

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

**INTERIM CONDENSED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2015**

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

Table of contents

INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
ADDITIONAL EXPLAINING NOTES	10
1. General information	10
2. Composition of the Group	10
3. Composition of the Management Board of the parent company	11
4. Basis for development of the interim condensed consolidated financial statement	11
5. New standards and interpretations, which have been issued, but are not applicable yet	12
6. Significant principles (policy) of accounting	12
7. Essential values based on professional judgement and estimates	14
7.1. Professional judgement	14
7.2. Uncertainty of estimates	14
8. Change of estimates	17
9. Acquisitions of ventures	17
10. Seasonality of the activities	17
11. Operating segments	17
12. Revenues and costs	21
12.1. Sales revenue	21
12.2. Other operating revenues	21
12.3. Other operating expenses	22
12.4. Finance income	22
12.5. Finance costs	22
12.6. Costs by type	23
12.7. Construction agreements	23
13. Components of other comprehensive income	24
14. Income tax	25
14.1. Tax load	25
14.2. Deferred income tax	25
15. Profit per one share	27
16. Property, plant and equipment – changes	29
17. Lease	31
17.1. Liabilities under financial lease agreements and lease agreement with purchase option	31
18. Intangible assets	32
19. Assets for overburden removal and other mining assets	34
20. Other assets	34
20.1. Other financial assets	34
20.2. Other non-financial assets	35
21. Inventories	35
22. Trade receivables and other receivables	36

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

23.	Cash and cash equivalents	36
24.	Payment of dividend	37
25.	Interest-bearing bank credits and loans	37
26.	Provisions and accruals	38
26.1.	Accruals.....	38
26.2.	Change in provisions	39
26.3.	Description of significant titles of provisions.....	40
27.	CO ₂ emission allowances	41
28.	Trade liabilities, other liabilities and accruals	43
28.1.	Trade liabilities and other financial liabilities (short-term)	43
28.2.	Trade liabilities and other financial liabilities (long-term)	44
28.3.	Other non-financial liabilities	44
28.4.	Derivative financial instruments.....	45
28.5.	Grants and deferred income (long-term)	45
28.6.	Grants and deferred income (short-term)	45
29.	Contingent liabilities and description of significant judicial cases	45
29.1.	Judicial cases	45
29.2.	Tax settlements.....	50
30.	Liability repayment securities.....	50
31.	Obtained guarantees and sureties.....	54
32.	Information about related entities	55
32.1.	Loan granted to a member of the Management Board	56
32.2.	Other transactions involving members of the Management Board	56
32.3.	Remuneration of chief executive staff of the Group	56
33.	Goals and rules of financial risk management	57
33.1.	Interest rate risk	57
33.2.	Currency risk	59
33.3.	Credit risk	61
33.4.	Liquidity risk	61
34.	Financial instruments.....	63
34.1.	Fair values of particular classes of financial instruments	63
34.2.	Interest rate risk	64
35.	Capital management	65
36.	Events after the balance sheet date	66

INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period of 3 months ended 31 March 2015

	<i>Note</i>	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Continuing operations			
Sales revenue	<i>12.1</i>	755 194	667 672
Cost of goods sold	<i>12.6</i>	(690 355)	(546 380)
Gross profit / (loss)		64 839	121 292
Other operating income	<i>12.2</i>	5 706	6 674
Selling and distribution expenses	<i>12.6</i>	(823)	(853)
Administrative expenses	<i>12.6</i>	(30 202)	(43 691)
Other operating expenses	<i>12.3</i>	(1 684)	(2 863)
Gross profit / (loss) from operations		37 836	80 559
Finance income	<i>12.4</i>	20 319	1 866
Finance costs	<i>12.5</i>	(16 401)	(14 949)
Profit / (loss) before tax		41 754	67 476
Income tax expense (taxation)	<i>14.1</i>	(7 375)	(13 836)
Net profit / (loss) for the period from continuing operations		34 379	53 640
Discontinued operations			
Profit/ (loss) for the period from discontinued operations			
Net profit / (loss) for the period		34 379	53 640
Net profit/ (loss) attributable to equity holders of the parent		34 915	52 442
Net profit/ (loss) attributable to non-controlling interests		(536)	1 198
Earnings per share (in PLN)			
Basic, for profit for the period attributable to equity holders of the parent	<i>15</i>	0,69	1,03
Basic, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	0,69	1,03
Diluted, for profit for the period attributable to equity holders of the parent	<i>15</i>	0,69	1,03
Diluted, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	0,69	1,03

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 3 months ended 31 March 2015

	<i>Note</i>	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Net profit / (loss) for the period		34 379	53 640
Other comprehensive income			
<i>Items to be reclassified to the profit / (loss) in subsequent reporting periods:</i>			
Cash flow hedges	<i>13</i>	2 447	(439)
Exchange differences on translation of foreign entities	<i>13</i>	(21)	16
Income tax on other comprehensive income	<i>13, 14.1</i>	(465)	83
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		1 961	(340)
<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>	(958)	(1 518)
Income tax on other comprehensive income	<i>13, 14.1</i>	182	289
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		(776)	(1 229)
Net other comprehensive income		1 185	(1 569)
Comprehensive income for the period		35 564	52 071
Comprehensive income attributable to equity holders of the parent		36 100	50 873
Comprehensive income attributable to non-controlling interests		(536)	1 198

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 March 2015

	<i>Note</i>	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>16</i>	5 310 727	5 299 618
Investment property		2 799	2 799
Intangible assets	<i>18</i>	172 598	82 263
Loans and receivables		-	-
Assets of removing overburden and other mining assets (long-term)	<i>19</i>	142 041	149 901
Other long-term financial assets	<i>20.1</i>	13 663	12 591
Other long-term non-financial assets	<i>20.2</i>	23 456	25 949
Amounts due from customers under long-term construction contracts		-	-
Deferred tax assets	<i>14.2</i>	115 160	112 870
Total non-current assets		5 780 444	5 685 991
Current assets			
Short-term intangible assets	<i>18</i>	176 957	176 957
Inventories	<i>21</i>	256 321	237 116
Trade and other receivables	<i>22</i>	304 830	253 977
Income tax receivables		9 677	12 742
Short-term financial derivatives (assets)		-	-
Other short-term financial assets	<i>20.1</i>	97 270	94 748
Other short-term non-financial assets	<i>20.2</i>	26 630	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>	9 351	10 047
Cash and cash equivalents	<i>23</i>	229 817	356 120
Total current assets		1 111 409	1 181 697
Assets classified as held for sale		-	-
TOTAL ASSETS		6 891 853	6 867 688

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

	<i>Note</i>	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
LIABILITIES AND EQUITY			
Equity			
Issued capital		101 647	101 647
Reserve capital		2 398 404	2 398 399
Revaluation reserve from valuation of hedging instruments	28.4	(15 758)	(17 741)
Other reserve capital		5 877	5 877
Retained earnings / Accumulated losses		1 330 107	1 249 448
Net profit / (loss)		34 915	81 977
Write-off of net profit during the financial year (negative value)		-	-
Exchange differences on translation of foreign entities		89	110
Equity attributable to equity holders of the parent		3 855 281	3 819 717
Equity attributable to non-controlling interests		-	-
Total equity		3 855 281	3 819 717
Non-current liabilities			
Interest-bearing loans and borrowings	25	926 482	867 221
Long-term employee benefits		95 384	108 554
Trade and other long-term financial liabilities	28.2	100 838	103 742
Long-term financial derivatives (liabilities)	28.4	13 077	15 059
Long-term subsidies	28.5	60 637	63 832
Other long-term provisions and accruals	26	374 002	361 142
Amounts due to customers under long-term construction contracts		-	-
Deferred tax liability	14.2	330 758	322 319
Total non-current liabilities		1 901 178	1 841 869
Current liabilities			
Trade and other short-term financial liabilities	28.1	309 851	355 202
Current portion of interest-bearing loans and borrowings	25	356 536	348 553
Short-term financial derivatives (liabilities)	28.4	8 024	8 684
Other non-financial liabilities	28.3	51 549	134 015
Current income tax liability		1 141	1 970
Short-term employee benefits		10 045	38 553
Short-term subsidies	28.6	12 777	12 779
Amounts due to customers under long-term construction contracts	12.7	12 516	20 245
Other short-term provisions and accruals	26	372 955	286 101
Total current liabilities		1 135 394	1 206 102
Liabilities directly associated with assets classified as held for sale		-	-
Total liabilities		3 036 572	3 047 971
TOTAL LIABILITIES AND EQUITY		6 891 853	6 867 688

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 3 months ended 31 March 2015

	<i>Note</i>	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Cash flow from operating activities			
Profit/(loss) before tax		41 754	67 476
Adjustments for:			
Depreciation and amortization		91 994	88 476
Interests and shares in profits		7 628	8 351
(Profit) / loss on foreign exchange differences		(14 427)	929
(Profit) / loss on investing activities		(253)	(391)
(Increase) / decrease in receivables		(38 039)	(48 865)
(Increase) / decrease in inventories		(19 205)	2 218
Increase / (decrease) in payables except for loans and borrowings		(110 298)	(76 362)
Change in provisions, prepayments, accruals and employee benefits		57 080	66 233
Income tax paid		726	(11 718)
Allowances for emission of CO ₂		(90 411)	(56 679)
Other		(1 400)	(82)
Net cash flow from operating activities		(74 851)	39 586
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		4 103	2 175
Purchase of property, plant and equipment and intangible assets		(123 971)	(111 756)
Proceeds and expenses relating to other financial assets		100	535
Purchase of other financial assets		(5 120)	(1 960)
Acquisition of subsidiary, after deducting cash acquired		-	-
Dividends received		-	-
Interest received		2	7
Other		24	(57)
Net cash flow from investing activities		(124 862)	(111 056)
Cash flow from financing activities			
Proceeds from issuance of shares		-	-
Purchase of treasury shares		-	-
Payment of finance lease liabilities		(3 274)	(4 543)
Proceeds from loans and borrowings and debt securities		145 279	28 498
Repayment of loans and borrowings and debt securities		(48 645)	(134 022)
Dividends paid		-	-
Interest paid		(13 390)	(9 531)
Other		(3 135)	(356)
Net cash flow from financing activities		76 835	(119 954)
Net increase / (decrease) in cash and cash equivalents		(122 878)	(191 424)
Cash and cash equivalents at the beginning of the period	<i>23</i>	355 268	431 318
Cash and cash equivalents at the end of the period, of which:	<i>23</i>	232 390	239 894
of restricted use		-	7 479

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve- valuation of hedging instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings / Accumulated losses</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total Equity</i>
As of 1 January 2015	101 647	2 398 399	(17 741)	5 877	1 331 425	110	3 819 717	-	3 819 717
Net profit for the period	-	-	-	-	34 915	-	34 915	(536)	34 379
Total other comprehensive income	-	-	1 982	-	(776)	(21)	1 185	-	1 185
Total income for the period	-	-	1 982	-	34 139	(21)	36 100	(536)	35 564
Distribution of profits from previous years	-	5	-	-	-	-	5	-	5
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	(536)	-	(536)	536	-
Other changes	-	-	1	-	(6)	-	(5)	-	(5)
As of 31 March 2015	101 647	2 398 404	(15 758)	5 877	1 365 022	89	3 855 281	-	3 855 281

For the period ended 31 March 2014 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve- valuation of hedging instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings / Accumulated losses</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total Equity</i>
As of 1 January 2014	101 647	2 200 508	(18 831)	5 877	1 493 382	33	3 782 616	-	3 782 616
Net profit for the period	-	-	-	-	52 442	-	52 442	1 198	53 640
Total other comprehensive income	-	-	(356)	-	(1 229)	16	(1 569)	-	(1 569)
Total income for the period	-	-	(356)	-	51 213	16	50 873	1 198	52 071
Distribution of profits from previous years	-	-	-	-	-	-	-	-	-
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	1 198	-	1 198	(1 198)	-
Other changes	-	-	-	-	-	-	-	-	-
As of 31 March 2014	101 647	2 200 508	(19 187)	5 877	1 545 793	49	3 834 687	-	3 834 687

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 Państw – Adamów – Konin S.A. ("the Group") consists of Zespół Elektrowni Państw – Adamów – Konin S.A. ("the parent company", "the Company", "ZE PAK S.A.") and its subsidiaries (see Note 2). The Group's consolidated financial statement covers the year concluded on 31 December 2014 and includes comparative data for the year concluded on 31 December 2013. 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. generation and sale of heat (steam and hot water),
3. lignite extraction.

2. Composition of the Group

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

Entity	Seat	Scope of activities	Percentage share of the Group in capital as of	
			31 March 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 Państw II” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production and distribution of electricity from the unit 464 MW	100%**	100%**
„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%
„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	85,00%	85,00%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite mining	85,00%	85,00%

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

Ochrona Osób i Mienia „ASEKURACJA” sp. z o.o. w likwidacji	62-540 Kleczew ul. 600-lecia 9	Protection of people and property	85%*****	85%*****
„Aquakon” sp. z o.o.	62-610 Sompolno Police	Production and sale of mineral waters	81,8%*****	81,8%*****
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Railway transport of lignite, sale of lignite	85%*****	85%*****
KWE sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Wind farms, production of electricity	0,00%*****	42,5%*****
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%*****	100%*****

* Affiliate – Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o. with a foreign branch in Germany.

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

*** indirect share by PAK Centrum Badań Jakości Sp. z o.o. 6% as of 31 March 2014, on 20 May 2014, the PAK Centrum Badań Jakości Sp. z o.o. company sold its shares without remuneration to the PAK Górnictwo Sp. z o.o. company in order to their redemption without decreasing the initial capital.

**** 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. 100%, the company was established on 26 March 2014.

***** 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 31 March 2015, 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 Company's Management Board composition remained unchanged as of 31 March 2015.

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

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

The interim consolidated short financial statement does not include all information and disclosures required in the annual financial statement and it should be read in conjunction with the consolidated financial statement of the Group for the year concluded on 31 December 2014, approved for publication on 19 March 2015.

This interim short consolidated financial statement is presented in Polish zloty ("PLN"), and all values, unless it was shown otherwise, are expressed in thousands of PLN.

This interim short consolidated financial statement was developed with the assumption of continuing business activity by the Group's companies in the foreseeable future. At the date of authorisation of this financial statement there are no reported circumstances indicating any risk to the continuation of 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 06 May 2014) – with their application for annual periods beginning on 01 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 new or amended standards and interpretations applicable for annual periods beginning on or after 01 January 2015.

- IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

The IFRS 10 standard replaces part of the previous standard IAS 27 "Consolidated and Separate Financial Statements" in the scope of consolidated financial statements and introduces the new definition of control. IFRS 10 may cause changes within the consolidated group in the scope of opportunities of units, which were subject to

consolidation so far or vice versa, does not introduce changes in the scope of consolidation procedures and methods of settlements of transactions in the consolidated financial statement.

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

- *IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures*

IFRS 11 includes the issue of joint arrangements. It introduces two categories of joint arrangements: joint operations and joint ventures, as well as methods of evaluation appropriate for them.

Application of the standard may result in the change of the method of evaluation for joint arrangements (e.g. ventures classified earlier as jointly controlled entities and evaluated using the proportional method may be currently classified as joint ventures and, in the same time, evaluated using the equity method).

IAS 28 was amended and includes guidelines for use of the equity method for joint ventures.

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

- *IFRS 12 Disclosure of Interests in Other Entities*

The IFRS 12 standard includes a series of disclosures in the scope of the entity's involvement in subsidiaries, affiliates, or jointly controlled entities. Application of the standard may result in broader disclosures in the financial statement, amongst others:

- key financial information, including risks concerning the Group's ventures,
- disclosure of share in non-consolidated special entities and risks related to such ventures,
- information about every ventures, in which there are significant non-controlling interests,
- disclosure of significant judgement and assumptions accepted in classification of particular ventures as, affiliates, co-subsidiaries, or associated party entities.

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

- *Investment Entities – amendments to IFRS 10, IFRS 12, and IAS 27*

The amendments introduce the notion of investment entities exempted from the obligation of consolidation of affiliates and, after amendments, evaluate their affiliates in fair value through profit or loss.

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

- *Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32*

Amendments to IAS 32 clarify the notion and consequences of valid legal title to compensation of the component of financial assets and financial liability and clarify criteria of compensation for gross settlement systems (such as clearing houses).

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

- *Recoverable Amount Disclosures for Non-Financial Assets – amendments to IAS 36*

These amendments removed unintentional consequences of IFRS 13 concerning disclosures required in accordance with IAS 36. Furthermore, these amendments introduce additional disclosures of recoverable amount for assets or cash generating units (CGU), for which loss of value was recognised or inverted in a given period, when use value corresponds to fair value diminished by disposition costs.

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

- *Novation of Derivatives and Continuation of Security Accounting – amendments to IAS 39*

Amendments to IAS 39 in the scope of application of security accounting after novation of derivatives release from necessity of discontinuation of application of security accounting, when novation fulfils specified criteria defined in IAS 39.

Application of these amendments did not affected the financial position, activities' results of the Groups, as well as the scope of information presented in the Group's financial statement.

The Group did not decided for the earlier application of any standard, interpretation, or amendment issued, but not applied in light of the EU's 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 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 constitute the limit of interests' costs and foreign exchange differences incurred in credit in the currency different than 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 every balance sheet date, the Group's management evaluates whether within concluded agreements there are economic characteristics and risk specific to an embedded derivative in the foreign currency, which would not be strictly connected with economic characteristics and risk specific to a 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 accepted 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 31 December 2014, the Group identified the existence of circumstances, which would indicate possible loss in 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 30 June 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%

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 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 program 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 will last until 20 October 2014. The price of shares redemption was specified in PAK KWB Konin and PAK KWB Adamów'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 law suits, 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 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 received offering concerning liquidation of components of tangible fixed assets. The Group reevaluates 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 the 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 31 March 2015 to the price amounting to 153.63 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 paid.

Planned emission in the PAK Group in 2015 will amount to 12,689,534 tonnes of CO₂. As of 31 December 2014, the Group possessed EUAs purchased in number of 13,268,619 tonnes. In April 2015, the Group received a free EUA 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. In addition, 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, has an excesses of EUAs from 2014 in number of 2,936,403 EUAs, received free EUA 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 quarter of 2015, the PAK Group purchased 3,140,000 EUAs for the needs of 2015.

