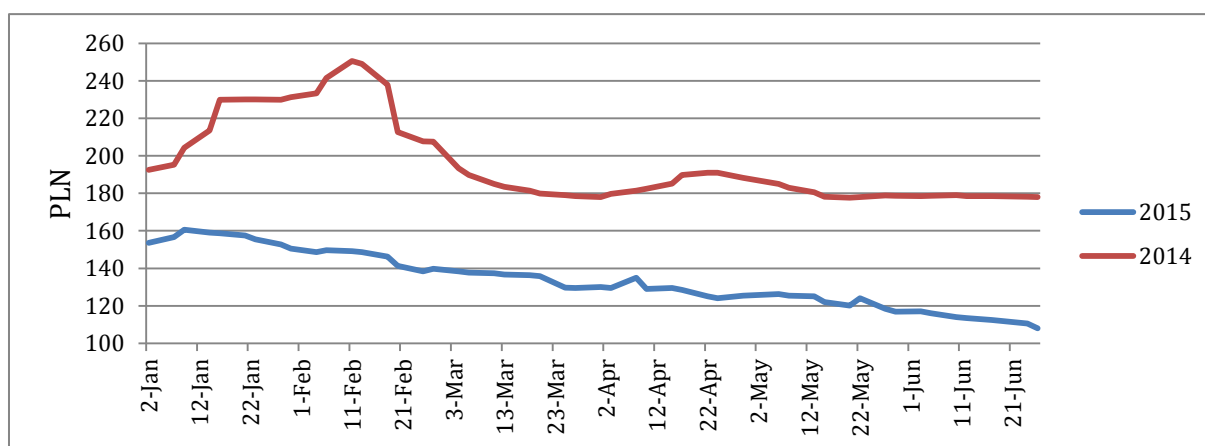
Source: own development based on the market data (the Polish Power Exchange)

## 11.4. Prices and supply of certificates of origin

Due to the fact that a part of the generated electricity derives from the co-incineration of biomass (forest and agricultural) and the production of heat includes high-efficiency co-generation, a producer is entitled to green and red certificates, provided that they fulfil specific regulatory requirements. The number of obtained certificates of origin is significantly higher than the number of certificates that the Companies from the ZE PAK CG are obligated to present for redemption, thus it is possible to dispose their excess to other market participants.

Comparing the green certificate prices in the first half of 2015 and the analogous period of the previous year, the differences in the quoted levels are clearly visible. In addition, the continuous downward trend of the green certificate prices in 2015 is very unfavorable. Almost from the beginning of the year, from the level of about PLN 160, the prices are continuously decreasing, at the same time reaching the level close to PLN 105 at the end of the half of the year. Currently, in the face of such a strong downward pressure caused by the surplus of green certificates of the energy origin, it seems that the only change of this trend can occur as a result of a new RES act coming into force, which will limit to some extent the support for the biomass co-firing systems and eliminate the support for the so-called "big" hydrological systems which produce the energy.

Chart 7: Average price of certificate of origin for RES produced energy



Source: own development based on the market data (the Polish Power Exchange)

## 11.5. Fuel costs, coal extraction costs

The most important element of the costs related to electricity and heat production in the GK ZE PAK companies is the fuel cost. The prices of fuel largely determine the competitiveness of particular electricity production processes. The ZE PAK CG power plants produce most of their electricity from lignite, but they also use forest and agricultural biomass. Furthermore, heavy and light heating oil is used in minimum quantities for heating purposes in the process of electricity production.

