

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT  
FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2016  
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW**

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

## 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 EXPLANATORY 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 .....	15
7.1. Professional judgement .....	15
7.2. Uncertainty of estimates .....	15
8. Change of estimates .....	18
9. Acquisitions of ventures .....	18
10. Seasonality of the activities .....	18
11. Operating segments .....	18
12. Revenues and costs .....	21
12.1. Sales revenue .....	21
12.2. Other operating revenues .....	21
12.3. Other operating expenses .....	21
12.4. Finance income .....	22
12.5. Finance costs .....	22
12.6. Costs by type .....	22
12.7. Construction agreements .....	23
13. Components of other comprehensive income .....	24
14. Income tax .....	24
14.1. Tax load .....	24
14.2. Deferred income tax .....	25
15. Profit per one share .....	26
16. Property, plant and equipment .....	28
16.1. The value impairment test of assets of the ZE PAK S.A. Capital Group .....	30
17. Lease .....	33
17.1. Liabilities under financial lease agreements and lease agreement with purchase option .....	33
18. Intangible assets .....	34
19. Assets for overburden removal and other mining assets .....	36
20. Other assets .....	36
20.1. Other financial assets .....	36
20.2. Other non-financial assets .....	37
21. Inventories .....	37
22. Trade receivables and other receivables .....	38
23. Cash and cash equivalents .....	38
24. Payment of dividend .....	39

---

25. Interest-bearing bank credits and loans.....	40
26. Provisions and accruals.....	41
26.1. Accruals.....	41
26.2. Change in provisions .....	42
26.3. Description of significant titles of provisions.....	43
26.3.1. The provision for liabilities due to the emission of greenhouse gases and provisions for the redemption of certified emission reductions (EUA, CER).....	43
26.3.2. Provision for reclamation of ash storage yards and costs of liquidation of fixed assets .....	43
26.3.3. Reclamation provisions and other provisions related to mining activities .....	43
26.3.4. Provision for redemption of energy certificates .....	44
26.3.5. Other provisions.....	44
27. CO <sub>2</sub> emission allowances.....	44
28. Trade liabilities, other liabilities and accruals.....	45
28.1. Trade liabilities and other financial liabilities (short-term) .....	45
28.2. Trade liabilities and other financial liabilities (long-term) .....	46
28.3. Other non-financial liabilities .....	46
28.4. Derivative financial instruments.....	47
28.5. Grants and deferred income (long-term) .....	47
28.6. Grants and deferred income (short-term).....	47
29. Contingent liabilities and description of significant judicial cases .....	47
29.1. Judicial cases .....	47
29.2. Tax settlements .....	52
30. Liability repayment securities.....	52
31. Obtained guarantees and sureties.....	56
32. Information about related entities .....	57
32.1. Loan granted to a member of the Management Board .....	57
32.2. Other transactions involving members of the Management Board.....	57
32.3. Remuneration of chief executive staff of the Group.....	57
32.3.1. Remuneration paid or payable to the members of the Management Board and to the members of the Supervisory Council of the Group.....	57
32.3.2. Remuneration paid or entitled to other members of the main management.....	58
33. Goals and rules of financial risk management .....	58
33.1. Interest rate risk .....	58
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
34.2.1. Hedging.....	64
35. Capital management .....	65
36. Events after the balance sheet date .....	66

## INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the period of 6 months ended 30 June 2016*

	<i>Note</i>	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
<b>Continuing operations</b>					
<b>Sales revenue</b>	<i>12.1</i>	<b>1 367 520</b>	<b>687 478</b>	<b>1 507 522</b>	<b>752 328</b>
Cost of goods sold	<i>12.6</i>	(1 107 287)	(563 693)	(1 423 732)	(733 377)
<b>Gross profit / (loss)</b>		<b>260 233</b>	<b>123 785</b>	<b>83 790</b>	<b>18 951</b>
Other operating income	<i>12.2</i>	10 974	3 710	11 392	5 686
Selling and distribution expenses	<i>12.6</i>	(2 139)	(995)	(1 924)	(1 101)
Administrative expenses	<i>12.6</i>	(47 795)	(20 473)	(56 858)	(26 656)
Other operating expenses	<i>12.3</i>	(2 293)	(1 433)	(2 743)	(1 059)
<b>Gross profit / (loss) from operations</b>		<b>218 980</b>	<b>104 594</b>	<b>33 657</b>	<b>(4 179)</b>
Finance income	<i>12.4</i>	5 174	1 274	11 618	(8 701)
Finance costs	<i>12.5</i>	(46 177)	(30 532)	(25 961)	(9 560)
<b>Profit / (loss) before tax</b>		<b>177 977</b>	<b>75 336</b>	<b>19 314</b>	<b>(22 440)</b>
Income tax expense (taxation)	<i>14.1</i>	(38 092)	(10 267)	(3 895)	3 480
<b>Net profit / (loss) for the period from continuing operations</b>		<b>139 885</b>	<b>65 069</b>	<b>15 419</b>	<b>(18 960)</b>
<b>Discontinued operations</b>					
Profit/ (loss) for the period from discontinued operations		-	-	-	-
<b>Net profit / (loss) for the period</b>		<b>139 885</b>	<b>65 069</b>	<b>15 419</b>	<b>(18 960)</b>
Net profit/ (loss) attributable to equity holders of the parent		138 404	64 453	15 103	(19 812)
Net profit/ (loss) attributable to non- controlling interests		1 481	616	316	852
<b>Earnings per share (in PLN)</b>					
Basic, for profit for the period attributable to equity holders of the parent	<i>15</i>	2,72	1,27	0,30	(0,39)
Basic, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	2,72	1,27	0,30	(0,39)
Diluted, for profit for the period attributable to equity holders of the parent	<i>15</i>	2,72	1,27	0,30	(0,39)
Diluted, for profit for the period from continuing operations attributable to equity holders of the parent	<i>15</i>	2,72	1,27	0,30	(0,39)

Additional explanatory notes to the consolidated financial statement are its integral part.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the period of 6 months ended 30 June 2016*

	<i>Note</i>	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
<b>Net profit / (loss) for the period</b>		<b>139 885</b>	<b>65 069</b>	<b>15 419</b>	<b>(18 960)</b>
<b>Other comprehensive income</b>					
<i>Items to be reclassified to the profit / (loss) in subsequent reporting periods:</i>					
Cash flow hedges	<i>13</i>	2 206	1 121	4 584	2 137
Exchange differences on translation of foreign entities	<i>13</i>	-	-	1	22
Income tax on other comprehensive income	<i>13, 14.1</i>	(419)	(213)	(871)	(406)
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		1 787	908	3 714	1 753
<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>	(909)	(217)	(1 591)	(633)
Income tax on other comprehensive income	<i>13, 14.1</i>	173	41	302	120
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		(736)	(176)	(1 289)	(513)
<b>Net other comprehensive income</b>		<b>1 051</b>	<b>732</b>	<b>2 425</b>	<b>1 240</b>
<b>Comprehensive income for the period</b>		<b>140 936</b>	<b>65 801</b>	<b>17 844</b>	<b>(17 720)</b>
Comprehensive income attributable to equity holders of the parent		139 455	65 185	17 528	(18 572)
Comprehensive income attributable to non-controlling interests		1 481	616	316	852

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As of 30 June 2016*

	<i>Note</i>	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>16</i>	3 399 827	3 475 229
Investment property		2 349	2 363
Intangible assets	<i>18</i>	6 561	17 389
Loans and receivables		-	-
Assets of removing overburden and other mining assets (long-term)	<i>19</i>	85 085	92 748
Other long-term financial assets	<i>20.1</i>	9 455	13 752
Other long-term non-financial assets	<i>20.2</i>	5 755	10 027
Deferred tax assets	<i>14.2</i>	98 089	102 615
<b>Total non-current assets</b>		<b>3 607 121</b>	<b>3 714 123</b>
<b>Current assets</b>			
Short-term intangible assets	<i>18</i>	200 197	354 389
Inventories	<i>21</i>	143 149	157 515
Trade and other receivables	<i>22</i>	295 282	268 123
Income tax receivables		3 995	2 743
Short-term financial derivatives (assets)		-	-
Other short-term financial assets	<i>20.1</i>	80 784	76 979
Other short-term non-financial assets	<i>20.2</i>	18 733	12 497
Assets of removing overburden and other mining assets (short-term)	<i>19</i>	-	1 309
Amounts due from customers under long-term construction contracts	<i>12.7</i>	3 500	3 349
Cash and cash equivalents	<i>23</i>	325 316	383 354
<b>Total current assets</b>		<b>1 070 956</b>	<b>1 260 258</b>
Assets classified as held for sale		-	-
<b>TOTAL ASSETS</b>		<b>4 678 077</b>	<b>4 974 381</b>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016*  
*(in thousands of zlotys)*

	Note	30 June 2016 (unaudited)	31 December 2015
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Issued capital		101 647	101 647
Treasury shares		-	-
Reserve capital		1 028 639	2 542 060
Revaluation reserve from valuation of hedging instruments		(10 154)	(11 941)
Other reserve capital		3 472	5 877
Retained earnings / Accumulated losses		763 698	1 128 266
Net profit / (loss)		138 404	(1 881 086)
Exchange differences on translation of foreign entities		-	-
<b>Equity attributable to equity holders of the parent</b>		<b>2 025 706</b>	<b>1 884 823</b>
Equity attributable to non-controlling interests		-	-
<b>Total equity</b>		<b>2 025 706</b>	<b>1 884 823</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	25	739 710	924 519
Long-term employee benefits		76 287	77 674
Trade and other long-term financial liabilities	28.2	32 245	80 751
Long-term financial derivatives (liabilities)	28.4	7 098	8 943
Long-term subsidies	28.5	45 011	51 068
Other long-term provisions and accruals	26	331 146	334 879
Amounts due to customers under long-term construction contracts		-	-
Deferred tax liability	14.2	377 553	351 862
<b>Total non-current liabilities</b>		<b>1 609 050</b>	<b>1 829 696</b>
<b>Current liabilities</b>			
Trade and other short-term financial liabilities	28.1	204 822	237 505
Current portion of interest-bearing loans and borrowings	25	450 301	386 543
Short-term financial derivatives (liabilities)	28.4	6 917	7 349
Other non-financial liabilities	28.3	68 664	122 553
Current income tax liability		1 202	5 228
Short-term employee benefits		9 925	8 783
Short-term subsidies	28.6	12 443	12 774
Amounts due to customers under long-term construction contracts	12.7	5 809	10 080
Other short-term provisions and accruals	26	283 238	469 047
<b>Total current liabilities</b>		<b>1 043 321</b>	<b>1 259 862</b>
Liabilities directly associated with assets classified as held for sale		-	-
<b>Total liabilities</b>		<b>2 652 371</b>	<b>3 089 558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4 678 077</b>	<b>4 974 381</b>

Additional explanatory notes to the consolidated financial statement are its integral part.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the period of 6 months ended 30 June 2016*

	<i>Note</i>	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>
<b>Cash flow from operating activities</b>			
Profit /(loss) before tax		177 977	19 314
Adjustments for:			
Depreciation and amortization	23	103 435	183 343
Interests and shares in profits		22 098	14 077
(Profit) / loss on foreign exchange differences		14 439	(4 751)
(Profit) / loss on investing activities		(1 044)	(470)
(Increase) / decrease in receivables	23	(30 703)	(42 549)
(Increase) / decrease in inventories	23	14 366	11 933
Increase / (decrease) in payables except for loans and borrowings	23	(63 364)	(100 562)
Change in provisions, prepayments, accruals and employee benefits	23	162 934	132 778
Income tax paid		(13 377)	7 543
Allowances for emission of CO <sub>2</sub>		(188 143)	(162 425)
Other		15	819
<b>Net cash flow from operating activities</b>		<b>198 633</b>	<b>59 050</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		1 401	1 835
Purchase of property, plant and equipment and intangible assets		(87 146)	(252 673)
Proceeds and expenses relating to other financial assets		5 743	4 689
Purchase of other financial assets		-	(21 995)
Acquisition of subsidiary, after deducting cash acquired		-	-
Dividends received		-	-
Interest received		3	3
Other		45	53
<b>Net cash flow from investing activities</b>		<b>(79 954)</b>	<b>(268 088)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of shares		-	-
Purchase of treasury shares		-	-
Payment of finance lease liabilities		(7 995)	(6 705)
Proceeds from loans and borrowings and debt securities		3 100	233 400
Repayment of loans and borrowings and debt securities		(146 682)	(119 383)
Dividends paid		-	288
Interest paid		(24 854)	(27 889)
Other		(913)	(1 257)
<b>Net cash flow from financing activities</b>		<b>(177 344)</b>	<b>78 454</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(58 665)</b>	<b>(130 584)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>383 319</b>	<b>355 268</b>
<b>Cash and cash equivalents at the end of the period</b>	23	<b>324 654</b>	<b>224 684</b>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### *For the period ended 30 June 2016 (unaudited)*

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve of financial instruments</i>	<i>Other reserve capital</i>	<i>Retained earnings / Accumulated losses</i>	<i>Exchange differences on translation of foreign entities</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total Equity</i>
<b>As of 1 January 2016</b>	<b>101 647</b>	<b>2 542 060</b>	<b>(11 941)</b>	<b>5 877</b>	<b>(752 820)</b>	<b>-</b>	<b>1 884 823</b>	<b>-</b>	<b>1 884 823</b>
Net profit for the period	-	-	-	-	138 404	-	138 404	1 481	139 885
Total other comprehensive income	-	-	1 787	-	(736)	-	1 051	-	1 051
<b>Total income for the period</b>	<b>-</b>	<b>-</b>	<b>1 787</b>	<b>-</b>	<b>137 668</b>	<b>-</b>	<b>139 455</b>	<b>1 481</b>	<b>140 936</b>
Distribution of profits from previous years	-	(1 513 421)	-	(2 405)	1 515 826	-	-	-	-
Dividend	-	-	-	-	(58)	-	(58)	-	(58)
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	1 481	-	1 481	(1 481)	-
Other changes	-	-	-	-	5	-	5	-	5
<b>As of 30 June 2016</b>	<b>101 647</b>	<b>1 028 639</b>	<b>(10 154)</b>	<b>3 472</b>	<b>902 102</b>	<b>-</b>	<b>2 025 706</b>	<b>-</b>	<b>2 025 706</b>

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

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

Additional explanatory notes to the consolidated financial statement are its integral part.

## ADDITIONAL EXPLANATORY NOTES

### 1. General information

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

The interim consolidated condensed financial statement of the Group covers the 6-month period ended 30 June 2016 and includes comparative data for the 6-month period ended 30 June 2015 and the data as of 31 December 2015. The interim consolidated condensed financial statement of comprehensive income, the consolidated income statement, and additional explanatory notes present additional financial information for the 3-month period ended 30 June 2016 and comparative data for the 3-month period concluded 30 June 2015.

The data for the 6-month period ended 30 June 2016 and as of this day included in this interim consolidated condensed financial statement and the comparative data for the 6-month period ended 30 June 2015 were audited and reviewed by the statutory auditor. The statutory auditor audited the comparative data as of 31 December 2015.

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

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

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

The main activities of the Group are:

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

This interim condensed consolidated financial report of the Group for the period of 6 months ended 30 June 2016 was approved for issuing by the Management Board on 31 August 2016.

Interim financial results may not reflect the full potential to achieve the financial result for the year.

### 2. Composition of the Group

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

Entity	Seat	Scope of activities	Percentage share of the Group in capital as of	
			30 June 2016	31 December 2015
Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and construction services	100,00%	100,00%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń "EL PAK" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services with regard to servicing industrial automation systems and electrical equipment	100,00%	100,00%
"Elektrownia Pątnów II" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production and distribution of electricity from the unit 464 MW	100,00%*	100,00%*
"PAK – HOLDCO" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activities	100,00%	100,00%
"PAK Infrastruktura" sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction works with regard to engineering structures not elsewhere classified	100,00%	100,00%
"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%**

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

PAK Kopalnia Węgla Brunatnego Konin S.A.	62-540 Kleczew ul. 600-lecia 9	Lignite mining	96,23%	96,23%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	62-700 Turek ul. Uniejowska 9	Lignite mining	98,41%	98,41%
“Aquakon” sp. z o.o.	62-610 Sompolno Police	Production and sale of mineral waters	92,57%***	92,57%***
Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Railway transport of lignite, sale of lignite	96,23%***	96,23%***
PAK – Volt S.A.	00-834 Warszawa ul. Pańska 77/79	Sale of electricity	100,00%	100,00%
EL PAK Serwis sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and service of electric devices and machinery	100,00%****	100,00%****

\* indirect share by “PAK – HOLDCO” sp. z o.o.

\*\* indirect share by Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

\*\*\* indirect share by PAK KWB Konin (the indirect share of PAK KWB Konin in “Aquakon” sp. z o.o. amounts to 96.2%)

\*\*\*\* indirect share by “EL PAK” sp. z o.o.

As of 30 June 2016, the share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

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

The Management Board of ZE PAK S.A. on the date of the report consists of:

- Adam Kłapszta Vice-President of the Management Board, acting President of the Management Board,
- Aneta Lato-Żuchowska Vice-President of the Management Board,
- Adrian Kaźmierczak Vice-President of the Management Board,
- Tomasz Zadroga Vice-President of the Management Board,
- Zygmunt Artwik Vice-President of the Management Board.

At meeting on 11 February 2016, the Supervisory Board adopted a resolution appointing Mr. Aleksander Grad to the Management Board of the Company from 18 February 2016 year and appointed him President of the Management Board.

At the meeting on 8 April 2016, the Supervisory Board adopted a resolution appointing Mr. Adam Kłapszta to the Management Board of the Company and appointed him the Vice President of the Management Board. The resolution came into force upon adoption.

On 17 June 2016, Mr Aleksander Grad resigned from the position of the President of the Management Board and a member of the Management Board of the Company. In view of the situation, the Supervisory Board of the Company started the procedure of selecting a new President of the Management Board. Until the completion of this procedure, the Supervisory Board had delegated the directing of the Management Board works to Mr Adam Kłapszta, the Vice President of the Company Management Board, who has been acting as the President of the Management Board since 17 June 2016.

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

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

The interim condensed consolidated financial statement does not include all information and disclosures required in the annual financial statement and should be read together with the consolidated financial statement of the Group for the year ended 31 December 2015 authorised for issue on 21 March 2016.

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

This interim condensed consolidated financial statement was developed with the assumption of continuing business activity by the Group's companies in the foreseeable future that is no shorter than for 12 months from 30 June 2016. On the day of approval of this financial statement, there are no reported circumstances indicating any risk to the activity

continuation by the Group's companies, at the same time, the actions related to allocation of specific types of activities between the Group's companies are being carried out. The presented actions will not have an impact on limiting the range of activities conducted by the ZE PAK Capital Group.

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

- IFRS 9 *Financial instruments* (issued on 24 July 2014) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2018 or later,
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – according to the decision of the European Commission, the approval process of the standard in the preliminary version will not be initiated before the release of the standard in the final version – until the day of authorisation of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2016 or later,
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including the amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) – until the day of authorisation of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2018 or later,
- 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) – the work leading to the approval of these changes has been postponed indefinitely by the EU - the date of entry into force was deferred by the IASB for an indefinite period,
- 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 ) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2016 or later,
- IFRS 16 *Leases* (issued on 13 January 2016) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2019 or later,
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2017 or later,
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2017 or later,
- Explanations to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) – until the date of approval of this financial statement, unapproved by the EU – applicable for annual periods beginning on 1 January 2018 or later,
- The amendments to IFRS 2 *Classification and valuation of payment transactions based on shares* (issued on 20 June 2016) – until the date of approval of this financial statement unapproved by the EU – are applicable for annual periods beginning on 1 January 2018 or later.

At the date of approval of this consolidated financial statement for issuing, the Management Board has not yet completed work on the evaluation of the impact of the introduction of these standards and interpretations on the rules (policies) applied by the Group in relation to the Group's activity or its financial results.

## 6. Significant principles (policy) of accounting

The principles (policies) of accounting applied to development of the interim condensed consolidated financial statement are coherent with the ones applied during development of the annual consolidated financial statement of the Group for the year ended 31 December 2015, except for application of new or amended standards and interpretations applicable for annual periods beginning on or after 1 January 2016.

○ **Amendments resulting from the review of IFRS 2010-2012 including:**

- Amendments to IFRS 2 Share-based payment

These amendments have a prospective application and clarify the definition of a market condition and a condition of the acquisition of allowances, and also introduce a definition of the condition related to the provision of services and the condition connected with the achievements (results) that are conditions of the acquisition of allowances.

The Group does not conduct any share-based payment programmes, and consequently, the application of these amendments did not affect the Group's financial situation and activity results.

- Amendments to IFRS 3 Combination of ventures

The amendments are applicable prospectively and explain that a contingent payment that is not classified as a component of equities, is valued at fair value through profit or loss, regardless of whether it falls within the scope of IAS 39.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

- Amendments to IFRS 8 Operating segments

The amendments are applicable retrospectively and explain that:

- The entity should disclose the judgement of the Management Board in the process of applying the criteria for joining the operating segments described in paragraph 12 of IFRS 8, including a brief description of segments, which were connected and a description of economic characteristics of the segments used during the analysis of similarity of segments.
- The determination of the segment assets with the entity's total assets is required only if the data is presented to the main body responsible for taking operating decisions.

- Amendments to IAS 16 Tangible fixed assets and IAS 38 Intangible assets

The amendments are applicable retrospectively and explain that the asset component can be revalued by reference to the obtained observable data by adjusting the gross carrying amount of the asset component to the market value or by specifying the gross carrying amount proportionally so that the resulted carrying amount corresponds to the market value. In addition, redemption is the difference between the gross value and the asset carrying amount.

The amendment applies to the valuation of tangible fixed assets in accordance with the revalued amount model. The Group does not apply this valuation model.

- Amendments to IFRS 13 Fair value measurement

The amendments clarify that the removal of paragraph B5.4.12 of IFRS 9 Financial instruments: recognition and valuation was not aimed at changing the requirements on the valuation of short-term receivables and liabilities. According to the above, the entities still have the possibility of valuation of short-term low-interest rate liabilities and receivables at the nominal value, if the discount effect does not have a significant impact on the presented financial data.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

- Amendments to IAS 24 Related party disclosures

The amendments are applicable retrospectively and explain that a management unit (providing the key managerial personnel's services) is treated as a related unit for the needs of disclosures related to affiliates. In addition, the entity that uses the services provided by the management unit is required to disclose the costs incurred in this respect.

The Group does not use the services provided by the management unit.

○ **Amendments resulting from the review of IFRS 2012-2014 including:**

- Amendments to IFRS 5 Fixed assets held for sale and discontinued operation

The assets (or disposal groups) are usually disposed by sale or issuance to owners. The amendments clarify that replacing one of the methods with another will not be treated as a new disposal plan and it will be a continuation of the original plan.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

- Amendments to IAS 34 Interim financial reporting

The amendments explain that the interim disclosure requirements can be met either by posting relevant disclosures in the interim financial statement or adding references between the interim financial statement and the other report (e.g. a report on the Management Board's activity). Other information in the interim financial statement have to be available to users on the same basis and at the same time, at which the interim financial statement is available.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

- Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation

The amendments for IAS 16 and IAS 38 on the fact that the depreciation method based on revenues reflects the way, in which the entity achieves the economic benefits generated by the asset component, and not the expected way of using the future economic benefits resulting from the asset component. As a result, the method based on the revenues cannot be applied to depreciate fixed assets and its application can be correct with respect to the depreciation of intangible assets only under certain circumstances. The amendments apply prospectively.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

- Amendments to IAS 1 Disclosures

The amendments precise the existing requirements of IAS 1 concerning:

- relevance,
- aggregation and subtotals,
- order of notes,
- aggregation of information on a share in other comprehensive incomes of associates and joint ventures settled according to the equity method – disclosure in one line.

In addition, these amendments explain the requirements that apply when additional subtotals are presented in the financial situation and income statement as well as a statement on other comprehensive income.

The application of these amendments had no impact on the financial situation and the results of the Group's activity.

In addition, the following new or amended standards and interpretations are effective for the annual periods beginning after 1 January 2016, however, they do not apply to information presented and disclosed in the Group's financial statement:

- Amendments to IAS 16 and IAS 41 Agriculture: bearer plants
- The amendment applies to the recognition of bearer plants.
- Amendments to IFRS 11 Account for the share acquisition in the common business activity
- The amendment relates to the recognition by the shareholder of the common operation of acquired shares in the joint venture.
- Amendments to IAS 19 Defined benefit plans: employee contributions
- The amendment relates to the contributions paid by employees or third parties in the recognition of programmes of the defined benefits.
- and Amendments resulting from the review of IFRS 2012-2014 including:
- Amendments to IFRS 7 Financial Instruments: information disclosures
  - I. Service contracts – the amendment explains that the service provision contract, which includes a fee, may be a continuation of involvement in the asset.
  - II. The application of the amendments to IFRS 7 (issued in December 2011) to the condensed interim financial statement.
- Amendments to IAS 19 Employee benefits.

The amendment relates to the valuation of the discount rate.

---

The Group did not decide for the earlier application of any other 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**

The preparation of the consolidated financial statement of the Group requires, from the Management Board of the parent company, the judgements, estimates and assumptions, which affect the reported income, costs, assets, liabilities and the related notes and disclosures related to contingent liabilities. Uncertainty about these assumptions and estimates may result in the significant impairment of balance sheet values of assets and liabilities in the future.

In the process of application of the rules (policies) of accounting, the Management Board made the following judgements that have the greatest impact on the presented balance sheet values of assets and liabilities.

#### ***Capitalisation of foreign exchange differences***

According to the implementing investments, the Group's companies use sources of borrowing costs.

The borrowing costs, which can be directly allocated to the implementing investments, are capitalised in the value of the capital work in progress until the commissioning of the capital work to use.

The companies capitalise the foreign exchange differences related to the received credits and loans in the foreign currency to the extent, to which they represent an adjustment to the 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 fluctuations in exchange rates in the period of investment.

#### ***Classification of lease contracts***

The Group classifies the lease as operating or financial one based on the assessment of the extent to which the risk and benefits of ownership of the leased asset come to the lessor and to the lessee. This assessment is based on the economic content of each transaction.

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

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

### **7.2. Uncertainty of estimates**

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

#### ***Loss in fixed assets***

As a result of analyses conducted on 30 June 2016, the Group identified the existence of circumstances, which would indicate possible loss in value of a component of assets, in the form of balance sheet value of net assets of the Group, higher than the 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 the assumptions used in the impairment tests as of 31 December 2015, which the result was impairment in the amount of PLN 1 880 000 thousand are still valid. Information about the conducted tests was presented in note 16.1.

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

Provisions due to employee benefits were estimated using actuarial methods.

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

- discount rate 2,6%,
- expected inflation rate 2,5%,
- expected remuneration growth rate depending on the company for the year 2016 is in the range of 0 to 3%, for the following years is 3%.

#### ***A component of deferred tax assets***

The Group recognises a 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 the future would make this assumption un-founded.

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

The fair value of financial instruments, for which there is no active market, is estimated using appropriate evaluation techniques. While choosing the appropriate methods and assumptions, the Group is driven by professional judgement. The method of calculating the fair value of financial instruments has not changed in relation to the methods used for the financial statements for the year ended 31 December 2015.

#### ***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 the following conditions: it is plausible that the Group will achieve future economic benefits related to stripping, the Group is able to identify that a part of the coal deposit, to which the access was facilitated, and stripping costs concerning that part of the deposit may be reliably evaluated. The Group verifies estimates concerning the 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 the 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 the employee shares, 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 KWB Konin S.A. and PAK KWB Adamów S.A.'s employees. The fair value of the programme on the day of the acquisition of control was specified on the basis of the fair value of the PAK KWB Konin S.A. and PAK KWB Adamów S.A. companies. The process of acquisition of shares by entitled employees begun in February 2013 and lasted until 20 October 2014. The price of shares redemption was specified in PAK KWB Konin S.A. and PAK KWB Adamów S.A.'s shares sale agreements dated 28 May 2012 and was established at the level of the price of purchase of shares of the earlier purchased shares of mines index-linked by the consumption products and service prices rate.

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

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

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

The Group uses the percentage of work completion method at settlement of long-term contracts. The use of this method requires from the Group the estimation of proportions of completed works to all services, which are 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**

At 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 a liability by the Group's management. The provision is created in the amount resulting from the received offers concerning liquidation of components of tangible fixed assets. The Group reevaluates the value of the provision on every balance sheet date. The value of the provision due to liquidation of components of tangible fixed assets is discounted on every balance sheet date. The provision described in note 26.3.2.

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

The Group creates the provision for liquidation of ash dumps due to a legal obligation resulting from the integrated approval entries. The basis of estimation are developments, technical and economic analyses developed by the Group, as well as received external offerings for planned directions of reclamation. At the end of every reporting period, the Group reevaluates values of the provision. The provision described in note 26.3.2.

### **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 Management Board, and internal estimates of the Group, and is discounted on every balance sheet date. The provision described in note 26.3.3.

### **Evaluation of energy certificates**

The Group recognises the energy certificates of origin (green and red certificates) due to the energy generation from renewable energy sources, gas, and peak load co-generation according to fair value at the end of the month, when they were produced. As of the balance sheet date, the Group evaluates certificates of origin to a net value possible to achieve – for the green certificates as of 30 June 2016 to the price amounting to 69.00 PLN/MWh. An impairment write-down is established in case when the sale price possible to achieve diminished by disposition costs is lower than the historical cost of generation.

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

The Group recognises the provision for the redemption of greenhouse gases allowances and certified emission reductions. Due to the conclusion of the period related to the settlement of allocation of allowances of KPRU II, since 1 January 2013, another settlement period of 2013 – 2020 concerning allowances has been applicable. The 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, if declared investment expenses for investments reported to the National Investment Plan (KPI) are paid.

In 2015, the emission in the ZE PAK Group amounted to 12 257 921 tonnes of CO<sub>2</sub>.

The Group, as of 1 January 2016, had purchased EUAs in the amount of 12 257 586 tons.

In the first half of 2016 years the Group purchased 7 470 500 EUA. At the same time in February 2016 years, the Group has received free EUAs for heat for 2016 years (Article 10a) in the amount of 101 259 EUA. Then, in April 2016, the Group received free EUAs for derogation of 2015 (Article 10c) in the number of 329 417 EUA and redeemed the CO<sub>2</sub> emission for 2015 in the number of 12 257 921 tonnes of CO<sub>2</sub>. Therefore, the state of possession of EUA in the ZE PAK Group as of 30 June 2016 amounted to 7 900 841 EUA.

As of 30 June 2016, the Group created the provision for allowances in relation to the actual size of emissions for the period between 1 January 2016 and 30 June 2016.

Details regarding the provisions for liabilities arising from redemption rights to greenhouse gas emissions and certified emission reductions were presented in note 26.3.1.

## 8. Change of estimates

Within the 6-month-period ended 30 June 2016, 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 2016 and 30 June 2016, 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 "Państwów – Adamów – Konin" S.A.,
  - "Elektrownia Państwów 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 column "Other". For two quarters of 2016 year in this column are included operations of companies: EKO – Surowce sp. z o.o. and Aquakon sp. z o.o.

Transaction prices used in transactions between operating segments are determined on the basis of commercial principles, like in transactions with non-related entities. None of the Group's operating segments have been aggregated with other segment to form the above reportable operating segments.

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 (operating profit without financial operations and income tax plus depreciation and revaluation write).