As of 31 March 2015, the Company created the provision for allowances in relation to the actual size of emissions for the period between 01 January 2015 and 31 March 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 3-month-period concluded on 31 March 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 31 March 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 performed services. Therefore, there are following balance sheet operating segments:

- The Generation Segment covering production of electricity both from conventional sources (including co-generation) and by 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 Generation 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 quarter of 2015, there is the EKO – Surowce sp. z o.o. company's activity. In the comparison data for the first 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 31 March 2015 and 31 March 2014 are presented below:

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

For the period of 3 months ended 31 March 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	449 582	3 117	37 955	262 864	1 676	-	755 194
Sales revenue between segments	105 103	210 542	74 573	1	22 147	(412 366)	-
Sales revenue	554 685	213 659	112 528	262 865	23 823	(412 366)	755 194
Cost of goods sold	(511 093)	(208 256)	(105 882)	(259 065)	(22 533)	416 474	(690 355)
Gross profit / (loss)	43 592	5 403	6 646	3 800	1 290	4 108	64 839
Other operating income	936	4 792	304	1	10	(337)	5 706
Selling and distribution expenses	(682)	(3)	-	(102)	(36)	-	(823)
Administrative expenses	(11 554)	(10 698)	(6 078)	(1 129)	(743)	-	(30 202)
Other operating expenses	(1 372)	(215)	(144)	(10)	(4)	61	(1 684)
Finance income	20 280	34	63	123	1	(182)	20 319
Finance costs	(11 112)	(5 167)	(278)	(21)	(4)	181	(16 401)
Profit before tax	40 088	(5 854)	513	2 662	514	3 831	41 754
Income tax expense	(7 702)	1 937	(215)	(511)	(155)	(729)	(7 375)
Net profit/loss for the period from continuing operations	32 386	(3 917)	298	2 151	359	3 102	34 379
Profit / (loss) from operating activities, without financial operations and income tax	30 920	(721)	728	2 560	517	3 832	37 836
Depreciation / Amortization	63 462	27 684	2 160	44	176	(1 085)	92 441
Change in impairment	-	-	-	-	-	-	-
EBITDA	94 382	26 963	2 888	2 604	693	2 747	130 277

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

For the period of 3 months ended 31 March 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	433 996	6 455	39 461	187 394	366	-	667 672
Sales revenue between segments	103 729	216 064	28 634	1	5 162	(353 590)	-
Sales revenue	537 725	222 519	68 095	187 395	5 528	(353 590)	667 672
Cost of goods sold	(473 728)	(182 329)	(57 743)	(182 569)	(3 831)	353 820	(546 380)
Gross profit / (loss)	63 997	40 190	10 352	4 826	1 697	230	121 292
Other operating income	3 097	3 674	88	54	28	(267)	6 674
Selling and distribution expenses	(686)	(1)	-	(166)	-	-	(853)
Administrative expenses	(10 511)	(26 473)	(5 257)	(1 059)	(626)	235	(43 691)
Other operating expenses	(1 488)	(1 253)	(121)	-	(1)	-	(2 863)
Finance income	1 245	355	235	225	14	(208)	1 866
Finance costs	(8 795)	(6 328)	(34)	-	-	208	(14 949)
Profit before tax	46 859	10 164	5 263	3 880	1 112	198	67 476
Income tax expense	(8 941)	(2 433)	(1 551)	(753)	(120)	(38)	(13 836)
Net profit/loss for the period from continuing operations	37 918	7 731	3 712	3 127	992	160	53 640
Profit / (loss) from operating activities, without financial operations and income tax	54 409	16 137	5 062	3 655	1 098	198	80 559
Depreciation / Amortization	67 279	21 011	1 347	39	312	(1 019)	88 969
Change in impairment	(86)	(50)	-	-	-	-	(136)
EBITDA	121 602	37 098	6 409	3 694	1 410	(821)	169 392

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>3 months period ended</i>	<i>3 months period ended</i>
<i>Note</i>	<i>31 March 2015 (unaudited)</i>	<i>31 March 2014 (unaudited)</i>
Electricity	411 329	418 259
Electricity resold from the market	220 269	116 315
Energy certificates of origin	16 412	20 224
Construction contracts	12.7 36 295	33 868
Compensation related to PPAs termination	43 758	45 839
Heat	20 516	19 548
Other	7 283	13 875
Excise	(668)	(256)
Total revenues by type	755 194	667 672

<i>Revenues by territory</i>	<i>3 months period ended</i>	<i>3 months period ended</i>
	<i>31 March 2015 (unaudited)</i>	<i>31 March 2014 (unaudited)</i>
Poland	754 542	666 234
UE countries	612	1 438
Outside UE	40	-
Total revenues by territory	755 194	667 672

12.2. Other operating revenues

	<i>3 months period ended</i>	<i>3 months period ended</i>
	<i>31 March 2015 (unaudited)</i>	<i>31 March 2014 (unaudited)</i>
Revenue from the sale of CO ₂ emission allowances	-	-
Compensations received	477	962
Tax return on civil law transactions	-	-
Reversal of write-downs against receivables	1	3
Grants received	447	582
Reduction in fees for gas emission	-	-
Gain on the sale of non-financial fixed assets	3 447	617
Reimbursement of costs previously recognized as not deductible	-	-
Reversal of provisions for costs and losses and liabilities write-off	3	117
Other	1 331	4 393
Total other operating income	5 706	6 674

The main components of the other item are: agricultural land subsidies in the amount of PLN 461 thousand, received contractual penalties in the amount of PLN 116 thousand in PAK KWB Konin, revenues from sales of scrap in PAK Serwis in the amount of PLN 96 thousand.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

12.3. Other operating expenses

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Loss on the sale of property, plant and equipment	419	311
Creation of provisions	-	430
Impairment write-down against receivables	30	11
Compensations paid	12	225
Loss on liquidation of fixed assets	4	307
Electricity equivalents paid for pensioners and former employees	2	987
Electricity-related damages	-	110
Cost of social assets maintenance	-	59
Donations given	93	119
Cost of trade unions	32	36
Cost of shortages and damages	120	28
Other	972	240
Total other operating expenses	1 684	2 863

12.4. Finance income

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Interest income	974	1 518
Dividends	-	45
Foreign exchange gains	19 335	78
Valuation and realization of financial derivatives	-	-
Other	10	225
Total Finance income	20 319	1 866

12.5. Finance costs

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Interest expenses	5 497	6 890
Valuation and realization of financial derivatives	2 188	2 445
Foreign exchange losses	5 866	1 789
Settlement discount	-	-
Power units utilisation provision discount	132	176
Revaluation of investments	-	-
Reclamation provision discount	1 869	3 377
Other	849	272
Total finance costs	16 401	14 949

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

12.6. Costs by type

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Depreciation / Amortisation	92 441	88 969
Impairment write-downs against property, plant and equipment	-	(136)
Impairment write-downs against inventories	1	1 816
Materials	117 317	109 535
External services	32 931	43 789
Taxes and charges, excluding excise duty	44 716	41 831
Costs of allowances for emission of CO ₂	75 936	37 004
Employee benefits	160 004	155 936
Other costs by type	4 521	8 398
Cost of goods for resale and raw materials sold and resale of electricity from the market	212 653	114 109
Total cost by type	740 520	601 251
Items included in cost of goods sold	690 355	546 380
Items included in selling and distribution expenses	823	853
Items included in administrative expenses	30 202	43 691
Change in the stocks of finished goods	19 091	2 227
Cost of goods and services for internal needs	49	8 100

12.7. Construction agreements

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Revenues from contracts for construction services recognised in the period	36 295	33 868
Revenues invoiced in the period	29 239	42 220
Balance sheet valuation	7 056	(8 352)
Costs applied in the period	35 803	30 252
Expected losses due to the contracts recognised in the period	(11)	(13)
Results due to performance of the contracts included in the period	503	3 629
	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Gross amount payable by contracting parties due to works resulting from the contract	9 351	7 423
Gross amount paid to contracting parties due to works resulting from the contract	12 516	9 992

The Group's companies – Przedsiębiorstwo Remontowe "PAK Service" sp. z o.o. and Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych "EL PAK" sp. z o.o. execute contracts for construction services.

Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych EL PAK sp. z o.o.

The main contracts executed by the Company in the periods covered by this statement are as follows:

- Modernisation of boilers on 1 and 2 in order to reduce NOx emissions in the Pątnów Power Plant – the contract value: PLN 6,650 thousand
- "Turnkey" replacement of flow-through systems and modernisation of cooling water pump units – the contract value: PLN 223 thousand
- Disassembly and reassembly of dispose of ash's power supply systems in the Pątnów Power Plant – the contract value: PLN 117 thousand
- "Turnkey" modernisation of high-speed and medium-speed turbine sets with auxiliary equipment and pipeline systems of units no. 1 and 2 in the Pątnów Power Plant – the contract value: PLN 5,085 thousand
- Changes in the master and auxiliary circuits of 3 6 kVP1 and P2 switchgear bays related to the power supply to the NOx emission reducing system – the contract value: PLN 565 thousand
- DCS system software in the scope of K1 and K2 boiler islands in the Pątnów Power Plant – the contract value: PLN 600 thousand
- Supplies, assembly, and start-up of the workshop facilities building installation in the Pątnów Power Plant – the contract value: PLN 1,150 thousand
- A storage tank for light fuel oil of a capacity of 1000 m³ in the Pątnów Power Plant – the contract value: PLN 119 thousand
- Development of the Proman system for the needs of visualisation of the new water treatment station system – the contract value: PLN 600 thousand

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

The main contracts executed by the Company in the periods covered by this statement are as follows:

- Modernisation of the K-1 and K-2 boilers in the Pątnów Power Plant – SBB ENERGY – PLN 168,553 thousand
- Modernisation high-speed and medium-speed parts of TG-1 and TG-2 of the Pątnów Power Plant – ETHOSENENERGY – PLN 43,500 thousand
- Replacement of high pressure/high temperature pipelines connecting the boiler with the turbine of units 1 and 2 in the Pątnów Power Plant – Chemar Rurociągi – PLN 14,380 thousand
- Prefabrication, assembly of the absorber, the silos, and the smoke duct for the waste incineration system in Konin – INTEGRAL Engineering – PLN 1,256 thousand
- Renovation and modernisation of K-1 and K-2 slag scrapers in the Pątnów Power Plant – SBB ENERGY – PLN 662 thousand
- Workshop and assembly works of parts of supporting structures of K1 and K2 boilers in the Pątnów Power Plant – SBB ENERGY – PLN 3,993 thousand
- Assembly works on boilers 9 and 10 in the Belchatów Power Plant – Babcock Borsig Steinmuller – PLN 14,271 thousand
- Assembly works on Luvo heaters in the block C in the Janschwalde Power Plant – Babcock Borsig Steinmuller – PLN 953 thousand
- Assembly works during the overhaul of the unit 6 in the Turów Power Plant – ELTUR-SERWIS – PLN 260 thousand

13. Components of other comprehensive income

Components of other total revenues present as follows:

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Cash flow securities		
Profits (losses) for the period	259	(2 829)
Adjustment resulting from reclassification of profits (losses) included in the profit or the loss	2 188	2 390
Gross cash flow securities for the period	2 447	(439)

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

Income tax concerning cash flow securities	(465)	83
Net cash flow securities for the period	1 982	(356)
Actuarial gross profits (losses) concerning provisions for post-employment employee benefits	(958)	(1 518)
Income tax concerning actuarial profits (losses)	182	288
Actuarial net profits (losses) concerning provisions for post-employment employee benefits	(776)	(1 230)
Gross exchange rate differences from foreign currency conversion	(21)	16
Income tax concerning exchange rate differences from foreign currency conversion	-	-
Net exchange rate differences from foreign currency conversion	(21)	16
Other gross comprehensive income	1 468	(1 941)
Income tax concerning other comprehensive income	(283)	372
Other net comprehensive income	1 185	(1 569)

14. Income tax

14.1. Tax load

The main components of tax load for the year ended on 31 March 2015 and 31 March 2014 are as follows:

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Included in the profit or the loss		
<i>Current income tax</i>		
Current income tax load	1 526	4 347
<i>Deferred income tax load</i>		
Related to creation and reversal of temporary differences	5 738	9 470
Other changes	111	19
Tax load in the consolidated profit or loss	7 375	13 836
Included in the consolidated statement of the comprehensive income		
Net profit (loss) tax due to revaluation of cash flow securities	(465)	83
Actuarial allowance concerning actuarial profits/losses	182	289
Tax advantage/(tax load) included in comprehensive income	(283)	372

14.2. Deferred income tax

Deferred income tax results from following items:

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Deferred tax asset	135 412	140 858
Balance sheet provisions	984	(20)
Overburden and other mining assets	8 438	13 422
Interest and exchange rate differences	4 009	4 511
Hedging instruments	4 520	5 727
Valuation of non-terminated agreements for building services	64 251	53 582

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

Tax loss from previous years	1 572	1 585
Impairment write-down against inventories	6 193	6 195
Impairment write-down against receivables	-	126
Impairment write-downs against fixed assets	40	27
Settlements with employees	6 394	6 913
Other	50 033	35 104
Total	281 846	268 030

Provision under deferred income tax

Difference between the balance sheet value and the tax value of fixed assets	377 061	383 381
Receivables under PPAs	21 050	12 736
Energy certificates	28 522	25 787
Interest and exchange rate differences	657	1 897
Valuation of non-terminated construction agreements	3 055	3 502
Accrued receivables under contractual penalty fees	824	824
Mining asset	822	848
Purchased CO ₂ allowances	65 342	48 164
Other	111	340
Total	497 444	477 479

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

Asset	115 160	112 870
Provision	330 758	322 319

As of 31 March 2015, the "Elektrownia Pańków II" sp. z o.o showed tax profit in the amount of PLN 863, 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 31 March 2015, amounted to PLN 149,257 thousand. The cumulated value of tax losses for 2009-2011, remaining to be settled as of 31 December 2014, amounted to PLN 150,120 thousand.

The above values of cumulated losses as of 31 March 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 31 March 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 made in 2013 was not modified in the first quarter of 2015 and in 2014.

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.

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

On the basis of possessed budgets for subsequent years, the company analysed opportunities of settlement of tax losses. 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 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, value of the deferred tax asset of tax losses from previous years in Przedsiębiorstwo Remontowe "PAK Serwis" 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).

As of 31 March 2015, the plant recorded tax profit amounting to PLN 577 thousand (the equivalent of EUR 301 thousand). Due to this, tax loss from previous years was settled in the amount of 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 31 March 2015, 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 11,065 thousand.

As of 31 March 2015, 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 2,527 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 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 corrected by weighted average of ordinary shares, which would be issued by converting all diluting potential equity instruments into ordinary shares.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Net profit on continued activities of the parent company's shareholders	34 915	52 442
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>34 915</u>	<u>52 442</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>

The below table shows the profit per one share for the 3 months concluded on 31 March 2015 and 31 March 2014, presented in the income statement.

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Basic and diluted earnings per share for the financial year attributable to equity holders of the parent	<u>0,69</u>	<u>1,03</u>
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent	<u>0,69</u>	<u>1,03</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.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

16. Property, plant and equipment – changes

For the period of 3 months ended 31 March 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	1 004	205	1 345	872	193	95 456	99 075
Repairs	-	-	-	-	-	-	-
Transfer from fixed assets under construction	2 134	11 358	4 621	25	50	(18 188)	-
Sale and liquidation	(10)	(48)	(2 392)	(6 199)	(932)	-	(9 581)
Gross value as at 31 March 2015	<u>217 312</u>	<u>1 901 176</u>	<u>3 932 966</u>	<u>63 875</u>	<u>26 296</u>	<u>893 049</u>	<u>7 034 674</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	195	22 478	58 460	2 323	654	-	84 110
Impairment write-down	-	-	-	-	-	-	-
Sale and liquidation	-	(7)	(1 497)	(3 389)	(832)	-	(5 725)
Depreciation and impairment write-downs as at 31 March 2015	<u>4 004</u>	<u>464 501</u>	<u>1 185 514</u>	<u>24 637</u>	<u>15 950</u>	<u>29 341</u>	<u>1 723 947</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 31 March 2015	<u>213 308</u>	<u>1 436 675</u>	<u>2 747 452</u>	<u>39 238</u>	<u>10 346</u>	<u>863 708</u>	<u>5 310 727</u>

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

For the period of 3 months ended 31 March 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	163	1 087	19	131	124 716	126 126
Repairs	-	-	-	-	-	-	-
Transfer from fixed assets under construction	4 008	4 986	756	116	25	(9 891)	-
Sale and liquidation	(74)	(475)	(794)	(398)	(119)	-	(1 860)
Gross value as at 31 March 2014	<u>192 604</u>	<u>1 863 575</u>	<u>3 846 015</u>	<u>70 709</u>	<u>30 060</u>	<u>442 987</u>	<u>6 445 950</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	286	21 532	61 519	2 310	698	-	86 345
Impairment write-down	-	(35)	(4)	-	-	(97)	(136)
Sale and liquidation	-	(130)	(756)	(299)	(104)	-	(1 289)
Depreciation and impairment write-downs as at 31 March 2014	<u>2 625</u>	<u>381 990</u>	<u>961 687</u>	<u>21 476</u>	<u>18 896</u>	<u>29 718</u>	<u>1 416 392</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 31 March 2014	<u>189 979</u>	<u>1 481 585</u>	<u>2 884 328</u>	<u>49 233</u>	<u>11 164</u>	<u>413 269</u>	<u>5 029 558</u>

The value of capitalised external financing costs in the 3-month period concluded on 31 March 2015 was PLN 439 thousand (in the 3-month period concluded on 31 March 2014, it was PLN 5,133 thousand respectively).