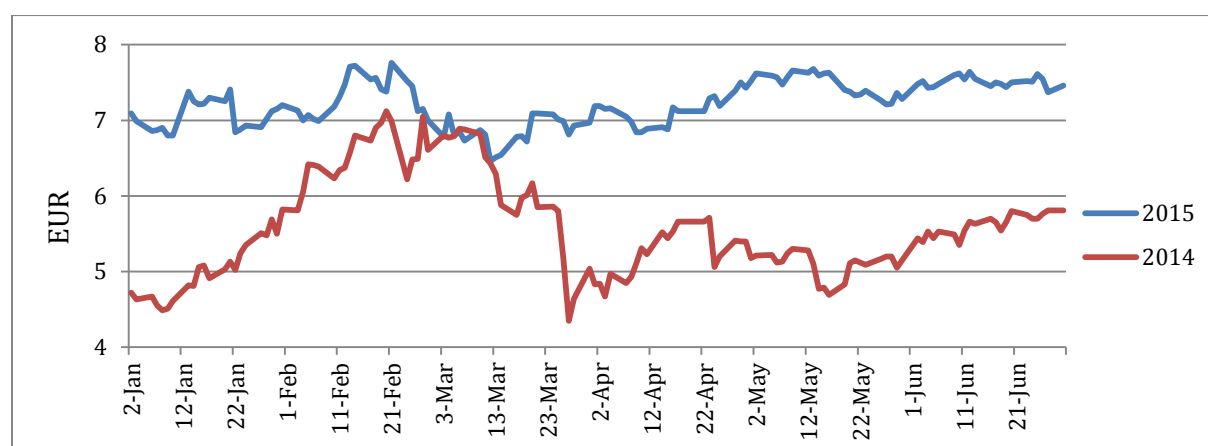
Two lignite mines, PAK KWBA S.A. and PAK KWBK S.A., which are the only suppliers of lignite to the ZE PAK Capital Group power plants, satisfy the entire demand of generation assets for this basic fuel. Therefore, the ZE PAK Capital Group does not rely on external suppliers and eliminates the exposure to potential fluctuations of lignite prices. Nevertheless, there is the exposure to the fluctuations in prices of other used fuels (mainly biomass) and part of the costs related to the extraction of lignite depends on the factors which remain outside the direct control of the Group.

## 11.6. CO<sub>2</sub> allowance costs

The activities in the scope of production of electricity and heat from conventional sources, and thus the operational results, are largely dependent on the number of free CO<sub>2</sub> allowances granted in a given period. The number of allowances possible to be obtained for power engineering were specified in Article 10c of the ETS directive and the amounts that can be physically obtained by particular systems depend on the expenses incurred for investments which are recorded in the National Investment Plan. The Group is obligated to purchase the other part of the missing allowances at the free market.

The CO<sub>2</sub> emission allowances market largely depends on political decisions taken at the EU level. It was also visible in the analysed half of the year, when the CO<sub>2</sub> emission allowance prices were changing together with the projections concerning the details of the MSR (Market Stability Reserve) functioning. The main uncertainties for the market participants were the date of the reserve start up and the manner of treatment of the 900 million allowances withdrawn from the system within the "backloading." According to the original assumptions, the MSR was to start functioning from 2021, but earlier reports about willingness to start up the reserve, reported by some EU countries, resulted in increases on the CO<sub>2</sub> emission allowances market. Analogous information about the disagreement of the group of countries (including Poland) to change the date of the introduction of the MSR contributed to periodic price drops on the market. Finally, in July, the European Parliament enacted the provisions according to which MRS is to start operation at the beginning of 2019, and 900 million of allowances withdrawn from the market within the so-called backloading do not come back to the market, but to the MRS pool. Such a shape of the provisions became crucial support for the rate increase of the CO<sub>2</sub> emission allowances.

Chart 8: Price of the futures contract for the supply of EUA



Source: Own development based on the market data (ICE)

### 11.7. Compensation for the stranded costs related to the termination of the Pańków II Power Plant's "Long-term Contract" ("KDT")

The long-term contract for the sale of power and electricity (KDT) was concluded between Elektrownia Pańków II Sp. z o.o. and Polskie Sieci Elektroenergetyczne S.A. The contract was a long-term agreement in the scope of supply of electricity according to the established price formula.

Due to the early termination (on 1 April 2008) of the Pańków II Power Plant's KDT, pursuant to the Act of 29 June 2007 on the principles of coverage of costs incurred by producers due to early termination of long-term agreements for the sale of power and electricity, EPII is entitled to receive sufficient compensation. The amount of compensation is estimated according to an applicable formula specified in the Act. The Pańków II Power Plant is entitled to receive the above mentioned compensation until the end of 2025.