Segments' results for periods ended 30 June 2016 and 30 June 2015 are presented below:

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

**For the period of 6 months ended 30 June 2016 (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	892 056	5 064	28 491	438 179	3 730	-	1 367 520
Sales revenue between segments	217 551	443 000	113 698	2	47 749	(822 000)	-
<b>Sales revenue</b>	<b>1 109 607</b>	<b>448 064</b>	<b>142 189</b>	<b>438 181</b>	<b>51 479</b>	<b>(822 000)</b>	<b>1 367 520</b>
Cost of goods sold	(939 304)	(370 195)	(138 905)	(430 817)	(53 037)	824 971	(1 107 287)
<b>Gross profit / (loss)</b>	<b>170 303</b>	<b>77 869</b>	<b>3 284</b>	<b>7 364</b>	<b>(1 558)</b>	<b>2 971</b>	<b>260 233</b>
Other operating income	3 627	6 614	546	-	240	(53)	10 974
Selling and distribution expenses	(1 302)	-	-	(272)	(565)	-	(2 139)
Administrative expenses	(16 037)	(17 352)	(10 129)	(2 245)	(2 034)	2	(47 795)
Other operating expenses	(696)	(1 136)	(442)	(42)	(36)	59	(2 293)
Finance income	2 066	3 010	240	145	6	(293)	5 174
Finance costs	(37 515)	(8 841)	(80)	-	(34)	293	(46 177)
<b>Profit before tax</b>	<b>120 446</b>	<b>60 164</b>	<b>(6 581)</b>	<b>4 950</b>	<b>(3 981)</b>	<b>2 979</b>	<b>177 977</b>
Income tax expense	(25 211)	(11 748)	339	(897)	(10)	(565)	(38 092)
<b>Net profit/loss for the period from continuing operations</b>	<b>95 235</b>	<b>48 416</b>	<b>(6 242)</b>	<b>4 053</b>	<b>(3 991)</b>	<b>2 414</b>	<b>139 885</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>155 895</b>	<b>65 995</b>	<b>(6 741)</b>	<b>4 805</b>	<b>(3 953)</b>	<b>2 979</b>	<b>218 980</b>
Depreciation / Amortization	53 815	53 453	3 838	32	991	(2 306)	109 823
Change in impairment	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>209 710</b>	<b>119 448</b>	<b>(2 903)</b>	<b>4 837</b>	<b>(2 962)</b>	<b>673</b>	<b>328 803</b>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

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

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

## 12. Revenues and costs

### 12.1. Sales revenue

<i>Revenues by type</i>	<i>6 months period ended</i>	<i>3 months period ended</i>	<i>6 months period ended</i>	<i>3 months period ended</i>
	<i>30 June 2016 (unaudited)</i>	<i>30 June 2016 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>
Electricity	857 331	432 993	832 551	421 222
Electricity resold from the market	326 814	167 709	432 811	212 542
Energy certificates of origin	19 822	6 014	27 683	11 271
Construction contracts	26 509	17 560	81 163	44 868
Compensation related to PPAs termination	92 023	44 336	89 242	45 484
Heat	32 370	11 476	33 174	12 658
Other	13 033	7 188	12 141	4 858
Excise	(382)	202	(1 243)	(575)
<b>Total revenues by type</b>	<b>1 367 520</b>	<b>687 478</b>	<b>1 507 522</b>	<b>752 328</b>

### 12.2. Other operating revenues

	<i>6 months period ended</i>	<i>3 months period ended</i>	<i>6 months period ended</i>	<i>3 months period ended</i>
	<i>30 June 2016 (unaudited)</i>	<i>30 June 2016 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>
Compensations received	3 307	537	589	112
Reversal of write-downs against receivables	11	1	2	1
Grants received	893	447	1 362	915
Gain on the sale of non-financial fixed assets	4 947	2 085	5 945	2 498
Reimbursement of costs previously recognized as not deductible	-	-	-	-
Reversal of provisions for costs and losses and liabilities write-off	539	188	1 873	1 870
Other	1 277	452	1 621	290
<b>Total other operating income</b>	<b>10 974</b>	<b>3 710</b>	<b>11 392</b>	<b>5 686</b>

The largest component of item "other" is to reduce the write-down on inventories in the amount of PLN 446 thousand in PAK KWB Konin S.A.

### 12.3. Other operating expenses

	<i>6 months period ended</i>	<i>3 months period ended</i>	<i>6 months period ended</i>	<i>3 months period ended</i>
	<i>30 June 2016 (unaudited)</i>	<i>30 June 2016 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>	<i>30 June 2015 (unaudited)</i>
Loss on the sale of property, plant and equipment	579	576	359	(60)
Creation of provisions	-	-	292	292
Impairment write-down against receivables	18	11	42	12
Compensations paid	324	55	72	60
Loss on liquidation of fixed assets	4	4	6	2
Electricity equivalents paid for pensioners and former employees	-	-	2	-

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

Electricity-related damages	35	35	72	72
Cost of social assets maintenance	-	-	-	-
Donations given	190	184	228	135
Cost of trade unions	45	26	79	47
Cost of shortages and damages	114	41	148	28
Other	984	501	1 443	471
Total other operating expenses	<u>2 293</u>	<u>1 433</u>	<u>2 743</u>	<u>1 059</u>

The main component of the item "others" are costs of legal and enforcement proceedings in the amount of PLN 426 thousand.

#### 12.4. Finance income

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Interest income	2 161	1 063	1 954	980
Dividends	56	56	49	49
Foreign exchange gains	147	145	8 472	(10 863)
Valuation and realization of financial derivatives	-	-	-	-
Other	2 810	10	1 143	1 133
Total Finance income	<u>5 174</u>	<u>1 274</u>	<u>11 618</u>	<u>(8 701)</u>

The main component of "other" item is a gain on the sale of 25% stake in the "Verano sp. o.o." company obtained by PAK KWB Konin S.A. in the amount of PLN 2 784 thousand.

#### 12.5. Finance costs

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Interest expenses	18 344	9 540	10 315	4 818
Valuation and realization of financial derivatives	3 912	1 916	4 362	2 174
Foreign exchange losses	14 748	12 814	5 619	(247)
Settlement discount	-	-	-	-
Power units utilisation provision discount	215	108	208	76
Revaluation of investments	-	-	-	-
Reclamation provision discount	3 944	2 543	3 108	1 239
Other	5 014	3 611	2 349	1 500
Total finance costs	<u>46 177</u>	<u>30 532</u>	<u>25 961</u>	<u>9 560</u>

The item "Other" includes mainly commissions on unused credit and bank guarantees in PAK KWB Konin S.A. in the amount of PLN 3 824 thousand.

#### 12.6. Costs by type

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Depreciation / Amortisation	109 823	48 894	189 750	97 309
Impairment write-downs against property, plant and equipment	-	-	-	-

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016*  
*(in thousands of zlotys)*

Impairment write-downs against inventories	21 841	22 459	43 711	43 710
Materials	153 925	81 658	225 533	108 216
External services	20 898	7 017	55 713	22 782
Taxes and charges, excluding excise duty	80 015	38 087	83 391	38 675
Costs of allowances for emission of CO <sub>2</sub>	142 839	56 654	158 456	82 520
Employee benefits	261 936	136 025	300 866	140 862
Other costs by type	10 763	2 455	22 968	18 447
Cost of goods for resale and raw materials sold and resale of electricity from the market	333 398	177 613	422 764	210 111
<b>Total cost by type</b>	<b>1 135 438</b>	<b>570 862</b>	<b>1 503 152</b>	<b>762 632</b>
Items included in cost of goods sold	1 107 287	563 693	1 423 732	733 377
Items included in selling and distribution expenses	2 139	995	1 924	1 101
Items included in administrative expenses	47 795	20 473	56 858	26 656
Change in the stocks of finished goods	(22 483)	(14 966)	20 540	1 449
Cost of goods and services for internal needs	700	667	98	49

## 12.7. Construction agreements

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Revenues from contracts for construction services recognised in the period	26 509	17 560	81 163	44 868
Revenues invoiced in the period	22 088	14 397	63 815	34 576
Balance sheet valuation	4 421	3 163	17 348	10 292
Costs applied in the period	21 962	15 245	74 137	38 334
Expected losses due to the contracts recognised in the period	(46)	(48)	(11)	-
Results due to performance of the contracts included in the period	4 593	2 363	7 037	6 534
	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Gross amount payable by contracting parties due to works resulting from the contract	3 500	1 435	10 941	1 590
Gross amount paid to contracting parties due to works resulting from the contract	5 809	(1 730)	3 800	(8 716)

### 13. Components of other comprehensive income

Components of other total revenues present as follows:

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Cash flow securities				
Profits (losses) for the period	(3 912)	(1 916)	229	(30)
Adjustment resulting from reclassification of profits (losses) included in the profit or the loss	6 118	3 037	4 355	2 167
<b>Gross cash flow securities for the period</b>	<b>2 206</b>	<b>1 121</b>	<b>4 584</b>	<b>2 137</b>
Income tax concerning cash flow securities	(419)	(213)	(871)	(406)
<b>Net cash flow securities for the period</b>	<b>1 787</b>	<b>908</b>	<b>3 713</b>	<b>1 731</b>
<b>Actuarial gross profits (losses) concerning provisions for post-employment employee benefits</b>	<b>(909)</b>	<b>(217)</b>	<b>(1 591)</b>	<b>(633)</b>
Income tax concerning actuarial profits (losses)	173	41	302	120
<b>Actuarial net profits (losses) concerning provisions for post-employment employee benefits</b>	<b>(736)</b>	<b>(176)</b>	<b>(1 289)</b>	<b>(513)</b>
<b>Gross exchange rate differences from foreign currency conversion</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>22</b>
Income tax concerning exchange rate differences from foreign currency conversion	-	-	-	-
<b>Net exchange rate differences from foreign currency conversion</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>22</b>
<b>Other gross comprehensive income</b>	<b>1 297</b>	<b>904</b>	<b>2 994</b>	<b>1 526</b>
<b>Income tax concerning other comprehensive income</b>	<b>(246)</b>	<b>(172)</b>	<b>(569)</b>	<b>(286)</b>
<b>Other net comprehensive income</b>	<b>1 051</b>	<b>732</b>	<b>2 425</b>	<b>1 240</b>

### 14. Income tax

#### 14.1. Tax load

The main components of tax load for the 6-month period ended 30 June 2016 and 30 June 2015 are as follows:

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Included in the profit or the loss				
<i>Current income tax</i>				
Current income tax load	8 081	3 317	2 576	1 050
<i>Deferred income tax load</i>	-	-	-	-
Related to creation and reversal of temporary differences	29 956	6 941	1 281	(4 457)
Other changes	55	9	38	(73)
<b>Tax load in the consolidated profit or loss</b>	<b>38 092</b>	<b>10 267</b>	<b>3 895</b>	<b>(3 480)</b>



Included in the consolidated statement of the comprehensive income	-	-	-	-
Net profit (loss) tax due to revaluation of cash flow securities	(419)	(213)	(871)	(406)
Actuarial allowance concerning actuarial profits/losses	173	41	302	120
<b>Tax advantage/(tax load) included in comprehensive income</b>	<b>(246)</b>	<b>(172)</b>	<b>(569)</b>	<b>(286)</b>

## 14.2. Deferred income tax

Deferred income tax results from following items:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
<b>Deferred tax asset</b>		
Balance sheet provisions	118 736	142 348
Overburden and other mining assets	5 852	7 129
Interest and exchange rate differences	13 659	10 838
Hedging instruments	2 663	3 096
Valuation of non-terminated agreements for building services	2 556	3 996
Tax loss from previous years	6 579	12 342
Impairment write-down against inventories	1 688	1 781
Impairment write-down against receivables	1 465	1 465
Impairment write-downs against fixed assets	135	81
Difference between the carrying amount and tax value of fixed assets	109	1
Settlements with employees	3 215	5 991
Other	34 397	43 135
<b>Total</b>	<b>191 054</b>	<b>232 203</b>
<b>Provision under deferred income tax</b>		
Difference between the carrying amount and tax value of fixed assets	396 469	383 797
Receivables under PPAs	22 729	10 888
Energy certificates	7 668	12 315
Interest and exchange rate differences	2 948	1 538
Valuation of non-terminated construction agreements	1 903	2 209
Accrued receivables under contractual penalty fees	824	824
Mining asset	-	251
Purchased CO <sub>2</sub> allowances	38 037	69 624
Other	(60)	4
<b>Total</b>	<b>470 518</b>	<b>481 450</b>

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

<b>Asset</b>	<b>98 089</b>	<b>102 615</b>
<b>Provision</b>	<b>377 553</b>	<b>351 862</b>

The item "other" of the deferred tax asset mostly consists of PLN 13 064 thousand of the provision for the liability to the Zarządca Rozliczeń company in Elektrownia Pątnów II sp. z o.o. (as of 31 December 2015 the amount was PLN 13 539 thousand), PLN 8 491 thousand is an evaluation of preferential loans in Elektrownia Pątnów II sp. z o.o. (as of 31 December 2015 the amount was PLN 8 629 thousand), PLN 7 517 thousand is the provision for redemption of CO<sub>2</sub> allowances in Elektrownia Pątnów II sp. z o.o. (as of 31 December 2015 the amount was PLN 13 728 thousand), PLN 2 546 thousand is an excess of the sale-and-lease-back transaction settled in time in PAK KWB Konin S.A. (as of 31 December 2015 the amount was PLN 3 068 thousand).

The following is the status of the tax settlements of the Group's companies for tax losses as of 30 June 2016, taking into account the deferred tax.

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.

As of 30 June 2016, the Elektrownia Pątnów II sp. z o.o. is able to deduct the unsettled tax loss for 2011 in the amount of PLN 88 517 thousand, which is ½ of this year loss; the remaining part of the loss is time-barred.

As of 31 December 2015, the cumulative amount of unsettled tax losses amounted to PLN 187 402 thousand (without the created asset):

- for the tax year of 2010, the amount of PLN 10 369 thousand,
- for the tax year of 2011, the amount of PLN 177 033 thousand,

As of 30 June 2016, Elektrownia Pątnów II sp. z o.o. showed a profit tax in the amount of PLN 21 338 thousand and settled the tax profits with the part of the tax losses from previous years.

As of 30 June 2016, PAK KWB Konin S.A. shows the following unsettled tax losses:

- for the tax year of 2012, the amount of PLN 12 679 thousand,
- for the tax year of 2013, the amount of PLN 8 729 thousand,
- for the tax year of 2015, the amount of PLN 919 thousand,

In the current period, PAK KWB Konin S.A. settled the part of the tax loss for 2012 in the amount of PLN 28 769 thousand, for 2013 in the amount of PLN 8 729 thousand and for 2015 in the amount of PLN 919 thousand. The current corporate tax for the six months 2016 has been accrued in the amount of PLN 4 782 thousand.

As of 30 June 2016, ZE PAK S.A. did not show unused tax losses, because the asset generated in the previous balance sheets for the tax losses from previous years was written to "0" in the balance sheet for 31 December 2015 due to the fact that the possibility of its recovery did not result from the Company's strategy. The current corporate income tax for 6 months of 2016 shows the tax loss in the amount of PLN (-) 36 240 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 profit per one share are calculated with division of net profit for the period of the parent company's ordinary shareholders by weighted average of number of issued ordinary shares occurring during the period corrected by weighted average of ordinary shares, which would be issued by converting all diluting potential equity instruments into ordinary shares.

Data concerning profit and shares that served to calculate basic and diluted profit per one share were presented below:

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Net profit on continued activities of the parent company's shareholders	138 404	64 453	15 103	(19 812)
Profit on abandoned activities of the parent company's shareholders	-	-	-	-
Net profit of ordinary shareholders used for calculation of diluted earnings per one share	138 404	64 453	15 103	(19 812)
The average weighted number of ordinary shares used for calculation of basic and diluted earnings per one share	50 823 547	50 823 547	50 823 547	50 823 547

The below table shows the profit per one share for the period of 6 months ended 30 June 2016 and 30 June 2015, presented in the profit and loss account.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016*  
*(in thousands of zlotys)*

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>3 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>	<i>3 months period ended 30 June 2015 (unaudited)</i>
Basic and diluted earnings per share for the financial year attributable to equity holders of the parent	2,72	1,27	0,30	(0,39)
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent	2,72	1,27	0,30	(0,39)

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

## 16. Property, plant and equipment

For the period of 6 months ended 30 June 2016 (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 2016	224 845	1 927 605	3 968 357	70 298	28 563	1 119 881	7 339 549
Direct purchase	-	31	965	278	251	20 869	22 394
Repairs	-	-	-	-	-	3 796	3 796
Transfer from fixed assets under construction	5 924	73 135	882 710	-	25	(961 794)	-
Sale and liquidation	(1 186)	(509)	(3 407)	(518)	(164)	-	(5 784)
Gross value as at 30 June 2016	<u>229 583</u>	<u>2 000 262</u>	<u>4 848 625</u>	<u>70 058</u>	<u>28 675</u>	<u>182 752</u>	<u>7 359 955</u>
Depreciation and impairment write-downs as at 1 January 2016	5 431	1 024 185	1 994 015	30 556	19 012	791 121	3 864 320
Depreciation write-down for the period	1 142	27 065	64 845	4 640	1 200	-	98 892
Impairment write-down	-	51 530	631 517	-	-	(683 047)	-
Sale and liquidation	(7)	(289)	(2 163)	(466)	(159)	-	(3 084)
Depreciation and impairment write-downs as at 30 June 2016	<u>6 566</u>	<u>1 102 491</u>	<u>2 688 214</u>	<u>34 730</u>	<u>20 053</u>	<u>108 074</u>	<u>3 960 128</u>
Net value as at 1 January 2016	<u>219 414</u>	<u>903 420</u>	<u>1 974 342</u>	<u>39 742</u>	<u>9 551</u>	<u>328 760</u>	<u>3 475 229</u>
Net value as at 30 June 2016	<u>223 017</u>	<u>897 771</u>	<u>2 160 411</u>	<u>35 328</u>	<u>8 622</u>	<u>74 678</u>	<u>3 399 827</u>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

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

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

## 16.1. The value impairment test of assets of the ZE PAK S.A. Capital Group

In accordance with IAS 36, at the end of every reporting period, the Group's Management Board evaluates whether there are any prerequisites indicating that there may have occurred loss in value of the component of fixed assets. In case of statement that there are such prerequisites, the Group estimates recoverable amount of assets' components. Due to the above, the Group always analyses: prerequisites that may affect loss in value of any of assets' components, as well as determining cash generating units within the Group's companies.

The main premise to analyse the value impairment of the components identified by the Management Board is the steady lower market value of the Group's net assets than their carrying amount. Therefore, the analysis of identified centres that generate independent cash flows was made.

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

In distinguishing CGU within the companies of the Group, the main duty was the analysis of the independence of generating cash flows in terms of the functioning of the individual Company within the Group.

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

Elektrownia Państw II – the second electricity producer in the Group, pursuant to the Act on termination of long-term agreements, is involved in the programme of coverage of stranded costs by the end of 2025.

The final settlement of this programme and, eventually, receipt of additional funds within the annual adjustment for 2025 and the final adjustment are planned in 2026.

Lignite mines PAK KWB "Konin" and PAK KWB "Adamów" conduct the business at several open pits.

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

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

- ZE PAK S.A.
- El. Państw II sp. z o.o.
- PAK KWB "Konin" S.A.
- PAK KWB "Adamów" S.A.

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

Conducting the value impairment test of fixed assets, the Group was based on the financial model for the years 2016-2047 reflecting strategic priorities of the parent company ZE PAK S.A.

In view of persisting premises of impairment of assets on the balance sheet date on 30 June 2016 were carried out tests to evaluate the utility value of the cash generating units.

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

- Państw I power plant – operation time until 31 December 2030,
- Adamów power plant – operation time until 31 December 2017,
- Konin-collector power plant – operation time until 30 June 2020,
- Konin-biomass power plant – operation time until 31 December 2047.

The following assumptions were adopted to estimate the use value of tangible fixed assets:

- the forecast of the electricity price with division into BASE, PEAK and OFFPEAK and the forecast of the CO<sub>2</sub> allowances prices were adopted on the basis of the sales prices of electricity that have been achieved and the Report on the energy market in Poland prepared for ZE PAK S.A. by an independent external consultant,
- production assumptions result from the adopted investment and renovation programme of ZE PAK S.A. Reduction of electricity generation from lignite and maintenance of generation for biomass-fired boiler are assumed.
- In the structure of total revenue in 2016-2017, on average, 85% are revenues from own and purchased electricity. Since 2018, due to the exclusion of production in Elektrownia Adamów, total revenue will decrease by 40% in relation to 2017. In 2021, another decrease will take place when the units 5 and 6 as well as the boiler part in Elektrownia Konin do not work.
- The Company assumed the use of the free CO<sub>2</sub> allowances in the amount resulting from Article 10a of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003.
- The costs of lignite purchased for generation were specified on the basis of the delivery schedule and the prices agreed with the appropriate schedules in financial projections of subsidiaries and on the basis of the agreement signed between ZE PAK S.A. and PAK KWB “Konin” S.A. “Agreement on the financial support for the construction of the Ościsłowo open cast.”
- The effects of restructuring costs for the withdrawal of the old powers in Konin power plant and Adamów power plant were taken into account.
- The new mechanisms of model changes of the Polish market including the introduction of the capacity market (electricity and power) and/or mechanisms guaranteeing a return on investments (contracts of differences) were not taken into account.
- the weighted average cost of capital after taxation (WACC) in the projection period at the level of 7.13% (in 2015: 7.22%) was adopted.

In the case of the El. Pańków II sp. z o.o., due to the participation of this unit in the programme of coverage of stranded costs (PPA) and the estimation of influences of that title, there were no indications of value impairment of tangible fixed assets requiring testing for this CGU.

Like in relation to the other CGUs operating within the segments: Repairs, Sales and Other, indications of a possible value impairment of assets were not identified as well.

The basis of tests for both brown coal mines is long-term financial projections including periods of operation of both mines and their particular open pits, which were agreed with assumptions accepted in the ZE PAK S.A.’s model. Adjusting the financial projections of mines to periods of operation of the generating units results from the assumption that the only recipient of the products is the companies of the Capital Group.

The financial projections for PAK KWB “Konin” S.A. and PAK KWB “Adamów” S.A. were built taking into account the following parameters:

- the volume of production (extraction of coal) and revenue were determined on the basis of forecasts of the main recipient of coal that is ZE PAK S.A. and EP II sp. z o.o. and their projected price curve for coal on the basis of the agreement on financing of open casts,
- stripping and extraction of coal were developed according to the schedule of utilisation of current and predicted open casts,
- the level of investment expenses enabling to build new open casts ensuring supplying the power plants and maintaining specified production capacities during their operation was accepted,
- the effects of employment restructuring processes were taken into account,
- costs of following events were included:
  - costs of reclamation of open pits
  - pension provisions
  - costs of compensations due to the group dismissals
  - revenues from sale of the asset after the end of life of the open pit.
- weighted average cost of capital after taxation (WACC) in the projection period for PAK KWB Adamów at 7.75% (in 2015: 7.92%) and for PAK KWB “Konin” S.A. at the level of 8.07% (in 2015, 7.92%) was adopted; the higher discount rate reflects the higher risk associated with the operation of PAK KWB “Konin” S.A. in the long term (longer perspective of the forecast), in particular in relation to investment activities related to the development of new lignite deposits.

On the basis of the conducted tests, it was found that there is no need for recognition of impairment write-downs of the tangible fixed assets for the CGU PAK KWB Adamów S.A. and for the CGU PAK KWB Konin S.A. As of 30 June 2016, the value of the excess of the recoverable value of each cash generating unit over the balance sheet value was:

- for PAK KWB Konin S.A.: approximately PLN 1 million,
- for PAK KWB Adamów S.A.: approximately PLN 16 million.

Based on the test results, it was also not necessary to recognise the additional impairment write-downs of the CGU ZE PAK S.A. assets. On the basis of the carried out analysis and test results, an increase in the estimated service potential of fixed assets for CGU ZE PAK S.A. was not determined, therefore, the reversal of previously recognised impairment write-downs in the amount of PLN 1 880 000 thousands was not conducted.

### **Sensitivity analysis**

Changes of financial parameters underlying the evaluation of the recoverable amount would change the present value of the discounted cash flow with the amounts presented below.

**Zespół Elektrowni Państw – Adamów – Konin S.A.**      *(+) increase by 1.0 percentage points   (-) decrease by 1.0 percentage points*

weighted average cost of capital	(PLN 42 million)	PLN 50 million
	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues (electricity price)	PLN 82 million	(PLN 82 million)
	<i>(+) increase by 5%</i>	<i>(-) decrease by 5%</i>
change in cost of sales (price of 1 EUA)	(PLN 78 million)	PLN 78 million

**PAK KWB Konin S.A.**      *(+) increase by 1.0 percentage points   (-) decrease by 1.0 percentage points*

weighted average cost of capital	(PLN 67 million)	PLN 71 million
	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues	PLN 48 million	(PLN 48 million)

In the case of a decrease in revenues from sales by 0.03% in a perspective of the forecast as the other parameters of the recoverable value evaluation remain unchanged, and in case of increase of the weighted average cost of capital by 0.02 percentage points, while the other model parameters are unchanged, the recoverable value of the CGU would be equal to the balance sheet value.

**PAK KWB Adamów S.A.**      *(+) increase by 1.0 percentage points   (-) decrease by 1.0 percentage points*

weighted average cost of capital	(PLN 5 million)	PLN 7 million
	<i>(+) increase by 1%</i>	<i>(-) decrease by 1%</i>
change in sales revenues	PLN 4 million	(PLN 4 million)

In the case of a decrease in revenues from sales by 4.5% in a perspective of the forecast as the other parameters of the recoverable value evaluation remain unchanged and in case of decrease of the weighted average cost of capital by 3 percentage points, while the other model parameters are unchanged, the recoverable value of the CGU would be equal to the balance sheet value.



## 17. Lease

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

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

As of 30 June 2015 and 31 December 2015, 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 of 30 June 2016</i> <i>(unaudited)</i>		<i>As of 31 December 2015</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	13 870	13 396	15 065	14 246
1 to 5 years	4 628	4 119	11 155	11 250
Over 5 years	-	-	-	-
Total minimal lease payments	18 498	17 515	26 220	25 496
Minus finance expenses	(983)	-	(724)	-
Present value of minimal lease payments, including:				
short-term	17 515	17 515	25 496	25 496
long-term	13 396	13 396	14 246	14 246
	4 119	4 119	11 250	11 250

## 18. Intangible assets

### *Long-term intangible assets – for the period of 6 months ended 30 June 2016 (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 2016	-	19 558	1 949	12 450	33 957
Transfer of EUA	-	-	-	(18 764)	(18 764)
Decreases	-	-	(3)	-	(3)
Increases	-	1 850	55	6 710	8 615
Gross value as of 30 June 2016	-	21 408	2 001	396	23 805
Depreciation and impairment write-downs as at 1 January 2016	-	14 525	1 719	324	16 568
Depreciation write-down for the period	-	573	101	5	679
Impairment write-down	-	-	-	-	-
Decreases	-	-	(3)	-	(3)
Depreciation and impairment write-downs as at 30 June 2016	-	15 098	1 817	329	17 244
Net value as at 1 January 2016	-	5 033	230	12 126	17 389
Net value as at 30 June 2016	-	6 310	184	67	6 561

In the other intangible assets item, the Group presents mainly purchased CO<sub>2</sub> emission allowances over the redemption obligation related to the emission for the period ended 30 June 2016. In the other intangible assets item, the Group presents mainly purchased CO<sub>2</sub> emission allowances over the redemption obligation related to the emission for the period ended 30 June 2015. In the item “Transfer of EUA”, the Group presents transfer of CO<sub>2</sub> allowances between long-term and short-term intangible assets.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
 Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
 (in thousands of zlotys)

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

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

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

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>
	<i>Certified emission reduction units (EUAs)</i>	<i>Certified emission reduction units (EUAs)</i>
Gross value as of 1 January	354 389	176 957
Purchase of EUA	181 433	133 263
Redemption of EUA	(354 389)	(174 281)
Transfer of EUA	18 764	105 700
Gross value as of 30 June	<u>200 197</u>	<u>241 639</u>
Redemption and impairment as of 1 January	-	-
Impairment write-down of a period	-	-
Depreciation and impairment write-down as of 30 June	-	-
Net value as of 1 January	<u>354 389</u>	<u>176 957</u>
Net value as of 30 June	<u>200 197</u>	<u>241 639</u>

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

As of 30 June 2016, the item of assets concerning stripping and other mining assets mainly includes assets concerning stripping and other mining assets of PAK KWB Konin in the amount of PLN 84 880 thousand.

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Status as of 1 January	94 057	150 457
Impairment (change)	-	(16 189)
Increases	1 280	1 976
Decreases	-	-
Depreciation for the period	<u>(10 252)</u>	<u>(42 187)</u>
Status as of end of period:	<u>85 085</u>	<u>94 057</u>
– long-term	85 085	92 748
– short-term	-	1 309

**20. Other assets**

**20.1. Other financial assets**

	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Deposits for debt service security	76 892	74 789
Investments and deposits	2 757	2 709
Investments and MLF and MRF deposits	7 595	7 637
Shares	200	2 451
Other	2 795	3 145
Total other financial assets:	<u>90 239</u>	<u>90 731</u>
– short-term	80 784	76 979
– long-term	9 455	13 752

## 20.2. Other non-financial assets

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
VAT receivables	1 408	4 031
Insurance	341	1 519
Other receivables from the state budget	188	1 783
Other non-financial assets	-	-
Other accruals	11 518	6 235
Delivery prepayments	2 768	813
Prepayments for intangible assets	170	1 834
Prepayments for assets under construction	6 097	5 848
Prepayments for tangible assets – land	-	-
Other	1 998	461
Total other non-financial assets:	<u>24 488</u>	<u>22 524</u>
– short-term	18 733	12 497
– long-term	5 755	10 027

The greatest components of the item of other prepayments are the payments related to license fees in the amount of PLN 1 061 thousand in ZE PAK S.A., the payments related to fees for the exclusion of land from agricultural and forestry production in the amount of PLN 3 554 thousands in PAK KWB Adamów S.A. and PLN 3 859 thousands in PAK KWB Konin S.A. The main components of the “Other” item is a concession fee associated with the sale of electricity in the amount of PLN 318 thousands and the exemption from excise duty related to the redemption of energy certificates of origin in the amount of PLN 531 thousands in PAK-Volt S.A.

## 21. Inventories

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Production fuel	9 699	14 745
Spare parts and other materials	86 818	67 019
Certificates of origin of energy	46 314	75 532
Goods	318	219
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	<u>143 149</u>	<u>157 515</u>

Certificates of origin of energy due to the energy production from renewable energy sources, gas, and peak load co-generation are presented according to fair value at the end of the month, when they were produced.

As of 30 June 2016, the Group in total possessed, according to entries in the records, 573 732.627 MWh of property rights of green certificates and the produced green energy that is not yet verified by ERO, 435 588.065 MWh of which are the already obtained property rights, while 109 108.235 MWh are the green power generation in February, March and April 2016 awaiting for confirmation in the ERO, and 29 036.327 MWh are the generation of May and June 2016 awaiting for the balance sheet day, submission of an application by the Group. The application for granting property rights for May and June 2016 was submitted by the Group to PSE S.A. on 18 July 2016. In the first half of 2016, the Group received the outstanding certificates for 2015 in the number of 115 301.589 MWh for production in October, November and December 2015, and 36 061.821 MWh for production in 2016. Then, after the balance sheet day, on 5 July, the Group received 71 909.215 MWh certificates for production in February and March 2016. During the current reporting period, the Group performed generation from renewable sources and, in the balance sheet, presented the green certificates, at prices current at the end of each month.

The impairment write-down as of 30 June 2016 in the amount of PLN 25 282 thousands relates to the revaluation of rights in possession of the Group on 30 June 2016 to the unit price in the amount of 69.00 PLN/MWh, including PLN 6 024 thousands is connected with the impairment write-down for the rights for production in the first half of 2016.