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 31 March 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 31 March 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	14 405	13 243	14 423	13 108
1 to 5 years	17 033	16 207	20 168	19 151
Over 5 years	-	-	-	-
Total minimal lease payments	31 432	29 445	34 591	32 259
Minus finance expenses	(1 720)	-	(2 062)	-
Present value of minimal lease payments, including:				
Short-term	14 378	13 243	14 404	13 108
Long-term	16 988	16 207	20 154	19 151

18. Intangible assets

Long-term intangible assets – for the period of 3 months ended 31 March 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
Increases	-	-	(3)	-	(3)
Decreases	-	323	17	90 410	90 750
Gross value as of 31 March 2015	-	18 872	1 861	167 332	188 065
Depreciation and impairment write-downs as at 1 January 2015	-	13 286	1 475	294	15 055
Depreciation write-down for the period	-	307	102	6	415
Impairment write-down	-	-	-	-	-
Decreases	-	-	(3)	-	(3)
Depreciation and impairment write-downs as at 31 March 2015	-	13 593	1 574	300	15 467
Net value as at 1 January 2015	-	5 263	372	76 628	82 263
Net value as at 31 March 2015	-	5 279	287	167 032	172 598

In the other intangible assets item, the Group presents mainly purchased CO₂ emission allowances over the redemption obligation related to the emission for the period concluded on 31 March 2015.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

Long-term intangible assets – for the period of 3 months ended 31 March 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	-	(1 481)	(1)	-	(1 482)
Decreases	-	5	-	56 679	56 684
Gross value as of 31 March 2014	-	31 755	1 821	82 207	115 783
Depreciation and impairment write-downs as at 1 January 2014	-	27 702	1 155	269	29 126
Depreciation write-down for the period	-	332	75	6	413
Impairment write-down	-	-	-	-	-
Decreases	-	(247)	(1)	-	(248)
Depreciation and impairment write-downs as at 31 March 2014	-	27 787	1 229	275	29 291
Net value as at 1 January 2014	-	5 529	667	25 259	31 455
Net value as at 31 March 2014	-	3 968	592	81 932	86 492

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

Short-term intangible assets (unaudited)

	<i>3 months period ended 31 March 2015</i>	<i>3 months period ended 31 March 2014</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 CER	-	-
Redemption of CER	-	-
Transfer of CER	-	-
Gross value as of 31 March	<u>176 957</u>	<u>151 262</u>
Change (sale)	-	(608)
Redemption and impairment as of 1 January	-	-
Impairment write-down of a period	-	-
Depreciation and impairment write-down as of 31 March	<u>-</u>	<u>-</u>
Net value as of 1 January	<u>176 957</u>	<u>151 262</u>
Net value as of 31 March	<u>176 957</u>	<u>150 654</u>

19. Assets for overburden removal and other mining assets

As of 31 March 2015, the item of assets concerning stripping and other mining assets includes amongst other: expenses incurred by "PAK Górnictwo" sp. z o.o. related to search and evaluation of mineral resources in the amount of PLN 15,334 thousand and assets concerning stripping and other mining assets of PAK KWB Konin in the amount of PLN 122,951 thousand, and assets of PAK KWB Adamów in the amount of PLN 4,312 thousand.

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Status as of 1 January	150 457	139 268
Increases	341	24 373
Decreases	(285)	-
Depreciation for the period	<u>(7 916)</u>	<u>(13 184)</u>
Status as of end of period:	<u>142 597</u>	<u>150 457</u>
– long-term	142 041	149 901
– short-term	556	556

20. Other assets

20.1. Other financial assets

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Deposits for debt service security	87 669	90 561
Investments and deposits	7 917	2 499
Investments and MLF and MRF deposits	6 631	5 876
Shares	4 421	4 521
Other	<u>4 295</u>	<u>3 882</u>
Total other financial assets:	<u>110 933</u>	<u>107 339</u>

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

– short-term	97 270	94 748
– long-term	13 663	12 591

The other item presents mainly transaction margins and other financial assets in PAK Volt in the amount of PLN 3,114 thousand.

20.2. Other non-financial assets

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
VAT receivables	10 275	28 922
Insurance	1 379	1 713
Other receivables from the state budget	3 437	1 017
Receivables from tax on civil law actions	-	-
Other non-financial assets	-	-
Other accruals	8 153	6 128
Delivery prepayments	2 512	2 298
Prepayments for intangible assets	260	242
Prepayments for assets under construction	22 349	24 643
Prepayments for tangible assets – land	4	-
Other	1 717	420
Total other non-financial assets:	<u>50 086</u>	<u>65 383</u>
– short-term	26 630	39 434
– long-term	23 456	25 949

The other item presents mainly prepayments concerning the contribution to the Company Social Insurance Fund in PAK KWB Adamów in the amount of PLN 1,052 thousand and EL PAK Serwis in the amount of PLN 561 thousand.

21. Inventories

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Production fuel	20 711	21 367
Spare parts and other materials	80 938	71 523
Certificates of origin of energy	154 211	143 822
Goods	461	404
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	<u>256 321</u>	<u>237 116</u>

As of 31 March 2015, in PAK KWB Konin, transfer of ownership of movable properties inventory – machinery and drums parts – was established with a value of no less than PLN 8,000 thousand, located in warehouses.

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 on the day, when their granting became certain. As of 31 March 2015, according to entries in the book of accounts, the Group possessed 1,000,076,170 MWh of ownership units from green certificates produced. However, not all ownership units had certificates of origin issued by the Energy Regulatory Office (URE). According to the above, the Company, as of the balance sheet date, was waiting for the issue of approval certificates – the certificates for the production of 2015 in number of 35,823.653 MWh /a submitted application for the production in January 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 119.42 – 160.52 PLN/MWh, as appropriate, whereas the highest prices were noted at the beginning of 2015. In the first quarter of 2015, the Group received outstanding certificates for 2013 in number of 106,522,800 MWh and outstanding

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

certificates for the fourth quarter of 2014 in number of 83,791,577 MWh. Thus, as of 31 March 2015, the Group is expecting the certificates for production in January 2015 in number of 35,823,653 MWh. The applications for production of February and March 2015, as of 31 March 2015, have not been submitted yet. The write-down presented in the balance sheet as of 31 March 2015 in the amount of PLN 26,267 concerns revaluation of allowances in possession of the Company on 31 December 2014 to the unit price in the amount of 153,63 PLN/MWh, which have not been liquidised by the Group yet.

22. Trade receivables and other receivables

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Deliveries and services receivables	167 000	156 072
Receivables due to compensation related to the termination of the PPAs	110 788	67 030
Receivables due to security of purchase of electricity in the balancing market	4 500	4 500
Other receivables	22 542	26 375
Net receivables	<u>304 830</u>	<u>253 977</u>
Write-down of receivables impairment	42 184	41 995
Gross receivables	347 014	295 972

In the others line, receivables as of 31 March 2015, the Group presents mainly receivables due to the security deposit in the amount of PLN 13,199 thousand, the VAT tax to be deducted in future periods in the amount of PLN 894 thousand, and investment receivables in the amount of PLN 3,492 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 31 March 2015 amounts to PLN 229,817 thousand (as of 31 March 2014: PLN 239,708 thousand).

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

	<i>31 March 2015 (unaudited)</i>	<i>31 March 2014 (unaudited)</i>
Cash in hand and at bank	134 997	93 424
Short-term deposits	94 820	146 284
Total cash and cash equivalents in the balance sheet	<u>229 817</u>	<u>239 708</u>
Foreign exchange differences	2 573	186
Total cash and cash equivalents in cash flow statement	<u>232 390</u>	<u>239 894</u>

Explanations of selected items in the cash flow statement:

In the others item, adjustments on operating activity both in the 3-month period concluded on 31 March 2015, and in the one concluded on 31 March 2014, the derivative instrument quotation was mainly presented.

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.

24. Payment of dividend

On 5 May 2015, the Supervisory Board of the Company adopted a resolution, in which it gave a positive opinion on the request of the Management Board of 19 March 2015 on the distribution of the net profit of ZE PAK SA for the financial year 2014.

Under the adopted resolution, the Supervisory Board recommends the Ordinary General Meeting of the Company to adopt a resolution on the distribution of the net profit achieved by the Company in 2014 in the amount of PLN 204,642,447.41, as proposed by the Board, i.e. as follows:

- a) assignment of the amount of PLN 40,658,837.60 to the payment of dividend, which means that one share will account for PLN 0.80,
- b) assignment of the remaining part of the profit in the amount of PLN 163,983,609.81 to the supplementary capital of the Company.

The proposed dividend amount represents 19.87% of the net profit of the parent company achieved in 2014.

25. Interest-bearing bank credits and loans

<i>Short-term</i>	<i>Maturity</i>	<i>31 March 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	14 826	14 643
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	130 357	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	9 651	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	64 273	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	12 438	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	7 918	7 918
Bank BPH SA – loan agreement in the amount of PLN 67 000 thousand	31.05.2016	50 918	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	20 765	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	29 829	17 644
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.12.2023	12 473	10 276
Overdraft facility in the amount of PLN 80 000 thousand; interest rate at WIBOR 1M + bank margin		2 679	-
Overdraft facility		409	6
Total		356 536	348 553
 <i>Long-term</i>	 <i>Maturity</i>	 <i>31 March 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	433 087	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	50 338	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	9 328	12 438

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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	1 851	3 851
Syndicated investment loan in amount of PLN 1 110 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.12.2023	354 693	246 351
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.12.2023	77 185	79 362
Total		926 482	867 221

As of 31 March 2015, there were no breaches of credit agreements, and, therefore, they were presented in division into short-term and long-term liabilities.

In the 3-month period concluded on 31 March 2015, the Group repaid credits including interests in the amount of PLN 54,588 thousand, including:

- repayment of the corporate credit by EP II in the amount of PLN 34,057 thousand,
- repayment of the investment credit by PAK KWB Konin in the BZ WBK S.A. bank in the amount of PLN 3,494 thousand,
- repayment of the bill credit by PAK KWB Konin in the mBank S.A. bank in the amount of PLN 2,091 thousand,
- repayment of the overdraft facility by PAK KWB Konin in the Millennium Bank S.A. bank in the amount of PLN 9,918 thousand,
- repayment of the working capital facility by PAK KWB Konin in the Millennium Bank S.A. bank in the amount of PLN 5,028 thousand,

In 2014, 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 Pańków I Power Plant, the B Credit in the amount of PLN 90,000 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 will start 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 (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.

On 23 January 2015, the Company signed an Annex to the Working capital credit agreement concluded with Bank Millennium S.A., to the amount of PLN 10,000 thousand, extending the deadline for repayment of the facility until 31 March 2015. This facility was repaid on 18 March 2015.

On 18 March 2015, the Company 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.

26. Provisions and accruals

26.1. Accruals

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Bonus and holiday leave provision	35 587	34 591
Insurance company compensations	102	102
Audit of the financial statement	164	307
Others	14 638	251
Total	50 491	35 251
– short-term	50 491	35 251
– long-term	-	-

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

26.2. Change in provisions (unaudited)

	<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>
As of 1 January 2015	176 957	14 671	4 025	98	6 056	343 828	66 357	611 992
Increases	75 936	132	-	1	249	(1)	35 396	111 713
Decreases	-	-	-	(16)	(3 342)	(7 406)	(16 475)	(27 239)
As of 31 March 2015	252 893	14 803	4 025	83	2 963	336 421	85 278	696 466
Long-term	18 648	14 803	2 470	-	-	313 842	24 239	374 002
Short-term	234 245	-	1 555	83	2 963	22 579	61 039	322 464
As of 1 January 2014	150 652	17 779	4 384	133	1 801	297 705	30 698	503 152
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)
As of 31 March 2014	176 957	14 671	4 025	98	6 056	343 828	66 357	611 992
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 (CER/ERU).

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 on 1 January 2013 and the number of allowances granted to them resulting from Art. 10a for heat production 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 on 1 January 2013 and the granted number of allowances of Art. 10c – derogation for power engineering – on condition of incurring declared investment expenses on the investments reported in the National Investment Plan.

Planned emission in the PAK Group in 2015 will amount to 12,689,534 tonnes of CO₂. As of 31 December 2014, the Group had EUAs purchased in the amount of 13,268,619 tonnes. In April 2015, the Group received a free EUA 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.

In addition, 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.

Whereas, the EP II Sp. z o.o. subsidiary, at CO₂ emissions for 2015 at the level of 2,596,100 tonnes of CO₂, after taking into consideration of the excess of 2014, has to purchase additional 2,513,504 tonnes of CO₂ allowances.

In the first quarter of 2015, the PAK Group purchased 3,140,000 EUAs for the needs of 2015.

The provision for the burden of core operating activities for purchased CO₂ allowances, which the Group wants to present for the redemption for 2014, 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 31 March 2015, the created provision amounted to PLN 4,025 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 31 March 2015, the provision due to this amounted to PLN 14,803 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 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 31 March 2015 amounting to PLN 336,423 thousand and decreased in comparison with the year concluded on 31 December 2014 by PLN 7,405 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 31 March 2015, the provision due to this amounted to PLN 2,963 thousand.

26.3.5. Other provisions

In PAK KWB Konin, the main items of other provisions as of 31 March 2015 are: the provisions for mining damage in the amount of PLN 31,337 thousand, the provision for property tax in the amount of PLN 5,211 thousand, the provision for taking out of agricultural and forestry production in the amount of PLN 9,516 thousand, the provision for remuneration for mining usufruct in the amount of PLN 1,227 thousand, the provision for the mining fee in the amount of PLN 4,091 thousand, the provisions for proceedings in progress in the amount of PLN 614 thousand. In PAK KWB Adamów: the provision for permanent taking out of production for the final reservoir of the Adamów pit in the amount of PLN 18,045 thousand, the provision for compensation for the occupied roads in the amount of PLN 3,881 thousand, the provision for the mining fee in the amount of PLN 1,812 thousand, the provision for leaves in the amount of PLN 2,148 thousand, the provisions for law suits in the amount of PLN 1,313 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 2,462 thousand, and in ZE PAK, the provision for the URE fine in the amount of PLN 1,500 thousand.

27. CO₂ emission allowances

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning CO₂ 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 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 were used for redemption for 2014.

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

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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 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.

In the PAK Capital Group, for the Elektrownia Pątnów II sp. z o.o. system, a certain number of CO₂ allowances was allocated. However, for this system, any investment task that would cover receivables for CO₂ allowances are not reported to the National Investment Plan (KPI), so allocation of free EUA units for this system depends on expenses for tasks conducted for systems of ZE PAK SA.

In 2014, the Group purchased EUAs (of which 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, in the same time, finished exchange of EUA/CER units or ERUs in the 2013-2020 period.

After introduction of opportunity to exchange ERUs i CERs for equivalent EUAs into the EU ETS register, on 31 March 2014, the Group exchanged ERUs into EUAs in the number of c. 0.54 million, remaining CERs in the number c. 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 31 December 2014, the Group possessed purchased EUAs in 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 number of 16,408,619 units. In April 2015, the Group received a free EUA resulting from Art. 10c for 2014 in 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 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. In addition, 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.

In tables presented below, carbon dioxide allowances granted in the scope of the National Allocation, purchased on the secondary market including with division into the part used for their own purposes, and the one sold in period concluded on 31 March 2015, and 31 March 2014.

CO₂ emission allowances in the period of 3 months ended 31 March 2015

<i>(in tonnes)</i>	<i>Zespół Elektrowni Pątnów-Adamów-Konin S.A.</i>	<i>„Elektrownia Pątnów II” sp. z o.o.</i>
	Emission of CO ₂	2 280 468
	Balance at the beginning of the period	2 632 646
	Purchased	10 697 412
	Free of charge	2 276 000
	Redemption*	-
	Sale	-
	Exchange	-
	Balance at the end of the period	12 973 412
EUA	Balance at the beginning of the period	2 571 207
	Purchased	864 000
	Free of charge	-
	Redemption*	-
	Sale	-
	Exchange	-
	Balance at the end of the period	3 435 207
CER	Balance at the beginning of the period	-
	Purchased	-
	Redemption*	-
	Sale	-
	Exchange	-
	Balance at the end of the period	-
ERU	Balance at the beginning of the period	-
	Purchased	-
	Redemption*	-

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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.*

CO₂ emission allowances in the period of 3 months ended 31 March 2014

(in tonnes)	Zespół Elektrowni Państw-Adamów-Konin S.A.	„Elektrownia Państw II” sp. z o.o.	
	Emission of CO2	2 553 192	665 682
EUA	Balance at the beginning of the period	11 558 393	2 832 473
	Purchased	1 784 378	611 986
	Free of charge	-	-
	Redemption*	-	-
	Sale	-	-
	Exchange	438 207	103 500
	Balance at the end of the period	13 780 978	3 547 959
CER	Balance at the beginning of the period	146 070	34 500
	Purchased	-	-
	Redemption*	-	-
	Sale	-	-
	Exchange	-	-
	Balance at the end of the period	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)
	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.*

28. Trade liabilities, other liabilities and accruals

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

	31 March 2015 (unaudited)	31 December 2014
Delivery and service liabilities	147 761	163 837
Financial liabilities	-	-
Other liabilities	131 119	160 394
Liabilities due to the put option	30 971	30 971
Investment liabilities	76 721	108 169
Liabilities to employees due to salaries	17 004	20 921
Other liabilities	37 394	31 304
Total	<u>309 851</u>	<u>355 202</u>

In the other liabilities line as of 31 March 2015, the Group presents liabilities due to financial lease in the amount of PLN 13,273 thousand. As of 31 March 2014, liabilities due to financial lease in the other liabilities item

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

amounted to PLN 13,415 thousand, liabilities related to settlement of adjustment of KDT for 2008, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and an agreement on 2 October 2014 concluded between the Pałnów Power Plant II and Zarządca Rozliczeń [in Polish: Claims Manager]. In the amount of PLN 5,029 thousand. The remaining amount in the other liabilities item as of 31 March 2015 concerns mostly settlements with employees and deductions from the pay roll amounting to PLN 6,213 thousand, settlements due to security amounting to PLN 1,059 thousand, and liabilities due to the Company Social Insurance Fund in the amount of PLN 3,203 thousand.

Liabilities due to the put option concerns obligation of ZE PAK to redemption of employee shares pursuant to the PAK KWB Konin and PAK KWB Adamów's shares sale agreement, in case when employees request for re-sale. The agreement's provisions determines the price and the term of redemption. In accordance with IFRS, 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 chosen policy of accounting, ZE PAK presented financial liability in the amount of PLN 11,880 thousand, in the case of PAK KWB Adamów, and in the amount of PLN 19,091 thousand, in the case of PAK KWB Konin, in the consolidated financial statement. Due to projected realisation of the liability in the first half-year of 2015, as of 31 March 2015, this liability is included as a short-term one.

Principles and terms of payment of 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 period.