### 11.8. Seasonality and meteorological conditions

The demand for electricity and heat, especially among consumers, is subject to season fluctuation. So far, the practice showed that the consumption of electricity was higher in the winter (mainly due to low temperatures and shorter days) and lowered in the summer (due to the summer period, higher ambient temperatures, and a longer day). In the last couple of years, there is an increase in the demand for electricity in the summer, which is mainly caused by the rising number of used air conditioners and cooling devices

Regardless of the above described factors, the meteorological conditions are becoming increasingly important for the Group's production level. The current Group's activities has not been significantly subject to seasonality in demand, due to the low costs, the units' operation was conducted on a continuous basis (at the base) for almost all year. Currently, taking into account the increasing share of RES in the segment of electricity producers, primarily including wind sources, by estimating the Group's production volume, the weather conditions, especially wind ones, are becoming increasingly important. Statistically, the periods of the best wind conditions are the first and the fourth quarters. It should be noted that in the periods of exceptionally good wind conditions,

and when the production by wind turbines is high, the demand for electricity produced by the Group's power plants can be subject to periodic reductions.

## 11.9. Investment expenses

The activities in the coal extraction and energy production sector requires substantial investment expenses. The Group's generation assets require periodical renovations and on-going modernisation, both due to the increasing strictness of requirements in the scope of environmental protection as well as the need for improvement of electricity production effectiveness. The level of investment expenses had major impact, and according to expectations will still have major impact, on the results of the operating activities, level of debt and cash flows. Delays in execution, changes of the investment programme, and excess in the budget can have severe impact on the investment expenses incurred in the future, as well as on the results, financial position and perspectives of development.

## 11.10. EUR/PLN exchange rate, the level of interest rates

Despite the fact that the Group conducts its activities in Poland, where it incurs costs and gains revenues in PLN, there is a couple of significant factors which make the financial results dependent on the exchange rate of EUR/PLN and the level of WIBOR and EURIBOR interest rates.

The most important factors include:

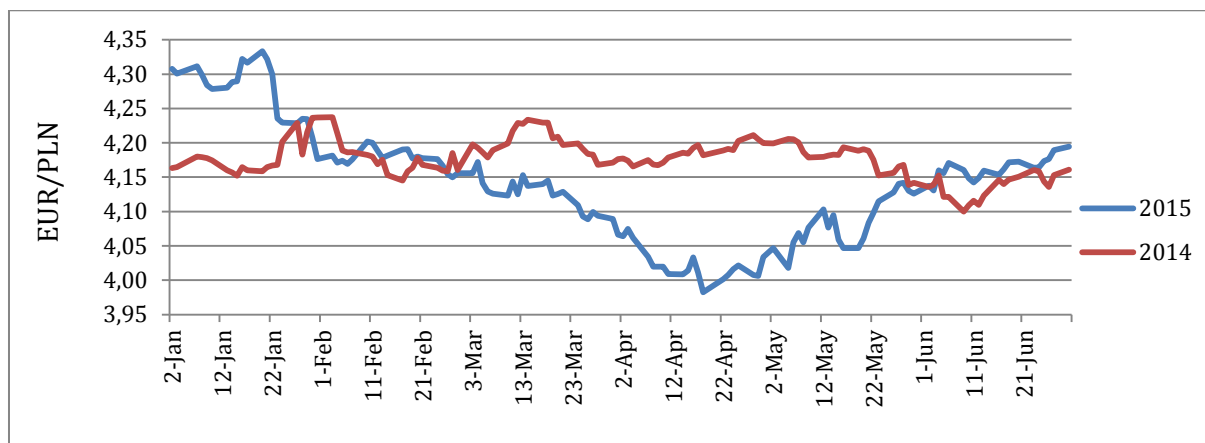
- A significant part of the debt (i.e. the Corporate Credit taken by the Pańków II Power Plant) is denominated in EUR, which causes that the depreciation of the value of PLN in relation to EUR has negative impact on financial results, because it increases the financing costs in PLN related to the foreign currency debt, whereas the depreciation of the value of EUR in relation to PLN has a positive impact on financial results, because it decreases the financial costs in PLN related to the foreign currency debt.
- ZE PAK SA and EPII use debt financing based on a variable interest rate.
- PAK Serwis Sp. z o.o., subsidiary embraced by consolidation, in the first quarter of 2015, had its facility, within the meaning of the agreement on avoiding double taxation, in Germany, where it conducted a part of its activities and EUR was the functional currency for that facility. Currently, the facility has already been closed down due to the completion of works in Germany.
- The transactions related to the EUA purchase are settled in EUR.