## 22. Trade receivables and other receivables

	30 June 2016 (unaudited)	31 December 2015
Trade receivables	116 678	179 735
Receivables due to compensation related to the termination of the PPAs	119 629	57 307
Receivables due to security of purchase of electricity in the balancing market	4 500	7 826
Other receivables	54 475	23 255
Net receivables	<u>295 282</u>	<u>268 123</u>
Write-down of receivables impairment	41 329	41 840
Gross receivables	336 611	309 963

In the line others receivables as of 30 June 2016 the Group presents mostly receivables due to the security deposit in the amount of PLN 49 930 thousand.

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

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

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

## 23. Cash and cash equivalents

Cash at bank are subject to interest at volatile interest rates, whose amount depends on the interest rate on one-day bank deposits. Short-term deposits are established for various periods; from one day to three months, depending on current Group's demand for cash and are subject to interest at fixed interest rates. The fair value of cash and cash equivalents as of 30 June 2016 amounts to PLN 325 316 thousand (as of 30 June 2015: PLN 225 697 thousand).

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

### Structure of cash

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Cash in hand and at bank	206 181	107 189
Short-term deposits	119 135	118 508
<b>Total cash and cash equivalents in the balance sheet</b>	<u>325 316</u>	<u>225 697</u>
Foreign exchange differences	(662)	(1 013)
<b>Total cash and cash equivalents in cash flow statement</b>	<u>324 654</u>	<u>224 684</u>

### Explanation of changes to items recognized in statement of financial position and items recognized in the statement of cash flows

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b><u>Depreciation:</u></b>		
<b>Depreciation shown in the income statement</b>	109 823	189 750
Settlement of subsidies	(6 388)	(6 407)
<b>Depreciation shown in the cash flow statement</b>	<u>103 435</u>	<u>183 343</u>

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b>Receivables:</b>		
Balance sheet change in trade receivables and other receivables	(27 159)	(41 420)
Balance sheet change in other long and short-term non-financial assets	(1 964)	7 727
Balance sheet change in amounts due from clients under PPAs	(151)	(893)
Change in advances for fixed assets under construction	(1 166)	(7 465)
Other changes	(263)	(498)
<b>Change in receivables shown in the cash flow statement</b>	<b>(30 703)</b>	<b>(42 549)</b>
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b>Liabilities:</b>		
Balance sheet change in trade liabilities and other financial liabilities, long and short-term	(81 188)	(12 627)
Balance sheet change in other non-financial liabilities	(53 889)	(82 034)
Balance sheet change in amounts owed to contracting authority under long-term contracts	(4 271)	(16 445)
Change in liabilities under investment settlements	62 628	49 135
Purchase of debt securities	5 030	-
New lease agreements and payment of lease liabilities	8 073	5 178
Other changes	253	(43 769)
<b>Change in liabilities shown in the cash flow statement</b>	<b>(63 364)</b>	<b>(100 562)</b>
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b>Provisions, prepayments and accruals and employee benefits:</b>		
Change in provisions and prepayments	(189 547)	5 909
Change in long and short-term employee benefits	(244)	(42 787)
Change in provision under CERs redemption	354 389	174 281
Change in actuarial provisions indicated in other comprehensive income	(909)	(1 591)
Other changes	(755)	(3 034)
<b>Change in provisions, prepayments and accruals and employee benefits</b>	<b>162 934</b>	<b>132 778</b>
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b>Inventories</b>		
Balance sheet change in inventories	14 366	11 933
Other changes	-	-
<b>Change in inventories shown in the statement of cash flows</b>	<b>14 366</b>	<b>11 933</b>

## 24. Payment of dividend

On 28 June 2015, the Ordinary General Meeting adopted a resolution on covering the incurred net loss in 2015 in the amount of PLN 1 515 850 561.87 in the following way:

- a) Supplementary capital of the Company in the amount of PLN 1 513 445 655.87,
- b) Reserve capital of the Company in the amount of PLN 2 404 906.00.

Due to the unknown amount of the financial result for 2016, the Company is not certain as to the dividend payment for the current year.

## 25. Interest-bearing bank credits and loans

<i>Short-term</i>	<i>Maturity</i>	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	141 970	136 548
Overdraft facility at BRE Bank in the amount of PLN 9 700 thousand; interest rate at WIBOR 1M + bank margin	21.04.2016	-	9 580
Overdraft facility at BZ WBK in the amount of PLN 65 000 thousand; interest rate at WIBOR 1M + bank margin	30.06.2017	56 826	64 385
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	6 219	12 438
Credit services agreement in mBank S.A. to amount of PLN 61 590 thousand – discounting of bills of exchange, interest rate at WIBOR 1M + bank margin	30.06.2016	-	3 851
Bank BPH S.A. – loan agreement in the amount of PLN 67 000 thousand	31.05.2017	53 949	50 884
Overdraft facility at Millennium Bank in the amount of PLN 76 500 thousand; interest rate at WIBOR 3M + bank margin	31.12.2017	28 765	28 765
Syndicated investment loan in amount of PLN 577 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.03.2020	149 911	67 642
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.03.2020	12 477	12 300
Overdraft facility in Bank BPH to the amount of PLN 1 000 thousand, interest rate at WIBOR 3M + bank margin	30.05.2017	184	150
<b>Total</b>		<b>450 301</b>	<b>386 543</b>

<i>Long-term</i>	<i>Maturity</i>	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	310 402	360 627
Overdraft facility at Millennium Bank in the amount of PLN 76 500 thousand; interest rate at WIBOR 3M + bank margin	31.12.2017	14 382	28 765
Syndicated investment loan in amount of PLN 577 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.03.2020	350 475	465 400
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.03.2020	64 451	69 727
<b>Total</b>		<b>739 710</b>	<b>924 519</b>

In the period of 6 months ended 30 June 2016, the Group paid off the principal and interest on loans in the amount of PLN 160 250 thousand, including:

- repayment, by Elektrownia Państw II sp. z o.o., of the principal and interest on syndicated investment loan in the amount of PLN 69 818 thousand,
- repayment, by ZE PAK S.A., of the principal and interest on syndicated investment loan (the Loan A) for modernisation of units 1-4 in the Państw I power plant in the amount of PLN 39 878 thousand,
- repayment, by ZE PAK S.A., of the principal and interest on syndicated overdraft facility (the Loan B) for IOS in the amount of PLN 6 280 thousand,
- repayment, by PAK KWB Konin S.A., of the principal and interest on investment credit in BZ WBK S.A. in the amount of PLN 6 533 thousand,
- repayment, by PAK KWB Konin S.A., of the principal and interest on overdraft (discounting of bills of exchange) in mBank S.A., in the amount of PLN 3 903 thousand,
- repayment, by PAK KWB Konin S.A., of the principal and interest on overdraft in Bank Millennium Bank S.A. in the amount of PLN 15 120 thousand,
- repayment, by PAK KWB Konin S.A., of interest on overdraft in mBank in the amount of PLN 9 656 thousand,
- repayment, by PAK KWB Konin S.A., of the principal and interest on overdraft in BZ WBK S.A. in the amount of PLN 8 319 thousand,



- repayment, by PAK KWB Konin S.A., of interest on multipurpose bank loan in BPH S.A. in the amount of PLN 743 thousand.

On 13 March 2014, ZE PAK S.A. concluded the Syndicated Investment Loan with mBank, Millennium, PEKAO S.A. and PKO BP banks in the amount of PLN 1 200 000 thousand. The bank loan was divided into two parts, the Loan A in the amount of PLN 1 110 000 thousand for modernisation of units 1-4 in the Pałnów I power plant, the Loan B in the amount of PLN 90 000 thousand for the purpose of refinancing the IOS credit repaid on 2 January 2014. Interest of A and B Loans amounts to WIBOR 3M plus the bank's profit margin.

On 30 June 2016, the Annex No. 3 to the credit agreement, under which the unused the Loan A part was released. Therefore, the amount of the used loan as of 30 June 2016 was PLN 667 000 thousand (including the Loan A in the amount of PLN 577 000 thousand and the Loan B in the amount of PLN 90 000 thousand). In connection with a decrease in the loan limit to be used, the repayment schedule also changed. Both the Loan A and the Loan B will be completely repaid on 20 March 2020. As a result of changes in estimates of future payments related to the debt service, the recalculation of the existing financial liability balance value. The effect of the liability valuation adjustment in the amount of about PLN 8 million will be prospectively recognised in the remaining term of the corporate credit repayment. At the same time, according to the lack of use of the credit in its original planned amount, the front-end fees related to the unused amount of PLN 3 million, were recognised as a cost in the income statement for the period of 6 months ended on 30 June 2016.

## 26. Provisions and accruals

### 26.1. Accruals

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Provision for bonuses and holiday leaves	24 849	35 624
Compensations from insurance company	23	41
Audit of the financial statement	145	393
Others	26 100	1 717
Total	<u>51 117</u>	<u>37 775</u>
– short-term	51 117	37 775
– long-term	-	-

The main component of item "Other" are fees for the economic use of the environment in the amount of PLN 20 674 thousand in the ZE PAK S.A. and PLN 3 864 in Elektrownia Pałnów II sp. z o.o.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

**26.2. Change in provisions**

	<i>Land and perpetual usufruct</i>	<i>Provision for the fixed assets liquidation costs</i>	<i>Provision for the reclamation of ash storage yards</i>	<i>Provision for the long-term contract loss</i>	<i>Provision for the certificates of origin of energy redemption</i>	<i>Reclamation provisions and other provisions related to mining activities</i>	<i>Other</i>	<i>Total</i>
<b>As of 1 January 2016</b>	<b>354 389</b>	<b>16 419</b>	<b>1 698</b>	<b>148</b>	<b>9 449</b>	<b>330 561</b>	<b>53 487</b>	<b>766 151</b>
Increases	164 539	214	-	5	463	1 471	5 683	172 375
Decreases	(354 389)	-	(269)	(137)	(5 938)	(5 849)	(8 677)	(375 259)
<b>As of 30 June 2016 (unaudited)</b>	<b>164 539</b>	<b>16 633</b>	<b>1 429</b>	<b>16</b>	<b>3 974</b>	<b>326 183</b>	<b>50 493</b>	<b>563 267</b>
Long-term	-	16 633	863	-	-	307 069	6 581	331 146
Short-term	164 539	-	566	16	3 974	19 114	43 912	232 121
<b>As of 1 January 2015</b>	<b>176 957</b>	<b>14 671</b>	<b>4 025</b>	<b>98</b>	<b>6 056</b>	<b>343 828</b>	<b>66 357</b>	<b>611 992</b>
Increases	351 713	1 748	-	64	9 449	10 718	4 509	378 201
Decreases	(174 281)	-	(2 327)	(14)	(6 056)	(23 985)	(17 379)	(224 042)
<b>As of 31 December 2015</b>	<b>354 389</b>	<b>16 419</b>	<b>1 698</b>	<b>148</b>	<b>9 449</b>	<b>330 561</b>	<b>53 487</b>	<b>766 151</b>
Long-term	-	16 419	1 005	-	-	307 111	10 344	334 879
Short-term	354 389	-	693	148	9 449	23 450	43 143	431 272

## **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 (EUA, CER)**

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

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. The ZE PAK Group 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 30 September 2015, the ZE PAK Group submitted the material and financial statement on the executed investment expenses within the National Investment Plant to the Ministry of the Environment concerning the free EUAs of the article 10c for 2015, applying for granting 329 417 EUAs. In April 2016 the Group received free EUA in the amount consistent with the submitted application.

The emission in the ZE PAK Group in 2015 amounted to 12 257 921 tonnes of CO<sub>2</sub>.

As of 1 January 2016, the Group possessed the purchased EUAs in the number of 12 257 586 tonnes.

In the first half of 2016, the Group purchased 7 470 500 EUAs. At the same time, in February 2016, the Group received free EUAs for heat for 2016 (Article 10a) in the amount of 101 259 EUAs. Then in April 2016, the Group received free EUA under the derogation for 2015 year (Article 10c) in the amount of 329 417 EUAs and made redemption of CO<sub>2</sub> for 2015 year in the amount of 12 257 921 tonnes of CO<sub>2</sub>. After these events, the state of the EUAs in the ZE PAK Group as of 30 June 2016 amounted to 7 900 841 EUAs.

The provision for the burden of core operating activities for purchased CO<sub>2</sub> allowances, which the Group wants to present for the redemption for 2016, is being created. As the actual redemption of allowances happens, the provision created earlier will be terminated.

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

The Group is creating the provision for future costs of reclamation of the land on the basis of legal obligation resulting from the "Integrated Approval Entries." The basis of estimation of the provision size are specialised studies and technical and economical expert opinions developed by domestic services, or external experts. Values of the provision is estimated and verified on every balance sheet date on the basis of current cost estimates and a discount. As of 30 June 2016, the created provision amounted to PLN 1 429 thousand.

Due to the legal obligation to liquidate fixed assets after their period of use, the Group is creating the provision for projected future costs, which will be necessary to pay for fulfilment of this obligation. As of 30 June 2016, the provision due to this amounted to PLN 16 633 thousand.

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

PAK KWB Konin S.A. and PAK KWB Adamów S.A. 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 S.A. and PAK KWB Adamów S.A., 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 is creating 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 S.A. and PAK KWB Adamów S.A. according to the status as of 30 June 2016 amounted to PLN 326 183 thousand and decreased in comparison with the year ended 31 December 2015 by PLN 4 378 thousand. Calculating the provisions, 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' report 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 cogeneration. As of 30 June 2016, the provision due to this amounted to PLN 3 974 thousand.

#### **26.3.5. Other provisions**

In PAK KWB Konin S.A., the main items of other provisions as of 30 June 2016 are: the provisions for mining damage in the amount of PLN 18 710 thousand, the provision for property tax in the amount of PLN 2 082 thousand, the provisions for proceedings in progress in the amount of PLN 605 thousand, the provision for remuneration for mining usufruct in the amount of PLN 2 600 thousand. In PAK KWB Adamów S.A.: the provision for permanent taking out of production for the final reservoir of the Adamów pit in the amount of PLN 15 828 thousand, the provisions for mining damage in the amount of PLN 3 383 thousand, the provisions for proceedings in progress in the amount of PLN 1 154 thousand, the provision for the mining fee in the amount of PLN 1 069 thousand. In addition, in EI PAK sp. z o.o., the provisions for warranty repairs in the amount of PLN 1 378 thousand.

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

Since 1 January 2013, the next reporting period of 2013-2020 concerning CO<sub>2</sub> 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.

In December 2013, the Ministry of Environment issued a sample of a material and financial statement, which is sent annually by the ZE PAK Capital Group to the Ministry 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 from 1 July 2014 to 30 June 2015, the ZE PAK Capital Group submitted the material and financial statement and, at the same time, applied for admitting 329 417 free EUAs. The Group received the above units on 22 April 2016 and used them to redeem the emissions for 2015 in April 2016.

Since 2015, there has been a change in the way of the publication of information on free CO<sub>2</sub> allowances. According to the new Act of 12 June 2015 on the CO<sub>2</sub> emissions trading scheme, the minister competent for the environment issues, after approval of a list of systems generating electricity with the number of emission allowances planned to be granted to these systems in a given year of a settlement period the European Commission, publishes information on the number of emission allowances, which in a given year of a settlement period will be issued to the systems generating electricity in the Public Information Bulletin. Therefore, in 2016, there appeared information that the ZE PAK Group will receive 329 417 of EUAs for 2015 acc. to the Article 10c (derogation) and 101 259 EUAs for 2016 from Article 10a for heat production.

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

The emission in the ZE PAK Group in 2015 amounted to 12 257 921 tonnes of CO<sub>2</sub>.

As of 1 January 2016, the Group possessed the purchased EUAs in the number of 12 257 586 tonnes.

In the first quarter of 2016, the Group purchased 5 615 500 EUAs. At the same time, in February 2016, the Group received free EUAs for heat for 2016 (Article 10a) in the amount of 101 259 EUAs. Therefore, the EUAs status in the ZE PAK Group as of 31 March 2016 amounted to 17 974 345 EUAs.

Then, on 22 April 2016, the Group received 329 417 free EUAs pursuant to Article 10c for 2015.

Also in April 2016, the Group, in the period from 1 to 25 April this year, made the redemption of CO2 for 2015. ZE PAK S.A. made the redemption of 9 907 506 EUAs for 2015, including 329 417 free EUAs under Article 10c and 121 398 free EUAs under Article 10a for 2015, while Elektrownia Pątnów II sp. o.o. made the redemption of 2 350 415 EUAs.

In the second quarter of 2016 the Group purchased 1 855 000 EUAs. State of EUAs in the Group as of 30 June 2016 amounted to 7 900 841 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 periods ended 30 June 2015 and 30 June 2016.

#### **CO<sub>2</sub> emission allowances in the period of 6 months ended 30 June 2016 (unaudited)**

(in tonnes)	Zespół Elektrowni Pątnów-Adamów-Konin S.A.	„Elektrownia Pątnów II” sp. z o.o.
	Emission of CO <sub>2</sub> *	4 808 926
	1 287 054	
EUA	Balance at the beginning of the period	9 689 990
	Purchased	6 944 500
	Free of charge	430 676
	Redemption	(9 907 506)
	Sale	-
	Exchange	-
	Balance at the end of the period	7 157 660
	2 567 596	526 000
	-	-
	(2 350 415)	-
	-	-
	-	-
	743 181	

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

(in tonnes)	Zespół Elektrowni Pątnów-Adamów-Konin S.A.	„Elektrownia Pątnów II” sp. z o.o.
	Emission of CO <sub>2</sub> *	4 661 746
	1 316 832	
EUA	Balance at the beginning of the period	10 697 412
	Purchased	3 994 000
	Free of charge	2 363 357
	Redemption	(10 085 564)
	Sale	-
	Exchange	-
	Balance at the end of the period	6 969 205
	2 571 207	1 543 500
	-	-
	(2 488 611)	-
	-	-
	-	-
	1 626 096	

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

## **28. Trade liabilities, other liabilities and accruals**

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

	30 June 2016 (unaudited)	31 December 2015
Trade liabilities	108 018	111 622
Financial liabilities	-	-
Other liabilities:		
Liabilities due to the put option	6 061	6 061
Investment liabilities	6 847	68 882
Liabilities to employees due to salaries	18 384	18 234
Other liabilities	65 512	32 706
Total	204 822	237 505

In the line “other liabilities” as of 30 June 2016, the Group presents mostly liabilities due to financial lease in the amount of PLN 13 489 thousand, liabilities related to settlement of adjustment of PPA for 2008 year, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and of the agreement concluded on 2 October 2014

between Elektrownia Państw II sp. z o.o. and Zarządca Rozliczeń in the amount of PLN 43 094 thousand. The remaining amount in the other liabilities item as of 30 June 2016 concerns mostly settlements with employees and deductions from the pay roll amounting to PLN 4 058 thousand, settlements due to tender guarantee in the amount of PLN 2 481 thousand.

Liabilities due to the put option concern obligation of ZE PAK S.A. to redemption of employee shares pursuant to the PAK KWB Konin S.A. and PAK KWB Adamów S.A.'s shares sale agreement, in case when employees request for resale. The agreement's provisions determine the price and the term of redemption. In accordance with IFRS ZE PAK S.A. recognised the obligation to redeem shares owned by non-controlling interests in the amount of PLN 11 880 thousand, in the case of PAK KWB Adamów S.A., and in the amount of PLN 19 091 thousand, in the case of PAK KWB Konin S.A. as of the day of the acquisition of control. In connection with ongoing redemption of employee shares, as of 30 June 2016, the remaining commitments amount is PLN 6 061 thousand. During the 6 months ended 30 June 2016 the amount of liabilities has not changed.

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)

	30 June 2016 (unaudited)	31 December 2015
Liability due to financial lease	4 778	11 909
Liability due to put option	-	-
Short-term liabilities to other entities – over 12 months	669	1 375
Other financial liabilities	-	-
Other	26 798	67 467
Total	<u>32 245</u>	<u>80 751</u>

In the item "other", as of 30 June 2016, the Group presents primarily liabilities related to settlement of adjustment of PPA for 2008 year, on the basis of the judgement of the Court of Appeal in Warsaw of 4 November 2014 and of the agreement concluded on 2 October 2014 between Elektrownia Państw II sp. z o.o. and Zarządca Rozliczeń in the amount of PLN 26 000 thousand.

## 28.3. Other non-financial liabilities

	30 June 2016 (unaudited)	31 December 2015
VAT tax liabilities	21 596	20 551
Liabilities due to environmental charges	-	53 893
Liabilities due to the excise tax	464	701
Liabilities due to social insurance	22 889	26 964
Personal income tax	5 539	6 797
Other budget liabilities	187	89
Advanced payments for deliveries	5 019	265
Mining fee	12 230	12 768
Other	740	525
Total	<u>68 664</u>	<u>122 553</u>

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

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

## 28.4. Derivative financial instruments

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Instruments securing floating interest rates (SWAP)	14 015	16 292
Other currency options	-	-
Total	<u>14 015</u>	<u>16 292</u>
– short-term	6 917	7 349
– long-term	7 098	8 943

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

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Long-term preferential loans	-	-
Long-term settlement of sale-and-lease-back	-	5 163
Long-term grants	44 706	45 600
Other	305	305
Total	<u>45 011</u>	<u>51 068</u>

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

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Short-term preferential loans	-	-
Short-term settlement of sale-and-lease-back	10 655	10 984
Short-term grants	1 786	1 786
Other	2	4
Total	<u>12 443</u>	<u>12 774</u>

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

Apart from liabilities described in the note below, as of 30 June 2016, 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 Państw 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.

The “Elektrownia Państw II” sp. z o.o. company, in accordance with accepted policy of accounting, on the basis of the built financial model, in 2014 and 2015, recognised revenues due to compensations in respective amounts of PLN 99 223 thousand and PLN 173 435 thousand.

The high disproportion between the income from compensations for 2014 and 2015 results from the fact that revenues in 2014 were once adjusted (reduced by PLN 81.5 million), as an effect of the judgement of the Court of Appeal in Warsaw of 4 November 2014 on the adjustment of stranded costs for 2008, which was unfavourable for the company. The details of this issue were chronologically described below.

On the basis of the decision of the President of the Energy Regulatory Office (“the ERO 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 ERO 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 ERO President's decision, acknowledging legitimacy of his arguments.

On 9 February 2011, Company filed an appeal 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 ERO President's decision of 31 July 2009. The Court determined the amount of the annual adjustment of the stranded costs for 2008 for the “Elektrownia Pątnów II” sp. z o.o. company, which Zarządca Rozliczeń S.A. is obliged to pay to the “Elektrownia Pątnów II” sp. z o.o. company 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, the “Elektrownia Pątnów II” sp. z o.o. company summoned Zarządca Rozliczeń S.A. to pay the judged amount of the adjustment for 2008, and to return the amount of PLN 26 493 thousand paid by the “Elektrownia Pątnów II” sp. z o.o. company due to partial execution of the decision of the ERO 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 ERO 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 appeal of Elektrownia Pątnów II sp. z o.o. against the judgement of the Regional Court of Warsaw – the Court for Protection of Competition and Consumers of 1 December 2010 upholding the ERO President's decision of 31 July 2009 determining the amount of the annual adjustment of the stranded costs for 2008 for the “Elektrownia Pątnów II” sp. z o.o., which the Elektrownia Pątnów II sp. z o.o. is obliged to return to Zarządca Rozliczeń S.A. the amount of PLN 52 493 thousand. Elektrownia Pątnów II sp. z o.o. 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, i.e. taking into account the necessity to return the amount of PLN 29 082 thousand obtained from Zarządca Rozliczeń S.A. by Elektrownia Pątnów II sp. z o.o. by virtue of the judgement of the Court of Appeal of 11 October 2012.

As a result of the judgment Elektrownia Pątnów II sp. o.o. has decreased the revenues from the compensation related to PPAs termination in 2014 at the amount to PLN 81.5 million.

On 15 April 2015 Elektrownia Pątnów II sp. o.o. filed a cassation appeal against this judgment.

On 24 February 2016 the Supreme Court refused to accept Elektrownia Pątnów II sp. z o.o.'s cassation appeal against the judgement of the Court of Appeal in Warsaw of 4 November 2014 on compensation for the coverage of the stranded costs for 2008 for examination. The judgement of the Supreme Court closes the proceedings on the Elektrownia Pątnów II sp. z o.o.'s compensation for the coverage of the stranded costs for 2008.

The judgement of the Court of Appeal in Warsaw of 4 November 2014 is legally binding and is to be executed by Elektrownia Pątnów II sp. z o.o. In accordance with the arrangements made between Elektrownia Pątnów II sp. z o.o. and the Zarządca Rozliczeń S.A. the amount subject of the dispute is subsequently repaid to Zarządca Rozliczeń S.A. in accordance with the adopted payment schedule.

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

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

On the basis of the decision of the President of the Energy Regulatory Office of 28 December 2010, ZE PAK S.A. was imposed the pecuniary penalty due to failure to perform obligation to maintain stocks of fuel in the quantity securing continuity of supplies of electricity and heat to recipients in 2008 and 2009 in the amount of PLN 1 500 thousand. At the beginning, the Company created the provision for the costs of the penalty in the full amount in 2010, which they then redeemed in 2015 in connection with the payment of the penalty.



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

On 13 May 2015, the Court of Appeal in Warsaw dismissed the Company's appeal against the judgement of the SOKiK of 30 January 2014, the result of which is to uphold the ERO President's decision.

On 11 December 2015, the Company filed with the Supreme Court a cassation complaint against the judgment of the Court of Appeal in Warsaw on 13 May 2015.

The proceeding is not completed.

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

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

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

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

- twenty-two cases for the period of January 2006 – November 2007 (excluding November 2006) were conducted from the start by the Head of the Customs Office, after the cases returned from the Supreme Administrative Court. The Company included monthly economic analyses of punitive damage in them. After the negative decisions of the Head of the Customs Office and then of the Head of Customs Chamber, complaints were submitted to the Provincial Administrative Court in Poznań, Hearings before the Provincial Administrative Court in Poznań took place on 4 and 18 November 2015. In all cases, negative judgements for the Company were given. The Company decided to file a cassation to the Supreme Administrative Court.
- 14 proceedings for the period December 2007 – February 2009 (excluding July 2008) are suspended in the Provincial Administrative Court pursuant to the amicable application of both parties because of the resolution ref. II FPS 5/13 passed by the Supreme Administrative Court on 27 January 2014. So far, none of the parties has applied for resumption of the proceedings. These proceedings also included annual economic analysis. These proceedings should be undertaken at the latest by November 2016,
- the proceeding for November 2006 was concluded with a negative judgement of the Supreme Administrative Court of 8 December 2011
- the proceeding for July 2008 reached the recognition of the Company's cassation appeal by the Supreme Administrative Court. On the hearing on 29 April 2015, the Supreme Administrative Court dismissed

the Company's cassation appeal and pointed out that it fully agrees with the Provincial Administrative Court in Poznań in the judgement, against which the cassation appeal was submitted.

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

In case of Elektrownia Państw II sp. z o.o., the proceeding for all period (one case) was included in the cause lists of the Provincial Administrative Court after the negative decision of the Head of Customs Chamber for the Company. The Company does not have analyses because it did not run activities in 2001 and there is no comparative data. On 4 November 2015, a hearing in the Provincial Administrative Court took place. On 18 November 2015, a negative judgement was given. On 8 February 2016, the Company filed a cassation appeal to the Supreme Administrative Court.

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

#### ***The proceeding due to determining the amount of the annual adjustment of the stranded costs for 2015***

On 29 March 2016, the President of the Energy Regulatory Office ("the ERO President") like every year initiated administrative proceedings ex officio in order to determine the amount of the annual adjustment of the stranded costs for 2015 for "Elektrownia Państw II" sp. z o.o. On 28 July 2016 the ERO President issued a decision setting for Elektrownia Państw II sp. z o.o. positive adjustment of stranded costs in the amount of PLN 57 310 thousand.

The proceeding is completed.

#### ***The proceeding in the case of release from the obligation to sale of electricity pursuant to an Article 49a section 2 of the Act – Energy Law***

On 27 January 2016 Elektrownia Państw II sp. z o.o., submitted a request to the President of the ERO for release from sales of electricity the obligation to sale of electricity pursuant to Article 49a section 2 of the Act – Energy Law in relation to 60% of net electricity generated in the generating unit of Elektrownia Państw II sp. z o.o. as the one sold for the need for long-term obligations arising from contracts concluded with financial institutions in order to implement investments related to electricity generation for the period from 1 January 2017 to 31 December 2019.

On 2 May 2016 the ERO President issued a positive decision upholding in its entirety the application of the Company. The Company received relief compared to 60% of the volume for the period from 1 January 2017 until 31 December 2019.

The proceeding is completed.

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

Until now, PAK KWB Konin S.A. has not obtained the copy of the above-mentioned suit, because of which it must be assumed that any FUGO's claims will be a basis to take advantage of the institution of claims limitation.

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

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

On demand of PAK KWB Konin S.A. 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 PAK KWB Konin S.A. 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 spółka jawna, the Agreement of 26 June 2008, included in the guarantee in the scope of the first excavator.

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

Then, PAK KWB Konin S.A., 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, PAK KWB Konin S.A. 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, FUGO S.A. submitted to the District Court in Konin a summons for a conciliatory hearing for the amount of PLN 12 896 thousand. The amount consists of the following claims:

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

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

On the day of development of this statement, PAK KWB Konin S.A. 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 before the court at no cost, 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 PAK KWB Konin S.A. According to the Management Board's assessment, there are 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 S.A. concerning the Tomisławice brown coal deposit***

PAK KWB Konin S.A. is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of the Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWB Konin S.A. and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and handed over the case for the judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open pit by PAK KWB Konin S.A. On 7 January 2013, PAK KWB Konin S.A. submitted a cassation appeal from the described decision.

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

Dismissal of the cassation appeal of PAK KWB 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. On 1 October 2015, the Self-government Appeal Court issued a decision to suspend the proceedings on the statement of invalidity of the environmental decision issued by the Head of the Wierzbinek Commune in connection with the unfinished European Commission proceedings against the Polish government on breach of the provisions concerning the environment protection in connection with the lignite deposit in Tomisławice.

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

## 29.2. Tax settlements

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

Tax settlements may be subject to inspection for a period of five years, starting from the end of the year of the payment of the tax. As a result of the conducted inspections, the current tax settlements of the Group may be increased by the additional tax liabilities. In the Group's opinion, as of 30 June 2016 and 31 December 2015, appropriate provisions for recognised and calculable tax risks were created.