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>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Liability due to financial lease	16 304	19 251
Liability due to the put option	-	-
Short-term liabilities to other entities – over 12 months	856	719
Other financial liabilities	-	-
Other	83 678	83 772
Total	<u>100 838</u>	<u>103 742</u>

In the other item, as of 31 March 2015, the Group presents primarily liabilities related to settlement of adjustment of KDT for 2008, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and an agreement on 2 October 2014 concluded between the Pałnów Power Plant II and Zarządca Rozliczeń in the amount of PLN 70,476 thousand, and investment liabilities in ZE PAK in the amount of PLN 12,825 thousand.

28.3. Other non-financial liabilities

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
VAT tax liabilities	7 803	13 758
Liabilities due to environmental charges	-	62 822
Liabilities due to the excise tax	657	216
Liabilities due to social insurance	29 856	31 712
Personal income tax	9 571	8 881
Other budget liabilities	72	2 425
Advanced payments for deliveries	950	1 293
Mining fee	-	11 969
Other	2 640	939
Total	<u>51 549</u>	<u>134 015</u>

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

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

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

28.4. Derivative financial instruments

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2015</i>
Instruments securing floating interest rates (SWAP)	21 101	23 743
Other currency options	-	-
Total	<u>21 101</u>	<u>23 743</u>
– short-term	8 024	8 684
– long-term	13 077	15 059

28.5. Grants and deferred income (long-term)

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Long-term preferential loans	-	-
Long-term settlement of sale-and-lease-back	13 401	16 147
Long-term grants	46 936	47 383
Other	300	302
Total	<u>60 637</u>	<u>63 832</u>

28.6. Grants and deferred income (short-term)

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Short-term preferential loans	-	-
Short-term settlement of sale-and-lease-back	10 984	10 984
Short-term grants	1 787	1 795
Other	6	-
Total	<u>12 777</u>	<u>12 779</u>

29. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in the note below, as of 31 March 2015, the Group 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 Pątnów 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 agreements for the sale of power and electricity. Revenue due to compensations is included successively obtained rights to compensations to the end of the period of their application. In order to estimate value of revenue assigned to a given period, the company estimates in order to determine a ratio of estimated stranded costs to 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 Państw II” sp. z o.o., in accordance with accepted policy of accounting, on the basis of the built financial model, in 2014 and 2013, recognised revenues due to compensations 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 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.

The company performed detailed legal analysis of the issue in co-operation with a reputable legal office, and on 09 February 2011, it appealed to the Court of Appeal of Warsaw against the judgement of the Court of first instance.

On 11 October 2012, the Court of Appeal passed 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 Państw II" sp. z o.o., which Zarządca Rozliczeń S.A. is obliged to pay to "Elektrownia Państw 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 Państw II" sp. z o.o. summoned the Zarządca Rozliczeń S.A. to pay the adjudged amount of the adjustment for 2008, and to return the amount of PLN 26,493 thousand paid by "Elektrownia Państw 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 amount mentioned above to the Company's account.

On 22 February 2013, the URE President submitted a cassation appeal from the judgement of the Court of Appeal of 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 case to that court for judicial review.

On 4 November 2014, the Court of Appeal of Warsaw issued a judgement dismissing the Company's appeal 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 Państw II" sp. z o.o., which the Company is obliged to return to Zarządca Rozliczeń S.A., in the amount of PLN 52,493,081 million. The Company included the Court's judgement in the statement for three quarters of this year 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 the Company 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, the Company decreased the revenues due to the PPAs settlements in 2014 by PLN 81.5 million.

On 15 April 2015, after prior being acquainted with the reasons for the judgement in writing of the Court of Appeal of Warsaw, the Company submitted a cassation appeal from this judgement.

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 SA 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 01 March 2009.

On the basis of the decision of the President of the Energy Regulatory Office of 28 December 2010, ZE PAK SA 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. The hearing date is 13 May 2015.

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. the 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: the Customs Office in Kalisz, the Customs Chamber in Poznań and, currently, the Provincial Administrative Court of 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:

- The Head of the Customs Office conducts 22 proceedings for the period of January 2006 - November 2007 (excluding November 2006) from the start, 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 dismiss the statement of overpayment. On 1 September this year, the Company submitted 22 appeals against decisions of the Head of the Customs Office to Head of the Customs Chamber, and currently, after the negative decision of the Head of the Customs Office, complaints have been filed and we are waiting for the setting date of the hearing before the Provincial Administrative Court in Poznań,
- 14 proceedings for the period of December 2007 - February 2009 (excluding July 2008) is suspended in the Provincial Administrative Court. These proceedings also included economic analysis,
- the proceeding for November 2006 was concluded with a negative result in the Supreme Administrative Court,
- the proceeding for July 2008 has reached the recognition of our cassation appeal was recognised by the Supreme Administrative Court. Unfortunately, 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 of 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 the case of EP II, the proceeding for all period (one case) was included in the cause lists of the Provincial Administrative Court after the decision of the Head of Customs Chamber negative for the Company. We do not have analyses because the Company did run activities in 2001 and there is no data.

On 1 March 2009, the Act of 6 December 2008 on excise tax came into effect and pursuant to which 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 proceeding due to impose 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 obligation to sale electricity produced in the period between 01 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 the obligation to sale 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 of 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 case 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 administrative proceedings ex officio in the case of determination the amount of the annual adjustment of the stranded costs for 2012 for the EP 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 the Company, which Zarządca Rozliczeń S.A. is obliged to pay the Company in the amount of (+) PLN 20.689 thousand. According to the Company's calculations, the adjustment should amount to (+) PLN 22.341 thousand.

On 14 August 2013, the Company appealed against the URE President before the Regional Court of 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 the Company, which the Zarządca Rozliczeń S.A. is obliged to pay to the Company, in the amount of (+) PLN 22,300 thousand.

The parties did not appeal against the judgement.

On the day of the preparation of this information, the judgement is already legally binding.

The Company is preparing the request for payment for Zarządca Rozliczeń S.A. for the amount of PLN (+) 1,611 thousand.

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

The President of the Energy Regulatory Authority ("the URE President"), on 27 March 2015, initiated administrative proceedings ex officio in the case of determination the amount of the annual adjustment of the stranded costs for 2014 for the EP II sp. z o.o. company.

The proceedings is in progress.

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 the 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 – to 31 May 2010, and in the case of the second excavator – to 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 to 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 the 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 to 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 of 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 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 proceeding of the summons was concluded with the Court's statement that the Conciliatory Settlement was not reached and conclusion of the proceeding 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 without costs 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 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 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 7 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 revoke the environmental decision. The plaintiffs applied for 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 Tomislawice 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 over the case for repeated examination. 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 Tomislawice open cast by PAK KWBK S.A. On 7 January 2013, PAK KWBK S.A. submitted a cassation appeal from the described decision.

After examination on the hearing on 7 October 2014, the Supreme Administrative Court dismissed the PAK Kopalnia Węgla Brunatnego Konin S.A.'s cassation appeal from 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 Tomislawice open cast.

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 Tomislawice open cast. The environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune is still in legal transactions, and until the issue of a final judgement by the Self-government Appeal Court, it exerts legal effects.

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 31 March 2014, appropriate provisions for recognised and calculable tax risks were created.

30. Liability repayment securities

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

As of 31 March 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>31 March 2015 (unaudited)</i>		<i>31 December 2014</i>	
	<i>Amount of security</i>	<i>Currency</i>	<i>Amount of security</i>	<i>Currency</i>
"Elektrownia Państw II" sp. z o.o.				
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

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

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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
2. Mortgage				
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
3. Registered pledge				
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
"PAK – HOLDCO" sp. z o.o.				
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.	339 750	PLN	339 750	PLN
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.	400 000	EUR	400 000	EUR
2. Registered pledge				
2.1. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	339 750	PLN	339 750	PLN
2.2. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	400 000	EUR	400 000	EUR
"PAK Infrastruktura" sp. z o.o.				
1. Registered pledge				
1.1. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	339 750	PLN	339 750	PLN
1.2. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	400 000	EUR	400 000	EUR
PAK Kopalnia Węgla Brunatnego Konin S.A.				
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.	76 500	PLN	76 500	PLN
1.3. Registered pledge on receivables of agreements of lignite sales to ZE PAK S.A.	-	PLN	15 000	PLN
1.4. 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
Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.				
1. Bank deposit				

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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	13	PLN	-	PLN
Zespół Elektrowni Państw-Adamów-Konin S.A.				
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>31 March 2015 (unaudited)</i>		<i>31 December 2014</i>	
<i>Kind of liabilities, guarantees, and sureties</i>	<i>Amount of security</i>	<i>Currency</i>	<i>Amount of security</i>	<i>Currency</i>
"Elektrownia Państw II" sp. z o.o.				
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.				
	-		25 108	PLN

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

including the 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

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

1. Guarantees

1.1. Performance Bond

4 350 PLN 4 350 PLN

1.2. Defect Liability Guarantee

781 EUR 781 EUR

1.3. Defect Liability Guarantee

2 229 PLN 2 229 PLN

1.4. Payment Guarantee

12 PLN 12 PLN

1.5. Advanced Payment Refund Guarantee

1 161 PLN 1 310 PLN

2. Sureties

2.1. Surety of Pak Serwis for Energoinwest's credit agreement in Bank Milenium

1 125 PLN 1 125 PLN

2.2. Surety of Pak Serwis for Energoinwest's multi-product limit agreement in the BGZ 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

4 686 PLN 5 040 PLN

1.2. 3. Security Payment Guarantee

120 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

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

76 500 PLN 76 500 PLN

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

the amount of PLN 76,500 thousand

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>31 March 2015 (unaudited) Obtained in PLN</i>	<i>31 March 2015 (unaudited) Obtained in EUR</i>	<i>31 December 2014 Obtained in PLN</i>	<i>31 December 2014 Obtained in EUR</i>
"Elektrownia Pałnów II" sp. z o.o.				
1. Guarantees				
1.1. Payment guarantees	10 891	-	7 356	-
1.2. Performance bonds	2 659	-	2 659	-
Elektrim-Volt S.A.				
1. Guarantees				
1.1. Payments – energy supplies in 2015 for Alpiq	18 386	-	-	-
1.2. Payments – energy supplies in 2015 for Polenergia	755	-	-	-
Energoinwest Serwis sp. z o.o.				
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	-
PAK Kopalnia Węgla Brunatnego Konin S.A.				

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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	-
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)	1 321	40	1 303	40
2.2. Performance Bond	906	-	906	-
Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.				
1. Guarantees				
1.1. Performance and retention bonds (cash payment)	167	-	167	-
1.2. Performance and retention bonds	3 360	-	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	69 384	351	57 418	351
2.2. Advanced Payment Refund Guarantees	23 909	-	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 concluded with affiliates for the current and next financial years:

<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	-	30	-	-
	2014	-	30	-	-
Elektrim Magadex S.A.	2015	-	-	-	-
	2014	-	-	-	-
Megadex Serwis Sp. z o.o.	2015	3	27 826	-	9 462
	2014	2	18 238	1	7 468
Energia-Nova S.A.	2015	-	-	-	-
	2014	-	-	-	-
Polkomtel Sp. z o.o.	2015	11 976	752	9 015	1 084
	2014	6 912	819	5 278	392
Centernet S.A.	2015	-	-	-	-
	2014	-	-	-	-

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

WKS Śląsk Wrocław S.A.	2015	-	-	-	-
	2014	-	-	-	-
Laris Investments Sp. z o.o.	2015	87	242	207	-
	2014	8	241	176	21
PAI MEDIA S.A.	2015	-	-	-	-
	2014	-	-	-	-
Total	2015	12 066	28 850	9 222	10 546
	2014	6 922	19 328	5 455	7 881

32.1. Loan granted to a member of the Management Board

Both in the 3-month period concluding on 31 March 2015, and in the one concluded on 31 March 2014, the Parent Company did not grant any loans and similar benefits to members of members of management and supervisory staff.

32.2. Other transactions involving members of the Management Board

Both in the 3-month period concluding on 31 March 2015, and in the one concluded on 31 March 2014, there were no transactions with members of members of management and supervisory staff.

32.3. Remuneration of chief executive staff of the Group

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

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Management Board of the parent company		
Short-term employee benefits	803	793
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
Supervisory Board of the parent company		
Short-term employee benefits	283	255
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
Management Boards of subsidiaries		
Short-term employee benefits	1 464	1 638
Long-service bonuses	346	-
Post-employment benefits	18	53
Benefits for termination of the contract of employment	11	-
Share-based employee benefits	-	-
Supervisory Board of subsidiaries		
Short-term employee benefits	-	-
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
Total	2 925	2 739

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

Remuneration paid or entitled to other members of the main management

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
Short-term employee benefits	4 259	4 062
Long-service bonuses	1 285	37
Post-employment benefits	22	22
Benefits for termination of the contract of employment	-	247
Share-based employee benefits	-	-
Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)	5 566	4 368

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 instruments 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 run activities.

The Group also concludes transactions with 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 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 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.

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.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

<i>Classes of financial instruments</i>	<i>As of 31 March 2015 (unaudited)</i>		<i>Interest rate risk sensitivity study as of 31 March 2015 (unaudited)</i>							
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>WIBOR + 73bp</i>		<i>WIBOR – 73bp</i>		<i>EURIBOR + 72bp</i>		<i>EURIBOR – 72bp</i>	
			<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>
Other financial assets	110 933	103 005	233	-	(233)	-	512	-	(512)	-
Trade and other receivables	304 830	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	229 817	229 817	968	-	(968)	-	700	-	(700)	-
Interest-bearing loans and borrowings	(1 283 018)	(1 283 018)	(5 253)	-	5 253	-	(4 057)	-	4 057	-
Trade payables and other financial liabilities	(410 689)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(21 101)	(21 101)	-	-	-	-	-	5 273	-	(5 273)
Total	(1 069 228)	(971 297)	(4 052)	-	4 052	-	(2 845)	5 273	2 845	(5 273)

<i>Classes of financial instruments</i>	<i>As of 31 March 2014 (unaudited)</i>		<i>Interest rate risk sensitivity study as of 31 March 2014 (unaudited)</i>							
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>WIBOR + 45bp</i>		<i>WIBOR – 45bp</i>		<i>EURIBOR + 20bp</i>		<i>EURIBOR – 20bp</i>	
			<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>	<i>Profit / loss</i>	<i>Other comprehensive income</i>
Other financial assets	124 739	124 739	216	-	(234)	-	149	-	(146)	-
Trade and other receivables	248 819	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	239 708	239 708	788	-	(788)	-	129	-	(129)	-
Interest-bearing loans and borrowings	(957 790)	(957 790)	(1 219)	-	1 219	-	(1 374)	-	1 374	-
Trade payables and other financial liabilities	(320 386)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(25 537)	(25 537)	-	-	-	-	-	2 152	-	(2 152)
Total	(690 447)	-	(215)	-	(197)	-	(1 099)	2 152	1 099	(2 152)

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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 31 March 2015 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 31 March 2015 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 7,05% 4,3773</i>		<i>rate EUR/PLN – 7,05% 3,8007</i>	
			<i>Profit / (loss)</i>	<i>Other comprehensive income</i>	<i>Profit / (loss)</i>	<i>Other comprehensive income</i>
Other financial assets	110 933	71 074	5 011	-	(5 011)	-
Trade and other receivables	304 830	2 482	175	-	(175)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	229 817	97 275	6 858	-	(6 858)	-
Interest-bearing loans and borrowings	(1 283 018)	(563 444)	(39 723)	-	39 723	-
Trade payables and other financial liabilities	(410 689)	(1 185)	(84)	-	84	-
Derivative financial instruments	(21 101)	-	-	-	-	-
Total	(1 069 228)	(393 798)	(27 763)	-	27 763	-

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

<i>Classes of financial instruments</i>	<i>As of 31 March 2014 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 31 March 2014 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 7,5% 4,4841</i>		<i>rate EUR/PLN – 7,5% 3,8585</i>	
			<i>Profit / (loss)</i>	<i>Other comprehensive income</i>	<i>Profit / (loss)</i>	<i>Other comprehensive income</i>
Other financial assets	124 739	72 782	5 458	-	(5 458)	-
Trade and other receivables	248 819	410	31	-	(31)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	239 708	64 509	4 838	-	(4 838)	-
Interest-bearing loans and borrowings	(957 790)	(686 827)	(51 512)	-	51 512	-
Trade payables and other financial liabilities	(320 386)	(737)	(55)	-	55	-
Derivative financial instruments	(25 537)	-	-	-	-	-
Total	(690 447)	(549 863)	(41 240)	-	41 240	-

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

33.3. Credit risk

Credit risk is a potential credit event, which may be materialised in the form of 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-by-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 use of various resources of financing, such as overdraft facilities, bank credits, debentures, preferred shares, financial lease agreements, and lease agreements with purchase option.

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

<i>31 March 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	173 653	182 753	802 659	231 076	1 390 141
Trade payables and other financial liabilities	250 350	59 501	100 760	78	410 689
Derivative financial instruments	2 159	5 926	13 383	-	21 468
Total	426 162	248 180	916 802	231 154	1 822 298
<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
Total	471 339	244 431	909 107	185 022	1 809 899

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

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP
*Interim condensed consolidated quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

<i>31 March 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	-	42	18	299	-	359
Outflows	-	2 159	5 926	13 383	-	21 468
Net amount	-	(2 117)	(5 908)	(13 084)	-	(21 109)
Discounted using appropriate interbank rates	-	(2 117)	(5 907)	(13 077)	-	(21 101)
<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)
Discounted using appropriate interbank rates	-	(2 352)	(6 332)	(15 059)	-	(23 743)

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

34. Financial instruments

34.1. Fair values of particular classes of financial instruments

The below tables presents 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
		31 March 2015 (unaudited)	31 December 2015	31 March 2015 (unaudited)	31 December 2015	
Financial assets						
Other financial assets	LaR	110 933	107 339	110 933	107 339	2
Trade receivables and other receivables	LaR	304 830	253 977	304 830	253 977	2
Derivative financial instruments	FVtPoL	-	-	-	-	2
Cash and cash equivalents	FAHtM	229 817	356 120	229 817	356 120	1
Financial liabilities						
Interest-bearing bank credits and loans, including:	FLaAC	1 283 018	1 215 774	1 283 018	1 215 774	3
– long-term ones interested according to a variable rate	FLaAC	926 482	867 221	926 482	867 221	
– short-term ones interested according to a variable rate	FLaAC	356 536	348 553	356 536	348 553	
Liabilities due to supplies and services and other financial liabilities	FLaAC	410 689	458 944	410 689	458 944	2
Derivative financial instruments	FVtPoL	21 101	23 743	21 101	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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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

	<i>31 March 2015 (unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	21 101	-
	<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 period concluded on 31 March 2015 and the one concluded on 31 December 2014, there were 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 31 March 2015 (unaudited)</i>	<i>Carrying amount as of 31 December 2014</i>
Financial assets at interest rate risk – PLN	Fixed	-	-
	Variable	164 474	311 992
Financial assets at interest rate risk – Other currencies	Fixed	-	-
	Variable	168 349	146 987
Financial liabilities at interest rate risk – PLN	Fixed	-	-
	Variable	719 574	599 077
Financial liabilities at interest rate risk – Other currencies	Fixed	282 023	308 714
	Variable	281 420	307 982
Net exposure – PLN	Fixed	-	-
	Variable	(555 100)	(287 085)
Net exposure – Other currencies	Fixed	(282 023)	(308 714)
	Variable	(113 071)	(160 955)

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 rate risk is the Interest Rate Swap transaction, within which the Group exchanges stream of cash interest payments based on the variable EURIBOR 3M rate for payments of fixed interest rate at 3.1050%. The Group indicates designated derivative instruments as protecting instruments in the model of cash flow security, and includes them in accordance with protection accounting rules.