Currently, the ZE PAK CG companies do not use instruments which limit the risk resulting from the changes in the exchange rate. Management Boards are constantly monitoring the financial position and market situation and can make the decision to use financial instruments limiting the exchange rate risk, if needed. According to the Risk Management Principles adopted by the ZE PAK CG, possible transactions will have the form of security and will be adapted to the secured item in terms of volume and maturity date. The decision on the choice of the security instrument will also include the following: price, market liquidity, product simplicity, easiness of quotation and accounting as well as flexibility.

Exposure of the Group to risk caused by the changes of interest rates mainly concerns long-term financial liabilities related to the financing of investments in ZE PAK S.A. and EPII. The Group uses financial liabilities, mostly variable rate credits and loans. In order to minimise interest rate risk, the Group concludes the contract for interest rates change (interest rate swaps), within which it agreed to change, within specified time intervals, the difference between the amount of interests calculated according to the fixed and the variable rate of the agreed main amount. The transactions are to protect incurred financial liabilities and concern the EPII's corporate credit based on the variable EURIBOR interest rate. IRS instruments were used in security.

The EUR/PLN exchange rate in the first quarter of 2015 has fallen sharply, going down to the level below 4.00 in the middle of April, from that moment, the trend changed into the upward one. The increase lasting from the middle of April reached the quotation level of EUR/PLN 4.2, however it is by PLN 0.10 less than at the beginning of the half of the year. The euro weakness in relation to other currencies of the first quarter should be associated with the assets buying programme (mainly debentures issued by the euro area countries) initiated by the European Central Bank ("ECB"). The attractiveness of the Polish zloty against the euro was also caused by the level of real interest rates in Poland, which were still at relatively high level in comparison with the currently recorded levels of real interest rates in many economies, not only of the euro area. In the second quarter, the mark on the PLN quotations was made by the uncertainty related to a manner of solving the issue of the Greek debt, and to some extent, also the course of the election campaign and the potential impact of some election promises on the future condition of the Polish economy.

Chart 9: Average EUR/PLN exchange rate



Source: own development based on NBP average exchange rate tables

## 12. DECLARATIONS OF THE MANAGEMENT BOARD

### 12.1. Declaration on the reliability of development of the financial statement

The Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A. hereby declares that, according to its best knowledge, the ZE PAK Capital Group's Financial statement for the half of the year concluded on 30 June 2014 and the comparative data were developed in accordance with the current principles of accounting and that they realistically and reliably reflect the property and financial position, as well as the financial result of the ZE PAK S.A. Capital Group. Furthermore, we declare that the Management Board's Statement from the ZE PAK Capital Group's activity for the half of the year concluded on 30 June 2015 provides a true picture of the development and achievement as well as situations of the ZE PAK Capital Group, including a description of basic risks and threats.

### 12.2. Declaration on the entity authorised to audit the financial statement

The Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A. hereby declares that the entity authorised to audit financial statements, executing the half-yearly condensed consolidated financial statement of the ZE PAK Capital Group for the half of the year concluded on 30 June 2015, was chosen in accordance with the provisions of law, and that the entity as well as statutory auditors, who conducting this review, fulfilled the criteria to issue the impartial and independent report on the audited half-yearly financial statement, according to the applicable regulations and professional standards.