## 30. Liability repayment securities

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

As of 30 June 2016 and 31 December 2015, the Group had liabilities protected with its assets and other protections of payment of liabilities:

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

<i>Kind of liabilities, guarantees, and sureties</i>	<i>30 June 2016</i>		<i>31 December 2015</i>	
	<i>(unaudited)</i>			
	<i>Amount of security</i>	<i>Currency</i>	<i>Amount of security</i>	<i>Currency</i>
<b>"EL PAK SERWIS" sp. z o.o.</b>				
1. Payment of security deposit				
1.1. The agreement with PAK KWB KONIN S.A. electrical services		3 PLN		3 PLN
<b>"Elektrownia Pątnów II" sp. z o.o.</b>				
1. Registered and financial pledges				
1.1. Registered and financial pledges on rights of bank account agreements of Elektrownia Pątnów II sp. z o.o. in PEKAO and mBank banks	400 000	EUR	400 000	EUR
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
<b>"PAK – HOLDCO" sp. z o.o.</b>				
1. Registered and financial pledges on shares in affiliates				

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

1.1. Registered and financial pledges on shares held by PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of mBank S.A.	400 000 EUR	400 000 EUR
1.2. Registered and financial pledges on shares held by PAK Holdco in Elektrownia Pątnów II sp. z o.o. in favour of mBank S.A.	339 750 PLN	339 750 PLN
2. Registered pledge		
2.1. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	400 000 EUR	400 000 EUR
2.2. Registered pledge on a group of items and rights of PAK Holdco sp. z o.o.	339 750 PLN	339 750 PLN
<b>"PAK Infrastruktura" sp. z o.o.</b>		
1. Registered pledge		
1.1. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	400 000 EUR	400 000 EUR
1.2. Registered pledge on a group of items and rights of PAK Infrastruktura sp. z o.o.	339 750 PLN	339 750 PLN
<b>PAK Kopalnia Węgla Brunatnego Konin S.A.</b>		
1. Registered and financial pledges		
1.1. Registered pledge on machines and devices, including assignment of insurance policy	100 500 PLN	100 500 PLN
1.2. Registered pledge on receivables of agreements of lignite sales to Elektrowni Pątnów II Sp. z o.o. (Millennium Bank)	122 400 PLN	122 400 PLN
1.3. Transfer of title to one excavator including assignment of insurance	-	46 942 PLN
2. Mortgage		
2.1. Mortgage on right of perpetual usufruct	100 500 PLN	100 500 PLN
<b>Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.</b>		
1. Bank deposit		
1.1. Bank deposit above the guaranteed amount - bank performance bond	672 PLN	1 013 PLN
2. Payment of security		
2.1. Cash - transfer	220 PLN	8 PLN
<b>Zespół Elektrowni Pątnów – Adamów – Konin S.A.</b>		
1. Registered and financial pledges		
1.1. Financial pledge on cash on bank accounts of ZE PAK S.A. in banks: mBank, BGK, PEKAO S.A., 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 "Pątnów 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 "Pątnów 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 Elektrownia Państwów) 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 S.A. established for the mBank bank in relation to the credit of PLN 1.2 billion of 13 March 2014	2 040 000 PLN	2 040 000 PLN

**Other repayment securities of liabilities**

<i>Kind of liabilities, guarantees, and sureties</i>	<i>30 June 2016 (unaudited)</i>	<i>31 December 2015</i>
	<i>Amount of security Currency</i>	<i>Amount of security Currency</i>
<b>“Elektrownia Państwów II” sp. z o.o.</b>		
1. Assignment		
1.1. Assignment from the Framework Electricity Sales Agreement no. TPE/HOU/2009/0082 concluded on 30 April 2009 between EPII and TAURON Polska Energia S.A. including Transaction Agreements for 2015 concluded in 2014	-	236 716 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 2015 concluded in 2014	-	66 251 PLN
1.3. 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 2016	121 381 PLN	-
1.4. 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 2016	62 024 PLN	-
1.5. Assignment from the insurance policy no 908200170153/908200174148	658 705 EUR	658 705 EUR
<b>PAK Kopalnia Węgla Brunatnego Konin S.A.</b>		
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
2.2. Surety of the credit in the amount of PLN 1 million for AQUAKON Sp. z o.o.	1 000 PLN	1 000 PLN
2.3. Surety of the credit in the amount of PLN 1 million for Eko-Surowce Sp. z o.o.	1 000 PLN	1 000 PLN
3. Assignments of receivables		
3.1. Assignment of receivables 1.6 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (BANK mBank)	-	19 200 PLN
3.2. Assignment of receivables 3 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (BANK mBank)	36 000 PLN	36 000 PLN
3.3. Assignment of receivables 120 million zlotys monthly value of the ordered monthly supply of coal to ZE PAK in accordance with the agreement (Bank BPH)	120 000 PLN	120 000 PLN
<b>Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.</b>		
1. Guarantees		
1.1. Performance Bond	9 517 PLN	12 133 PLN
1.2. Defect Liability Guarantee	272 EUR	781 EUR
1.3. Defect Liability Guarantee	4 386 PLN	3 246 PLN

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

1.4. Payment Guarantee	11 PLN	4 PLN
1.5. Performance Bond	195 EUR	-
1.6. Advanced Payment Refund Guarantee	6 166 PLN	134 PLN
2. Sureties		
2.1. Surety of Pak Serwis for Energoinwest's credit agreement in Bank Millennium	4 800 PLN	4 800 PLN
2.2. Surety of PAK Serwis for Energoinwest's multi-product limit agreement in the bank BGŻ BNP PARIBAS	1 500 PLN	1 500 PLN
3. Promissory notes		
3.1. Blank promissory note in favour of PAK KWB KONIN S.A.	148 PLN	148 PLN
<b>Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.</b>		
1. Guarantees		
1.1. 1. Proper Performance of the Contract Guarantees	3 842 PLN	5 388 PLN
1.2. 3. Security Payment Guarantee	713 PLN	560 PLN
1.3. 2. Receivables Payment Guarantee due to use of fleet cards of PKN ORLEN S.A.	-	33 PLN
2. Other		
2.1. Transfer of title to fixed assets securing the insurance guarantee	-	702 PLN
<b>Zespół Elektrowni Pątnów – Adamów – Konin S.A.</b>		
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 46 463 thousand	23 839 PLN	23 839 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 PLN 65 000 thousand	65 000 PLN	65 000 PLN
1.3. Surety of ZE PAK for PAK KWB Konin due to the working capital facility in the Millennium bank in the amount of PLN 76,500 thousand	76 500 PLN	76 500 PLN
1.4. Surety of ZE PAK for PAK KWB Adamów due to the overdraft facility in the BZ WBK bank in the amount of PLN 10 000 thousand	-	10 000 PLN
2. Assignment		
2.1. Assignment from the insurance agreement of property of Elektrownia Pątnów and assignment from insurance of the investment entitled "Modernisation of Units 1-4 in Elektrownia Pątnów" 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, PAK-Volt, RWE Polska, 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
2.3. Assignment from electricity sales agreements with ENEA Trading, ENERGA Obrót, PAK-Volt, GET En Tra, RWE Polska 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	-
3. Other		
3.1. Power of attorney to bank accounts of ZE PAK S.A. in mBank, PEKAO S.A., 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 S.A. in the PEKAO S.A. bank due to the overdraft facility in the amount of PLN 80.0 million of 20.12.2005	80 000 PLN	80 000 PLN
3.3. Statement on submission to enforcement due to the credit of PLN 1.2 billion of 13.03.2014	2 040 000 PLN	2 040 000 PLN

### 31. Obtained guarantees and sureties

<i>Kind of liabilities, guarantees and sureties</i>	<i>30 June 2016 (unaudited) Obtained in PLN</i>	<i>30 June 2016 (unaudited) Obtained in EUR</i>	<i>31 December 2015 Obtained in PLN</i>	<i>31 December 2015 Obtained in EUR</i>
<b>“Elektrownia Państw II” sp. z o.o.</b>				
1. Guarantees				
1.1. Payment guarantees	10 158	-	10 891	-
1.2. Performance bond	3 588	-	3 425	-
1.3. Advance payment guarantee	291	-	-	-
<b>Energoinwest Serwis sp. z o.o.</b>				
1. Guarantees				
1.1. Performance and retention bonds	620	-	620	-
2. Sureties				
2.1. Surety of the multi-product limit agreement in Bank BGŻ from PAK Serwis	4 800	-	4 800	-
2.2. Surety of the credit agreement in Bank Millennium from PAK Serwis	1 500	-	1 500	-
<b>PAK Kopalnia Węgla Brunatnego Konin S.A.</b>				
1. Sureties				
1.3. Surety of ZE PAK S.A.	76 500	-	76 500	-
1.4. Surety of ZE PAK S.A.	65 000	-	65 000	-
1.5. Surety of ZE PAK S.A.	26 223	-	26 223	-
<b>Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.</b>				
1. Bills of exchange				
1.1. In Blanco from FABRYKA WENTYLATORÓW FAWENT S.A.	338	-	169	-
2. Guarantees				
2.1. Retention Bond (including the validity period starting after 31.12.2016)	2 940	40	2 519	40
2.2. Performance Bond	990	-	1 212	-
<b>Przedsiębiorstwo Serwisu Automatyki i Urządzeń EL PAK sp. z o.o.</b>				
1. Guarantees				
1.1. Performance and retention bonds (cash payment)	183	-	409	-
1.2. Performance and retention bonds	1 702	-	2 656	-
<b>Zespół Elektrowni Państw – Adamów – Konin S.A.</b>				
1. Bills of exchange				
1.1. Bills of exchange	2 525	363	27 500	363
2. Guarantees				
2.1. Performance bonds	43 675	351	49 774	351
2.2. Advanced payment refund guarantees	3 686	-	5 692	-
2.3. Payment guarantees	8 551	-	-	-
3. Sureties				
3.1. Sureties*	211 143	17 550	211 143	17 550

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



## 32. Information about related entities

The following table presents total amounts of transactions with affiliates for a period of 6 months ended 30 June 2016 and 30 June 2015:

<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.	2016	-	61	-	-
	2015	-	60	-	-
Megadex Serwis Sp. z o.o.	2016	1	22 667	-	3 357
	2015	7	57 437	742	12 838
Polkomtel Sp. z o.o.	2016	61 197	1 288	14 839	1 000
	2015	23 629	1 260	9 213	831
Laris Investments Sp. z o.o.	2016	237	487	57	171
	2015	183	536	214	32
<b>Total</b>	<b>2016</b>	<b>61 435</b>	<b>24 503</b>	<b>14 896</b>	<b>4 528</b>
	<b>2015</b>	<b>23 819</b>	<b>59 293</b>	<b>10 169</b>	<b>13 701</b>

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

Both in the 6-month period ended 30 June 2016, and in the one ended 30 June 2015, the Parent Company did not grant any loans and similar benefits to members of the management and supervisory authorities.

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

Both in the 6-month period ended 30 June 2016, and in the one ended 30 June 2015, there were no transactions with members of the management and supervisory authorities.

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

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

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>
<b>Management Board of the parent company</b>		
Short-term employee benefits	1 448	1 653
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	28	-
<b>Supervisory Board of the parent company</b>		
Short-term employee benefits	583	554
Long-service bonuses	-	-
Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
<b>Management Boards of subsidiaries</b>		
Short-term employee benefits	2 660	3 132
Long-service bonuses	-	406
Post-employment benefits	-	49
Benefits for termination of the contract of employment	-	11
Share-based employee benefits	-	-
<b>Supervisory Board of subsidiaries</b>		
Short-term employee benefits	-	-
Long-service bonuses	-	-

Post-employment benefits	-	-
Benefits for termination of the contract of employment	-	-
<b>Total</b>	4 719	5 805

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

	<i>6 months period ended 30 June 2016 (unaudited)</i>	<i>6 months period ended 30 June 2015 (unaudited)</i>
Short-term employee benefits	7 808	8 879
Long-service bonuses	37	1 345
Post-employment benefits	-	64
Benefits for termination of the contract of employment	110	-
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)	7 955	10 288

## 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 financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

Classes of financial instruments	As of 30 June 2016 (unaudited)		Interest rate risk sensitivity study as of 30 June 2016 (unaudited)							
	Carrying amount	Value at risk	WIBOR + 73bp		WIBOR – 73bp		EURIBOR + 19.72bp		EURIBOR – 19.72bp	
			Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income	Profit / loss	Other comprehensive income
Other financial assets	90 239	83 801	75	-	(75)	-	145	-	(145)	-
Trade and other receivables	295 282	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	325 316	325 316	2 054	-	(2 054)	-	87	-	(87)	-
Interest-bearing loans and borrowings	(1 190 011)	(1 190 011)	(5 385)	-	5 385	-	(892)	-	892	-
Trade payables and other financial liabilities	(237 067)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(14 015)	(14 015)	-	-	-	-	-	845	-	(845)
<b>Total</b>	<b>(730 256)</b>	<b>(794 909)</b>	<b>(3 256)</b>	<b>-</b>	<b>3 256</b>	<b>-</b>	<b>(660)</b>	<b>845</b>	<b>660</b>	<b>(845)</b>

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

### 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.

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

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

<i>Classes of financial instruments</i>	<i>As of 30 June 2016 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 30 June 2016 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 9.1% 4.8282</i>		<i>rate EUR/PLN – 9.1% 4.0228</i>	
			<i>Profit / (loss)</i>	<i>Other comprehensive income</i>	<i>Profit / (loss)</i>	<i>Other comprehensive income</i>
Other financial assets	90 239	73 514	6 690	-	(6 690)	-
Trade and other receivables	295 282	9 242	841	-	(841)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	325 316	43 985	4 003	-	(4 003)	-
Interest-bearing loans and borrowings	(1 190 011)	(452 371)	(41 166)	-	41 166	-
Trade payables and other financial liabilities	(237 067)	(2 322)	(211)	-	211	-
Derivative financial instruments	(14 015)	-	-	-	-	-
<b>Total</b>	<b>(730 256)</b>	<b>(327 952)</b>	<b>(29 843)</b>	<b>-</b>	<b>29 843</b>	<b>-</b>

<i>Classes of financial instruments</i>	<i>As of 30 June 2015 (unaudited)</i>		<i>Analysis of sensitivity to interest rate risk as of 30 June 2015 (unaudited)</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<i>rate EUR/PLN + 7.75% 4.5195</i>		<i>rate EUR/PLN – 7.75% 3.8693</i>	
			<i>Profit / (loss)</i>	<i>Other comprehensive income</i>	<i>Profit / (loss)</i>	<i>Other comprehensive income</i>
Other financial assets	102 360	72 542	5 622	-	(5 622)	-
Trade and other receivables	295 396	986	76	-	(76)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	225 697	43 801	3 395	-	(3 395)	-
Interest-bearing loans and borrowings	(1 314 193)	(548 865)	(42 537)	-	42 537	-
Trade payables and other financial liabilities	(446 317)	(5 323)	(413)	-	413	-
Derivative financial instruments	(18 976)	-	-	-	-	-
<b>Total</b>	<b>(1 156 033)</b>	<b>(436 859)</b>	<b>(33 857)</b>	<b>-</b>	<b>33 857</b>	<b>-</b>

### 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., ENEA Trading, PAK-Volt S.A. and 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 presents financial liabilities of the Group as of 30 June 2016 and 31 December 2015 according to the maturity date based on contractual non-discounted payments.

<i>30 June 2016</i> <i>(unaudited)</i>	<i>Less than</i> <i>3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over</i> <i>5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	91 476	364 460	802 451	-	1 258 387
Trade payables and other financial liabilities	145 375	59 447	32 220	25	237 067
Derivative financial instruments	1 753	4 517	6 336	-	12 606
<b>Total</b>	<b>238 604</b>	<b>428 424</b>	<b>841 007</b>	<b>25</b>	<b>1 508 060</b>
<i>31 December 2015</i>	<i>Less than</i> <i>3 months</i>	<i>3 – 12 months</i>	<i>1 – 5 years</i>	<i>Over</i> <i>5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	64 021	326 041	794 375	235 284	1 419 721
Trade payables and other financial liabilities	217 145	20 360	80 726	25	318 256
Derivative financial instruments	1 948	5 080	8 867	-	15 895
<b>Total</b>	<b>283 114</b>	<b>351 481</b>	<b>883 968</b>	<b>235 309</b>	<b>1 753 872</b>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016*  
*(in thousands of zlotys)*

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 table's present agreements of these values to balance sheet values of derivative instruments:

<i>30 June 2016 (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	-	(143)	(496)	(720)	-	(1 359)
Outflows	-	1 753	4 517	6 336	-	12 606
Net amount	-	(1 896)	(5 013)	(7 056)	-	(13 965)
<b>Discounted using appropriate</b>	<b>-</b>	<b>(1 896)</b>	<b>(5 021)</b>	<b>(7 098)</b>	<b>-</b>	<b>(14 015)</b>
<i>31 December 2015</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	-	(32)	(283)	(57)	-	(372)
Outflows	-	1 948	5 080	8 867	-	15 895
Net amount	-	(1 980)	(5 363)	(8 924)	-	(16 267)
<b>Discounted using appropriate</b>	<b>-</b>	<b>(1 981)</b>	<b>(5 368)</b>	<b>(8 943)</b>	<b>-</b>	<b>(16 292)</b>

## 34. Financial instruments

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

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

	Category according to IAS 39	Carrying amount		Fair value		Level of the fair value hierarchy for needs of disclosures
		30 June 2016 (unaudited)	31 December 2015	30 June 2016 (unaudited)	31 December 2015	
<b>Financial assets</b>						
Other financial assets	LaR	90 239	90 731	90 239	90 731	
Trade receivables and other receivables	LaR	295 282	268 123	295 282	268 123	
Derivative financial instruments	FVtPoL	-	-	-	-	
Cash and cash equivalents	FAHtM	325 316	383 354	325 316	383 354	
<b>Financial liabilities</b>						
Interest-bearing bank credits and loans, including:	FLaAC	1 190 011	1 311 062	1 190 011	1 311 062	
– long-term ones interested according to a variable rate	FLaAC	739 710	924 519	739 710	924 519	
– short-term ones interested according to a variable rate	FLaAC	450 301	386 543	450 301	386 543	
Liabilities due to supplies and services and other financial liabilities	FLaAC	237 067	318 256	237 067	318 256	
Derivative financial instruments	FVtPoL	14 015	16 292	14 015	16 292	

Abbreviations used:

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

As of 30 June 2016 and 31 December 2015, the Group had following financial instruments evaluated in the fair value:

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	14 015	-
	<i>31 December 2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	16 292	-

In the period of 6 months ended 30 June 2016 and in the year ended 31 December 2015, 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</i> <i>interest rate</i>	<i>Carrying amount</i> <i>as of</i> <i>30 June 2016</i> <i>(unaudited)</i>	<i>Carrying amount</i> <i>as of</i> <i>31 December 2015</i>
Financial assets at interest rate risk – PLN	Fixed	-	-
	Variable	291 617	362 966
Financial assets at interest rate risk – Other currencies	Fixed	-	-
	Variable	117 499	105 523
Financial liabilities at interest rate risk – PLN	Fixed	-	-
	Variable	737 639	813 887
Financial liabilities at interest rate risk – Other currencies	Fixed	226 502	248 947
	Variable	225 869	248 228
Net exposure – PLN	Fixed	-	-
	Variable	(446 022)	(450 921)
Net exposure – Other currencies	Fixed	(226 502)	(248 947)
	Variable	(108 370)	(142 705)

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 Groups exchanges stream of cash interest payments based on the variable EURIBOR 3M rate for payments of fixed interest rate at 3.1050%. The Groups indicates designated derivative instruments as protecting instruments in the model of cash flow security, and includes them in accordance with protections accounting rules.

In 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 30 June 2016 and 31 December 2015 are presented.



ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016  
(in thousands of zlotys)

<i>Instrument type</i>	<i>Nominal value in the transaction currency [EUR]*</i>	<i>Fair value in PLN</i>	<i>Expected duration of hedged item's realisation</i>
	<i>30 June 2016 (unaudited)</i>	<i>30 June 2016 (unaudited)</i>	<i>30 June 2016</i>
IRS transaction	51 181	(14 015)	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 2015</i>	<i>31 December 2015</i>	<i>31 December 2015</i>
IRS transaction	58 418	(16 292)	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>6 months period ended 30 June 2016 (unaudited)</i>	<i>Year ended 31 December 2015</i>
Opening balance	(14 742)	(21 902)
Effective part of profits / losses on a security instrument	(1 601)	(1 217)
Amounts charged to the income statement, including:	(3 807)	(8 377)
– adjustment of costs of interest	(3 807)	(8 377)
– adjustment under ineffective hedging	-	-
Closing balance	(12 536)	(14 742)
Deferred tax assets – recognized in the revaluation reserve	2 382	2 801
Closing balance including deferred tax	(10 154)	(11 941)

The Group also secures the risk of changing prices of CO<sub>2</sub> allowances using forward transactions to purchase the allowances for its own needs. The following table presents a summary of the active forward transactions as of the balance sheet date.

<i>Type of concluded transactions</i>	<i>Number of purchased allowances</i>	<i>Total value of transactions</i>	<i>Currency of transactions</i>	<i>Maturity</i>
Forward	6 005 000	46 994	EUR	Up to 1 year
Forward	650 000	5 332	EUR	Up to 2 year

### 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 ended 30 June 2016 and 31 December 2015, there were no introduced amendments to goals, rules and processes applying in this area.

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

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A. CAPITAL GROUP  
*Interim condensed consolidated financial report for the period of 6 months ended 30 June 2016*  
*(in thousands of zlotys)*

	<i>30 June 2016</i> <i>(unaudited)</i>	<i>31 December 2015</i>
Interest-bearing credits and loans	1 190 011	1 311 062
Derivative financial instruments (liabilities)	14 015	16 292
Trade liabilities and other financial liabilities	237 067	318 256
Minus cash and its equivalents	325 316	383 354
Net debt	1 115 777	1 262 256
Equity	2 025 706	1 884 823
Capitals from revaluation of security instruments	(10 154)	(11 941)
Total capital	2 035 860	1 896 764
<b>Net capital and debt</b>	<b>3 151 637</b>	<b>3 159 020</b>
Leverage ratio	35.40%	39.96%

### 36. Events after the balance sheet date

Except for these described in the additional explanatory notes, from the balance sheet date to date of this interim condensed consolidated financial report for the period of 6 months ended 30 June 2016 there were no significant events.

**Independent Auditor's Report  
on review of interim condensed consolidated financial statements  
for the 6 month period ended 30 June 2016**

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

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Capital Group of Zespół Elektrowni Pątnów – Adamów – Konin S.A. ('the Group'), with parent's company Zespół Elektrowni Pątnów – Adamów – Konin S.A. ('the Company') registered office located in Konin, Kazimierska 45 as of 30 June 2016 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income for the period from 1 January 2016 to 30 June 2016, the interim condensed statement of financial position as at 30 June 2016, the interim condensed consolidated statement of cash flows for the period from 1 January 2016 to 30 June 2016, the interim condensed consolidated statement of changes in equity for the period from 1 January 2016 to 30 June 2016 and other explanatory notes ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed consolidated financial statements based on our review.

*Scope of review*

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board ('standard'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed consolidated financial statements.

*Conclusion*

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

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

Key Certified Auditor

---

Robert Klimacki  
certified auditor  
No. 90055

Warsaw, 31 August 2016

Zespół Elektrowni Pątnów – Adamów – Konin S.A.  
Condensed financial statement for the period of  
6 months ended 30 June 2016  
together with independent auditors review report

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

Statement made in PLN thousand

## **Table of contents:**

I.	Financial Statement.....	4
1.	Balance sheet as of 30 June 2016 .....	4
2.	Profit and Loss Account for the period from 1 January 2016 to 30 June 2016 .....	7
3.	Cash Flow Statement for the period from 1 January 2016 to 30 June 2016 .....	8
4.	Changes in Equity Statement as of 30 June 2016 .....	10
II.	Introduction to the statement.....	12
1.	General information about the Company .....	12
2.	Composition of the Management Board .....	12
3.	Description and clarification of differences in the disclosed data and significant differences regarding the adopted accounting principles (policy) between the statement and the comparable data as well as the statement and the comparable data developed acc. to the IAS. ....	13
4.	Assumption of continuation of economic activity.....	16
5.	Merger of commercial companies.....	16
6.	Accepted principles (policy) of accounting .....	16
7.	Changes in the accounting principles (policy) .....	17
8.	Comparability of financial data for the preceding period with the statement for the current period.....	17
9.	Error adjustment.....	17
III.	Additional information and clarifications.....	18
1.	Events of the accounting year not specified in the balance sheet and the profit and loss account .....	18
2.	Events of previous years recognised in the financial statement.....	18
3.	Significant events of the current period .....	18
4.	Events after the balance sheet date not recognised in the financial statement.....	18
5.	Seasonality of the activities .....	18
6.	Balance sheet.....	19
a)	Fixed assets.....	19
b)	Intangible assets .....	25
c)	Inventories.....	29
d)	Long-term investments .....	29
e)	Share capital .....	33
f)	Equity.....	34
g)	Provisions.....	35
h)	Liabilities acc. to items in the balance sheet .....	38
i)	Working capital facilities and investment credits .....	41
j)	Granted loans .....	44
k)	Concluded lease agreements in PLN thousand .....	47
l)	Short-term receivables .....	49
m)	List of prepayments and accruals as well as revenues in future periods.....	50

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

n)	List of groups and liabilities secured on the entity's assets .....	52
o)	Contingent liabilities, including guarantees and sureties granted by the entity.....	54
p)	Contingent receivables including guarantees and sureties received by the entity.....	55
q)	Legal proceedings .....	56
r)	Other agreements not recognised in the balance sheet.....	58
7.	Structure of revenues and costs, corporate income tax .....	58
a)	Material and territorial structure of product, goods and services sales revenues. ....	58
b)	Information on operations discontinued in the accounting year or to be discontinued in the next year .....	58
c)	Other operating revenues .....	58
d)	Other operating costs.....	59
e)	Financial income .....	59
f)	Financial costs.....	60
g)	Corporate income tax – current .....	62
h)	The asset and deferred tax provision .....	63
i)	Cost data by type.....	65
j)	Information on extraordinary profits and losses.....	66
k)	Explanatory notes to the cash flow statement .....	66
8.	Transactions with related Companies that are not recognised by the consolidated financial statement .....	67
9.	Transactions with the capital-related Companies that are recognised by the consolidated financial statement .....	69
10.	CO <sub>2</sub> allowances .....	72
11.	Coverage of losses, profit-sharing .....	73
12.	Consolidated financial statement.....	73

## I. Financial Statement

### 1. Balance sheet as of 30 June 2016

ASSETS (in PLN thousand)	As of 30 June 2015 (unaudited)	As of 31 December 2015	As of 30 June 2015 (unaudited)
<b>A. Non-current assets</b>	<b>2 070 559</b>	<b>2 184 042</b>	<b>3 586 924</b>
<b>I. Intangible assets</b>	<b>185 580</b>	<b>289 858</b>	<b>197 417</b>
1. Development expenses	0		0
2. Goodwill	0		0
3. Other intangible assets	185 580	289 858	197 417
4. Prepayments for intangible assets	0		0
<b>II. Property, plant and equipment</b>	<b>676 107</b>	<b>684 220</b>	<b>2 139 547</b>
1. Tangible fixed assets	634 417	392 252	1 254 405
a) land (including perpetual usufruct)	1 245	1 248	1 250
b) buildings, premises and constructions	192 766	178 928	573 431
c) plant and machinery	437 941	209 074	675 386
d) motor vehicles	1 103	1 381	2 029
e) other	1 362	1 621	2 309
2. Construction in progress	37 781	287 639	872 300
3. Prepayments for construction in progress	3 909	4 329	12 842
<b>III. Long-term receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. From affiliates	0	0	0
2. From other entities	0	0	0
<b>IV. Long-term investments</b>	<b>1 207 577</b>	<b>1 205 340</b>	<b>1 244 916</b>
1. Property	0	0	0
2. Intangible assets	0	0	0
3. Long-term financial assets	1 207 577	1 205 340	1 244 916
a) in affiliates	1 207 426	1 205 189	1 244 765
- shares	1 143 453	1 143 453	1 168 739
- other securities	0	0	0
- loans granted	63 973	61 736	76 026
- other long-term financial assets	0	0	0
b) in other entities	151	151	151
- shares	151	151	151
- other securities	0	0	0
- loans granted	0	0	0
- other long-term financial assets	0	0	0
4. Other long-term investments	0	0	0
<b>V. Long-term prepayments and deferred costs</b>	<b>1 295</b>	<b>4 624</b>	<b>5 044</b>
1. Deferred tax assets	0	0	0
2. Other prepayments and deferred costs	1 295	4 624	5 044
<b>B. Current assets</b>	<b>442 799</b>	<b>465 329</b>	<b>450 430</b>
<b>I Inventories</b>	<b>92 252</b>	<b>104 156</b>	<b>186 755</b>
1. Raw materials	49 142	38 536	53 390
2. Semi-finished goods and work-in-progress	0	0	0
3. Finished goods	0	0	0
4. Goods	40 358	64 816	117 602
5. Inventory prepayments	2 752	804	15 763
<b>II. Short-term receivables</b>	<b>146 018</b>	<b>153 828</b>	<b>141 671</b>
1. Receivables from affiliates	68 927	51 587	57 806
a) trade receivables, due in:	46 514	44 187	42 422
- up to 12 months	46 514	44 187	42 422
- over 12 months	0	0	0



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

	b) other	22 413	7 400	15 384
2.	Receivables from other entities	77 091	102 241	83 865
	a) trade receivables, due in:	47 944	78 595	56 886
	- up to 12 months	47 944	78 595	56 886
	- over 12 months	0	0	0
	b) taxation, subsidy, customs duty, social security, health insurance and other debtors	7 044	8 030	14 464
	c) other	22 103	15 616	12 515
	d) submitted to court	0	0	0
<b>III.</b>	<b>Short-term investments</b>	<b>202 149</b>	<b>206 163</b>	<b>119 736</b>
1.	Short-term financial assets	202 149	206 163	119 736
	a) in affiliates	24 197	23 174	23 602
	- shares	0	0	0
	- other securities	7 522	7 537	7 522
	- loans granted	16 675	15 637	16 080
	- other short-term financial assets	0	0	0
	b) in other entities	0	0	0
	- shares	0	0	0
	- other securities	0	0	0
	- loans granted	0	0	0
	- other short-term financial assets	0	0	0
	c) cash and other monetary assets	177 952	182 989	96 134
	- cash on hand and cash at bank	177 952	182 989	96 134
	- other cash and cash equivalents	0	0	0
	- other monetary assets	0	0	0
2.	Other short-term investments	0	0	0
<b>IV.</b>	<b>Short-term prepayments and deferred costs</b>	<b>2 380</b>	<b>1 182</b>	<b>2 268</b>
<b>Total assets</b>		<b>2 513 358</b>	<b>2 649 371</b>	<b>4 037 354</b>

Konin, 31 August 2016

Prepared by

Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

EQUITY & LIABILITIES (in PLN thousand)	As of 30 June 2016 (unaudited)	As of 31 December 2015	As of 30 June 2015 (unaudited)
<b>A. Equity</b>	<b>1 488 233</b>	<b>1 360 431</b>	<b>2 937 594</b>
I. Share capital	101 647	101 647	101 647
II. Unpaid share capital (negative value)			0
III. Treasury shares (negative value)			0
IV. Supplementary capital	1 028 639	2 542 060	2 542 058
V. Revaluation reserve	227 506	227 531	286 224
VI. Other reserves	3 472	5 877	5 877
VII. Accumulated profits (losses) from previous years	-834	-834	-834
VIII. Net profit (loss) for the period	127 803	-1 515 850	2 622
IX. Deductions from net profit during the period (negative value)	0	0	0
<b>B. Liabilities and provisions for liabilities</b>	<b>1 025 125</b>	<b>1 288 940</b>	<b>1 099 760</b>
I. Provisions for liabilities	<b>237 059</b>	<b>374 770</b>	217 365
1. Deferred tax liability	82 284	62 920	62 685
2. Provision for retirement benefits and similar obligations	11 737	11 598	11 642
- long-term	11 530	10 967	11 281
- short-term	207	631	361
3. Provisions for liabilities	143 038	300 252	143 038
Deferred tax liability	17 497	17 424	16 992
Provision for retirement benefits and similar obligations	125 541	282 828	126 046
II. Long-term liabilities	<b>415 790</b>	<b>536 213</b>	<b>508 532</b>
1. To affiliates	778	845	749
2. To other entities	415 012	535 368	507 783
a) loans	414 926	535 127	497 793
b) debt securities issued	0	0	0
c) other financial liabilities	0	0	0
d) other	86	241	9 990
III. Short-term liabilities	<b>332 457</b>	<b>343 449</b>	<b>323 232</b>
1. To affiliates	84 327	85 602	93 919
a) trade creditors, payable in:	80 520	75 744	85 471
- up to 12 months	80 520	75 744	85 471
- over 12 months	0	0	0
b) other	3 807	9 858	8 448
2. To other entities	242 666	253 112	223 274
a) loans	162 389	79 943	52 307
b) debt securities issued	0	0	0
c) other financial liabilities	0	0	4
d) trade liabilities payable in:	35 625	15 184	31 008
- up to 12 months	35 625	15 184	31 008
- over 12 months	0	0	0
e) advance payments received	79	124	98
f) bills of exchange payable	0	0	0
g) taxation, customs duty and social security creditors	29 841	83 113	17 200
h) payroll	4 050	4 067	4 050
i) other	10 682	70 681	118 607
3. Special funds	5 464	4 735	6 039
IV. Accruals and deferred income	<b>39 819</b>	<b>34 508</b>	<b>50 631</b>
1. Negative goodwill	0	0	0
2. Other accruals and deferred income	39 819	34 508	50 631
- long-term	15 069	15 234	15 396
- short-term	24 750	19 274	35 235
<b>Total equity &amp; liabilities</b>	<b>2 513 358</b>	<b>2 649 371</b>	<b>4 037 354</b>