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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

<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 March 2015 (unaudited)</i>	<i>31 March 2015 (unaudited)</i>	<i>31 March 2015</i>
IRS transaction	68 971	(21 101)	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>3 months period ended</i>	<i>year ended</i>
	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Opening balance	(21 902)	(23 248)
Effective part of profits / losses on a security instrument	309	(8 059)
Amounts charged to the income statement, including:	(2 139)	(9 405)
– adjustment of costs of interest	(2 139)	(9 405)
– adjustment under ineffective hedging	-	-
Closing balance	(19 454)	(21 902)
Deferred tax assets – recognized in the revaluation reserve	3 696	4 161
Closing balance including deferred tax	(15 758)	(17 741)

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 increased 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 period concluded on 31 March 2015 and 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

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 quarterly report
for the period of 3 months ended 31 March 2015
(in thousands of zlotys)*

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.

	<i>31 March 2015 (unaudited)</i>	<i>31 December 2014</i>
Interest-bearing credits and loans	1 283 018	1 215 774
Derivative financial instruments (liabilities)	21 101	23 743
Trade liabilities and other financial liabilities	410 689	458 944
Minus cash and its equivalents	229 817	356 120
Net debt	<u>1 484 991</u>	<u>1 342 341</u>
Equity	3 855 281	3 819 717
Capitals from revaluation of security instruments	(15 758)	(17 741)
Total capital	<u>3 871 039</u>	<u>3 837 458</u>
Net capital and debt	<u>5 356 030</u>	<u>5 179 799</u>
Leverage ratio		
Interest-bearing credits and loans	27.73%	25.91%

36. Events after the balance sheet date

Apart from the additional explanatory notes, after the balance sheet date to the date of this annual consolidated financial statement for the 3-month period concluded on 31 March 2015, there were no significant events.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.

**INTERIM QUARTERLY REPORT
FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2015**

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

Table of contents

BALANCE SHEET	69
PROFIT AND LOSS ACCOUNT (CALCULATION VARIANT).....	72
STATEMENT OF CASH FLOWS.....	73
STATEMENT OF CHANGES IN EQUITY	75
Additional information to the quarterly condensed financial statement.....	77

BALANCE SHEET

As of 31 March 2015

ASSETS	<i>As of</i> 31 March 2015 (unaudited)	<i>As of</i> 31 December 2014	<i>As of</i> 31 March 2014 (unaudited)
A. Non-current assets	3 555 869	3 430 880	3 145 410
I. Intangible assets	265 305	199 867	191 813
1. Development expenses			
2. Goodwill			
3. Other intangible assets	265 305	199 867	191 813
4. Prepayments for intangible assets			
II. Property, plant and equipment	2 063 578	1 999 969	1 711 262
1. Tangible fixed assets	1 266 135	1 285 911	1 351 169
a) land (including perpetual usufruct)	1 251	1 252	1 266
b) buildings, premises and constructions	579 689	589 378	615 930
c) plant and machinery	680 940	691 208	731 597
d) motor vehicles	2 119	1 790	909
e) other	2 136	2 283	1 467
2. Construction in progress	780 210	693 396	319 940
3. Prepayments for construction in progress	17 233	20 662	40 153
III. Long-term receivables			
1. From affiliates			
2. From other entities			
IV. Long-term investments	1 221 124	1 224 778	1 238 353
1. Property			
2. Intangible assets			
3. Long-term financial assets	1 221 124	1 224 778	1 238 353
a) in affiliates	1 220 973	1 224 627	1 238 202
- shares	1 146 744	1 147 444	1 147 444
- other securities			
- loans granted	74 229	77 183	90 758
- other long-term financial assets			
b) in other entities	151	151	151
- shares	151	151	151
- other securities			
- loans granted			
- other long-term financial assets			
4. Other long-term investments			
V. Long-term prepayments and deferred costs	5 862	6 266	3 982
1. Deferred tax assets			
2. Other prepayments and deferred costs	5 862	6 266	3 982
B. Current assets	478 063	519 818	370 915
I. Inventories	201 895	180 519	164 629
1. Raw materials	48 997	42 509	37 132
2. Semi-finished goods and work-in-progress			
3. Finished goods			
4. Goods	150 389	135 722	120 729
5. Inventory prepayments	2 509	2 288	6 768

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.
Interim quarterly report for the period of 3 months ended 31 March 2015
(in thousands of zlotys)

II. Short-term receivables	141 963	149 294	142 259
1. Receivables from affiliates	42 438	45 427	47 893
a) trade receivables, due in:	42 438	38 760	47 893
- up to 12 months	42 438	38 760	47 893
- over 12 months			
b) other		6 667	
2. Receivables from other entities	99 525	103 867	94 366
a) trade receivables, due in:	63 854	58 007	53 015
- up to 12 months	63 854	58 007	53 015
- over 12 months			
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	22 897	31 272	31 230
c) other	12 774	14 588	10 121
d) submitted to court			
III. Short-term investments	132 061	189 489	61 716
1. Short-term financial assets	132 061	189 489	61 716
a) in affiliates	22 933	15 707	15 872
- shares			
- other securities	7 522		
- loans granted	15 411	15 707	15 872
- other short-term financial assets			
b) in other entities			
- shares			
- other securities			
- loans granted			
- other short-term financial assets			
c) cash and other monetary assets	109 128	173 782	45 844
- cash on hand and cash at bank	109 128	173 782	45 844
- other cash and cash equivalents			
- other monetary assets			
2. Other short-term investments			
IV. Short-term prepayments and deferred costs	2 144	516	2 311
Short-term deferred costs			
TOTAL ASSETS	4 033 932	3 950 698	3 516 325
LIABILITIES AND EQUITY			
	<i>As of</i> <i>31 March 2015</i> <i>(unaudited)</i>	<i>As of</i> <i>31 December 2014</i>	<i>As of</i> <i>31 March 2014</i> <i>(unaudited)</i>
A. Equity	2 999 911	2 995 959	2 916 088
I. Share capital	101 647	101 647	101 647
II. Unpaid share capital (negative value)			
III. Treasury shares (negative value)			
IV. Reserve capital	2 398 404	2 398 398	2 200 508
V. Revaluation reserve	286 224	286 229	286 823
VI. Other reserves	5 877	5 877	5 877
VII. Accumulated profits (losses) from previous years	203 808	(834)	231 023
VIII. Net profit (loss) for the period	3 951	204 642	90 210
IX. Deductions from net profit during the period (negative value)			

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.
Interim quarterly report for the period of 3 months ended 31 March 2015
(in thousands of zlotys)

B. Liabilities and provisions for liabilities	1 034 021	954 739	600 237
I. Provisions for liabilities	284 225	241 428	322 374
1. Deferred tax liability	72 550	71 877	58 315
2. Provision for retirement benefits and similar obligations	12 028	27 325	87 729
- long-term	11 139	10 969	81 165
- short-term	889	16 356	6 564
3. Other provisions	199 647	142 226	176 330
- long-term	17 274	17 141	21 927
- short-term	182 373	125 085	154 403
II. Long-term liabilities	445 698	338 049	11 229
1. To affiliates	761	339	22
2. To other entities	444 937	337 710	11 207
a) loans	431 878	325 713	
b) debt securities issued			
c) other financial liabilities			9
d) other	13 059	11 997	11 198
III. Short-term liabilities	264 416	342 106	225 635
1. To affiliates	87 282	104 576	88 471
a) trade creditors, payable in:	73 957	93 172	75 164
- up to 12 months	73 957	93 172	75 164
- over 12 months			
b) other	13 325	11 404	13 307
2. To other entities	170 221	232 796	130 705
a) loans	44 981	27 921	19 124
b) debt securities issued			
c) other financial liabilities	9	18	33
d) trade liabilities payable in:	20 028	28 092	17 502
- up to 12 months	20 028	28 092	17 502
- over 12 months			
e) advance payments received	33	35	96
f) bills of exchange payable			
g) taxation, customs duty and social security creditors	23 959	75 133	19 670
h) payroll	4 055	4 037	3 519
i) other	77 156	97 560	70 761
3. Special funds	6 913	4 734	6 459
IV. Accruals and deferred income	39 682	33 156	40 999
1. Negative goodwill			
2. Other accruals and deferred income	39 682	33 156	40 999
- long-term	15 479	15 563	15 578
- short-term	24 203	17 593	25 421
TOTAL LIABILITIES AND EQUITY	4 033 932	3 950 698	3 516 325

PROFIT AND LOSS ACCOUNT (CALCULATION VARIANT)

For the 3 months period ended 31 March 2015

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
A. Net sales of finished goods, goods for resale and raw materials, of which:	403 037	400 659
- from affiliates	130 871	130 846
I. Net sales of finished goods	374 359	385 375
II. Net sales of goods for resale and raw materials	28 678	15 284
B. Cost of finished goods, goods for resale and raw materials sold, of which:	383 217	354 998
- to affiliates		
I. Cost of finished goods sold	358 531	340 224
II. Cost of goods for resale and raw materials sold	24 686	14 774
C. Gross profit (loss) on sales (A-B)	19 820	45 661
D. Selling expenses	814	858
E. Administrative expenses	9 398	8 731
F. Profit (loss) on sales (C-D-E)	9 608	36 072
G. Other operating income	494	2 756
I. Gains on the sale of non-financial non-current assets	37	32
II. Grants	83	130
III. Other	374	2 594
H. Other operating expenses	912	3 350
I. Loss on the sale of non-financial non-current assets		
II. Impairment of non-financial assets		1 816
III. Other	912	1 534
I. Operating profit (loss) (F+G-H)	9 190	35 478
J. Finance income	2 397	62 494
I. Dividends and shares in profits, of which:	1 618	61 162
- from affiliates	1 618	61 117
II. Interest, of which:	771	756
- from affiliates	330	403
III. Gains on the sale of investments		
IV. Revaluation of investments		575
V. Other	8	1
K. Finance costs	6 963	828
I. Interest, of which:	767	486
- to affiliates		
II. Loss on the sale of investments		
III. Impairment of investments	3 559	
IV. Other	2 637	342
L. Gross profit (loss) on ordinary activities (I+J-K)	4 624	97 144
M. Result on extraordinary items (M.I.-M.II.)		
I. Extraordinary gains		
II. Extraordinary losses		
N. Gross profit (loss) (L±M)	4 624	97 144
O. Corporate profits tax	673	6 934
P. Other tax charges		
R. Net profit (loss) (N-O-P)	3 951	90 210

STATEMENT OF CASH FLOWS

For the period of 3 months ended 31 March 2015

	<i>3 months period ended 31 March 2015 (unaudited)</i>	<i>3 months period ended 31 March 2014 (unaudited)</i>
A. Cash flow from operating activities		
I. Net profit (loss)	3 951	90 210
II. Adjustments, total	(85 598)	(110 437)
1. Depreciation	20 835	22 191
2. Foreign exchange gains (losses)	5 079	(551)
3. Interest and shares in profits	(1 182)	(61 081)
4. Profit (loss) on investing activities	275	(32)
5. Change in provisions	42 795	31 088
6. Change in inventories	(21 377)	8 664
7. Change in receivables	7 331	(3 254)
8. Change in short-term liabilities, except for loans and borrowings	(78 846)	(69 890)
9. Change in prepayments, accruals and deferred income	4 880	4 857
10. Other adjustments	(65 388)	(42 429)
III. Net cash flow from operating activities (I±II)	(81 647)	(20 227)
B. Cash flow from investing activities		
I. Inflows	2 057	61 162
1. Sale of intangible assets and tangible fixed assets	51	
2. Sale of investments in property and intangible assets		
3. From financial assets, of which:	2 006	61 162
a) in affiliates	2 006	61 117
b) in other entities		45
- sale of financial assets		
- dividends and shares in profits		45
- repayment of long-term loans granted		
- interest received		
- other		
4. Other investing inflows		
II. Outflows	103 891	80 510
1. Purchase of intangible assets and tangible fixed assets	96 391	80 510
2. Investments in property and intangible assets		
3. For financial assets, of which:	7 500	
a) in affiliates	7 500	
b) in other entities		
- purchase of financial assets		
- long-term loans granted		
4. Other investing outflows		
III. Net cash flow from investing activities (I-II)	(101 834)	(19 348)
C. Cash flow from financing activities		
I. Inflows	123 679	19 124
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	-	-
2. Loans and credits	123 679	19 124
3. Issue of debt securities	-	-
4. Other financial inflows	-	-

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.
Interim quarterly report for the period of 3 months ended 31 March 2015
(in thousands of zlotys)

II. Outflows	3 333	91 443
1. Re-acquisition of own shares		
2. Dividends and other payments to shareholders		
3. Outflows due to appropriation of profit other than payments to shareholders		
4. Repayment of loans and borrowings		90 951
5. Redemption of debt securities		
6. Relating to other financial liabilities		
7. Finance lease payments	22	8
8. Interest paid	3 311	484
9. Other financing outflows		
III. Net cash flow from financing activities (I-II)	120 346	(72 319)
D. Total net cash flow (A.III±B.III±C.III)	(63 135)	(111 894)
E. Balance sheet change in cash and cash equivalents, of which:	(63 135)	(111 919)
- change in cash and cash equivalents due to foreign exchange gains/losses	(1 520)	(25)
F. Cash and cash equivalents at the beginning of the period	173 239	157 852
Cash and cash equivalents at the end of the period (F±D), of which:		
G. which:	110 104	45 958
- of restricted use	2 942	9 675

STATEMENT OF CHANGES IN EQUITY

As of 31 March 2015

	<i>As of</i> 31 March 2015 <i>(unaudited)</i>	<i>As of</i> 31 December 2014	<i>As of</i> 31 March 2014 <i>(unaudited)</i>
I. Equity at the beginning of the period (OB)	2 995 959	2 825 877	2 954 021
- changes in accounting policy			
- correction of prior period error			
I.a. Equity at the beginning of the period (OB), after adjustments	2 995 959	2 825 877	2 954 021
1. Share capital at the beginning of the period	101 647	101 647	101 647
1.1. Changes in share capital			
a) increases			
b) decreases			
1.2. Share capital at the end of the period	101 647	101 647	101 647
2. Unpaid share capital at the beginning of the period			
2.1. Changes to unpaid share capital			
a) increases			
b) decreases			
2.2. Unpaid share capital at the end of the period			
3. Treasury shares at the beginning of the period			
a) increases			
b) decreases			
3.1. Treasury shares at the end of the period			
4. Reserve capital at the beginning of the period	2 398 398	2 200 508	2 200 508
4.1. Changes in reserve capital		197 890	
a) increases (due to)	5	197 890	
- share premium			
- statutory profit appropriation		197 296	
- profit appropriation (in excess of statutory amounts)			
b) decreases	5	594	
- liquidation and disposal of fixed assets			
4.2. Reserve capital at the end of the period	2 398 403	2 398 398	2 200 508
5. Revaluation reserve at the beginning of the period	286 229	286 823	286 823
5.1. Changes in revaluation reserve	(5)	(594)	
a) increases			
b) decreases (due to)	5	594	
- liquidation and disposal of fixed assets	5	594	
5.2. Revaluation reserve at the end of the period	286 224	286 229	286 823
6. Other reserves at the beginning of the period	5 877	5 877	5 877
6.1. Changes in other reserves			
a) increases			
b) decreases			
6.2. Other reserves at the end of the period	5 877	5 877	5 877

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.
Interim quarterly report for the period of 3 months ended 31 March 2015
(in thousands of zlotys)

7.	Accumulated profits from previous years at the beginning of the period	204 643	231 857	231 857
7.1.	Accumulated profits from previous years at the beginning of the period	204 643	231 857	231 857
	- changes in accounting policy			
	- correction of prior period error			
7.2.	Accumulated profits from previous years at the beginning of the period, after adjustments	204 643	231 857	231 857
	a) increases (due to)			
	- appropriation of profit from previous years			
	b) decreases (due to)		231 857	
	- transfer of profit to reserve capital		197 297	
	- dividend payments to shareholders		34 560	
7.3.	Accumulated profits from previous years at the end of the period	204 643	-	231 857
7.4.	Accumulated losses from previous years at the beginning of the period	(834)	(834)	(834)
	- changes in accounting policy			
	- correction of prior period error			
7.5.	Accumulated losses from previous years at the beginning of the period, after adjustments	(834)	(834)	(834)
	a) increases (due to)			
	- transfer of prior year losses			
	b) decreases			
7.6.	Accumulated losses from previous years at the end of the period	(834)	(834)	(834)
8.	Net result	3 951	204 642	90 210
	a) net profit	3 951	204 642	90 210
	b) net loss			
	c) deductions from profit			
II.	Equity at the end of the period (CB)	2 999 911	2 995 959	2 916 088
III.	Equity, after proposed appropriation of profits (absorption of losses)	-	2 955 301	-

Additional information to the quarterly condensed financial statement

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

The Company is entered into the Register of Entrepreneurs under the KRS number 0000021374 assigned on 21 June 2001.

The Company operated under the NIP number: 665-00-01-645 assigned on 17 September 1993, and the REGON symbol: 310186795.

The duration of the Company is indefinite.