Konin, 31 August 2016

Prepared by

Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

## 2. Profit and Loss Account for the period from 1 January 2016 to 30 June 2016

Profit and Loss Account (in PLN thousand)	1 January 2016 - 30 June 2016 (unaudited)	1 January 2015 - 30 June 2015 (unaudited)
<b>A. Net sales of finished goods, goods for resale and raw materials, of which:</b>	<b>816 008</b>	<b>798 516</b>
-from affiliates	285 828	269 112
I. Net sales of finished goods	772 032	742 709
II. Net sales of goods for resale and raw materials	43 976	55 807
<b>B. Cost of finished goods, goods for resale and raw materials sold, of which:</b>	<b>705 698</b>	<b>781 272</b>
- to affiliates	248 825	267 151
I. Cost of finished goods sold	659 426	731 532
II. Cost of goods for resale and raw materials sold	46 272	49 740
<b>C. Gross profit (loss) on sales</b>	<b>110 310</b>	<b>17 244</b>
<b>D. Selling expenses</b>	<b>1 429</b>	<b>1 341</b>
<b>E. Administrative expenses</b>	<b>12 282</b>	<b>16 860</b>
<b>F. Profit (loss) on sales</b>	<b>96 599</b>	<b>-957</b>
<b>G. Other operating income</b>	<b>2 900</b>	<b>1 040</b>
I. Gains on the sale of non-financial non-current assets	0	96
II. Grants	165	166
III. Other	2 735	778
<b>H. Other operating expenses</b>	<b>23 166</b>	<b>45 377</b>
I. Loss on the sale of non-financial non-current assets	0	0
II. Impairment of non-financial assets	21 731	43 760
III. Other	1 435	1 617
<b>I. Operating profit (loss)</b>	<b>76 333</b>	<b>-45 294</b>
<b>J. Finance income</b>	<b>83 386</b>	<b>44 148</b>
I. Dividends and shares in profits, of which:	78 778	42 947
- from affiliates	78 722	42 898
II. Interest, of which:	1 777	1 190
- from affiliates	550	666
III. Gains on the sale of investments	0	0
IV. Revaluation of investments	2 807	0
V. Other	24	11
<b>K. Finance costs</b>	<b>12 553</b>	<b>5 415</b>
I. Interest, of which:	8 629	1 453
- from affiliates	0	0
II. Loss on the sale of investments	0	0
III. Impairment of investments	0	1 385
IV. Other	3 924	2 577
<b>L. Gross profit (loss) on ordinary activities</b>	<b>147 166</b>	<b>-6 561</b>
<b>M. Taxation</b>	<b>19 363</b>	<b>-9 183</b>
<b>N. Other obligatory decrease of profit (increase of loss)</b>	<b>0</b>	<b>0</b>
<b>O. Net profit (loss)</b>	<b>127 803</b>	<b>2 622</b>

Konin, 31 August 2016

Prepared by

Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

### 3. Cash Flow Statement for the period from 1 January 2016 to 30 June 2016

Cash Flow Statement (in PLN thousand)	01 January 2016-30 June 2016 (unaudited)	01 January 2015- 30 June 2015 (unaudited)
<b>A. Cash flow from operating activities</b>		
<b>I. Net profit (loss)</b>	<b>127 803</b>	<b>2 622</b>
<b>II. Adjustments, total</b>	<b>-68 903</b>	<b>-50 981</b>
1. Depreciation	17 647	41 743
2. Foreign exchange gains (losses)	-2 864	1 849
3. Interest and shares in profits	-70 701	-42 161
4. Profit (loss) on investing activities	0	216
5. Change in provisions	144 423	95 279
6. Change in inventories	11 904	-6 237
7. Change in receivables	28 686	23 057
8. Change in short-term liabilities, except for loans and borrowings	-29 295	-64 642
9. Change in prepayments, accruals and deferred income	7 761	17 017
10 Other adjustments	-176 464	-117 102
<b>III. Net cash flow from operating activities (I±II)</b>	<b>58 900</b>	<b>-48 359</b>
<b>B. Cash flow from investing activities</b>		
<b>I. Inflows</b>	<b>58 000</b>	<b>28 057</b>
1. Sale of intangible assets and tangible fixed assets	1 594	112
2. Sale of investments in property and intangible assets	0	0
3. From financial assets, of which:	56 406	27 945
a) in affiliates	56 406	27 945
b) in other entities	0	0
- sale of financial assets	0	0
- dividends and shares in profits	0	0
- repayment of long-term loans granted	0	0
- interest received	0	0
- other	0	0
4. Other investing inflows	0	0
<b>II. Outflows</b>	<b>74 678</b>	<b>246 434</b>
1. Purchase of intangible assets and tangible fixed assets	74 678	216 939
2. Investments in property and intangible assets	0	0
3. For financial assets, of which:	0	29 495
a) in affiliates	0	29 495
b) in other entities	0	0
- purchase of financial assets	0	0
- long-term loans granted	0	0
4. Other investing outflows	0	0
<b>III. Net cash flow from investing activities (I-II)</b>	<b>-16 678</b>	<b>-218 377</b>
<b>C. Cash flow from financing activities</b>		
<b>I. Inflows</b>	<b>0</b>	<b>209 000</b>
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	0	0
2. Loans and credits	0	209 000
3. Issue of debt securities	0	0
4. Other financial inflows	0	0
<b>II Outflows</b>	<b>47 316</b>	<b>19 338</b>
1. Re-acquisition of own shares	0	0
2. Dividends and other payments to shareholders	0	0
3. Outflows due to appropriation of profit other than payments to shareholders	0	0
4. Repayment of loans and borrowings	37 605	10 714
5. Redemption of debt securities	0	0

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

6. Relating to other financial liabilities	0	46
7. Finance lease payments	64	0
8. Interest paid	9 587	8 578
9. Other financing outflows	60	0
<b>III. Net cash flow from financing activities (I-II)</b>	<b>-47 316</b>	<b>189 662</b>
<b>D. Total net cash flow (A.III±B.III±C.III)</b>	<b>-5 094</b>	<b>-77 074</b>
<b>E. Balance sheet change in cash and cash equivalents, of which:</b>	<b>-5 037</b>	<b>-77 648</b>
- change in cash and cash equivalents due to foreign exchange gains/losses	57	-464
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>182 989</b>	<b>173 239</b>
<b>G. Cash and cash equivalents at the end of the period (F±D), of which:</b>	<b>177 895</b>	<b>96 055</b>
- of restricted use	5 328	5 174

---

Konin, 31 August 2016

Prepared by

Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

## 4. Changes in Equity Statement as of 30 June 2016

Changes in Equity Statement (in PLN thousand)	1 January 2016 - 30 June 2016 (unaudited)	1 January 2015 - 31 December 2015	1 January 2015 - 30 June 2015 (unaudited)
<b>I. Equity at the beginning of the period (OB)</b>	<b>1 360 431</b>	<b>2 995 960</b>	<b>2 995 960</b>
- changes in accounting policy	0	0	0
- adjustments of fundamental errors	0	0	0
<b>I.a. Equity at the beginning of the period (OB), after adjustments</b>	<b>1 360 431</b>	<b>2 995 960</b>	<b>2 995 960</b>
<b>1. Share capital at the beginning of the period</b>	<b>101 647</b>	<b>101 647</b>	<b>101 647</b>
1.1. Changes in share capital	0	0	0
a) increases	0	0	0
b) decreases	0	0	0
<b>1.2. Share capital at the end of the period</b>	<b>101 647</b>	<b>101 647</b>	<b>101 647</b>
<b>2. Unpaid share capital at the beginning of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Changes to unpaid share capital	0	0	0
a) increases	0	0	0
b) decreases	0	0	0
<b>2.2. Unpaid share capital at the end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Treasury shares at the beginning of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
a) increases	0	0	0
b) decreases	0	0	0
<b>3.1. Treasury shares at the end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Supplementary capital at the beginning of the period</b>	<b>2 542 060</b>	<b>2 398 399</b>	<b>2 398 399</b>
4.1. Changes in Supplementary capital	25	143 661	143 659
a) increases (due to)	25	143 661	143 659
- profit appropriation (in excess of statutory amounts)	0	143 654	143 654
- tangible assets sales and liquidation	25	7	5
b) decreases	1 513 446	0	0
<b>4.2. Supplementary capital at the end of the period</b>	<b>1 028 639</b>	<b>2 542 060</b>	<b>2 542 058</b>
<b>5. Revaluation reserve at the beginning of the period</b>	<b>227 531</b>	<b>286 229</b>	<b>286 229</b>
5.1. Changes in revaluation reserve	-25	-58 698	-5
a) increases	0	0	0
b) decreases (due to)	25	58 698	5
- disposal of tangible fixed assets	25	7	5
- revaluation adjustment	0	58 691	0
<b>5.2. Revaluation reserve at the end of the period</b>	<b>227 506</b>	<b>227 531</b>	<b>286 224</b>
<b>6. Other reserves at the beginning of the period</b>	<b>5 877</b>	<b>5 877</b>	<b>5 877</b>
6.1. Changes in other reserves	0	0	0
a) increases	0	0	0
b) decreases	2 405	0	0
<b>6.2. Other reserves at the end of the period</b>	<b>3 472</b>	<b>5 877</b>	<b>5 877</b>
<b>7. Accumulated profits from previous years at the beginning of the period</b>	<b>0</b>	<b>204 642</b>	<b>204 642</b>
<b>7.1. Accumulated profits from previous years at the beginning of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
- changes in accounting policy	0	0	0
- adjustments of fundamental errors	0	0	0
<b>7.2. Accumulated profits from previous years at the beginning of the period, after adjustments</b>	<b>0</b>	<b>204 642</b>	<b>204 642</b>
a) increases (due to)	0	0	0
- appropriation of profit from previous years	0	0	0
b) decreases (due to)	0	204 642	204 642
- transfer of profit to Supplementary capital	0	143 654	143 654
- dividend payment	0	60 988	60 988
<b>7.3. Accumulated profits from previous years at the end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7.4. Accumulated losses from previous years at the beginning of the period</b>	<b>-1 516 684</b>	<b>-834</b>	<b>-834</b>
- changes in accounting policy	0	0	0
- correction of prior period error	0	0	0

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>7.5. Accumulated losses from previous years at the beginning of the period, after adjustments</b>	<b>-1 516 684</b>	<b>-834</b>	<b>-834</b>
a) increases (due to)	0	0	0
- transfer of prior year losses	0	0	0
b) decreases (due to)	-1 515 850	0	0
- transfer of prior year losses	-1 515 850	0	0
<b>7.6. Accumulated losses from previous years at the end of the period</b>	<b>-834</b>	<b>-834</b>	<b>-834</b>
<b>8. Net result</b>	<b>127 803</b>	<b>-1 515 850</b>	<b>2 622</b>
a) net profit	127 803	-1 515 850	2 622
b) net loss	0	0	0
c) deductions from profit	0	0	0
<b>II. Equity at the end of the period (CB)</b>	<b>1 488 233</b>	<b>1 360 431</b>	<b>2 937 594</b>
<b>III. Equity, after proposed appropriation of profits (absorption of losses)</b>	<b>0</b>	<b>1 360 431</b>	<b>0</b>

Konin, 31 August 2016

Prepared by

Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

## **II. Introduction to the statement**

### **1. General information about the Company**

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.

ZE PAK S.A. is parent company to Zespół Elektrowni Pątnów- Adamów- Konin Capital Group.

According to Articles of Association the main scope of activities are:

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

### **2. Composition of the Management Board**

In the reporting period, the Company's Management Board composition was as follows:

- 1) Wojciech Piskorz – the Member of the Supervisory Board delegated to temporarily act as the President of the Board
- 2) Aneta Lato-Żuchowska – Vice-President of the Management Board
- 3) Zygmunt Artwik – Vice-President of the Management Board
- 4) Adrian Kaźmierczak – Vice-President of the Management Board
- 5) Tomasz Zadroga – Vice-President of the Management Board

At meeting on 11 February 2016, the Supervisory Board adopted a resolution appointing Mr. Aleksander Grad to the Management Board of the Company from 18 February 2016 year and appointed him President of the Management Board. Since 18 February 2016 the Management Board operated in the following composition:

- 1) Aleksander Grad – President of the Management Board
- 2) Aneta Lato-Żuchowska – Vice-President of the Management Board
- 3) Zygmunt Artwik – Vice-President of the Management Board
- 4) Adrian Kaźmierczak – Vice-President of the Management Board
- 5) Tomasz Zadroga – Vice-President of the Management Board



At the meeting on 8 April 2016, the Supervisory Board adopted a resolution appointing Mr. Adam Kłapszta to the Management Board of the Company and appointed him the Vice President of the Management Board.

Since 8 April 2016 the Management Board operated in the following composition:

- 1) Aleksander Grad – President of the Management Board
- 2) Aneta Lato-Żuchowska – Vice-President of the Management Board
- 3) Zygmunt Artwik – Vice-President of the Management Board
- 4) Adrian Kaźmierczak – Vice-President of the Management Board
- 5) Adam Kłapszta – Vice-President of the Management Board,
- 6) Tomasz Zadroga – Vice-President of the Management Board.

On 17 June 2016, Mr Aleksander Grad resigned from the position of the President of the Management Board and a member of the Management Board of the Company. In view of the situation, the Supervisory Board of the Company had delegated the directing of the Management Board works to Mr Adam Kłapszta, the Vice President of the Company Management Board, who has been acting as the President of the Management Board since 17 June 2016. Since 17 June 2016 to the date of these condensed financial statements the Management Board operated in the following composition:

- 1) Adam Kłapszta – Acting President of the Management Board
- 2) Aneta Lato-Żuchowska – Vice-President of the Management Board
- 3) Zygmunt Artwik – Vice-President of the Management Board
- 4) Adrian Kaźmierczak – Vice-President of the Management Board
- 5) Tomasz Zadroga – Vice-President of the Management Board

### **3. Description and clarification of differences in the disclosed data and significant differences regarding the adopted accounting principles (policy) between the statement and the comparable data as well as the statement and the comparable data developed acc. to the IAS.**

The Company is the parent company of the Capital Group, which is obliged to develop a consolidated financial statement in accordance with IFRS standards approved by the EU ("IFRS"). The Company did not prepare and does not prepare an individual financial statement in accordance with IFRS.

The main potential differences between the IFRS and the PRS developed with the assumption of using the IFRS based on the IFRS 1 guidelines and adoption of the financial data resulting from the consolidated financial statement of the ZE PAK Group are presented below. The date of transition of the ZE PAK S.A. Group to the IFRS is 1 January 2009.

If the financial statement was developed in accordance with the IFRS, the main differences between the accounting principles adopted for the enclosed statement and the IFRS, with the assumption that the date of transition to the IFRS is 1 January 2009, would be especially related to the following aspects:

1. Tangible fixed assets
  - a) Valuation of the tangible fixed assets

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

According to the IFRS 1, as of the date of the first application of the IFRS, the body can make a fair value quotation of the fixed assets and recognise their fair value as the assumed cost at this date. The Company established the assumed cost of the selected tangible fixed assets by assignment of the fair value of these assets as of 1 January 2009, i.e. the assumed date of transition to the application of the IFRS.

Due to the differences in the valuation of tangible fixed assets according to the Accounting Act ("PAR") and according to IFRS, the amounts of write-downs of tangible fixed assets are different.

b) Allotment of renovation components

The International Financial Reporting Standards project the allotment within the scope of fixed assets of components, provided that their use period differs from the use period of a given fixed asset. The components are depreciated during their usability period. According to the IFRS, the specific component consists of renovations and periodical inspections. In relation to the above, the Company has allotted components of values planned to be transferred to the renovation costs, as well as depreciation of the components in the period until the projected commencement of the next renovation. The recognition of this adjustment also resulted in the need to charge the deferred tax.

c) Valuation of land and perpetual usufruct

According to the PRS, the perpetual usufruct of land is subject to depreciation, and the depreciation write-downs are recognised in the income statement in the prime cost item.

For the purpose of the IFRS, due to the unspecified period of economic use of the perpetual usufruct of land, the Company would eliminate the recognised depreciation write-downs.

d) Capitalisation of external financing costs

According to the PRS, the Company recognised in the capital work in progress all the costs of servicing liabilities incurred in order to finance them along with the exchange rate differences that took place.

For the purpose of the IFRS, the Company would make an adjustment of the capitalised exchange rate differences on the liabilities incurred in foreign currencies, consisting in the adaptation of the value of these exchange rate differences to the value, in which they comprise the adjustment of the interest costs.

Furthermore, the Company would execute the capitalisation of external financing costs on the liabilities of general nature, used for the financing of capital work in progress.

Due to the above fact, in the financial statement developed according to the IFRS, the Company would capitalise the external financing costs in the value not higher than the financing costs, which would occur if the liabilities were incurred in the functional currency, i.e. PLN.

The areas of differences between the PRS and the IFRS described below were identified during the process of development of the Group's consolidated financial statement according to the IFRS and do not include the potential adjustments of the IFRS in relation to transactions with affiliated entities, which were eliminated in the scope of the Group's financial statement.

The International Accounting Standards Board (IASB) introduced many changes into the current accounting principles and issued new standards. New standards and changes to the current standards are still in the works. Furthermore, these standards are subject to the approval process by the EU. In relation to the above, it is possible that the standards, according to which the Company will develop its first financial statement compliant with the IFRS, which can include data from the past years, will differ from the standards used for the development of the below explanatory note describing the differences between the IFRS and the Polish accounting standards.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

Furthermore, only a complete financial statement embracing the statement on the financial position, total income statement, statement of changes in the equity, as well as the cash flow statement, and the comparative data and explanatory notes can present the full and reliable view of the Company's financial position, the results of its activities and cash flows in accordance with the IFRS.

The presentation of some of the items in the financial statements according to the Polish accounting standards and the IFRS can differ. The differences in the presentation will not affect the equity and the Company's net result.

The components of particular items in the financial statement, as well as the scope of additional information to the financial statement compliant with the Polish accounting standards and the IFRS can differ substantially.

The following table presents the differences as of 30 June 2016 (unaudited data):

Adjustment as of 30 June 2016	Balance sheet value	Balance sheet value	Value adjustment
	Acc. PAR	Acc. IFRS	
Tangible fixed assets	676 107	679 459	3 352
Equity	1 488 233	1 432 636	-55 597
Deferred tax provision	82 284	143 813	61 529

Description of the effects of disclosed differences in net profit and equity:

30 June 2016	
PRS net profit	127 803
Adjustment of the tangible fixed assets	-2 859
IAS 19 adjustment – Actuarial profits/losses	-240
30 June 2016	
PRS capital	1 488 233
Adjustment of the tangible fixed assets	-55 597
IAS 19 adjustment – Actuarial profits/losses	-240

#### **4. Assumption of continuation of economic activity**

The financial statement was developed with the assumption of continuing business activity by the Company in the near future, at least 12 months after the balance sheet date, i.e. after 30 June 2016.

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

#### **5. Merger of commercial companies**

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

#### **6. Accepted principles (policy) of accounting**

The Company operates on the basis of 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 Finance 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 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 01 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 01 July 2003 in case of the Corporate Chart of Accounts for ZE PAK S.A.

The financial statement was developed in accordance with the historical expense convention which was modified in terms of:

- intangible assets,
- tangible assets,
- investments in subsidiary entities and other long-term investments,
- other short-term investments (excluding cash and financial assets),
- financial instruments.

## **7. Changes in the accounting principles (policy)**

The financial statements for the current and preceding period was developed using the identical accounting principles (policy) as well as the methods of presentation of data in the financial statement.

## **8. Comparability of financial data for the preceding period with the statement for the current period**

In the current period, the Company made no changes to the accounting principles or error adjustments, thus it was not obligated to present numerical information ensuring comparability of the financial statement data for the previous year with the statement for the current period.

## **9. Error adjustment**

The current period featured no adjustments of errors, which would affect the comparability of the financial data for the preceding period with the data of the financial statement for the current period.

**Konin, 31 August 2016**

**Prepared by:**

**Management Board of Zespół Elektrowni  
Pątnów – Adamów – Konin S.A.**

### **III. Additional information and clarifications**

#### **1. Events of the accounting year not specified in the balance sheet and the profit and loss account**

In the reporting period, until the date of development of this financial statement, i.e. until 31 August 2016, there were no events after the balance sheet date, which were not recognised, and should have been recognised, in the books of account and the financial statement for the period ended 30 June 2016.

#### **2. Events of previous years recognised in the financial statement**

Until the date of development of the financial statement for the period ended 30 June 2016, i.e. until 31 August 2016, there were no other significant events regarding the previous years, which should be recognised (but were not recognised) in the financial statement for the accounting year.

#### **3. Significant events of the current period**

Until the date of development of the financial statement for the period ended 30 June 2016, i.e. until 31 August 2016, there were no other significant events regarding the current period, which would require additional disclosure in this financial statement.

#### **4. Events after the balance sheet date not recognised in the financial statement**

Until the date of development of the financial statement for the period ended 30 June 2016, i.e. until 31 August 2016, there were no events, which were not recognised in this financial statement.

#### **5. Seasonality of the activities**

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

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

## 6. Balance sheet

### a) Fixed assets

<b>CHANGES IN FIXED ASSETS (ACC. GROUPS BY TYPE)</b>							
in PLN thousand							
	Period ended 30 June 2016	- Land (including right of perpetual usufruct)	- buildings, premises and engineering constructions on land and water	- technical devices and machinery	- means of transport	- other fixed assets	Total fixed assets
<b>a)</b>	<b>gross value of fixed assets at the beginning of the period</b>	<b>1 361</b>	<b>1 304 521</b>	<b>3 154 992</b>	<b>3 737</b>	<b>11 836</b>	<b>4 476 447</b>
b)	increase (including)	0	68 145	844 059	1	31	912 236
	purchase			21	1	5	27
	adoption from investment		68 145	844 038		26	912 209
	transfers						0
	other						0
c)	decrease (including)	0	0	36	0	25	61
	liquidation, sale, transfer			36		25	61
	<b>gross value of fixed assets at the end of the period</b>						<b>0</b>
<b>d)</b>	<b>decrease (including)</b>	<b>1 361</b>	<b>1 372 666</b>	<b>3 999 015</b>	<b>3 738</b>	<b>11 842</b>	<b>5 388 622</b>
e)	cumulated depreciation at the beginning of the period	113	742 300	2 498 215	1 897	9 618	3 252 143
f)	increase (including)	3	5 053	11 575	279	290	17 200
	depreciation of the period	3	5 053	11 575	279	290	17 200
	transfers						0
	other						0
g)	decrease (including)	0	0	36	0	25	61
	liquidation, sale			36		25	61
	other						0
<b>h)</b>	<b>cumulated depreciation at the end of the period</b>	<b>116</b>	<b>747 353</b>	<b>2 509 754</b>	<b>2 176</b>	<b>9 883</b>	<b>3 269 282</b>
i)	impairment at the beginning of the period		383 293	447 703	459	597	832 052
-	increase		49 254	603 617			652 871
-	decrease						0
j)	impairment at the end of the period	0	432 547	1 051 320	459	597	1 484 923
k)	net value of fixed assets at the end of the period	1 245	192 766	437 941	1 103	1 362	634 417

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGES IN FIXED ASSETS (ACC. GROUPS BY TYPE)</b>							
in PLN thousand							
	<b>Period ended 31 December 2015</b>	<b>- Land (including right of perpetual usufruct)</b>	<b>- buildings, premises and engineering constructions on land and water</b>	<b>- technical devices and machinery</b>	<b>- means of transport</b>	<b>- other fixed assets</b>	<b>Total fixed assets</b>
<b>a)</b>	<b>gross value of fixed assets at the beginning of the period</b>	<b>1 361</b>	<b>1 293 822</b>	<b>3 148 322</b>	<b>3 849</b>	<b>11 528</b>	<b>4 458 882</b>
b)	increase (including)	0	10 925	8 412	732	643	20 712
	purchase			127	4	56	187
	adoption from investment						0
	transfers		10 925	8 285	148	587	19 945
	other					580	580
c)	decrease (including)	0	226	1 742	844	335	3 147
	liquidation, sale		226	1 742	844	335	3 147
	other						0
<b>d)</b>	<b>gross value of fixed assets at the end of the period</b>	<b>1 361</b>	<b>1 304 521</b>	<b>3 154 992</b>	<b>3 737</b>	<b>11 836</b>	<b>4 476 447</b>
e)	cumulated depreciation at the beginning of the period	109	704 444	2 457 114	2 059	9 246	3 172 972
f)	increase (including)	4	38 082	42 835	628	707	82 256
	depreciation of the period	4	38 082	42 835	628	707	82 256
	transfers						0
g)	decrease (including)	0	226	1 734	790	335	3 085
	liquidation, sale		226	1 734	790	335	3 085
<b>h)</b>	<b>cumulated depreciation at the end of the period</b>	<b>113</b>	<b>742 300</b>	<b>2 498 215</b>	<b>1 897</b>	<b>9 618</b>	<b>3 252 143</b>
i)	impairment at the beginning of the period						0
-	increase		383 293	447 703	459	597	832 052
-	decrease						0
j)	impairment at the end of the period	0	383 293	447 703	459	597	832 052
k)	net value of fixed assets at the end of the period	1 248	178 928	209 074	1 381	1 621	392 252



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGES IN FIXED ASSETS (ACC. GROUPS BY TYPE)</b>							
in PLN thousand							
Period ended 30 June 2015	- Land (including right of perpetual usufruct)	- buildings, premises and engineering constructions on land and water	- technical devices and machinery	- means of transport	- other fixed assets	Total fixed assets	
<b>a) gross value of fixed assets at the beginning of the period</b>	<b>1 361</b>	<b>1 293 822</b>	<b>3 148 322</b>	<b>3 849</b>	<b>11 529</b>	<b>4 458 883</b>	
b) increase (including)	0	3 465	5 404	525	351	9 745	
purchase			74	2	28	104	
adoption from investment						0	
transfers		3 465	5 330	58	323	9 176	
other				465		465	
c) decrease (including)	0	0	1 659	784	324	2 767	
liquidation, sale, transfer			1 659	784	324	2 767	
<b>d) gross value of fixed assets at the end of the period</b>	<b>1 361</b>	<b>1 297 287</b>	<b>3 152 067</b>	<b>3 590</b>	<b>11 556</b>	<b>4 465 861</b>	
e) cumulated depreciation at the beginning of the period	109	704 444	2 457 114	2 059	9 246	3 172 972	
f) increase (including)	2	19 412	21 217	278	325	41 234	
depreciation of the period	2	19 412	21 217	278	325	40 909	
transfers						0	
g) decrease (including)	0	0	1 650	776	324	2 750	
liquidation, sale			1 650	776	324	2 750	
other						0	
<b>h) cumulated depreciation at the end of the period</b>	<b>111</b>	<b>723 856</b>	<b>2 476 681</b>	<b>1 561</b>	<b>9 247</b>	<b>3 211 456</b>	
i) impairment at the beginning of the period						0	
- increase						0	
- decrease						0	
j) impairment at the end of the period						0	
<b>k) net value of fixed assets at the end of the period</b>	<b>1 250</b>	<b>573 431</b>	<b>675 386</b>	<b>2 029</b>	<b>2 309</b>	<b>1 254 405</b>	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)</b>	in PLN thousand		
	30 June 2016	31 December 2015	30 June 2015
a) proprietary	2 118 992	1 223 618	1 253 737
b) used under a rental, demise or other agreement, including a lease agreement, including:	348	686	668
- financial lease agreements	348	686	668
- operating lease, rental, and demise agreements,			
c) impairment write-downs	1 484 923	832 052	
<b>Total balance sheet fixed assets</b>	<b>634 417</b>	<b>392 252</b>	<b>1 254 405</b>

**The value impairment test of ZE PAK S.A.**

In accordance with Art. 7 paragraph 1 and Art. 28 of the Act of 29 September 1994 on accountancy and the National Accounting Standard No. 4 "Value impairment of assets" at the end of every reporting period, the Company's Board evaluates whether there are any prerequisites indicating that there may have occurred a loss in value of components of fixed assets. In case of statement that there are such prerequisites, the Company estimates a recoverable number of assets' components. Therefore, the Company always analyses prerequisites that might affect a loss in value of any of the assets' components, as well as determine the units generating economic benefits within the Company.

According to NAS No. 4, the units generating economic benefits are the smallest identifiable groups of assets which generate cash inflows of the current use that are largely independent of the cash inflows from other assets or groups of assets. If there is any indication that an asset may be impaired, a recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the unit generating economic benefits, to which the asset belongs.

Conducting the value impairment test of fixed assets, the Company has used a financial model reflecting the strategic assumptions of ZE PAK SA for the years 2016-2047 described in earlier tests presented in the financial statements. The test was performed as of 30 June 2016. The test has evaluated use value of cash generating units.

During extracting the units generating economic benefits in the framework of the Company's assets the autonomy generated economic benefits was mainly analysed in terms of the functioning of the Company.

In ZE PAK S.A., one unit generating economic benefits was determined, in which the following generation assets operate:

- Pątnów I power plant - operation time until 31 December 2030
- Adamów power plant - operation time until 31 December 2017
- Konin-header power plant - operation time until 30 June 2020
- Konin biomass unit power plant - operation time until 31 December 2047

For each of the above units, it is possible to determine the generated economic benefits, however, these benefits are, to some extent, dependent on each other. Therefore, they had to be considered together as a single unit.

Conducting the value impairment test of fixed assets, the Company based on the financial model reflecting its strategic priorities for 2016-2047.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

The following assumptions were adopted to estimate the use value of tangible fixed assets:

- the forecast of the electricity prices with the division into BASE, PEAK and OFF-PEAK, and the forecast of prices of the CO2 allowances were adopted on the basis of the Report on the energy market in Poland prepared for ZE PAK S.A. by an independent external consultant,
- production assumptions result from the adopted investment and a renovation programme of ZE PAK S.A. Reduction of electricity generation from lignite and maintenance of generation for biomass-fired boiler are assumed,
- in the structure of total revenue in 2016-2017, on average, 85% are revenues from own and purchased electricity. From 2018, due to the exclusion of production in the Adamów Power Plant, the total revenue will decrease by 40% in relation to 2017. In 2021, another decrease will take place when the units 5 and 6 in the Pątnów Power Plant as well as the boiler part in the Konin Power Plant do not work,
- the Company assumed the use of free CO2 allowances in the amount resulting from Article 10a of Directive 2003/87/EC of the European Parliament and the Council of 13 October 2003,
- the costs of lignite purchased for generation were specified on the basis of the delivery schedule and the prices agreed with the appropriate schedules in financial projections of subsidiaries and on the basis of the agreement signed between ZE PAK S.A. and PAK KWB "Konin" S.A., "Agreement on the financial support for the construction of the Ościsłowo open cast",
- the effects of restructuring costs for the withdrawal of the old units in the Konin and Adamów Power Plants were taken into account,
- the new mechanisms of model changes of the Polish market including the introduction of the capacity market (electricity and power) and/or mechanisms guaranteeing a return on investments (contracts of differences) were not taken into account,
- the weighted average cost of capital after taxation (WACC) in the projection period at the level of 7.13% (in 2015 7.22%) was adopted.

Based on the test results, it was also not necessary to recognise the additional impairment write-downs of the CGU ZE PAK S.A. assets. On the basis of the carried out analysis and test results, an increase in the estimated service potential of fixed assets for CGU ZE PAK S.A. was not determined, therefore, the reversal of previously recognised impairment write-downs in the amount of PLN 1 562 000 thousands was not conducted.

### Sensitivity analysis

Changes of financial parameters underlying the evaluation of the recoverable amount would change the present value of the discounted cash flow with the amounts presented below.

**Zespół Elektrowni Pątnów-Adamów-Konin S.A.** (+) increase by 1.0 p.p (-) decrease by 1.0 p.p.

Average weighted capital cost	(44 m)	52 m
	(+) increase by 1%	(-) decrease by 1%.
Change in sale revenues (price of electricity)	80 m	(80 m)
	(+) increase by 5%	(-) decrease by 1%.
Change in cost of goods sold (price of 1 EUA)	(86 m)	86 m

### Changes of fixed assets under construction and of prepayments for fixed assets under construction

specification	30 June 2016		31 December 2015		30 June 2015	
	in PLN thousand					
	Fixed assets under construction	Prepayments for fixed assets under construction	Fixed assets under construction	Prepayments for fixed assets under construction	Fixed assets under construction	Prepayments for fixed assets under construction

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>Initial value</b>						
<b>Initial balance</b>	<b>1 017 586</b>	<b>4 329</b>	<b>693 396</b>	<b>20 662</b>	<b>693 396</b>	<b>20 662</b>
Increase (including):	10 868	0	346 716	0	188 381	0
Purchase	10 868		346 716		188 381	
Other						
Transfer from investment						
Decrease (including)	913 596	420	22 526	16 333	9 477	7 820
Liquidation	913 596	420	20 932	16 333	9 477	7 820
Sale			1 594			
Other						
<b>Closing balance</b>	<b>114 858</b>	<b>3 909</b>	<b>1 017 586</b>	<b>4 329</b>	<b>872 300</b>	<b>12 842</b>
<b>Depreciation</b>						
Initial balance						
<b>Closing balance</b>	0	0	0	0	0	0
<b>Impairment IB</b>	729 947					
<b>Impairment CB</b>	77 077		729 947			
<b>Net value</b>						
Initial balance	287 639	4 329	693 396	20 662	693 396	20 662
<b>Closing balance</b>	<b>37 781</b>	<b>3 909</b>	<b>287 639</b>	<b>4 329</b>	<b>872 300</b>	<b>12 842</b>

Decrease in impairment losses on non-current assets under construction and at the same time increase in the value of write-offs on non-current assets is related to the transfer of updated in 2015 non-current assets from assets in the construction to fixed assets.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**b) Intangible assets**

CHANGES IN INTANGIBLE ASSETS (ACC. GROUPS BY TYPE)								
in PLN thousand								
Period ended 30 June 2016		a	b	c		d	e	Total intangible assets
		Research and development costs	Goodwill	patents, licenses and similar values, including:		Other intangible assets	Prepayments for intangible assets	
					- software			
a)	<b>Gross value of intangible assets at the beginning of the period</b>			18 859	39	286 230		305 089
b)	Increase (including)	0	0	1 840	0	176 464	0	178 304
	Purchase					176 464		176 464
	Other							0
	Transfers			1 840				1 840
c)	Decrease (including)	0	0	0	0	282 135	0	282 135
	Liquidation							282 135
-	Other					282 135		
d)	<b>Gross value of intangible assets at the end of the period</b>	0	0	20 699	39	180 559	0	201 258
e)	<b>Cumulated depreciation at the beginning of the period</b>			15 228	39	3		15 231
f)	increase (including)	0	0	447	0	0	0	447
	Depreciation of the period			447				447
	Other							0
g)	decrease (including)	0	0	0	0	0	0	0
	Liquidation							0
	Other							
h)	Cumulated depreciation at the end of the period	0	0	15 675	39	3	0	15 678
i)	<b>Impairments at the beginning of the period</b>							0
-	Increase							0
-	Decrease							0
J)	Impairment at the end of the period	0	0	0	0	0	0	0
k)	<b>Net value of intangible assets at the end of the period</b>	0	0	5 024	0	180 556	0	185 580

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGES IN INTANGIBLE ASSETS (ACC. GROUPS BY TYPE)</b>							
in PLN thousand							
Period ended 31 December 2015	a	b	c		d	e	Total intangible assets
	Research and development costs	Goodwill	patents, licenses and similar values, including:		Other intangible assets	Prepayments for intangible assets	
				- software			
<b>a) Gross value of intangible assets at the beginning of the period</b>			18 027	194	196 220		214 247
b) Increase (including)	0	0	987	0	209 354	0	210 341
Purchase					209 354		209 354
Other							0
Transfers			987				987
c) Decrease (including)	0	0	155	155	119 344	0	119 499
Liquidation			155	155	119 344		119 499
- Other							
<b>d) Gross value of intangible assets at the end of the period</b>	<b>0</b>	<b>0</b>	<b>18 859</b>	<b>39</b>	<b>286 230</b>	<b>0</b>	<b>305 089</b>
<b>e) Cumulated depreciation at the beginning of the period</b>			<b>14 380</b>	<b>194</b>			<b>14 380</b>
f) increase (including)	0	0	1 003	0	3	0	1 006
Depreciation of the period			1 003		3		1 006
Other							0
g) decrease (including)	0	0	155	155	0	0	155
Liquidation			155	155			155
Other							
h) Cumulated depreciation at the end of the period	0	0	15 228	39	3	0	15 231
<b>i) Impairments at the beginning of the period</b>							<b>0</b>
- Increase							0
- Decrease							0
J) Impairment at the end of the period	0	0	0	0	0	0	0
<b>k) Net value of intangible assets at the end of the period</b>	<b>0</b>	<b>0</b>	<b>3 631</b>	<b>0</b>	<b>286 227</b>	<b>0</b>	<b>289 858</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGES IN INTANGIBLE ASSETS (ACC. GROUPS BY TYPE)</b>								
in PLN thousand								
Period ended 30 June 2015		a	b	c		d	e	Total intangible assets
		Research and development costs	Goodwill	patents, licenses and similar values, including:		Other intangible assets	Prepayments for intangible assets	
					- software			
a)	Gross value of intangible assets at the beginning of the period			18 027	194	196 219		214 246
b)	Increase (including)	0	0	300	0	117 102	0	117 402
	Purchase					117 102		117 102
	Transfers			300				300
c)	Decrease (including)	0	0	155	155	119 344	0	119 499
	Liquidation			155	155	119 344		119 499
d)	Gross value of intangible assets at the end of the period	0	0	18 172	39	193 977	0	212 149
e)	Cumulated depreciation at the beginning of the period			14 379	194			14 379
f)	increase (including)	0	0	508	0	0	0	508
	Depreciation of the period			508				508
g)	decrease (including)	0	0	155	155	0	0	155
	Liquidation			155	155			155
h)	Cumulated depreciation at the end of the period	0	0	14 732	39		0	14 732
i)	Impairments at the beginning of the period							0
-	Increase							0
-	Decrease							0
J)	Impairment at the end of the period	0	0	0	0	0	0	0
k)	Net value of intangible assets at the end of the period	0	0	3 440	0	193 977	0	197 417

**CHANGES IN INTANGIBLE ASSETS (ACC. GROUPS BY TYPE)**

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGES IN INTANGIBLE ASSETS (ACC. GROUPS BY TYPE)</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
a) As of the beginning of the period	289 858	199 867
- Licenses	3 631	3 647
- CO2 emission allowances	286 227	196 220
- Other		
b) Increase by	178 304	210 341
- Licenses	1 840	987
- CO2 emission allowances	176 464	209 351
- Other		3
c) Decrease by	282 582	120 350
- Licenses (depreciation and liquidation)	447	1 003
- CO2 emission allowances	282 135	119 344
- Other		3
d) As of the end of the period	185 580	289 858
- licenses (depreciation)	5 024	3 631
- CO2 emission allowances	180 556	286 227

<b>INTANGIBLE ASSETS (PROPERTY STRUCTURE) in PLN thousand</b>	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a) Own	185 580	289 858	197 417
b) used under rental, lease or other agreement, including leasing agreement			
<b>Total</b>	<b>185 580</b>	<b>289 858</b>	<b>197 417</b>



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**c) Inventories**

Specification	30 June 2016	31 December 2015	30 June 2015
<b>1. Materials</b>	<b>49 142</b>	<b>38 536</b>	<b>53 390</b>
· Production fuel	8 706	12 915	20 090
· Auxiliary materials	44 212	29 397	37 132
· Write-down	-3 776	-3 776	-3 832
<b>2. Goods</b>	<b>40 358</b>	<b>64 816</b>	<b>117 602</b>
· Green certificates	64 870	77 347	186 625
· Red certificates	771	687	1 005
· Write-down	-25 283	-13 218	-70 028
<b>3. Advance payments for deliveries</b>	<b>2 752</b>	<b>804</b>	<b>15 763</b>
<b>Total:</b>	<b>92 252</b>	<b>104 156</b>	<b>186 755</b>

Certificates of origin of energy due to the energy production from renewable energy sources, gas sources, and peak load co-generation are presented according to fair value at the end of the month, in which they were produced.

As of 30 June 2016, the Company in total possessed, according to entries in the records, 573 732.627 MWh of property rights of green certificates and the produced green energy that is not yet verified by ERO, 435 588.065 MWh of which are the already obtained property rights, while 109 108.235 MWh are the green power generation in February, March and April 2016 awaiting for confirmation in the ERO, and 29 036.327 MWh are the generation of May and June 2016 awaiting for the balance sheet day, submission of an application by the Group. The application for granting property rights for May and June 2016 was submitted by the Group to PSE S.A. on 18 July 2016. In the first half of 2016, the Group received the outstanding certificates for 2015 in the number of 115 301.589 MWh for production in October, November and December 2015, and 36 061.821 MWh for production in 2016. Then, after the balance sheet day, on 5 July, the Group received 71 909.215 MWh certificates for production in February and March 2016.

During the current reporting period, the Group performed generation from renewable sources and, in the balance sheet, presented the green certificates, at prices current at the end of each month.

The impairment write-down as of 30 June 2016 in the amount of PLN 25 282 thousands relates to the revaluation of rights in possession of the Group on 30 June 2016 to the unit price in the amount of 69.00 PLN/MWh, including PLN 6 023.7 thousands is connected with the impairment write-down for the rights for production in the first half of 2016.

**d) Long-term investments**

LONG TERM FINANCIAL ASSETS		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	In subsidiaries	1 207 426	1 205 189	1 244 765
-	Shares	1 143 453	1 143 453	1 168 739
-	Debt securities			
-	Other securities (by type)			
-	Granted loans	63 973	61 736	76 026
-	Other long term financial assets (by type)			

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

b)	In jointly controlled entity	0	0	0
-	Shares			
-	Debt securities			
-	Other securities (by type)			
-	Granted loans			
-	Other long term financial assets (by type)			
c)	In associates	0	0	0
-	Shares			
-	Debt securities			
-	Other securities (by type)			
d)	In significant shareholder	0	0	0
-	Shares			
-	Debt securities			
-	Other securities (by type)			
-	Granted loans			
-	Other long term financial assets (by type)			
e)	In shareholder of jointly controlled entity	0	0	0
-	Shares			
-	Debt securities			
-	Other securities (by type)			
-	Granted loans			
-	Other long term financial assets (by type)			
f)	In parent company	0	0	0
-	Shares			
-	Debt securities			
-	Other securities (by type)			
-	Granted loans			
-	Other long term financial assets (by type)			
g)	In other entities	151	151	151
-	Shares	151	151	151
-	Debt securities			
-	Other securities (by type)			
-	Granted loans			
-	Other long term financial assets (by type)			
<b>Total</b>		<b>1 207 577</b>	<b>1 205 340</b>	<b>1 244 916</b>

**As of 30 June 2016 in PLN thousand**

Full name of the entity, headquarters	01 January 2016	Increase	Decrease	30 June 2016	% of possessed equity
"PAK SERWIS" sp. z o.o. Konin	9 985			9 985	100%
"EL PAK" sp. z o.o. Konin	1 857			1 857	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60 392			60 392	100%
„PAK HOLDCO” sp. z o.o. Konin	750 550			750 550	100%
PAK Górnictwo sp. z o.o.	28 200			28 200	100%
PAK Kopalnia Węgla Brunatnego Konin S.A.	123 553			123 553	96,23%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	78 616			78 616	98,41%
Elektrim-Volt S.A.	118 500			118 500	100%
<b>Total</b>	<b>1 171 653</b>	<b>0</b>	<b>0</b>	<b>1 171 653</b>	<b>-</b>
Impairments on fixed financial assets	-28 200		-	-28 200	-
<b>BALANCE VALUE</b>	<b>1 143 453</b>	<b>0</b>	<b>0</b>	<b>1 143 453</b>	<b>-</b>

**As of 31 December 2015 in PLN thousand**

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

Full name of the entity, headquarters	1 January 2015	Increase	Decrease	31 December 2015	% of possessed equity
"PAK SERWIS" sp. z o.o. Konin	9 985			9 985	100%
"EL PAK" sp. z o.o. Konin	1 857			1 857	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60 392			60 392	100%
„PAK HOLDCO” sp. z o.o. Konin	750 550			750 550	100%
Centrum Usług Informatycznych sp. z o.o.	600		600	0	
PAK Centrum Badań Jakości sp. z o.o.	100		100	0	
PAK Górnictwo sp. z o.o.	28 200			28 200	100%
PAK Kopalnia Węgla Brunatnego Konin S.A.	109 264	14 289		123 553	96,23%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	67 995	10 621		78 616	98,41%
Elektrim-Volt S.A.	118 500			118 500	100%
<b>Total</b>	<b>1 147 443</b>	<b>24 910</b>	<b>700</b>	<b>1 171 653</b>	<b>-</b>
Impairments on fixed financial assets		-28 200	-	-28 200	-
<b>BALANCE VALUE</b>	<b>1 147 443</b>	<b>-3 290</b>	<b>700</b>	<b>1 143 453</b>	<b>-</b>

**As of 30 June 2015 in PLN thousand**

Full name of the entity, headquarters	1 January 2015	Increase	Decrease	30 June 2015	% of possessed equity
"PAK SERWIS" sp. z o.o. Konin	9 985			9 985	100%
"EL PAK" sp. z o.o. Konin	1 857			1 857	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60 393			60 393	100%
„PAK HOLDCO” sp. z o.o. Konin	750 550			750 550	100%
Centrum Usług Informatycznych sp. z o.o.	600		600	0	100%
PAK Centrum Badań Jakości sp. z o.o.	100		100	0	100%
PAK Górnictwo sp. z o.o.	28 200			28 200	91%
PAK Kopalnia Węgla Brunatnego Konin S.A.	109 264	11 583		120 847	94,10%
PAK Kopalnia Węgla Brunatnego Adamów S.A.	67 995	10 412		78 407	98,15%
Elektrim-Volt S.A.	118 500			118 500	100%
<b>Total</b>	<b>1 147 444</b>	<b>21 995</b>	<b>700</b>	<b>1 168 739</b>	<b>-</b>
Impairments on fixed financial assets			-	-	-
<b>BALANCE VALUE</b>	<b>1 147 444</b>	<b>21 995</b>	<b>700</b>	<b>1 168 739</b>	<b>-</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

in PLN thousand

Full name of the entity	31		
	30 June 2016	December 2015	30 June 2015
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	200	200	200
<b>Impairment</b>			
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	-49	-49	-49
<b>Total short-term</b>	<b>151</b>	<b>151</b>	<b>151</b>

CHANGE IN LONG TERM FINANCIAL ASSETS (BY TYPE GROUPS)	in PLN thousand		
	30 June 2016	31 December 2015	30 June 2015
a) As of the beginning of the period	<b>1 205 340</b>	<b>1 224 779</b>	<b>1 224 779</b>
- Shares	1 143 604	1 147 595	1 147 595
- Granted loans	61 736	77 184	77 184
b) Increase by	2 237	24 909	21 995
- Shares		24 909	21 995
- Granted loans	2 237		
c) Decrease by	0	44 348	1 858
- Shares		28 900	700
- Granted loans (repayment)		15 448	1 158
d) As of the end of the period	1 207 577	1 205 340	1 244 916
- Shares	1 143 604	1 143 604	1 168 890
- Granted loans	63 973	61 736	76 026

SECURITIES< SHARES AND OTHER LONG TERM FINANCIAL ASSETS (BY CURRENCY))	currency	in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a) In PLN	PLN	1 143 604	1 143 604	1 168 890
b) In other currencies (by currency after calculating into PLN)				
b1. In currency				
<b>Securities, shares and other long term financial assets, total</b>		<b>1 143 604</b>	<b>1 143 604</b>	<b>1 168 890</b>

GRANTED LONG TERM LOANS (BY CURRENCY)	currency	in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a) In PLN	PLN	63 973	61 736	76 026
b) In other currencies (by currency and after calculation to PLN)				
b1. In currency				
<b>Securities, shares and other long term financial assets, total</b>		<b>63 973</b>	<b>61 736</b>	<b>76 026</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**e) Share capital**

**Period ended 30 June 2016**

Presentation of shareholders	Number of shares	The value of one share in PLN	Percentage share in the share capital	Number of votes	Percentage share in the number of votes
Zygmunt Solorz Żak (indirectly) through: Elektrim S.A. , Embud Sp. z o.o., Trigon XIX Fundusz Inwestycyjny Zamknięty, Argumenol Investment Company Limited	26 200 867	2,00	51,55%	26 200 867	51,55%
<b>ING Otwarty Fundusz Emerytalny</b>	5 068 410	2,00	9,97%	5 068 410	9,97%
<b>Other shareholders</b>	19 554 270	2,00	38,48%	19 554 270	38,48%
<b>Total:</b>	<b>50 823 547</b>		<b>100,0%</b>	<b>50 823 547</b>	<b>100%</b>

According to the Company's knowledge, on the basis of orders submitted by the shareholders.

**Period ended 31 December 2015**

Presentation of shareholders	Number of shares	The value of one share in PLN	Percentage share in the share capital	Number of votes	Percentage share in the number of votes
Zygmunt Solorz Żak (indirectly) through: Elektrim S.A. , Embud Sp. z o.o., IPOPEMA 116 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Trigon XIX Fundusz Inwestycyjny Zamknięty, Argumenol Investment Company Limited	26 200 867	2,00	51,55%	26 200 867	51,55%
<b>ING Otwarty Fundusz Emerytalny</b>	5 068 410	2,00	9,97%	5 068 410	9,97%
<b>Other shareholders</b>	19 554 270	2,00	38,48%	19 554 270	38,48%
<b>Total:</b>	<b>50 823 547</b>		<b>100,0%</b>	<b>50 823 547</b>	<b>100%</b>

According to the Company's knowledge, on the basis of orders submitted by the shareholders.

**Period ended 30 June 2015**

Presentation of shareholders	Number of shares	The value of one share in PLN	Percentage share in the share capital	Number of votes	Percentage share in the number of votes
Zygmunt Solorz Żak (indirectly) through: Elektrim S.A. , Embud Sp. z o.o., IPOPEMA 116 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Trigon XIX Fundusz Inwestycyjny Zamknięty, Argumenol Investment Company Limited	26 200 867	2,00	51,55%	26 200 867	51,55%
<b>ING Otwarty Fundusz Emerytalny</b>	5 068 410	2,00	9,97%	5 068 410	9,97%
<b>Other shareholders</b>	19 554 270	2,00	38,48%	19 554 270	38,48%
<b>Total:</b>	<b>50 823 547</b>		<b>100,0%</b>	<b>50 823 547</b>	<b>100%</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**f) Equity**

Specification	01 January 2016	Disposal of re-estimated fixed assets	Creation of the reserve capital	Profit division for 2015	Impairment on fixed assets previously revalued	Result for the current year	30 June 2016
1. Issued capital	101 647						101 647
2. Own shares							0
3. Supplementary capital	2 542 060	25		-1 513 446			1 028 639
4. Capital from revaluation	227 531	-25					227 506
5. Other reserve capitals	5 877			-2 405			3 472
6. Profit from previous years	-834						-834
7. Net profit	-1 515 850			1 515 850		127 803	127 803
<b>TOTAL</b>	<b>1 360 431</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>127 803</b>	<b>1 488 233</b>

Specification	01 January 2015	Disposal of re-estimated fixed assets	Creation of the reserve capital	Profit division for 2014	Impairment on fixed assets previously revalued	Result for the current year	31 December 2015
1. Issued capital	101 647						101 647
2. Own shares	0						0
3. Supplementary capital	2 398 399	7		143 654			2 542 060
4. Capital from revaluation	286 229	-7			-58 691		227 531
5. Other reserve capitals (privatisation fund)	5 877						5 877
6. Profit from previous years	-834						-834
7. Net profit	204 642			-204 642		-1 515 850	-1 515 850
<b>TOTAL</b>	<b>2 995 960</b>	<b>0</b>	<b>0</b>	<b>-60 988</b>	<b>-58 691</b>	<b>-1 515 850</b>	<b>1 360 431</b>

Specification	01 January 2015	Disposal of re-estimated fixed assets	Creation of the reserve capital	Profit division for 2014	Impairment on fixed assets previously revalued	Result for the current year	30 June 2015
1. Issued capital	101 647						101 647
2. Own shares	0						0
3. Supplementary capital	2 398 399	5		143 654			2 542 058
4. Capital from revaluation	286 229	-5					286 224
5. Other reserve capitals (privatisation fund)	5 877						5 877
6. Profit from previous years	-834						-834
7. Net profit	204 642			-204 642		2 622	2 622
<b>TOTAL</b>	<b>2 995 960</b>	<b>0</b>	<b>0</b>	<b>-60 988</b>		<b>2 622</b>	<b>2 937 594</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**g) Provisions**

CHANGE IN DEFERRED TAX LIABILITIES		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
1.	As of the beginning of the period, including:	62 920	71 878	71 878
a)	Charged to financial result	62 920	71 878	71 878
b)	Charged to equity			
c)	Charged to goodwill or badwill			
2.	Increase			
a)	Charged to financial result of the period from transferred gains	19 364		
b)	Charged to equity in connection with transferred gains			
c)	Charged to goodwill or badwill in connection transferred gains			
3.	decrease			
a)	Charged to financial result of the period from transferred gains		8 958	9 193
b)	Charged to equity in connection with transferred gains			
c)	As of the end of the period, total			
4.	Charged to financial result	82 284	62 920	62 685
a)	Charged to equity	82 284	62 920	62 685
b)	Charged to goodwill or badwill			
c)	As of the beginning of the period, including:			

Charged to goodwill or badwill

CHANGE IN PROVISION FOR RETIREMENT AND SIMILAR OBLIGATIONS (BY TYPE)		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	As of the beginning of the period	10 967	10 969	10 969
-	jubilee benefits			0
-	provision for retirement bonuses	8 833	8 416	8 416
-	provision for death benefits	2 134	2 553	2 553
-	provision for energy equivalent			
b)	Increase by	563	417	312
-	jubilee benefits			
-	provision for retirement bonuses	526	417	239
-	provision for death benefits	37		73
-	provision for energy equivalent			
c)	Utilization			
d)	Reversal by	0	419	0
-	jubilee benefits			
-	provision for energy equivalent			
-	provision for death benefits		419	
e)	As of the end of the period	<b>11 530</b>	<b>10 967</b>	<b>11 281</b>
-	jubilee benefits	0	0	
-	provision for retirement bonuses	9 359	8 833	8 655
-	provision for death benefits	2 171	2 134	2 626
-	provision for energy equivalent	0	0	0

in PLN thousand	
-----------------	--

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>CHANGE IN SHORT TERM PROVISION FOR RETIREMENT AND SIMILAR OBLIGATIONS (BY TYPE)</b>	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a) As of the beginning of the period	631	16 356	16 356
- jubilee benefits		15 826	15 826
- provision for retirement bonuses	631	530	530
- provision for death benefits			
- provision for energy equivalent			
b) Increase by	0	101	0
- jubilee benefits			
- provision for retirement bonuses		101	
- provision for death benefits			0
- provision for energy equivalent			
c) Utilization by	0	15 383	15 383
- jubilee benefits		15 383	15 383
d) Reversal by	424	443	612
- jubilee benefits		443	443
- provision for retirement bonuses	424		169
- provision for death benefits			
- provision for energy equivalent			
e) As of the end of the period	<b>207</b>	<b>631</b>	<b>361</b>
- jubilee benefits	0	0	0
- provision for retirement bonuses	207	631	361
- provision for death benefits			0
- provision for energy equivalent	0	0	0

<b>CHANGE IN OTHER LONG TERM PROVISION (BY TYPE)</b>	<b>in PLN thousand</b>		
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a) As of the beginning of the period	17 424	17 141	17 141
- Reclamation provision	1 005	2 470	2 470
- Liquidation provision	16 419	14 671	14 671
b) Increase by	215	1 748	1 540
- Reclamation provision			
- Liquidation provision	215	1 748	1 540
c) Utilization by	142	0	0
- Reclamation provision	142		
- Liquidation provision			
d) Reversal by	0	1 465	1 689
- Reclamation provision		1 465	1 689
- Liquidation provision			
e) As of the end of the period	<b>17 497</b>	<b>17 424</b>	<b>16 992</b>
- Reclamation provision	863	1 005	781
- Liquidation provision	16 634	16 419	16 211



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

CHANGE IN OTHER SHORT TERM PROVISION (BY TYPE)		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	As of the beginning of the period	282 828	125 085	125 085
-	Provision for CO2 emission allowances	282 135	122 030	122 030
--	Provision for URE penalty		1 500	1 500
-	Reclamation provision	693	1 555	1 555
-	Liquidation provision			
-	Agreement penalty KWB Konin			
b)	Increase by	124 975	279 449	120 304
-	Provision for CO2 emission allowances	124 975	279 449	120 304
-	Reclamation provision			
-	Utilization by			
c)	Provision for CO2 emission allowances	282 262	121 482	119 343
-	Provision for URE penalty	282 135	119 344	119 343
-	Reclamation provision		1 500	
-	Liquidation provision	127	638	
-	Reversal by			
d)	Provision for CO2 emission allowances	0	224	0
-	Reclamation provision			
-	Liquidation provision		224	
-	Agreement penalty KWB Konin			
-	As of the end of the period			
e)	Provision for CO2 emission allowances	<b>125 541</b>	<b>282 828</b>	<b>126 046</b>
-	Provision for URE penalty	124 975	282 135	122 991
-	Reclamation provision	0	0	1 500
-	Liquidation provision	566	693	1 555
-	As of the beginning of the period	0	0	0

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**h) Liabilities acc. to items in the balance sheet**

LONG TERM LIABILITIES	in PLN thousand		
	30 June 2016	31 December 2015	30 June 2015
a) To subsidiaries	254	254	204
- Credits and loans			
- Securities			
- Other, including			
- Financial leasing			
- Other	254	254	204
b) To jointly controlled entities			
c) To associated entities	524	591	545
- Credits and loans			
- Securities			
- Other, including			
- Financial leasing	524	591	545
- Other			
d) To significant shareholder			
e) To shareholder of jointly controlled entity			
f) To parent company			
g) To other entities	415 012	535 368	507 783
- Credits and loans	414 926	535 127	497 793
- Securities			
- Other, including			
- Financial leasing			
- Other			335
- Construction of fixed assets in progress liabilities	86	241	9 655
<b>Total</b>	<b>415 790</b>	<b>536 213</b>	<b>508 532</b>

LONG-TERM LIABILITIES WITH A REPAYMENT PERIOD REMAINING FROM THE BALANCE SHEET DATE	in PLN thousand		
	30 June 2016	31 December 2015	30 June 2015
a) over 1 year to 3 years	294 477	180 761	163 733
b) over 3 years to 5 years	121 313	161 756	140 192
c) over 5 years		193 696	204 607
<b>Total long-term liabilities</b>	<b>415 790</b>	<b>536 213</b>	<b>508 532</b>

LONG TERM LIABILITIES (BY CURRENCY)	currency	in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a) In PLN	PLN	415 790	536 213	508 532
b) In other currencies (by currency and after calculation into PLN)				
b1. In currency				
<b>Total</b>		<b>415 790</b>	<b>536 213</b>	<b>508 532</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

SHORT-TERM LIABILITIES		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	for subsidiaries	80 746	77 156	80 695
-	credits and loans, including:			
-	of a long-term repayment period			
-	debt stocks liabilities			
-	dividends			
-	other financial liabilities, including:			
-	deliveries and services of the maturity date:	77 071	70 082	72 367
-	up to 12 months	77 071	70 082	72 367
-	over 12 months			
-	advance payments received for deliveries			
-	bill of exchange liabilities			
-	other (by type)	3 675	7 074	8 328
b)	for co-subsiidiaries			
c)	for associates	3 581	8 446	13 224
-	credits and loans, including:			
-	of a long-term repayment period			
-	debt stocks liabilities			
-	dividends			
-	other financial liabilities, including:			
-	deliveries and services of the maturity date:	3 449	5 662	13 104
-	up to 12 months	3 449	5 662	13 104
-	over 12 months			
-	advance payments received for deliveries			
-	other (by type)	132	2 784	120
d)	for a significant investor			
e)	for a shareholder of the co-subsiidiary			
f)	for a parent company			
g)	for other entities	242 666	253 112	223 274
-	credits and loans, including:			
-	of a long-term repayment period	162 389	79 943	52 307
-	debt stocks liabilities			
-	dividends			60 988
-	Long term in payment period			
-	deliveries and services of the maturity date:	35 625	15 184	31 008
-	up to 12 months	35 625	15 184	31 008
-	over 12 months			
-	advance payments received for deliveries	79	124	98
-	bill of exchange liabilities			
-	taxes, duties, insurances and other provisions	29 841	83 113	17 200
-	remunerations	4 050	4 067	4 050
-	lease agreement liabilities			4
-	other	157	22	147
-	capital work in progress acquisition liabilities	5 130	65 876	51 940
-	the State Fund for Rehabilitation of Disabled Persons (PFRON) liabilities	119	113	122
-	security deposits		328	155
-	the Intercompany Social Insurance Fund (MFŚS) liabilities	4 092	3 519	3 858
-	deductions from the pay roll	1 184	823	1 397

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

h)	special funds (by title)	5 464	4 735	6 039
-	the Company Social Fund	5 409	4 680	5 984
-	the Staff Fund	55	55	55
<b>Total short-term liabilities</b>		<b>332 457</b>	<b>343 449</b>	<b>323 232</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**i) Working capital facilities and investment credits**

**Overdraft facilities as of 30 June 2016 in PLN thousand**

From	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency	Credit amount	Indebtedness as of 30 June 2016			Maturity
							Total	Long-term	Short-term	
Other entities	1.	Overdraft facility	Bank Pekao S.A.	(88/2005) of 20 December 2005	PLN thousand	80 000	-	-	-	30 September 2016
	2.	Overdraft facility	PKO Bank Polski S.A.	(270- 1/10/RB/2006) of 25 August 2006	PLN thousand	90 000	-	-	-	25 November 2016
<b>Total</b>						<b>170 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Investment loans as of 30 June 2016 in PLN thousand**

	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency	Indebtedness as of 30 June 2016			Maturity
						Total	Long-term	Short-term	
Other entities	Loan A	Modernization of Units 1-4 in Pątnów I	Consortium of banks mBank, BGK, Millennium, PEKAO S.A. and PKO BP	13 March 2014	PLN thousand	500 387	350 475	149 912	20 March 2020
	Loan B	Refinancing of full payment of IOS credit facility	Consortium of banks mBank, BGK, Millennium, PEKAO S.A. and PKO BP	13 March 2014	PLN thousand	76 928	64 451	12 477	20 March 2020
<b>Total</b>						<b>577 315</b>	<b>414 926</b>	<b>162 389</b>	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**Overdraft facilities as of 31 December 2015 in PLN thousand**

From	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency	Credit amount	Indebtedness as of 31 December 2015			Maturity
							Total	Long-term	Short-term	
Other entities	1.	Overdraft facility	Bank Pekao S.A.	(88/2005) of 20 December 2005	PLN thousand	80 000	-	-	-	30 September 2016
	2.	Overdraft facility	PKO Bank Polski S.A.	(270-1/10/RB/2006) of 25 August 2006	PLN thousand	90 000	-	-	-	25 November 2016
	3.	Overdraft facility	ING Bank Śląski S.A.	of 28 March 2007	PLN thousand	30 000	-	-	-	28 March 2016
<b>total</b>						<b>200 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Investment loans as of 31 December 2015 in PLN thousand**

From other entities	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency PLN thousand	Indebtedness as of 31 December 2015			Maturity
						Total	Long-term	Short-term	
	Loan B	Refinancing of full payment of IOS credit facility	Consortium of banks: mBank, BGK, Millennium, PEKAO S.A. and PKO BP	13 March 2014	PLN	82 027	69 727	12 300	20 December 2023
<b>TOTAL</b>						<b>82 027</b>	<b>69 727</b>	<b>12 300</b>	

From other entities	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency PLN thousand	Indebtedness as of 31 December 2015			Maturity
						Total	Long-term	Short-term	
	Loan A	Modernization of Units 1-4 in Pątnów I	Consortium of banks mBank, BGK, Millennium, PEKAO S.A. and PKO BP	13 March 2014	PLN	533 043	465 400	67 643	20 December 2023
<b>TOTAL</b>						<b>533 043</b>	<b>465 400</b>	<b>67 643</b>	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**Overdraft facilities as of 30 June 2015 in PLN thousand**

From	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency	Item	Indebtedness as of 30 June 2015			Maturity
							Total	Long-term	Short-term	
other entities	1.	Overdraft facility	Bank Zachodni WBK S.A.	(1199/108/01) of 10 August 2001	PLN	5 000	-	-	-	30 November 2015
	2.	Overdraft facility	Bank Pekao S.A.	(88/2005) of 20 December 2005	PLN	80 000	-	-	-	30 September 2015
	3.	Overdraft facility	PKO Bank Polski S.A.	(270- 1/10/RB/2006) of 25 August 2006	PLN	90 000	-	-	-	25 October 2015
	4.	Overdraft facility	ING Bank Śląski S.A.	of 28 March 2007	PLN	30 000	-	-	-	28 March 2016
<b>Total</b>						<b>205 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Investment loans as of 30 June 2015 in PLN thousand**

From other entities	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency	Indebtedness as of 30 June 2015			Maturity
						Total	Long-term	Short-term	
	Loan B	Refinancing of full payment of IOS credit facility	Consortium of banks: mBank, BGK, Millennium, PEKAO S.A. and PKO BP	of 13 March 2014	PLN	86 972	74 547	12 425	20 December 2023
<b>total</b>						<b>86 972</b>	<b>74 547</b>	<b>12 425</b>	

From other entities	Item	Object of credit	Creditor	(Agreement no.) of	Credit currency PLN thousand	Indebtedness as of 30 June 2015			Maturity
						Total	Long-term	Short-term	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

Loan A	Modernization of Units 1-4 in Pątnów I	Consortium of banks mBank, BGK, Millennium, PEKAO S.A. and PKO BP	13 March 2014	PLN	463 128	423 246	39 882	20 December 2023
<b>total</b>					<b>463 128</b>	<b>423 246</b>	<b>39 882</b>	

**j) Granted loans**

**As of 30 June 2016 in PLN thousand or EUR thousand**

	Item.	Object of loan	Loan granted to	Agreement dated	Currency	Loan amount	Assets as of	including:		Maturity	
							30 June 2016	Long-term	Short-term		
<b>Affiliates</b>	1.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12 November 2002	Amount in PLN equal to EUR	34 099	17 182	+1	13 640	3 410 --	15 October 2020
								=	-	+1	
			=	13 640	=	3 542					
	2.	Construction of 460 MW unit in Pątnów II (the overhaul)	Elektrownia Pątnów II Sp. z o.o.	13 March 2006	PLN thousand	11 065	4 610	+1	3 611	903 --	15 October 2020
							=	-	+1	96	
								=	3 611	999	
<b>total</b>							<b>80 648</b>		63 973	15 993	
									0,00	+1	682
									<b>63 973</b>	=	<b>16 675</b>

<sup>1/</sup> Interest accrued as of 30 June 2016

<sup>2/</sup> Loan value acc. to the exchange rates of the date of granting its instalments and capitalisation.