At the date of preparation of these financial statement, the shareholder structure is as follows:

<i>Shareholder</i>	<i>Number of shares</i>	<i>The nominal value of one share in zlotys</i>	<i>Share [%] in the total number of shares</i>	<i>Number of votes</i>	<i>Share [%] in the total number of votes</i>
Zygmunt Solorz-Żak (directly) through Elektrim S.A., Embud sp. z o.o., Argumenol Investment Company Limited	26 200 867	2,00	51,55%	26 200 867	51,55%
ING OFE	5 068 410	2,00	9,97%	5 068 410	9,97%
Other shareholders	19 554 270	2,00	38,48%	19 554 270	38,48%
Total shareholders	50 823 547		100,00%	50 823 547	100,00%

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

According to articles of association, the subject of the Company's activities is:

1. production and distribution of electricity,
2. production and distribution of heat (steam and hot water).

Continuation of activity

The financial statement of the Company was developed with the assumption of continuing business activity by the Company in the foreseeable future, at least 12 months after the balance sheet date that is after 31 December 2014.

As of signature of this financial statement, The Company's Management Board states that there are no facts and premises, which would affect the opportunity to continue activities by the Company.

Merger of commercial companies

In the reporting period, for which the financial statement was developed, there was no merger pursuant to Article 492 paragraph 1 point 1 of the Code of Commercial Companies with other commercial company.

Accepted principles (policy) of accounting

The Company operated on the basis of the following legal acts:

1. The Act on accounting of 29 September 1994 (consolidated text Journal of Laws no. 2013, item 330, as amended – hereinafter "UoR", "the Act"),
2. The Corporate Income Tax Law of 15 February 1992 (Journal of Laws of 2000, no. 54, item 654) as amended,
3. The Resolution of the Minister of Finances of 19 February 2009 on the current and periodical information submitted by issuers of stocks as well as conditions for the recognition as equally important of information required by the regulations of the law of a country not comprising a Member State (Journal of Laws of 2009, no. 33, item 259) as amended,
4. The Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (consolidated text Journal of Laws of 2009 no. 185, item 1439 as amended).

The Company introduced the following ordinances to be used in the scope of methods of assets and liabilities quotation:

1. The ordinance no 35 of the ZE PAK S.A. in Konin President of 1 July 2003 in case of the management of the physical assets of the fixed asset,
2. The ordinance no 34 of the ZE PAK S.A. in Konin President of 1 July 2003 in case of the Corporate Chart of Accounts for ZE PAK S.A.

The financial statement has been prepared under the historical cost convention, which was modified in the case of:

- intangible assets,
- fixed assets,
- investments in subsidiaries and other long-term investments,
- other short-term investments (excluding cash and financial assets),
- financial instruments.

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

**ADDITIONAL INFORMATION FOR EXTENDED CONSOLIDATED
REPORT FOR 1st QUARTER 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*

Table of contents:

1.	Selected Financial Data	3
2.	Description of the Group	5
2.1.	<i>Basic information</i>	5
2.2.	<i>Structure</i>	6
2.3.	<i>Composition of the Management Board of the parent company</i>	8
2.4.	<i>Description of changes within the Group's structure during the period covered by the report</i>	8
3.	Significant events affecting the Group's activity	9
3.1.	<i>Significant achievements and failures during the period covered by the report</i>	9
3.2.	<i>Other significant events of the reporting period and events after the balance sheet date</i>	17
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.....	17
5.	Information regarding the shareholding structure.....	20
5.1.	<i>Shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes</i>	20
5.2.	<i>List of the shareholding structure of the management and supervising personnel</i>	21
6.	Opinion of the Management Board on the possibility of execution of financial forecasts published earlier.....	21
7.	Information regarding the paid or declared dividends.....	21
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.....	22
9.	Information on granting by ZE PAK S.A. or entities consolidated under the Group of significant guarantees, sureties, credits or loans	22
10.	Information concerning the issue, redemption, and repayment of non-equity and capital securities	22
11.	Factors which, in the Management Board's opinion, will affect the Company's results in the perspective of at least one quarter	22

1. Selected Financial Data

Table 1: Selected Consolidated Financial Data

Selected consolidated financial data	PLN thousand		EUR thousand	
	3 months of 2015 period from 01.01.2015 to 31.03.2015	3 months of 2014 period from 01.01.2014 to 31.03.2014	3 months of 2015 period from 01.01.2015 to 31.03.2015	3 months of 2014 period from 01.01.2014 to 31.03.2014
I. Sales revenue	755.194	667.672	182.023	159.372
II. Operating profit/loss	37.836	80.559	9.120	19.229
III. Profit/Loss before tax	41.754	67.476	10.064	16.106
IV. Net profit/loss for the period	34.379	53.640	8.286	12.804
V. Net profit attributable to equity holders of the parent	34.915	52.442	8.415	12.518
VI. Total comprehensive income	35.564	52.071	8.572	12.429
VII. Net cash flow from operating activities	-74.851	39.586	-18.041	9.449
VIII. Net cash flow from investing activities	-124.862	-111.056	-30.095	-26.509
IX. Net cash flow from financing activities	76.835	-119.954	18.519	-28.633
X. Net increase / (decrease) in cash and cash equivalents	-122.878	-191.424	-29.617	-45.692
XI. Net profit per share (in PLN/EUR per share)	0,69	1,03	0,17	0,25
XII. Weighted average number of shares	50.823.547	50.823.547	50.823.547	50.823.547
Selected consolidated financial data	PLN thousand		EUR thousand	
	As of 31.03.2015	As of 31.12.2014	As of 31.03.2015	As of 31.12.2014
XIII. Total assets	6.891.853	6.867.688	1.685.462	1.611.263
XIV. Non-current assets	5.780.444	5.685.991	1.413.657	1.334.019
XV. Current assets	1.111.409	1.181.697	271.805	277.244
XVI. Total equity	3.855.281	3.819.717	942.842	896.163
XVII. Share capital	101.647	101.647	24.859	23.848
XVIII. Share capital attributable to equity holders of the parent	3.855.281	3.819.717	942.842	896.163
XIX. Total liabilities	3.036.572	3.047.971	742.620	715.100
XX. Non-current liabilities	1.901.178	1.841.869	464.949	432.130
XXI. Current liabilities	1.135.394	1.206.102	277.670	282.970
XXII. Book value per share (in PLN/EUR per share)	75,86	75,16	18,55	17,63
XXIII. Weighted average number of shares	50.823.547	50.823.547	50.823.547	50.823.547

Table 2: Selected financial data of ZE PAK S.A. (data according to Accounting Act – polish accountancy standard)

Selected financial data of ZE PAK S.A.	PLN thousand		EUR thousand	
	3 months of 2015 period from 01.01.2015 to 31.03.2015	3 months of 2014 period from 01.01.2014 to 31.03.2014	3 months of 2015 period from 01.01.2015 to 31.03.2015	3 months of 2014 period from 01.01.2014 to 31.03.2014
XXIV. Sales revenues	403.037	400.659	97.143	95.636
XXV. Operating profit/loss	9.190	35.478	2.215	8.469
XXVI. Profit/Loss before tax	4.624	97.144	1.115	23.188
XXVII. Net profit/loss for the period	3.951	90.210	952	21.533
XXVIII. Net cash flow from operating activities	-81.647	-20.227	-19.679	-4.828
XXIX. Net cash flow from investing activities	-101.834	-19.348	-24.545	-4.618
XXX. Net cash flow from financing activities	120.346	-72.319	29.007	-17.262
XXXI. Total net cash flow	-63.135	-111.894	-15.217	-26.709
XXXII. Net profit per share (in PLN/EUR per share)	0,08	1,77	0,02	0,42
XXXIII. Weighted average number of shares	50.823.547	50.823.547	50.823.547	50.823.547
Selected financial data of ZE PAK S.A.	PLN thousand		EUR thousand	
	As of 31.03.2015	As of 31.12.2014	As of 31.03.2015	As of 31.12.2014
XXXIV. Total assets	4.033.932	3.950.698	986.533	926.893
XXXV. Non-current assets	3.555.869	3.430.880	869.618	804.936
XXXVI. Current assets	478.063	519.818	116.914	121.957
XXXVII. Total equity	2.999.911	2.995.959	733.654	702.897
XXXVIII. Share capital	101.647	101.647	24.859	23.848
XXXIX. Liabilities and provisions for liabilities	1.034.021	954.739	252.879	223.996
XL. Non-current liabilities	445.698	338.049	108.999	79.311
XLI. Current liabilities	264.416	342.106	64.665	80.263
XLII. Book value per share (in PLN/EUR per share)	59,03	58,95	14,44	13,83
XLIII. Weighted average number of shares	50.823.547	50.823.547	50.823.547	50.823.547

Above financial data in tables presented in 1 and 2 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 31 March 2015,

which is 4,1489 EUR/PLN and starting from 1 January 2014 to 31 March 2014, which is 4,1894 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 31 March 2015, which is 4,0890 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 31 March 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 two subsidiaries of PAK KWBK S.A. (Ochrona Osób i Mienia Asekuracja Sp. z o.o. in liquidation, Aquakon Sp. z o.o.) 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.

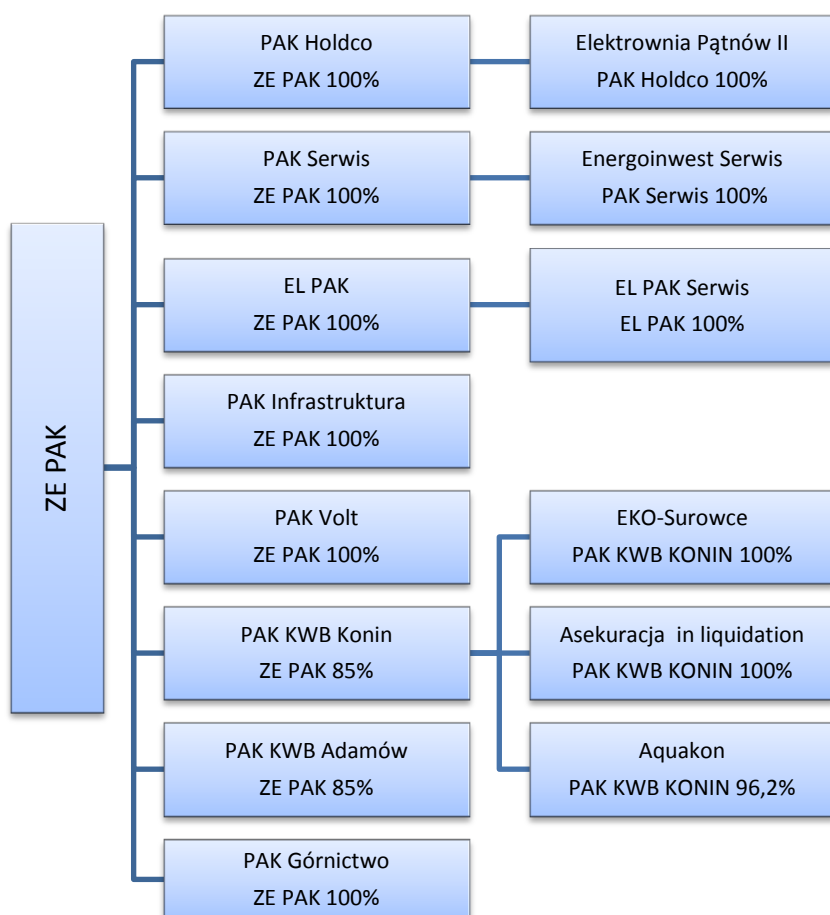
The production facilities of the Group include four lignite-fired power plants located in the central part of Poland in the Wielkopolskie voivodship. These are the Pątnów II Power Plant which is equipped with a supercritical power unit, Pątnów I Power Plant, Adamów Power Plant and Konin Power Plant equipped 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 31 March 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 Pałnów 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 31 March 2015

Table 3: Listing of the Group companies (without ZE PAK S.A.)

Entity	Registered office	Scope of activities	Percentage of capital held by the Group	
			31 December 2014	31 March 2015
Przedsiębiorstwo Remontowe PAK SERWIS Sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100%	100%
PAK-Volt S.A.	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100%	100%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych EL PAK Sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services related to industrial automatics and electric appliances maintenance	100%	100%
Elektrownia Państw II Sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electric energy production and distribution from the new 464 MW power unit	100%*	100%*
PAK-Holdco Sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100%	100%
PAK Infrastruktura Sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100%	100%
PAK Centrum Usług Informatycznych Sp. z o.o. (in liquidation)	62-510 Konin ul. Kazimierska 45	IT services	100%	-
PAK Centrum Badań Jakości Sp. z o.o. (in liquidation)	62-510 Konin ul. Przemysłowa 158	Research and chemical analysis	100%	-
PAK Górnictwo Sp. z o.o.	62-510 Konin ul. Kazimierska 45	Lignite extraction	100%	100%
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%*	100%*
Energoinwest Serwis Sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	100%*	100%*
PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	85%	85%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite extraction	85%	85%
Ochrona Osób i Mienia ASEKURACJA Sp. z o.o. (in liquidation)	62-540 Kleczew ul. 600-lecia 9	Security guard services relating to people and property	85%*	85%*
Aquakon Sp. z o.o.	62-610 Sompolno Police	Mechanical services, repairs, reclamation of land, production and trade of mineral water	81,8%*	81,8%*
Eko-Surowce Sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	vulcanization services, sale of lignite	85%*	85%*
KWE Sp. z o.o. (in liquidation)	62-540 Kleczew ul. 600-lecia 9	Preparation for construction of wind farms, generation of electricity	42,5%*	-

* indirect share via companies from ZE PAK Group.

2.3. Composition of the Management Board of the parent company

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 quarter 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 quarter 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 Labour 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 Labour 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.

3. Significant events affecting the Group's activity

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

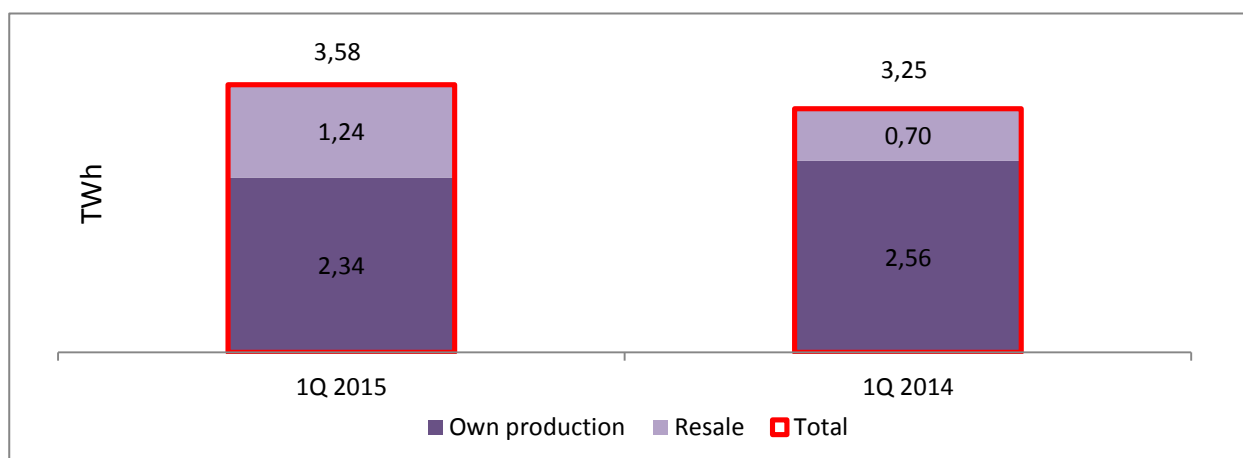
Short description of the achieved financial results

Sales revenues, in the first quarter of 2015 amounted to PLN 755,194 thousand and, compared to the first quarter of 2014, they increased by PLN 87,522 thousand, i.e. by 13.11%.

In the analysed quarter, in comparison to the analogous quarter of the year before, the Group's electricity sale increased from 3.25 to 3.58 TWh, i.e. by 9.92%. At the same time, the average achieved price of the electricity sale decreased to PLN/MWh 176.43, i.e. by 7.42%. Both of the above-mentioned factors resulted in the increase of the revenues of the electricity sales by PLN 96,612 thousand, i.e. by 18.08%.

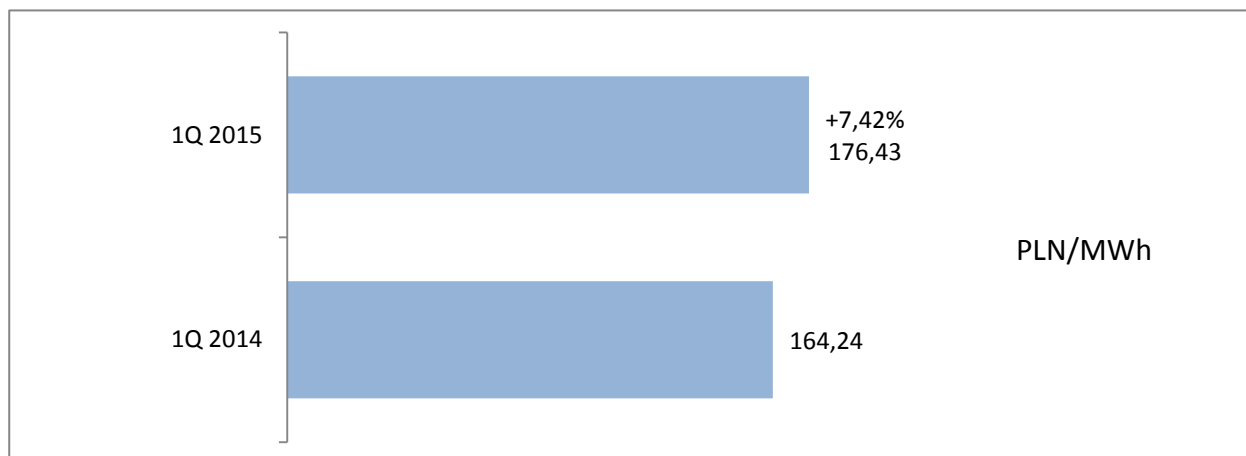
The growth of the electricity sales was due to the increased electricity sales from the market, which increased from 0.70 TWh to 1.24 TWh. The sales of electricity from its own production decreased from 2.56 TWh to 2.34 TWh. The lower electricity production derived from the weather conditions that we observed during the analysed period. The factors such as: the large generation of wind power plants, which cover a part of the demand for power in KSE, and relatively high temperatures for the winter season resulted in the reduction by OSP of the generating units, which belong to the Group. Comparing quarters year-on-year, the production of the Pałnów II Power Plant, which is characterised by high efficiency of the power generation, remained at the similar level. Higher production was reported in the Konin Power Plant, it was achieved by the biomass unit, which in the first quarter 2015, produced during the greater number of days than in the same period of 2014. Despite the decrease in production, the Group received revenues from the operational power reserves.

Chart 1: Sale of electricity



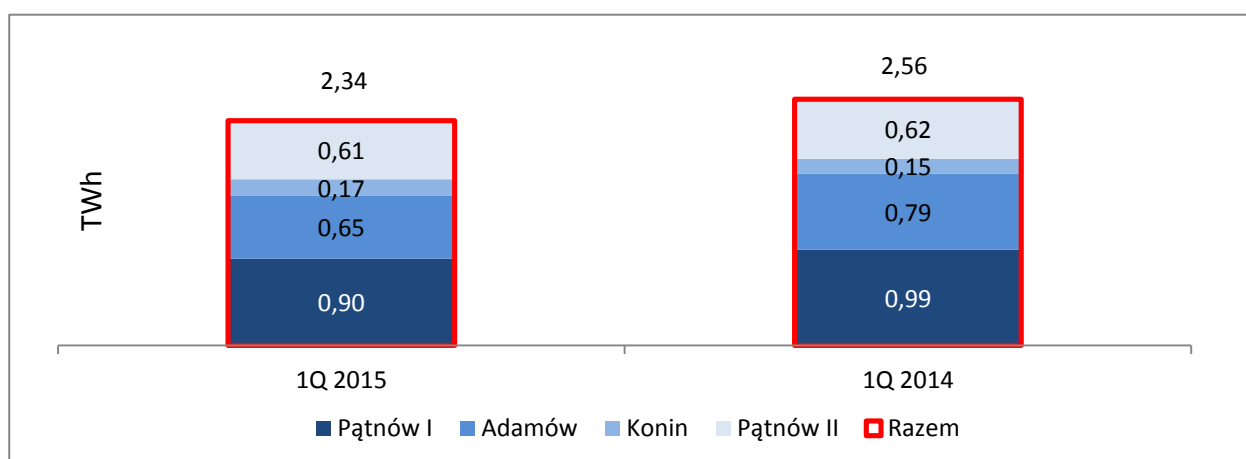
Source: own data

Chart 2: Average electricity sale prices



Source: own data

Chart 3: Net production of electricity



Source: own data

Table 4: Specification of sales revenue

SALES REVENUES	1Q 2015	1Q 2014	Change	Dynamics
	PLN thousand	PLN thousand	PLN thousand	%
Electricity (decreased by excise tax)	410.661	418.003	-7.342	-1,76
Electricity resold from the market	220.269	116.315	103.954	89,37
Energy certificates of origin	16.412	20.224	-3.812	-18,85
Construction contracts	36.295	33.868	2.427	7,17
Compensation related to LTC termination	43.758	45.839	-2.081	-4,54
Heat	20.516	19.548	968	4,95
Other	7.283	13.875	-6.592	-47,51
Total sales revenues	755.194	667.672	87.522	13,11

In the first quarter of 2015, revenues from selling energy certificates of origin decreased by PLN 3,812 thousand, i.e. by 18.85% in relation to the quarter of the previous year. The cause of the decrease in revenues was their lower price, which decreased from PLN/MWh 244.91 in the first quarter of 2014 to PLN/MWh 141.89 in the first quarter of 2015. The decrease in revenues from the price of certificates was partly compensated by their higher production of 0.26 TWh.

The decrease in the electricity prices in the first half of 2015 caused the compensation for the termination of long-term contracts for the Pałnów II Power Plant to decrease by PLN 2,081 thousand, i.e. by 4.54% in comparison with the compensation obtained in the first quarter of 2014.

Revenues from contracts for construction services in the first quarter of 2015 increased by PLN 2,427 thousand, i.e. by 7.17% in relation to the revenues achieved in the analogous quarter of the previous year. The generated revenues are still influenced by the increased scope of services provided by the Group companies in the renovation segment in relation to their commitment to the modernisation of the Pałnów I Power Plant.

The revenues from sale of heat in the analysed quarter of 2015 were higher than those achieved in the first quarter of the previous year by PLN 968 thousand, i.e. by 4.95%, thanks to higher executed production and price.

Table 5: Selected items from the consolidated profit and loss account and the consolidated comprehensive income statement

REVENUES, COSTS, PROFITS AND LOSSES	1Q 2015	1Q 2014	Change	Dynamics
	PLN thousand	PLN thousand	PLN thousand	%
Sales revenues	755.194	667.672	87.522	13,11
Cost of goods sold	-690.355	-546.380	-143.975	26,35
Gross profit (loss) on sales	64.839	121.292	-56.453	-46,54
Other operating income	5.706	6.674	-968	-14,50
Selling and distribution expenses	-823	-853	30	-3,52
Administrative expenses	-30.202	-43.691	13.489	-30,87
Other operating expenses	-1.684	-2.863	1.179	-41,18
Profit (loss) on operating activities*	37.836	80.559	-42.723	-53,03
Finance income	20.319	1.866	18.453	988,91
Finance costs	-16.401	-14.949	-1.452	9,71
Gross profit (loss)	41.754	67.476	-25.722	-38,12
Income tax (taxation)	-7.375	-13.836	6.461	-46,70
Net profit (loss)	34.379	53.640	-19.261	-35,91
Net other comprehensive income	1.185	-1.569	2.754	-
COMPREHENSIVE INCOME FOR THE PERIOD	35.564	52.071	-16.507	-31,70
EBITDA*	130.277	169.392	-39.115	-23,09

* 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 6: Costs by type

COSTS BY TYPE	1Q 2015	1Q 2014	Change	Dynamics
	PLN thousand	PLN thousand	PLN thousand	%
Depreciation and amortization	92.441	88.969	3.472	3,90
Impairment of fixed assets	-	-136	136	-100,00
Impairment of inventory	1	1.816	-1.815	-99,94
Materials	117.317	109.535	7.782	7,10
External services	32.931	43.789	-10.858	-24,80
Taxes and fees excluding excise tax	44.716	41.831	2.885	6,90
Costs of CO2 emission	75.936	37.004	38.932	105,21
Employee benefits	160.004	155.936	4.068	2,61
Other costs by type	4.521	8.398	-3.877	-46,17
Cost of goods for resale and raw materials sold and resale of electricity purchased from the market	212.653	114.109	98.544	86,36
Total costs by type	740.520	601.251	139.269	23,16

Cost of goods sold in the first quarter of 2015 amounted to PLN 690,355 thousand and, in comparison to the one incurred in the first quarter of 2014, increased by PLN 143,975 thousand, i.e. by 26.35%.

The increase in the cost of goods sold was mostly influenced by the value of sold goods and materials as well as sold electricity purchased in trade higher by PLN 98,544 thousand, as well as CO₂ emission costs higher by PLN 38,932 thousand, i.e. by 105.21% (increased CO₂ costs were the result of purchase of greater amount of emission allowances than in last year, and the higher price of their purchase).

Other operating income in the first quarter of 2015 amounted to PLN 5,706 thousand and they were lower by PLN 968 thousand than those achieved in the analogous period of the last year.

Selling and distribution expenses in the first quarter of 2015 amounting to PLN 823 thousand remained at a similar level as in the previous year.

Administrative expenses in the first quarter of 2015 amounted to PLN 30,202 thousand and they are lower than the ones incurred in the same period of the last year by PLN 13,489 thousand, i.e. by 30.87%.

Other operating expenses amounted to PLN 1,684 thousand in the reporting quarter and decreased in comparison to the first quarter of the previous year by PLN 1,179 thousand.

In the first quarter of 2015, the ZE PAK Group achieved the profit on operating activities amounting to PLN 37,836 thousand, which was lower than the result achieved in the first quarter of the previous year by PLN 42,723 thousand, i.e. by 53.03%.

The obtained results were positively impacted by the positive financial activity result amounting to PLN 3,918 thousand, which was caused by, above all, accrued positive foreign exchange differences from valuation of financial instruments.

Gross profit in the first quarter of 2015 amounted to PLN 41,754 thousand and it was lower than the one achieved in the previous year by PLN 25,722 thousand, i.e. by 38.12%. However, the net profit amounted to PLN 34,379 thousand, and in relation to the previous year, it decreased by PLN 19,261 thousand, i.e. by 35.91%.

Description of factors and events, especially unusual events, substantially affecting the assets, liabilities, capital, net financial result or cash flows

The ZE PAK Capital Group encountered no unusual events substantially affecting the assets, liabilities, capital, net financial result or cash flows in the first quarter of 2015.

Execution of the investment program

In the period from 1 January to 31 March 2015, the investment expenses in the ZE PAK CG along with the renovation components amounted to PLN 99,075 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 Pałnów I Power Plant, including the modernisation of condensing steam turbines, modernisation of boilers including the construction of the nitrogen oxide (NO_x) emission reducing system (in order to reduce the NO_x emission to the projected level of 0.74 kg/MWh after 2015) as well as the replacement or modernisation of elements crucial for the operation of the units (including, among others, carbonisation and cooling systems) in order to improve the safety and operation of electricity generation to the projected level of 37,5% after 2015, and the decrease of CO₂ emissions to the projected level of 1,05 Mg/MWh after 2015.

In the first quarter of 2015, modernisation works on units nos. 1 and 2 in the Pałnów 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.

On the K-1 boiler, the basic works related to the assembly of the boiler pressure part were completed. Chemical etching process of the boiler, including washing was executed. Pressure test of the entire boiler and pipelines was conducted with a positive result with the participation of the Technical Supervision Office (UDT). This is a significant "milestone" of the modernisation works on the boiler. The so-called "hot start-up" of boiler's basic systems and devices was performed as well.

On the K-2 boiler, the repair works related to the boiler's support structure were completed. Mounting of the pressure part is in progress. Regeneration of both drums was completed. The workshop ECO pressure test was conducted with a positive result. Mounting of ROFA fans and other boiler systems was continued.

In the first quarter of 2015, in the scope of turbine no. 1, bodies of all three stages of the turbine were screwed together, the mounting of both medium speed-low speed pass-through pipelines with compensator and thermal insulation was completed. Final mechanical works concerning mounting and launching condensing steam turbine auxiliaries are in progress. Feedwater pumps, which participated in boiler's washing, were launched. Condensate pumps were also launched. On the turbine no. 2, the first mounting of the turbine's high speed, medium speed, and low speed flow-through system was executed. Mounting works of condensing steam turbine auxiliaries are also advanced. In addition, the low speed blading of the rotor of turbine no. 3 was performed and finishing of the shaft of the low speed part of turbine no. 4 was performed.

As part of the modernisation of units 1 and 2 in the Pańków Power Plant, in the first quarter of 2015, works concerning, among others, electrostatic precipitators, the ash removal system, and the oil management system, were also executed.

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

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 to replace the lignite-fire units in the Konin Power Plant and obtaining additional revenues from the sale of yellow certificates.

After completion of the first stage of the procedure, i.e. pre-qualification, invitations to prepare a pricing for execution of this task by the end of June 2015 were sent to selected entities.

In the first quarter of 2015, we continued efforts to obtain a building permit for construction of a gas transmission pipeline to the Konin Power Plant. The procedure of selecting the contractor of the investment task titled: "'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.

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 lignite 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. proceeded 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 deposit Oczkowice utilisation and being a basis for further decisions in this regard in the future.

Activities aimed at protection of the coal deposit 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 lignite deposits of Dęby Szlacheckie, Ościłowo 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 quarter of 2015, both mines belonging to the Capital Group executed investment tasks at active open pits with the purpose of maintaining optimal production capacities. PAK KWBK S.A. incurred the most 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 on the Józwin open pit. The works related to the necessity of construction of systems arising from the progress of extraction works and the need to prepare the area for future extraction are being executed at the Józwin, Drzewce, and Tomisławice open pits. 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 utilisation.

Both mines featured the execution of the planned purchase of area and real estates on areas projected for extraction operations.

The scope of the preparatory works in relation to the perspective deposits at the current stage features the execution of the following activities:

Dęby Szlacheckie lignite 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. Currently, the mine is waiting for the approval of the document by the Ministry.

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.

Ościśłowo lignite deposit

The "Quotation of values of geological information in the scope of the current documentation of the Ościśłowo lignite deposit" was developed. According to the Annex to the chargeable use of the geological information agreement concerning the Ościśłowo lignite deposit, PAK KWBK S.A. obtained the right for geological information.

By the end of 2014, the "Project of Utilising the Ościśłowo Lignite 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 lignite and associated minerals from the Ościśłowo 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").

Currently, the expert's report concerning the impact of the projected Ościśłowo open pit on bodies of surface and underground waters as well as protected areas is being prepared concerning and the report on the impact of the Ościśłowo open pit on the environment is being prepared. Both documents are necessary to submit an application to RDOŚ Poznań, which is scheduled for August 2015.

Piaski lignite deposit

In August 2014, PAK KWBK S.A. submitted application to the Rychwał, Stare Miasto and Rzgów Communes for the amendment of the study aiming at adapting the spatial layout in the Communes to the concept of use and delivery of lignite from the Piaski deposit. By the letter of August 2014, the Mayor of the Commune and City of Rychwał informed that in August 2013, the City Council proceeded to change the study. The project of the study was approved in June 2014 and a new resolution initiating the process of changing the commune

study is not expected. Nevertheless, the submitted application will be submitted to the City Council in Rychwał, which is competent to initiate works on changing the study.

By the letter of 23 January 2015, the Mayor of the Commune and City of Rychwał informed that a copy of the application had been transferred to the Office of the City Council in Rychwał. He also informed that the last change of the study was conducted at the turn of 2013 and 2014 and was approved by the resolution of 30 June 2014. In the budget resolution for 2015, funds for the preparation of the next change of the commune study. Nevertheless, a copy of the submitted application will be transferred to the City Council in Rychwał.

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

Significant events of the reporting period

Redemption of employee shares in PAK KWBK S.A. and PAK KWBA S.A.

According to the provisions of the agreement for the purchase from the State Treasury of 85% of shares in PAK KWBK S.A. and PAK KWBA S.A. of 2012, the Company was obligated to redeem the other 15% of the shares available to the authorised employees of both companies according to the Act on commercialisation and privatisation. On 18 March 2015, the Company launched the program for the redemption of employee shares of both mines. The assumed deadline for redemption conclusion is 30 June 2015.

Events after the balance sheet date

There were no significant events in the period since the end of I quarter 2015 to the date of publication of this 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 quarter of 2015, Zespół Elektrowni Pańńów-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 Wierzbinek 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 judgement dismissing the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin S.A. against the judgement 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 Wierzbinek 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 judgement 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 judgement 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 31 March 2015.

5. Information regarding the shareholding structure

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

Table 7: 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 quarterly report*

Shareholder	Number of shares and corresponding number of votes at the General Meeting*	Share [%] in the total number of shares/votes
Zygmunt Solorz-Żak (indirectly) through:	26 200 867	51,55
<i>Elektrim S.A.</i>	<i>196 560</i>	<i>0,39</i>
<i>Embud Sp. z o.o.</i>	<i>592 533</i>	<i>1,16</i>
<i>Argumenol Investment Company Limited</i>	<i>25 411 774</i>	<i>50,00</i>
ING OFE	5 068 410	9,97

* 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 8: 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 quarterly 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
Zygmunt Solorz-Żak (indirectly) through:	President of the Supervisory Board of the Company	26 200 867	51,55
<i>Elektrim S.A.</i>		<i>196 560</i>	<i>0,39</i>
<i>Embud Sp. z o.o.</i>		<i>592 533</i>	<i>1,16</i>
<i>Argumenol Investment Company Limited</i>		<i>25 411 774</i>	<i>50,00</i>

* 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 Państw-Adamów-Konin S.A. has not published any financial forecasts.

7. Information regarding the paid or declared dividends

On 5 May 2015, the Supervisory Board of the Company adopted a resolution, in which it gave a positive opinion on the request of the Management Board of 19 March 2015 on the distribution of the net profit of ZE PAK S.A. for the financial year 2014.

Under the adopted resolution, the Supervisory Board recommended the Ordinary General Meeting of the Company to adopt a resolution on the distribution of the net profit achieved by the Company in 2014 in the amount of PLN 204,642,447.41, as proposed by the Board, i.e. as follows:

- a) assignment of the amount of PLN 40,658,837.60 to the payment of dividend, which means that one share will account for PLN 0.80,
- b) assignment of the remaining part of the profit in the amount of PLN 163,983,609.81 to the supplementary capital of the Company.

The proposed dividend amount represents 19.87% of the net profit of the Company achieved in 2014.

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 quarter 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 quarter 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 quarter of 2015, PAK KBWK S.A., a company subject to consolidation under the ZE PAK Capital Group, made four issuances of debentures in the total amount of PLN 21,500 thousand (including debentures of a value of PLN 16,500 thousand covered within the Group). In the first quarter of 2015, PAK KWBK S.A. also made redemptions of debentures in the amount of PLN 4,000 thousand.

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 Zespół Elektrowni Pątnów-Adamów-Konin S.A. must include a wide range of factors which actually, potentially or theoretically exist in the branch as well as the markets in which the Company 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 exist constantly in each period and factors occurring incidentally in the period which is embraced by a given periodical report.