<sup>3/</sup> Average EUR/PLN exchange rate according to the table of the National Bank of Poland of 30 June 2016, amounting to 4,4255.



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**As of 31 December 2015**

	Item.	Object of loan	Loan granted to	Agreement dated	Currency	Loan amount	Assets as of		including:		Maturity
							31 December 2015		Long-term	Short-term	
<b>Affiliates</b>	1.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12 November 2002	Amount in PLN equal to EUR	34 099	17 091	+ <sup>1</sup>	13 640	3 410 --	15 October 2020
								=	-	+ <sup>1</sup>	
			=	13 640	=	3 451					
	136 164 <sup>2</sup>	72 830 <sup>3</sup>	+ <sup>1</sup>	58 125 <sup>3</sup>	+ <sup>1</sup>	14 531					
							=	- <sup>3</sup>	+ <sup>1</sup>	174 <sup>3</sup>	
							=	58 125 <sup>3</sup>	=	14 705 <sup>3</sup>	
2.	Construction of 460 MW unit in Pątnów II (the overhaul)	Elektrownia Pątnów II Sp. z o.o.	13 March 2006	PLN thousand	11 065		4 542	+ <sup>1</sup>	3 611	903 --	15 October 2020
								=	-	+ <sup>1</sup>	
								=	3 611	931	
<b>total</b>							<b>77 373</b>		61 736	15 434	
									0,00	+ <sup>1</sup>	203
									<b>61 736</b>	=	<b>15 637</b>

<sup>1</sup>/ Interest accrued as of 31 December 2015

<sup>2</sup>/ Loan value acc. to the exchange rates of the date of granting its instalments and capitalisation.

<sup>3</sup>/ Average EUR/PLN exchange rate according to the table of the National Bank of Poland of 31 December 2015, amounting to 4,2615.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**As of 30 June 2015 in PLN/EUR thousand**

	Item.	Object of loan	Loan granted to	Agreement dated	Currency	Loan amount	Assets as of	including:		Maturity	
							30 June 2015	Long-term	Short-term		
<b>Affiliates</b>	1.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12 November 2002	Amount in PLN equal to EUR	34 099 EUR	20 639 EUR	+ <sup>1</sup>	17 049 EUR	3 410 EUR --	15 October 2020
							-	+ <sup>1</sup>	179 EUR		
		=	17 049 EUR	=	3 590 EUR						
	136 169 PLN <sup>2</sup>	86 570 PLN <sup>3</sup>	+ <sup>1</sup>	71 513 PLN <sup>3</sup>	- <sup>3</sup>	+ <sup>1</sup>	14 302 PLN	754 PLN <sup>3</sup>			
						=	71 513 PLN <sup>3</sup>	=	15 057 PLN <sup>3</sup>		
	2.	Construction of 460 MW unit in Pątnów II (the overhaul)	Elektrownia Pątnów II Sp. z o.o.	13 March 2006	PLN thousand	11 067 PLN	5 536 PLN	+ <sup>1</sup>	4 513 PLN	903 PLN --	15 October 2020
						=	-	+ <sup>1</sup>	120 PLN		
							=	4 513 PLN	=	1 023 PLN	
<b>total</b>							<b>92 106 PLN</b>		76 026 PLN	15 205 PLN	
									0,00 PLN	+ <sup>1</sup>	875 PLN
									<b>76 026 PLN</b>	=	<b>16 080 PLN</b>

<sup>1</sup>/ Interest accrued as of 30 June 2015

<sup>2</sup>/ / Loan value acc. to the exchange rates of the date of granting its instalments and capitalisation.

<sup>3</sup>/ Average EUR/PLN exchange rate according to the table of the National Bank of Poland of 30 June 2015 , amounting to 4,1944

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**k) Concluded lease agreements in PLN thousand**

**As of 30 June 2016**

From	Item.	Object of lease	Financing party	Agreement of:	Lease currency	Indebtedness as of 30 June 2016			Indebtedness as of
						total	long-term	short-term	
Other entities	1.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	20 July 2015	PLN thousand	103	85	18	19 July 2019
	2.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	13 March 2015	PLN thousand	333	271	62	18 March 2019
	3.	AUDI A6	Polkomtel Sp. z o.o.	17 October 2014	PLN thousand	168	124	44	02 November 2018
	4.	VOLKSWAGEN GOLF	Polkomtel Sp. z o.o.	13 March 2015	PLN thousand	53	44	9	18 March 2019
<b>total</b>						<b>656</b>	<b>524</b>	<b>132</b>	

**As of 31 December 2015**

From	Item.	Object of lease	Financing party	Agreement of:	Lease currency	Indebtedness as of 31 December 2015			Indebtedness as of
						total	long-term	short-term	
Other entities	1.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	20 July 2015	PLN thousand	111	94	17	19 July 2019
	2.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	13 March 2015	PLN thousand	363	303	60	18 March 2019
	3.	AUDI A6	Polkomtel Sp. z o.o.	17 October 2014	PLN thousand	189	146	43	02 November 2018
	4.	VOLKSWAGEN GOLF	Polkomtel Sp. z o.o.	13 March 2015	PLN thousand	57	48	9	18 March 2019
<b>total</b>						<b>720</b>	<b>591</b>	<b>129</b>	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**As of 30 June 2015**

From	Item.	Object of lease	Financing party	Agreement of:	Lease currency	Indebtedness as of 30 June 2015			Maturity
						total	long-term	short-term	
Other entities	1.	VOLKSWAGEN PASSAT	Energo-Utech S.A.	5 May 2012 no. 15/O/ENUT/2012	PLN	4	-	4	20 April 2015
	2.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	13 March 2015	PLN	392	328	64	20 September 2015
	3.	AUDI A6	Polkomtel Sp. z o.o.	17 October 2014	PLN	210	164	46	02 November 2018
	4.	VOLKSWAGEN GOLF	Polkomtel Sp. z o.o.	13 March 2015	PLN	61	52	9	18 March 2019
<b>total</b>						<b>668</b>	<b>544</b>	<b>123</b>	

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

**l) Short-term receivables**

SUPPLIES AND SERVICES RECEIVABLES (GROSS) FROM THE DATE OF BALANCE DAY TILL REPAYMENT DATE:		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	Up to 1 month	91 782	120 889	97 241
b)	1 to 3 months	852	796	1 143
c)	3 to 6 months			
d)	6 months to 1 year			
e)	Over 1 year			
f)	Overdue	34 185	33 461	34 026
Total supplies and services receivables (gross)		126 819	155 146	132 410
g)	Impairment in supplies and services receivables	32 361	32 364	32 363
Total supplies and services receivables (net)		94 458	122 782	100 047

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**m) List of prepayments and accruals as well as revenues in future periods**

<b>SHORT-TERM PREPAYMENTS</b>		<b>in PLN thousand</b>		
		<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a)	Prepayments, including:	2 380	1 182	2 268
-	Magazine subscriptions	0	11	
-	Property liquidation	886	886	886
-	Prepayment for TGE participation in 2015		45	
-	Payment for protection of trade mark	4	5	5
-	Payment for support of IT system		44	
-	Cost of license incorporation	209	191	99
-	Property insurance	1 250		1 278
-	Write-off for ZFŚS	31		
b)	Other prepayments			
<b>Total short-term prepayments</b>		<b>2 380</b>	<b>1 182</b>	<b>2 268</b>

<b>LONG-TERM PREPAYMENTS</b>		<b>in PLN thousand</b>		
		<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a)	Prepayments, including:	1 295	1 664	1 773
-	Reclamation	0	0	0
-	Liquidation	443	886	1 329
-	Cost of license incorporation	852	778	444
b)	Other prepayments, including:	0	2 960	3 271
-	Financing costs, deferred cost	0	2 960	3 271
<b>Total long-term prepayments</b>		<b>1 295</b>	<b>4 624</b>	<b>5 044</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>OTHER PREPAYMENTS AND ACCRUALS</b>		<b>in PLN thousand</b>		
		<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a)	Accruals	24 389	18 895	34 821
-	Long-term (by type)			
-	Short-term (by type)	24 389	18 895	34 821
	Provision for annual bonus		15 808	8 335
	Provision for unused leave	3 133	1 732	3 239
	Provision for current year costs	120	147	0
	Payment for commercial use of environment	20 674		22 789
	Duty of redemption of certificates of origin – „green certificates”	232	575	282
	Duty of redemption of certificates of origin – „red certificates”	52	95	47
	Duty of redemption of certificates of origin – gas payment „violet”	20	31	16
	Duty of redemption of certificates of origin – „white energy”		282	0
	Duty of redemption of certificates of origin – gas payment „yellow”	158	225	113
b)	deferred income	15 430	15 613	15 810
-	Long-term (by type)	15 069	15 234	15 396
	Deferred grant	1 475	1 640	1 802
	Difference between the net value of assets transferred in the form of contributions in-kind and their fixed prices, specified in the agreement	13 594	13 594	13 594
-	Short-term (by type)	361	379	414
	deferred grant	330	330	332
	Insurance company compensations	23	41	74
	Other	8	8	8
<b>Total other prepayments</b>		<b>39 819</b>	<b>34 508</b>	<b>50 631</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**n) List of groups and liabilities secured on the entity's assets**

No.	Secured assets	As of 30 June 2016				As of 31 December 2015			
		credit/loan amount	security amount	currency	security amount expressed in % of the assets	credit/loan amount	security amount	currency	security amount expressed in % of the assets
1.	<b>Registered and financial pledge</b>	1 200 000	2 040 000	PLN thousand	81,06%	1 200 000	2 040 000	PLN thousand	48,12%
1.1	Registered pledge on a set of ZE PAK's assets (power units no. 1-4 in the Pątnów Power Plant) for mBank in relation to the credit of PLN 667 million of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN thousand	81,06%	1 200 000	2 040 000	PLN thousand	48,12%
1.2	Registered pledge on bank accounts of ZE PAK S.A. for mBank in relation to the credit of PLN 667 million of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN thousand	81,06%	1 200 000	2 040 000	PLN thousand	48,12%
1.3	Financial pledge on cash on the ZE PAK S.A.'s bank accounts in the following banks: mBank, BGK, PEKAO S.A., PKO BP, Millennium in relation to the credit of PLN 667 million of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN thousand	81,06%	1 200 000	2 040 000	PLN thousand	48,12%
2.	<b>Registered and financial pledge on shares in subsidiaries</b>	102 926	400 000	EUR thousand	83,84% <sup>4</sup>	117 534	400 000	EUR thousand	48,22% <sup>4</sup>
		0,00	339 750	PLN thousand		0,00	339 750	PLN thousand	
2.1	Registered and financial pledge on shares of ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. for BRE Bank S.A. (ZE PAK as the guarantor of the "Pątnów II" project) <sup>1</sup>	117 534	400 000	EUR thousand	70,34% <sup>2</sup>	117 534	400 000	EUR thousand	40,21% <sup>3</sup>
		0,00	339 750	PLN thousand	13,50%	0,00	339 750	PLN thousand	8,01%
3.	<b>Mortgage</b>	-	-	PLN thousand	-	-	-	PLN thousand	-
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/00073272/3, KN1N/00073273/0, KN1N/00091529/2 for the bank mBank in connection with the loan of PLN 667 million of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN thousand	81,06% <sup>6</sup>	1 200 000	2 040 000	PLN thousand	48,12% <sup>6</sup>

- 1/ Securities of the syndicated loan of EUR 240.00 million and the loan of PLN 226.00 million for Elektrowni Pątnów II sp. z o.o. The syndicated loan was granted by the following banks: PEKAO S.A., BRE BANK S.A. and EBOR. The loan was granted by NFOŚiGW. Pledge on shares of ZE PAK S.A. in PAK Infrastruktura sp. z o.o. and PAK HOLDCO sp. z o.o. for BRE Bank S.A.
- 2/ Percentage share in the conversion of EUR 400,000,000.00 into PLN according to the average EUR/PLN exchange rate of 30 June 2016 amounting to 4,4255
- 3/ Percentage share in the conversion of EUR 400,000,000.00 into PLN according to the average EUR/PLN exchange rate of 31 December 2015 amounting to 4,2615
- 4/ Total share of the amounts of security of EUR 400,000,000.00 and PLN 339,750,000.00
- 5/ Securities of the syndicated loan of PLN 667,000,000.00 for ZE PAK S.A. granted by mBank, BGK, Millennium, PKO BP and PEKAO S.A., signed on 13 March 2014
- 6/ The amounts of this securities cannot be aggregated, as they regard a single credit, of which the maximum amount of security is PLN 2.040 million.



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

No.	Secured assets	As of 30 June 2015 in PLN/EUR thousand			
		credit/loan amount	security amount	currency	security amount expressed in % of the assets
<b>1.</b>	<b>Registered and financial pledge</b>	<b>1 200 000</b>	<b>2 040 000</b>	<b>PLN</b>	<b>50,51%</b>
1.1	Registered pledge on a set of ZE PAK's assets (power units no. 1-4 in the Pątnów Power Plant) for mBank in relation to the credit of PLN 1.2 billion of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN	50,51%
1.2	Registered pledge on bank accounts of ZE PAK S.A. for mBank in relation to the credit of PLN 1.2 billion of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN	50,51%
1.3	Financial pledge on cash on the ZE PAK S.A.'s bank accounts in the following banks: mBank, BGK, PEKAO S.A., PKO BP, Millennium in relation to the credit of PLN 1.2 billion of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN	50,51%
<b>2.</b>	<b>Registered and financial pledge on shares in subsidiaries</b>	<b>131 784</b>	<b>400 000</b>	<b>EUR</b>	<b>49,95%<sup>4</sup></b>
		<b>0,00</b>	<b>339 750</b>	<b>PLN</b>	
2.1	Registered and financial pledge on shares of ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. for BRE Bank S.A. (ZE PAK as the guarantor of the "Pątnów II" project) <sup>1</sup>	131 784	400 000	EUR	41,54% <sup>2</sup>
		0,00	339 750	PLN	8,41%
<b>3.</b>	<b>Mortgage</b>	<b>-</b>	<b>-</b>	<b>PLN</b>	<b>-</b>
3.1	Contractual joint capped rate and ordinary mortgage on real estates in Konin for mBank in relation to the credit of PLN 1.2 billion of 13 March 2014 <sup>5</sup>	1 200 000	2 040 000	PLN	50,51% <sup>6</sup>

1/ Securities of the syndicated loan of EUR 240.00 million and the loan of PLN 226.00 million for Elektrowni Pątnów II sp. z o.o. The syndicated loan was granted by the following banks: PEKAO S.A., BRE BANK S.A. and EBOR. The loan was granted by NFOŚiGW. Pledge on shares of ZE PAK S.A. in PAK Infrastruktura sp. z o.o. and PAK HOLDCO sp. z o.o. for BRE Bank S.A.

2/ Percentage share in the conversion of EUR 400,000,000.00 into PLN according to the average EUR/PLN exchange rate of 30 June 2015 amounting to 4,1944

3/

4/ Total share of the amounts of security of EUR 400,000,000.00 and PLN 339,750,000.00

5/ Securities of the syndicated loan of PLN 1.2 billion for ZE PAK S.A. granted by mBank, BGK, Millennium, PKO BP and PEKAO S.A., signed on 13 March 2014

6/ The amounts of this securities cannot be aggregated, as they regard a single credit, of which the maximum amount of security is PLN 2.040 million.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**o) Contingent liabilities, including guarantees and sureties granted by the entity**

CONTINGENT LIABILITIES TO RELATED ENTITIES (BY TYPE)		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	Granted guarantees and warranties:	165 339,00	175 339,00	175 339,00
-	to subsidiaries	165 339,00	175 339,00	175 339,00
-	to jointly-controlled entities			-
-	to affiliates			-
-	to significant shareholder			-
-	To shareholder of jointly-controlled entity			-
-	to parent company			-
b)	other (by type)	1 495,00	1 245,00	1 130,00
-	to employees	1 495,00	1 245,00	1 130,00
-	to subsidiaries			-
-	to jointly-controlled entities			-
-	to affiliates			-
-	to significant shareholder			-
-	to shareholder of jointly-controlled entity			-
-	to parent company			-
<b>Total contingent liabilities to related entities</b>		<b>166 834,00</b>	<b>176 584,00</b>	<b>176 469,00</b>

CONTINGENT LIABILITIES TO OTHER ENTITIES (BY TYPE))		in PLN thousand		
		30 June 2016	31 December 2015	30 June 2015
a)	Granted guarantees and warranties	0	0	0
b)	Other contingent liabilities	4 520 000	4 520 000	4 520 000
<b>Total contingent liabilities to other entities</b>		<b>4 520 000</b>	<b>4 520 000</b>	<b>4 520 000</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**p) Contingent receivables including guarantees and sureties received by the entity**

<b>CONTINGENT RECEIVABLES FROM RELATED ENTITIES (BY TYPE)</b>		<b>in PLN thousand</b>		
		<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a)	Received guarantees and warranties, including:	2 610	3 080	3 080
-	from subsidiaries	2 610	3 080	3 080
-	from jointly-controlled entities			
-	from affiliates			
-	from significant shareholder			
-	from shareholder of jointly-controlled entity			
-	from parent company			
b)	Other			
<b>Total contingent receivables from related entities</b>		<b>2 610</b>	<b>3 080</b>	<b>3 080</b>

<b>CONTINGENT RECEIVABLES FROM OTHER ENTITIES (BY TYPE)</b>		<b>in PLN thousand</b>		
		<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
a)	Received guarantees and warranties	343 666	342 894	375 685
b)	Received bills	4 133	29 048	31 310
<b>Total contingent receivables from other entities</b>		<b>347 799</b>	<b>371 942</b>	<b>406 995</b>

## **q) Legal proceedings**

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

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

On the basis of the decision of the President of the Energy Regulatory Office of 28 December 2010, ZE PAK S.A. was imposed the pecuniary penalty due to failure to perform obligation to maintain stocks of fuel in the quantity securing continuity of supplies of electricity and heat to recipients in 2008 and 2009 in the amount of PLN 1 500 thousand. At the beginning, the Company created the provision for the costs of the penalty in the full amount in 2010, which they then redeemed in 2015 in connection with the payment of the penalty.

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

On 13 May 2015, the Court of Appeal in Warsaw dismissed the Company's appeal against the judgement of the SOKiK of 30 January 2014, the result of which is to uphold the ERO President's decision. On 11 December 2015, the Company filed with the Supreme Court a cassation complaint against the judgment of the Court of Appeal in Warsaw on 13 May 2015.

The proceeding is not completed.

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

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

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

In relation to the decisions of the Administrative Courts in the cases of other energy companies regarding the overpaid excise tax, ZE PAK S.A., in cooperation with a tax advisor, analysed the resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011 where the Supreme Administrative Court recognised that the pass-

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

- twenty-two cases for the period of January 2006 – November 2007 (excluding November 2006) were conducted from the start by the Head of the Customs Office, after the cases returned from the Supreme Administrative Court. The Company included monthly economic analyses of punitive damage in them. After the negative decisions of the Head of the Customs Office and then of the Head of Customs Chamber, complaints were submitted to the Provincial Administrative Court in Poznań, Hearings before the Provincial Administrative Court in Poznań took place on 4 and 18 November 2015. In all cases, negative judgements for the Company were given. The Company decided to file a cassation to the Supreme Administrative Court.
- 14 proceedings for the period December 2007 – February 2009 (excluding July 2008) are suspended in the Provincial Administrative Court pursuant to the amicable application of both parties because of the resolution ref. II FPS 5/13 passed by the Supreme Administrative Court on 27 January 2014. So far, none of the parties has applied for resumption of the proceedings. These proceedings also included annual economic analysis. These proceedings should be undertaken at the latest by November 2016,
- the proceeding for November 2006 was concluded with a negative judgement of the Supreme Administrative Court of 8 December 2011,
- the proceeding for July 2008 reached the recognition of the Company's cassation appeal by the Supreme Administrative Court. On the hearing on 29 April 2015, the Supreme Administrative Court dismissed the Company's cassation appeal and pointed out that it fully agrees with the Provincial Administrative Court in Poznań in the judgement, against which the cassation appeal was submitted.

The Company will make further actions depending on the provisions of the issued decisions.

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

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.

**r) Other agreements not recognised in the balance sheet**

As of 30 June 2016 and of 31 December 2015 the Company possessed no significant agreements, which were not recognised in the balance sheet.

**7. Structure of revenues and costs, corporate income tax**

**a) Material and territorial structure of product, goods and services sales revenues.**

NET PRODUCT SALES REVENUES (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	in PLN thousand	
	30 June 2016	30 June 2015
- Electricity	643 729	622 525
- Including: from related entities	209 692	208 578
- Certificates of origin of energy	19 823	27 395
- Including: from related entities		
- Exchange EUA for CER		
- Heat energy	32 391	33 192
- Including: from related entities	21	18
- Services	76 089	59 597
- Including: from related entities	75 260	58 740
- Goods and materials	43 976	55 807
- Including: from related entities	855	1 776
<b>Total sales revenue</b>	<b>816 008</b>	<b>798 516</b>
- Including: from related entities	285 828	269 112

NET REVENUES FROM SALES OF GOODS AND MATERIALS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	in PLN thousand	
	30 June 2016	30 June 2015
- Resale of electricity	42 789	53 725
- Including: from related entities	0	
- Other materials	1 187	2 082
- Including: from related entities	855	1 776
-		
<b>total</b>	<b>43 976</b>	<b>55 807</b>
- Including: from related entities	855	1 776

**b) Information on operations discontinued in the accounting year or to be discontinued in the next year**

Zespół Elektrowni Pątnów Adamów Konin S.A. has not discontinued any operations during the accounting year ended 30 June 2016

**c) Other operating revenues**

OTHER OPERATING REVENUES	in PLN thousand	
	30 June 2016	30 June 2015
a) Reversal of the provision (including)	0	295
- Provision for employee benefits		

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

-	Impairment on fixed assets		
-	Provision for property liquidation		
-	Reclamation provision		295
-	Impairment on materials		
-	„Violet” certificates of origin		
b)	Other, including:	2 900	745
-	Grants	165	166
-	Penalties		
-	Compensations from the insurance company	2 690	430
-	Surpluses		
-	Impairment on receivables		1
-	Profit on sale of non-financial assets		96
-	Return of litigation costs		1
-	Other	45	51
<b>Total other operating revenues</b>		<b>2 900</b>	<b>1 040</b>

**d) Other operating costs**

OTHER OPERATING COSTS		in PLN thousand	
		30 June 2016	30 June 2015
a)	Creation of provision (on)	739	443
-	Liquidation of assets	443	443
-	Losses and costs	296	
b)	other, including:	22 427	44 934
-	Loss on sale of non-financial assets	59	90
-	Failure of power equipment	145	206
-	Donations	324	647
-	Cost of proceedings		2
-	Write-off in certificates of origin „green certificates”	103	
-	Energy equivalent for pensioners		
-	Update of certificates of origin „green certificates”	21 731	43 753
-	Update of certificates of origin „red certificates”		7
-	Penalties	17	
-	Other	48	229
<b>Total other operating costs</b>		<b>23 166</b>	<b>45 377</b>

**e) Financial income**

FINANCIAL INCOME FROM DIVIDENDS AND SHARES IN PROFITS		in PLN thousand	
		30 June 2016	30 June 2015
a)	From related entities, including:	78 722	42 898
-	Subsidiaries	78 722	42 898
-	Jointly-controlled entities		
-	Affiliates		
-	Significant shareholder		
-	Shareholder of jointly-controlled entity		
-	Parent company		
b)	Other entities	56	49
<b>Total financial income from dividends and shares in profits</b>		<b>78 778</b>	<b>42 947</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

FINANCIAL INCOME FROM INTEREST		in PLN thousand	
		30 June 2016	30 June 2015
a)	From granted loans to	468	601
-	Related entities, including:	468	601
-	Subsidiaries	468	601
-	Jointly-controlled entities		
-	Affiliates		
-	Significant shareholder		
-	Shareholder of jointly-controlled entity		
-	Parent company		
-	Other entities		
b)	Other interest	1 309	589
-	Related entities, including:		
-	Subsidiaries	82	65
-	Jointly-controlled entities		
-	Affiliates		
-	Significant shareholder		
-	Shareholder of jointly-controlled entity		
-	Parent company		
-	Other entities	1 227	524
<b>Total financial income from interest</b>		<b>1 777</b>	<b>1 190</b>

OTHER FINANCIAL INCOME		in PLN thousand	
		30 June 2016	30 June 2015
a)	Exchange gains	0	0
-	Realized		
-	Unrealized		
b)	Consumed provisions (of which)	2	3
-	Return of additional equity		
-	Interest from overdue payments	2	3
c)	Other, including:	2 829	8
-	Update of value of investment	2 807	
-	Other	22	8
<b>Total other financial income</b>		<b>2 831</b>	<b>11</b>

**f) Financial costs**

FINANCIAL COSTS DUE TO INTEREST		in PLN thousand	
		30 June 2016	30 June 2015
a)	Credits and loans	8 615	1 444
-	To related entities, including:		
-	Subsidiaries		
-	Jointly-controlled entities		
-	Affiliates		
-	Significant shareholder		
-	Shareholder of jointly-controlled entity		
-	Parent company		
-	Other entities	8 615	1 444
b)	Other interest	14	9
-	To related entities, including:		
-	Subsidiaries		



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

-	Jointly-controlled entities	12	
-	Affiliates		
-	Significant shareholder		
-	Shareholder of jointly-controlled entity		
-	Parent company		
-	Other entities	2	9
<b>Total financial costs due to interest</b>		<b>8 629</b>	<b>1 453</b>

OTHER FINANCIAL COSTS		in PLN thousand	
		30 June 2016	30 June 2015
a)	Exchange losses, including:	281	1 909
-	Realized	338	1 442
-	Unrealized	-57	467
b)	Creation of provision (of)	214	208
-	Discount provision for property liquidation	214	208
c)	Other, including:	3 429	1 845
-	Impairment in receivables		
-	Update of investment value		1 385
-	commission for the tranche of loan that has been not run	3 279	
-	Other	150	460
<b>Total other financial costs</b>		<b>3 924</b>	<b>962</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**g) Corporate income tax – current**

CORPORATE INCOME TAX CURRANT		in PLN thousand	
		30 June 2016	30 June 2015
1.	<b>Gross Profit (loss)</b>	<b>147 166</b>	<b>-6 561</b>
2.	Consolidation adjustments		
3.	Differences between profit (loss) and taxable income (by title)	-183 406	-52 511
-	Costs and losses permanently not recognised by the tax laws for the acquisition costs (+)	1 089	1 278
-	Costs and losses temporarily not recognised by the tax laws for the acquisition costs (+)	104 102	163 941
-	Tax costs not included in the result of the year (-)	0	0
-	Revenues not included in the tax base (-)	106 654	76 115
-	Tax revenues unrecognised in the result of the financial year (+)	733	0
-	Other changes in the tax base provided in the tax regulations	-182 676	-141 615
<b>4.</b>	<b>Income tax base</b>	<b>-36 240</b>	<b>-59 072</b>
5.	Income tax at 19 %	0	0
6.	Increases, omissions, exemptions, deductions and tax reductions		9
<b>7.</b>	<b>Tax increases, foregoes, exemptions, deductions and reductions:</b>	<b>0</b>	<b>9</b>
-	Presented in profit and loss account	0	9
-	relating to items that decreased or increased equity		
-	relating to items that decreased or increased goodwill or negative goodwill		

DEFERRED INCOME TAX SHOWN IN THE INCOME STATEMENT		in PLN thousand	
		30 June 2016	30 June 2015
-	decrease (increase) due to generation and reversal of temporary differences	19 363	-9 192
-	decrease (increase) due to a change in tax rates		
-	decrease (increase) due to the previously unrecognised tax loss, tax relief, or temporary difference of the previous period		
-	decrease (increase) due to the write-off of the deferred income tax assets or inability to use the provision for the deferred income tax		
-	other deferred tax components (by title)		
<b>Total deferred income tax</b>		<b>19 363</b>	<b>-9 192</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**h) The asset and deferred tax provision**