The most important factors with constant impact on the Company'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;

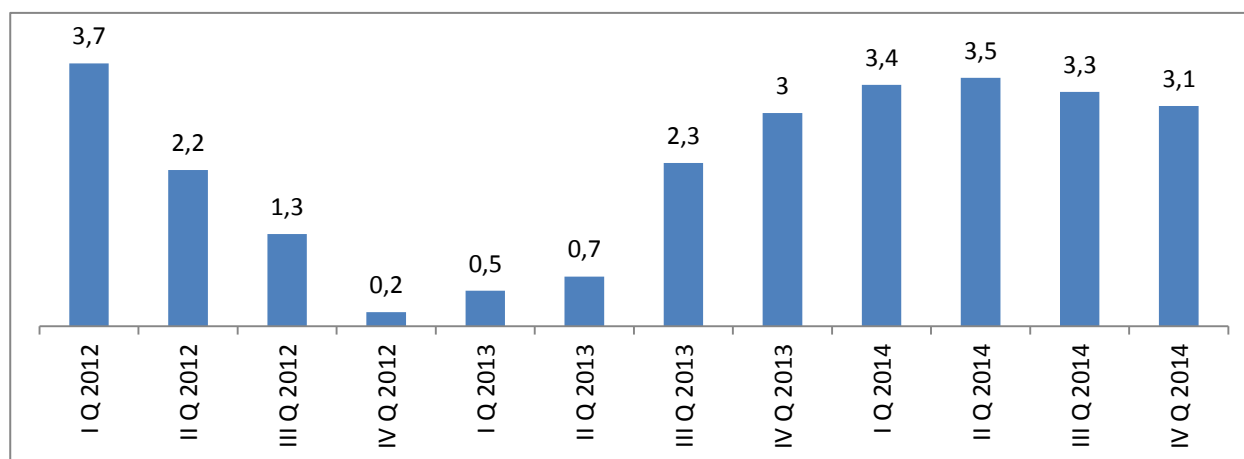
- CO₂ allowances costs;
- compensation for the stranded costs related to the termination of the Pałnów II Power Plant's LTC contract;
- seasonality and meteorological conditions;
- the investment expenses, especially entitling to receive free CO₂ allowances;
- EUR/PLN exchange rate, interest rates.

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 services sector as well as the increase in individual consumption. All of the aforementioned factors significantly affect the demand for electricity and its consumption.

In all quarters of 2014, the dynamics of the gross domestic product ("GDP") managed to maintain above the level of 3%. Although in the fourth quarter there was the lowest result at the level of 3.1%, which could suggest at least a periodic descent of the GDP growth rate, it can be assumed, on the basis of previously disclosed data about the first quarter of 2015, that the GDP growth will remain above 3%, and it is likely to surpass the reading for the fourth quarter of 2014.

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



Source: own development based on the Central Statistical Office data.

Analysing data on industrial production growth rate in January, February, and March, the quarterly dynamics can be estimated to amount to 5.3%. It is worth noting that the largest increase was recorded in March, i.e. by as many as 8.8%, which was quite a surprise in relation to the expectations, even taking into account the higher number of working days and also recovering the production losses in the mining sector due to strikes in the first two months. The increase in retail sales dynamics for the first quarter based on monthly data disclosed so far can be estimated at 4.4%. Here, the effect of Easter holidays earlier than the ones of the last year, which fell on the

beginning of April, is important and the part of the sales related to the holidays fell on the end of March. This resulted primarily in faster growth in food sales. High increase in the real wage bill, which is at the highest level since 2008, is the confirmation of the positive trend and, at the same time, a factor supporting the consumer demand. The sustaining recovery lacks significant inflation stresses, which encouraged the Monetary Policy Council ("MPC") 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 quarter of 2015, in comparison to the analogous period of the year before, increased by 1.3%. While in January there was a slight decrease in consumption, in the other two months, the growth was recorded, which was probably caused by relatively high temperatures in January at small deviations from the long-term norm in February and March. In the period from January to March 2015, the electricity production increased overall by 2.7%, whereas the most important factor for such situation (due to the volume of generated electricity) was the decrease in the generation based on black coal by 2.33% and the increase in generation based on lignite by 2, 59%. In line with the trend of the subsequent quarters, the increase in generating electricity from wind sources was recorded again, this time by 15.25%. In stepped manner, in comparison to the analogous period, the production from gas sources increased by as many as 88.7%, which can probably be related to the reintroduction of support for the production in co-generation.

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 CO₂ 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 quarter of this year, especially significant changes occurred in the legal environment regulating the sphere of energy generation 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, the government 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 generated electricity for the first time before the coming of the act into force. The Act also includes regulations regarding prosumers (simultaneous energy producers and consumers) generating energy from RES in micro- and small systems. These energy producers will be able to sell the generated excess energy, which is not used for their own purposes, in permanent prices for 15 years. However, due to many interpretation ambiguities, the Ministry of Economy announced a quick amendment of the Act on RES adopted by the Parliament (Sejm) and signed by the President.

Electricity prices

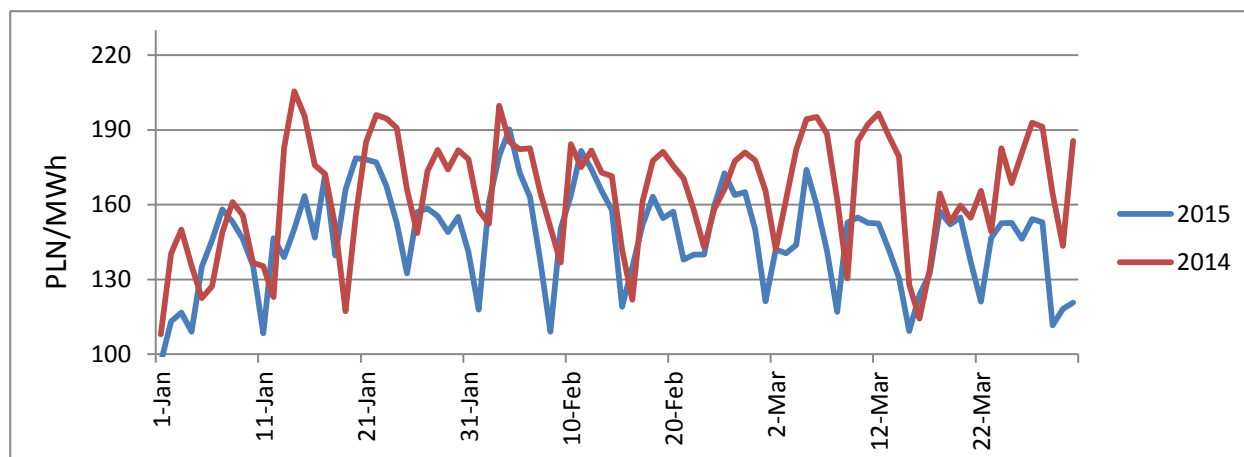
The Group generates most of their revenues from the generation and sales of electricity, therefore the price for which it sells electricity is very important for the results of its activities. In addition, the Company practices the purchase of energy on the market of electricity and re-sale to recipients.

Referring to the price level for the annual baseload contracts on the OTC market, a significant increase in the price can be noticed referring the quarter to the analogous quarter of the previous year. According to the notification of the Energy Regulatory Office, the average electricity sale price in the competitive market in the first quarter of 2015 amounted to PLN/MWh 172.22 in comparison to PLN/MWh 158.14 in the first quarter of 2014 (the average price of electricity sold pursuant to principles other than those resulting from Article 49a paragraph 1 and 2 of the Act – Energy Law).

The reverse situation is observed on the day-ahead-market of the Polish Power Exchange (Towarowa Giełda Energii S.A.). The first quarter of this year was characterised with a significant decrease in the average energy price. 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, a decrease by about PLN/MWh 20 is observed (the analysis of the quarterly BASE rate calculated as a volume-weighted average of all transactions concluded on the day-ahead-market in the first quarter 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 meteorological conditions. January was a month of great wind conditions; wind power plants covered over 8.5% of the demand for power in the National Power Grid, which was a record achievement in Poland. February did not deviate from the norm in terms of wind conditions, and the conditions in March definitely positively affected the generation of the wind power plants. Relatively high temperatures, in relation to the averages of previous years, recorded in the first quarter of 2015 were another factor supporting price decrease on 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.

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

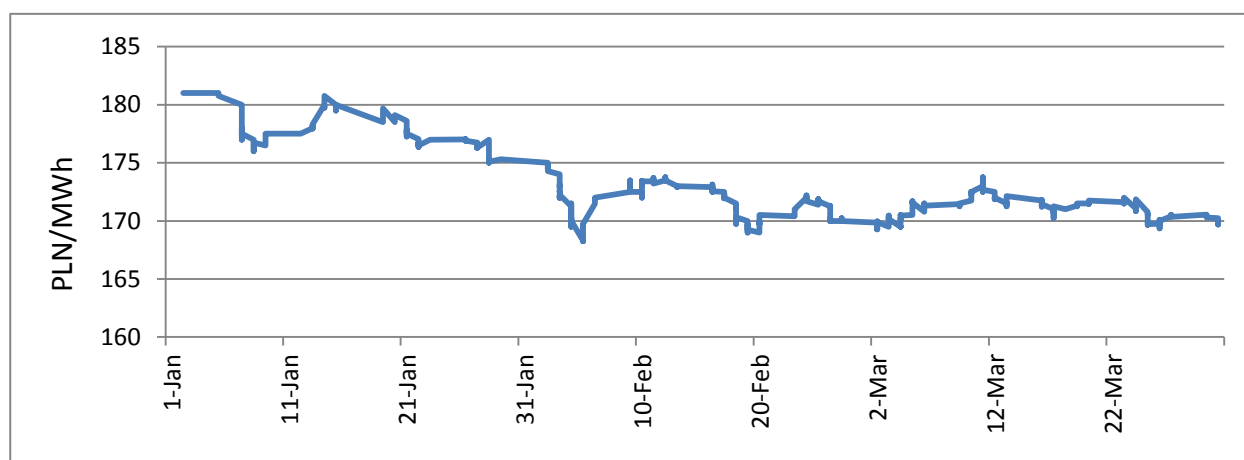


Source: own development based on the data (the Polish Power Exchange)

On the futures market of the electricity of the Polish Power Exchange, in the first quarter of this year, a downward trend also dominated. The BASE_Y-16 annual contract had the highest liquidity among all futures contracts quoted on the TGE. During the analysed quarter, the contract reached its minimum at the level of PLN/MWh 168.28.

The level of the futures contract is largely determined by the carbon market moods concerning the plan to withdraw the excess of allowances to a provision (MSR- Market Stability Reserve). Predictions regarding the introduction term either push up or lower energy supply futures contract prices in the subsequent years.

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



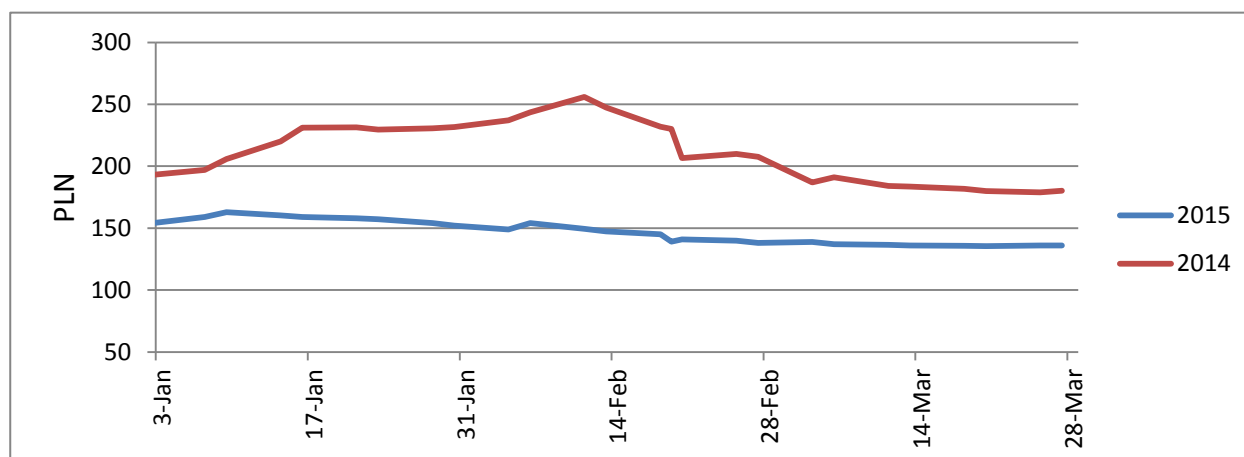
Source: own development based on the market data (the Polish Power Exchange)

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 obliged to present for redemption, thus it is possible to dispose of their excess to other market participants. Considering the fact that the cost related to the generation of electricity from biomass is significantly higher than the cost of production of electricity from lignite combustion, the Board constantly monitors the applicable economic parameters, including the market price of certificates of origin as well as the relative cost of energy production in order to evaluate the profitability of energy production of biomass.

Comparing the green certificate prices in the first quarter of 2015 and the analogous quarter of the previous year, the differences in the quoted levels, which in mid-February were even PLN 100, are clearly visible. Shaping of the green certificate prices in 2015 is still determined by a large oversupply of these units in relation to the actual demand arising from the regulations governing redemption green property rules.

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



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

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 CG power plants, satisfy the entire demand of generation assets for this basic fuel. The ZE PAK CG does not rely therefore on external suppliers and eliminates the exposure to potential

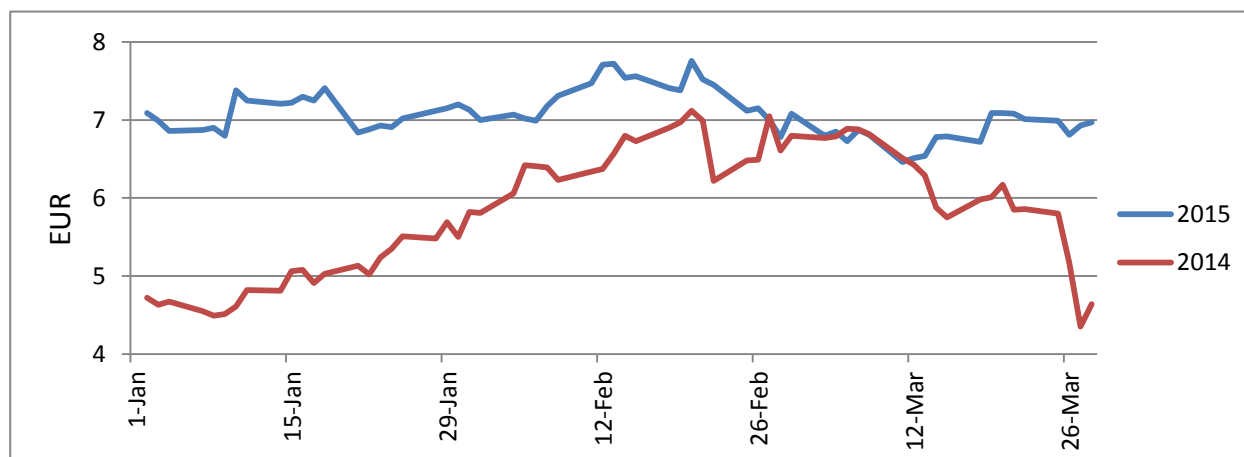
fluctuations of lignite prices. Nevertheless, the Group is exposed to the fluctuations in prices of other fuels used (mainly biomass) and part of the costs related to the extraction of lignite depends on the factors which remain outside the direct control of the Group.

CO₂ allowances 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 CO₂ 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 obliged to purchase the other part of the missing allowances at the free market.

The CO₂ emission allowances market largely depends on political decisions taken at the EU level. It was also visible in the analysed quarter, when the CO₂ emission allowances 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 CO₂ 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. Today, with high probability, it can be said that after the findings, which took place in early May 2015, after a vote of the European Parliament scheduled for June this year, the MSR will come into force from 1 January 2019.

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



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

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.

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 caused by the rising number of used air conditioners and cooling devices

However, the Group's activities are not significantly subject to seasonality in demand. Because of this, the Group's results do not report significant fluctuations during the year. Because of the low costs, the units operation is conducted continuously (at the base) throughout the whole year.

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.

EUR/PLN exchange rate, 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:

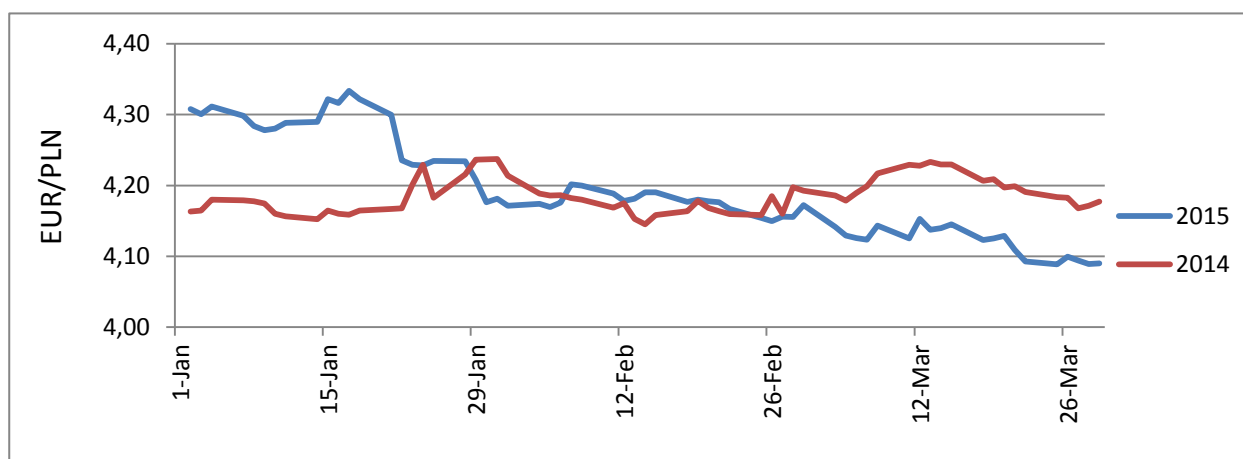
- A significant part of the debt (i.e. the Corporate Credit taken by the Państw II Power Plant) is denominated in EUR, which causes that the depreciation of the value of PLN in relation to EUR has negative impact on financial results, because it increases the financing costs in PLN related to the foreign 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.

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 a 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 the corporate credit based on the variable EURIBOR interest rate. IRS instruments were used in security.

EUR/PLN exchange rate in the first quarter of 2015 has fallen sharply. Actually, the entire period was dominated by the downwards trend. The highest levels slightly above the 4.3 were recorded at the beginning of January, and the exchange reached the minimum at the level of 4.09 at the end of March. The euro weakness in relation to other currencies should be associated with the assets buying programme (mainly debentures issued by the euro area countries) initiated by the European Central Bank ("ECB") in the first quarter. The attractiveness of the Polish zloty against the euro is also caused by the level of real interest rates in Poland, which, even despite a significant reduction in March, are still at a relatively high level in comparison to the currently recorded levels of real interest rates in many economies, not only of the euro area.

Chart 9: Average EUR/PLN exchange rate



Source: own development based on NBP average exchange rate tables