**As of 30 June 2016**

No.	Subject	Assets	Provision
<b>1)</b>	<b>costs and losses, which will reduce or increase the tax base in the future, including:</b>		
	provision for audit costs	23	
	provision for anniversary premiums, the energy equivalent, retirement benefits, survival benefits	2 230	
	provision for leave	595	
	accrued interest on credits and loans	42	
	provision for materials	718	
	accruals green certificates	44	
	accruals red certificates	10	
	accruals white energy		
	accruals purple certificates	4	
	accruals yellow certificates	30	
	provision for liquidation of assets	2 908	
	provision for financial assets	2 220	
	provision for receivables	369	
	tax and balance sheet depreciation of fixed assets		72 321
	social security contributions (ZUS) from remuneration	486	
	unpaid remuneration – contracts of mandate	14	
	costs related to the future sale of assets	4	
	provision for reclamation	272	
	The tax and balance sheet subsidy of fixed assets in the sale-and-leaseback.	203	
	provision of CO2 emission allowances	23 734	
	purchased EUAs, CERs, ERUs		34 306
<b>2)</b>	<b>the revenues, which will increase the tax base in the future</b>		
	accrued interest on the granted loan, deposits		153
	loan valuation		1 526
	green and red certificates in stock		7 668
	paid commission on the credit settled in time		205
	valuation of the cash and foreign exchange account, settlements		11
	<b>TOTAL:</b>	<b>33 906</b>	<b>116 190</b>
	<b>The presented amount, deferred income tax</b>		<b>82 284</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**As of 31 December 2015**

No.	Subject	Assets	Provision
1)	<b>costs and losses, which will reduce or increase the tax base in the future, including:</b>		
	- annual bonus	3 003	
	provision for audit costs	28	
	provision for anniversary premiums, the energy equivalent, retirement benefits, survival benefits	2 204	
	provision for leave	329	
	accrued interest on credits and loans	39	
	provision for materials	718	
	accruals green certificates	109	
	accruals red certificates	18	
	accruals white energy	54	
	accruals purple certificates	6	
	accruals yellow certificates	43	
	provision for liquidation of assets	2 783	
	incurred costs of the liquidation of SMT El. Pątnów		
	provision for financial assets	2 220	
	provision for receivables	369	
	tax and balance sheet depreciation of fixed assets		55 658
	update assets		
	valuation of the cash and foreign exchange account, settlements		
	social security contributions (ZUS) from remuneration	478	
	unpaid remuneration – contracts of mandate	13	
	costs related to the future sale of assets	3	
	provision for reclamation	323	
	The tax and balance sheet subsidy of fixed assets in the sale-and-leaseback.	215	
	Accrued impairment to the Social Fund		
	Agreement penalty Elektrim Megadex		
	provision of CO2 emission allowances	47 621	
	purchased EUAs, CERs, ERUs		54 383
2)	<b>the revenues, which will increase the tax base in the future</b>		
	accrued interest on the granted loan, deposits		57
	loan valuation		995
	green and red certificates in stock		12 315
	paid commission on the credit settled in time		88
	<b>TOTAL:</b>	<b>60 576</b>	<b>123 496</b>
	<b>The presented amount, deferred income tax</b>		<b>62 920</b>

**As of 30 June 2015 (unaudited)**

No.	Subject	Assets	Provision

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>1)</b>	<b>costs and losses, which will reduce or increase the tax base in the future, including:</b>		
	- annual bonus	1 584	
	provision for audit costs	0	
	provision for anniversary premiums, the energy equivalent, retirement benefits, survival benefits	2 212	
	provision for leave	615	
	accrued interest on credits and loans	30	
	provision for materials	728	
	accruals green certificates	54	
	accruals red certificates	9	
	accruals white energy	0	
	accruals purple certificates	3	
	accruals yellow certificates	22	
	provision for liquidation of assets	2 659	
	incurred costs of the liquidation of SMT El. Pątnów		
	provision for financial assets	2 220	
	provision for receivables	4 951	
	tax and balance sheet depreciation of fixed assets		62 437
	valuation of the cash and foreign exchange account, settlements	1	
	social security contributions (ZUS) from remuneration	511	
	unpaid remuneration – contracts of mandate	16	
	costs related to the future sale of assets	3	
	provision for reclamation	444	
	The tax and balance sheet subsidy of fixed assets in the sale-and-leaseback.	226	
	provision of CO2 emission allowances	23 368	
	purchased EUAs, CERs, ERUs		36 856
	tax loss for current period	9 277	
	tax loss for this year	11 224	
<b>2)</b>	<b>the revenues, which will increase the tax base in the future</b>		
	accrued interest on the granted loan, deposits		171
	loan valuation		932
	green and red certificates in stock		22 344
	paid commission on the credit settled in time		87
	valuation of the cash and foreign exchange account, settlements		15
	<b>TOTAL:</b>	<b>60 157</b>	<b>122 842</b>
	<b>The presented amount, deferred income tax</b>		<b>62 685</b>

**i) Cost data by type**

COST BY TYPE		in PLN thousand	
		30 June 2016	30 June 2015
a)	depreciation	17 647	41 743
b)	materials and energy consumption	371 274	392 900
c)	external services	69 199	85 077
d)	taxes and charges	141 432	137 475

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

e)	remuneration	49 682	67 818
f)	social security and other benefits	13 974	16 627
g)	other costs by type (for)	5 037	5 964
-	property insurance	4 884	5 664
-	business trips	81	106
-	costs of representation	27	81
-	expenses of the supervisory board	3	2
-	other	42	111
<b>Total costs by type</b>		<b>668 245</b>	<b>747 604</b>
change in inventories, products and prepayments		4 937	2 208
The cost of manufacturing products for the own needs (negative value)		-45	-79
Costs of sales (negative value)		-1 429	-1 341
Overheads (negative value)		-12 282	-16 860
Cost of manufacturing the sold products		659 426	731 532

**j) Information on extraordinary profits and losses**

During the financial period, extraordinary profits or losses did not occur.

**k) Explanatory notes to the cash flow statement**

Liabilities in PLN thousand	30 June 2016	30 June 2015
The balance sheet change in long-term and short-term liabilities	-131 415	151 611
Change in credits as well as long-term and short-term loans	37 755	-196 466
Change in lease liabilities	64	-419
Change in liabilities due to dividend	0	-60 988
Change in liabilities due to the construction in accumulation	64 301	41 620
<b>Change in liabilities in the cash flows statement</b>	<b>-29 295</b>	<b>-64 642</b>

Receivables in PLN thousand	30 June 2016	30 June 2015
Change in balance of receivables	7 810	7 623
Receivables due to dividends	22 470	15 434
Change in state from sale of fixed assets	-1 594	
<b>Change in balance of receivables in CF Statement</b>	<b>28 686</b>	<b>23 057</b>

Reserves in PLN thousand	30 June 2016	30 June 2015
The balance sheet change in provisions	-137 711	-24 064
Provision due to the redemption of CERs	282 134	119 343

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

Change in provisions in the cash flows statement	144 423	95 279
--	---------	--------

Investment activity	30 June 2016	30 June 2015
Profit/loss on disposal of non-financial fixed assets	0	-96
Profit/loss on disposal of investments	0	312
<b>Profit (loss) on investment activities in the cash flow statement</b>	<b>0</b>	<b>216</b>

Accruals and provisions in PLN thousand	30 June 2016	30 June 2015
Change in balance of long-term provisions	3 329	1 222
Change in balance of short-term provisions	-1 198	-1 752
Change in balance of accruals	5 311	17 476
Cost of financing for activation	319	71
<b>Change in accruals and provisions in CF Statement</b>	<b>7 761</b>	<b>17 017</b>

## 8. Transactions with related Companies that are not recognised by the consolidated financial statement.

### 6 months period ended 30 June 2016

Entity	Sale	Purchase	Receivables	Liabilities
Megadex Serwis Sp. z o.o.	1	22 667		3 357
Polkomtel sp. z o.o.	42	315	7	749
Laris Investments sp. z o.o.		106		
<b>Total</b>	<b>43</b>	<b>23 088</b>	<b>7</b>	<b>4 106</b>

### The year ended 31 December 2015

Entity	Sale	Purchase	Receivables	Liabilities
Megadex Serwis Sp. z o.o.	13	118 668	509	7 859
Polkomtel sp. z o.o.	86	1 670	9	1 178
PLUS BANK S.A.	2			
Verano sp. z o.o.	10			
Laris Investments sp. z o.o.		202		
<b>Total</b>	<b>111</b>	<b>120 540</b>	<b>518</b>	<b>9 037</b>

### 6 months period ended 30 June 2015

Entity	Sale	Purchase	Receivables	Liabilities
Elektrim S.A.				

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

---

PAI MEDIA S.A.				
Elektrim Magadex S.A.				
Megadex Serwis Sp. z o.o.	7	57 437	742	12 838
Energia-Nova S.A.				
Polkomtel sp. z o.o.	43	562	15	709
Centernet S.A.				
WKS Śląsk Wrocław S.A.				
Laris Investments sp. z o.o.		101		21
<b>Total</b>	<b>49</b>	<b>58 100</b>	<b>757</b>	<b>13 568</b>



**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

**9. Transactions with the capital-related Companies that are recognised by the consolidated financial statement**

30 June 2016	PAK Serwis sp. z o.o.	EI PAK sp. z o.o.	Infrastruktura sp. z o.o.	PAK- Holdco sp. z o.o.	Elektrownia Pątnów II sp. z o.o.	PAK Górnictwo sp. z o.o.	Energoinvest Serwis sp. z o.o.	PAK KWB Konin S.A.	PAK KWB Adamów S.A.	PAK Volt S.A.	EKO-Surowce sp. z o.o.	EL PAK Serwis sp. z o.o.	Aquakon sp. z o.o.	total
Purchase	32 114	12 879	5 519	0	87	0	1 963	194 414	119 804	2	1 733	0	402	<b>368 917</b>
Sale	2 230	1 284	5 409	7	63 055	22	433	2 074	881	209 415	559	327	89	<b>285 785</b>
Interest - financial costs														<b>0</b>
Interest - financial income					468			82						<b>550</b>
Received dividends and shares in profits	6 000		2 815	41 994						5 500				<b>56 309</b>
Foreign exchange rate differences - costs					2 807									<b>2 807</b>
Foreign exchange rate differences - income														<b>0</b>
Receivables due to deliveries, works and services	644	215	1 111	0	13 160	0	78	632	298	29 988	112	238	31	<b>46 507</b>
Liabilities due to deliveries, works and services	23 887	10 130	1 131	0	73	0	850	26 406	13 804	200	474	0	115	<b>77 070</b>
Granted loans					80 648									<b>80 648</b>
Received loans														<b>0</b>
Other receivables								7 522						<b>7 522</b>
dividends - receivable	15 284	7 129												<b>22 413</b>
Granted advance payments														<b>0</b>
Other liabilities	3 929													<b>3 929</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>31 December 2015</b>	<b>PAK Serwis sp. z o.o.</b>	<b>El PAK sp. z o.o.</b>	<b>Infrastuktura sp. z o.o.</b>	<b>PAK-Holdco sp. z o.o.</b>	<b>Elektrownia Pątnów II sp. z o.o.</b>	<b>PAK Centrum Usług Informatycznych sp. z o.o.</b>	<b>PAK Centrum Badań Jakości sp. z o.o.</b>	<b>PAK Górnictwo sp. z o.o.</b>	<b>Energoinwest Serwis sp. z o.o.</b>	<b>PAK KWB Konin S.A.</b>	<b>PAK KWB Adamów S.A.</b>	<b>PAK Volt S.A.</b>	<b>EKO-Surowce sp. z o.o.</b>	<b>EL PAK Serwis sp. z o.o.</b>	<b>Aquakon sp. z o.o.</b>	<b>total</b>
Purchase	93 392	54 283	13 645	0	185	0	0	0	3 840	388 016	262 990	5	2 505	0	1 047	<b>819 908</b>
Sale	6 386	2 074	17 339	48	87 818	0	0	162	810	4 292	1 843	437 804	694	699	243	<b>560 212</b>
Interest - financial costs																<b>0</b>
Interest - financial income					1 143					149						<b>1 292</b>
Received dividends and shares in profits	24 384	3 000	3 096	41 913		1 618	-312					10 800				<b>84 499</b>
Foreign exchange rate differences - costs																<b>0</b>
Foreign exchange rate differences - income					360											<b>360</b>
Receivables due to deliveries, works and services	693	138	1 988		8 904			7	161	798	312	30 938	92	112	29	<b>44 172</b>
Liabilities due to deliveries, works and services	14 555	9 164	1 399		86				891	24 855	18 143	200	464	0	324	<b>70 081</b>
Granted loans					77 373											<b>77 373</b>
Received loans																<b>0</b>
Other receivables			1 594		5 806					7 537						<b>14 937</b>
Granted advance payments																<b>0</b>
Other liabilities	5 541	1 768			4								16			<b>7 329</b>

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

<b>30 June 2015</b>	<b>PAK Serwis sp. z o.o.</b>	<b>El PAK sp. z o.o.</b>	<b>Infrastuktura sp. z o.o.</b>	<b>PAK- Holdco sp. z o.o.</b>	<b>Elektrownia Pątnów II sp. z o.o.</b>	<b>PAK Centrum Usług Informatycznych sp. z o.o. w likwidacji</b>	<b>PAK Centrum Badań Jakości sp. z o.o. w likwidacji</b>	<b>PAK Górnictwo sp. z o.o.</b>	<b>Energoinwest Serwis sp. z o.o.</b>	<b>PAK KWB Konin S.A.</b>	<b>PAK KWB Adamów S.A.</b>	<b>PAK Volt S.A.</b>	<b>EKO- Surowce sp. z o.o.</b>	<b>EL PAK Serwis sp. z o.o.</b>	<b>AQUAKON sp. z o.o.</b>	<b>Total</b>
Purchase	43 144	31 183	6 823		116				1 734	185 931	122 913	2	1 057		121	<b>393 024</b>
Sale	3 555	991	7 853	24	44 233			80	341	2 114	923	208 239	226	359	123	<b>269 061</b>
Interest - financial costs																<b>0</b>
Interest - financial income					601					65						<b>666</b>
Received dividends and shares in profits	12 000		3 096			1 618	-312					10 800				<b>27 202</b>
Foreign exchange rate differences - costs					1 385											<b>1 385</b>
Foreign exchange rate differences - income																<b>0</b>
Receivables due to deliveries, works and services	676	211	1 614		9 297			16	120	798	328	29 186	68	60	31	<b>42 405</b>
Liabilities due to deliveries, works and services	18 801	6 022	1 399		20				834	26 496	18 649	200	268		28	<b>72 717</b>
Granted loans					92 106											<b>92 106</b>
Received loans																<b>0</b>
Other receivables	12 384	3 000								7 522						<b>22 906</b>
Granted advance payments										12 195						<b>12 195</b>
Other liabilities	3 065	5 298			4								16			<b>8 383</b>

## 10. CO<sub>2</sub> allowances

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning CO<sub>2</sub> allowances has been applicable. This period's assumption is granting the Company the free EUA allowances resulting from the production of heat. Although, power engineering was additionally covered by the 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.

In December 2013, the Ministry of Environment issued a sample of a material and financial statement, which is sent annually by the ZE PAK Capital Group to the Ministry 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 from 1 July 2014 to 30 June 2015, the ZE PAK Capital Group submitted the material and financial statement and, at the same time, applied for admitting 329 417 free EUAs. The Group received the above units on 22 April 2016 and used them to redeem the emissions for 2015 in April 2016.

Since 2015, there has been a change in the way of the publication of information on free CO<sub>2</sub> allowances. According to the new Act of 12 June 2015 on the CO<sub>2</sub> emissions trading scheme, the minister competent for the environment issues, after approval of a list of systems generating electricity with the number of emission allowances planned to be granted to these systems in a given year of a settlement period the European Commission, publishes information on the number of emission allowances, which in a given year of a settlement period will be issued to the systems generating electricity in the Public Information Bulletin. Therefore, in 2016, there appeared information that the ZE PAK Group will receive 329 417 of EUAs for 2015 acc. to the Article 10c (derogation) and 101 259 EUAs for 2016 from Article 10a for heat production.

The emission in ZE PAK S.A. in 2015 amounted to 9 907 506 tonnes of CO<sub>2</sub>.

As of 1 January 2016, the Company possessed the purchased EUAs in the number of 9 689 990 tonnes.

In the first half of 2016, PAK purchased 6 944 500 EUAs. At the same time, in February 2016, the Company received free EUAs for heat for 2016 (Article 10a) in the amount of 101 259 EUAs. Then, on 22 April 2016, the Company received 329 417 free EUAs pursuant to Article 10c for 2015 and PAK made the redemption of CO<sub>2</sub> for 2015 in the amount of 9 907 506 tonnes CO<sub>2</sub>. Therefore, the EUAs status in the Company as of 30 June 2016 amounted to 7 157 660 EUAs.

In the second quarter of 2016 the Group purchased 1 855 000 EUAs. State of EUAs in the Group as of 30 June 2016 amounted to 7 900 841 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 periods ended 30 June 2015 and 30 June 2016.

(in tonnes)		30 June 2016	31 December 2016.	30 June 2015.
	<b>CO<sub>2</sub> emission</b>	<b>4 808 926</b>	<b>9 907 506</b>	<b>10 085 564</b>
<b>EUA</b>	Balance at beginning of period	9 689 990	10 697 412	10 697 412
	Acquired	6 944 500	6 714 785	3 994 000
	Free received	430 676	2 363 357	2 363 357

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

Redemption	-9 907 506	-10 085 564	-10 085 564
Sale			
Exchange			
Balance at end of period	<b>7 157 660</b>	<b>9 689 990</b>	<b>6 969 205</b>

## 11. Coverage of losses, profit-sharing

On 28 June 2016 Ordinary General Meeting of ZE PAK S.A. adopted a resolution No. 5 on coverage of net loss for the financial year 2015 in amount of PLN 1 515 851 thousand in presented below manner:

- a) amount of loss equal to PLN 2 405 thousand was covered of supplementary capital,
- b) amount of loss equal to PLN 1 513 446 thousand was covered of reserve capital.

On 29 June 2015 Ordinary General Meeting of the ZE PAK S.A. adopted a resolution No. 5 on distribution of net profit for the financial year 2014 in amount of PLN 204 642 thousand in presented below manner:

- a) amount equal to PLN 60 988 thousand was allocated for dividend payment,
- b) amount equal to PLN 143 654 thousand was allocated for supplementary capital of the Company.

Day of the dividend is placed on 28 September 2015, and day of the dividend payment is placed on 14 October 2015.

## 12. Consolidated financial statement

The ZE PAK S.A. Capital Group, where the Company is the parent company, will draw up the consolidated financial statement for 30 June 2016, including statements of the following companies:

Item	Name	Registered office	Activity profile	Commitment
1.	PAK SERWIS sp. z o.o.	Konin	construction and installation services and repair	100% of shares
2.	EL PAK sp. z o.o.	Konin	repair services of electrical devices and automation	100% of shares
3.	PAK GÓRNICtwo sp. z o.o.	Konin	coal extraction	100% of shares
4.	„Elektrownia Pątnów II” sp. z o.o.	Konin	construction of the 464 MW power unit	100% of shares the indirect share through PAK HOLDCO
5.	PAK HOLDCO sp. z o.o.	Konin	exercising the rights of the held shares of Elektrownia Pątnów II	100% of shares
6.	PAK INFRASTRUKTURA sp. z o.o.	Konin	services of the energy installations management	100% of shares
7.	ENERGOINWEST SERWIS sp. z o.o.	Konin	construction and installation services and repair	100% of shares of PAK SERWIS
8.	PAK KWB KONIN S.A.	Kleczew	coal extraction	96,23 % of shares

**Zespół Elektrowni Pątnów – Adamów – Konin S.A.**  
**Condensed financial statement for the period of 6 months ended 30 June 2016**

9.	PAK KWB ADAMÓW	Adamów	coal extraction	98,41 % of shares
10.	PAK VOLT S.A.	Warszawa	electricity sales	100% of shares
11.	Aquakon sp. z o.o.	Sompolno	Production and trade of mineral waters	92,57 % of shares The indirect share through PAK KWB Konin
12.	EKO-Surowce sp. z o.o.	Kleczew	Railway transport of lignite , sale of lignite	96,23 % of shares The indirect share through PAK KWB Konin
13.	EL PAK Serwis sp. z o.o.	Konin	repair services of electrical devices and automation	100 % of shares EL PAK The indirect share through EL PAK

**Konin, 31 August 2016**

**Prepared by**

**The Management Board of Zespół Elektrowni Pątnów – Adamów – Konin S.A.**

**Independent Auditor's Report  
on review of condensed financial statements  
for the 6 month period ended 30 June 2016**

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

*Introduction*

We have reviewed the accompanying condensed financial statements of Zespół Elektrowni Pątnów – Adamów – Konin S.A. ('the Company') with registered office located in Konin, Kazimierska 45 as of 30 June 2016 and the related balance sheet as at 30 June 2016, the profit and loss account, the statement of changes in equity, the cash flow statement for the period from 1 January 2016 to 30 June 2016 and other explanatory notes ('the condensed financial statements').

The scope and format of accompanying condensed financial statements for the 6 month period ended 30 June 2016 is prescribed by the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information').

Management is responsible for the preparation and presentation of accompanying condensed financial statements in accordance with the required applicable accounting policies. Our responsibility is to express a conclusion on accompanying condensed financial statements based on our review.

*Scope of review*

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board ('standard'). A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying condensed financial statements.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that accompanying condensed financial statements are not prepared in accordance with the accounting principles set out in the Accounting Act dated 29 September 1994 and the appropriate related regulations and also in accordance with requirements prescribed by the Decree on current and periodic information.

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

Key Certified Auditor

---

Robert Klimacki  
certified auditor  
No. 90055

Warsaw, 31 August 2016



**ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA  
CAPITAL GROUP**

**MANAGEMENT BOARD'S REPORT ON ZE PAK CAPITAL GROUP OPERATIONS  
FOR THE 1st HALF OF 2016**

TOGETHER WITH REPRESENTATION OF THE MANAGEMENT BOARD ON THE ACCURACY OF  
PREPARATION OF FINANCIAL STATEMENTS AND ON THE ENTITY AUTHORISED TO AUDIT  
THE FINANCIAL STATEMENTS

*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.	Basic information .....	5
2.2.	Structure .....	6
2.3.	Composition of the Management Board .....	7
2.4.	Description of changes within the Group's structure during the period covered by the report .....	7
3.	SIGNIFICANT EVENTS AFFECTING THE GROUP'S ACTIVITY .....	7
3.1.	Significant achievements and failures during the period covered by the report .....	7
3.2.	Other significant events of the reporting period and events after the balance sheet date .....	14
4.	INFORMATION ON SIGNIFICANT PROCEEDINGS PENDING BEFORE A COURT, A BODY COMPETENT FOR ARBITRATION PROCEEDINGS OR A PUBLIC ADMINISTRATION BODY RELATED TO ZE PAK SA OR SUBSIDIARIES CONSOLIDATED UNDER THE GROUP .....	15
5.	INFORMATION REGARDING THE SHAREHOLDING STRUCTURE .....	17
5.1.	Shareholders holding, either directly or indirectly through subsidiaries, at least 5% of the total number of votes .....	17
5.2.	List of the shareholding structure of the management and supervising personnel .....	18
6.	OPINION OF THE MANAGEMENT BOARD ON THE POSSIBILITY OF EXECUTION OF FINANCIAL FORECASTS PUBLISHED EARLIER .....	18
7.	INFORMATION REGARDING THE PAID OR DECLARED DIVIDENDS .....	18
8.	INFORMATION ON THE CONCLUSION BY ZE PAK SA OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT TRANSACTIONS WITH ENTITIES AFFILIATED PURSUANT TO CONDITIONS OTHER THAN MARKET CONDITIONS .....	18
9.	INFORMATION ON GRANTING BY ZE PAK SA OR ENTITIES CONSOLIDATED UNDER THE GROUP OF SIGNIFICANT GUARANTEES, SURETIES, CREDITS OR LOANS .....	18
10.	INFORMATION CONCERNING THE ISSUE, REDEMPTION, AND REPAYMENT OF NON-EQUITY AND CAPITAL SECURITIES .....	19
11.	FACTORS WHICH, IN THE MANAGEMENT BOARD'S OPINION, WILL AFFECT THE COMPANY'S RESULTS IN THE PERSPECTIVE OF AT LEAST ONE QUARTER .....	19
11.1.	Macro-economic trends in the Polish economy and the demand for electricity .....	19
11.2.	Regulatory environment .....	21
11.3.	Electricity prices .....	21
11.4.	Prices and supply of certificates of origin .....	23
11.5.	Fuel costs, coal extraction costs .....	23
11.6.	CO <sub>2</sub> allowances costs .....	23
11.7.	Compensation for the stranded costs related to the termination of Elektrownia Pątnów II sp. z o.o.'s "Long-term Contract" ("LCT") .....	24
11.8.	Seasonality and meteorological conditions .....	25
11.9.	Investment expenses .....	25
11.10.	EUR/PLN exchange rate, the level of interest rates .....	25
12.	REPRESENTATIONS OF THE MANAGEMENT BOARD .....	26
12.1.	Representation on the reliability of development of the financial statement .....	26
12.2.	Representation on the appointment of the entity authorised to audit the financial statement .....	26

## 1. SELECTED FINANCIAL DATA

<i>Selected consolidated financial data</i>	<i>PLN thousand 6 months of 2016 period from 01.01.2016 to 30.06.2016</i>	<i>PLN thousand 6 months of 2015 period from 01.01.2015 to 30.06.2015</i>	<i>EUR thousand 6 months of 2016 period from 01.01.2016 to 30.06.2016</i>	<i>EUR thousand 6 months of 2015 period from 01.01.2015 to 30.06.2015</i>
Sales revenue	1 367 520	1 507 522	312 184	364 655
Operating profit/loss	218 980	33 657	49 990	8 141
Profit/Loss before tax	177 977	19 314	40 629	4 672
Net profit/loss for the period	139 885	15 419	31 934	3 730
Net profit attributable to equity holders of the parent	138 404	15 103	31 595	3 653
Total comprehensive income	140 936	17 844	32 173	4 316
Net cash flow from operating activities	198 633	59 050	45 345	14 284
Net cash flow from investing activities	(79 954)	(268 088)	(18 252)	(64 848)
Net cash flow from financing activities	(177 344)	78 454	(40 485)	18 977
Net increase / (decrease) in cash and cash equivalents	(58 665)	(130 584)	(13 392)	(31 587)
Net profit per share (in PLN/EUR per share)	2,72	0,30	0,62	0,07
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>as of 30.06.2016</i>	<i>as of 31.12.2015</i>	<i>as of 30.06.2016</i>	<i>as of 31.12.2015</i>
Total assets	4 678 077	4 974 381	1 057 073	1 167 284
Non-current assets	3 607 121	3 714 123	815 076	871 553
Current assets	1 070 956	1 260 258	241 997	295 731
Total equity	2 025 706	1 884 823	457 735	442 291
Share capital	101 647	101 647	22 968	23 852
Share capital attributable to equity holders of the parent	2 025 706	1 884 823	457 735	442 291
Total liabilities	2 652 371	3 089 558	599 338	724 993
Non-current liabilities	1 609 050	1 829 696	363 586	429 355
Current liabilities	1 043 321	1 259 862	235 752	295 638
Book value per share (in PLN/EUR per share)	39,86	37,09	9,01	8,70
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA CAPITAL GROUP  
MANAGEMENT BOARD'S REPORT ON ZE PAK CAPITAL GROUP OPERATIONS FOR THE 1st HALF OF 2016

<i>Selected financial data of ZE PAK SA</i>	<i>PLN thousand 6 months of 2016 period from 01.01.2016 to 30.06.2016</i>	<i>PLN thousand 6 months of 2015 period from 01.01.2015 to 30.06.2015</i>	<i>EUR thousand 6 months of 2016 period from 01.01.2016 to 30.06.2016</i>	<i>EUR thousand 6 months of 2015 period from 01.01.2015 to 30.06.2015</i>
Sales revenue	816 008	798 516	186 282	193 154
Operating profit/loss	76 333	(45 294)	17 426	(10 956)
Profit/Loss before tax	147 166	(6 561)	33 596	(1 587)
Net profit/loss for the period	127 803	2 622	29 175	634
Net cash flow from operating activities	58 900	(48 359)	13 446	(11 698)
Net cash flow from investing activities	(16 678)	(218 377)	(3 807)	(52 823)
Net cash flow from financing activities	(47 316)	189 662	(10 802)	45 877
Total net cash flow	(5 094)	(77 074)	(1 163)	(18 643)
Net earnings per share (in PLN/EUR per share)	2,51	0,05	0,57	0,01
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>as of 30.06.2016</i>	<i>as of 31.12.2015</i>	<i>as of 30.06.2016</i>	<i>as of 31.12.2015</i>
Total assets	2 513 358	2 649 371	567 926	621 699
Non-current assets	2 070 559	2 184 042	467 870	512 505
Current assets	442 799	465 329	100 056	109 194
Total equity	1 488 233	1 360 431	336 286	319 238
Share capital	101 647	101 647	22 968	23 852
Liabilities and provisions for liabilities	1 025 125	1 288 940	231 640	302 462
Non-current liabilities	415 790	536 213	93 953	125 827
Current liabilities	332 457	343 449	75 123	80 593
Book value per share (in PLN/EUR per share)	29,28	26,77	6,62	6,28
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

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

- *particular items of statement of comprehensive income (profit and 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 2016 to 30 June 2016, which is 4.3805 EUR/PLN and starting from 1 January 2015 to 30 June 2015, which is 4.1341 EUR/PLN;*
- *particular items of the statement of financial position (balance sheet) according to average EUR/PLN exchange rate published by the National Bank of Poland as of 30 June 2016, which is 4.4255 EUR/PLN and as of 31 December 2015, which is 4.2615 EUR/PLN.*

## 2. DESCRIPTION OF THE GROUP

### 2.1. Basic information

As of 30 June 2016 the ZE PAK Capital Group (hereinafter referred to as the “Group”, “Capital Group” the “ZE PAK Group”) is composed of a dominant entity Zespół Elektrowni Państw – Adamów – Konin SA (hereinafter referred to as “ZE PAK SA” or “Company”) and thirteen subsidiaries i.e. Elektrownia Państw II sp. z o.o., PAK – Volt SA, PAK Kopalnia Węgla Brunatnego Adamów SA (hereinafter referred to as the “PAK KWB Adamów SA”), PAK Kopalnia Węgla Brunatnego Konin SA (hereinafter referred to as the “PAK KWB Konin SA”), 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., 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. Consolidation covers all the above-mentioned companies.

The companies which are of the biggest importance for the Group due to the scale of their operations are: ZE PAK SA and Elektrownia Państw II sp. z o.o., dealing with production of electricity and heat, and PAK KWB Adamów SA and PAK KWB Konin SA, 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: Państw II which is equipped with a supercritical power unit, Państw I, Adamów and Konin equipped additionally with 55 MW power unit with biomass fired boiler. Total installed gross power output of the production facilities of the Group was 2506 MWe as of 30 June 2016.

The Group’s mining assets are concentrated in three companies: PAK KWB Konin SA, which currently operates on Józwin, Tomisławice and Drzewce open casts, PAK KWB Adamów SA, which operates on Adamów and Koźmin open casts as well as PAK GÓRNICTWO sp. z o.o. 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 Państw II sp. z o.o. Group having in its structure lignite mines, provides with an access to continuous supplies of lignite for its own power plants located in the direct vicinity of open pits. 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 suppliers of this raw material.

## 2.2. Structure

Picture 1: Structure of the Group as of 30 June 2016

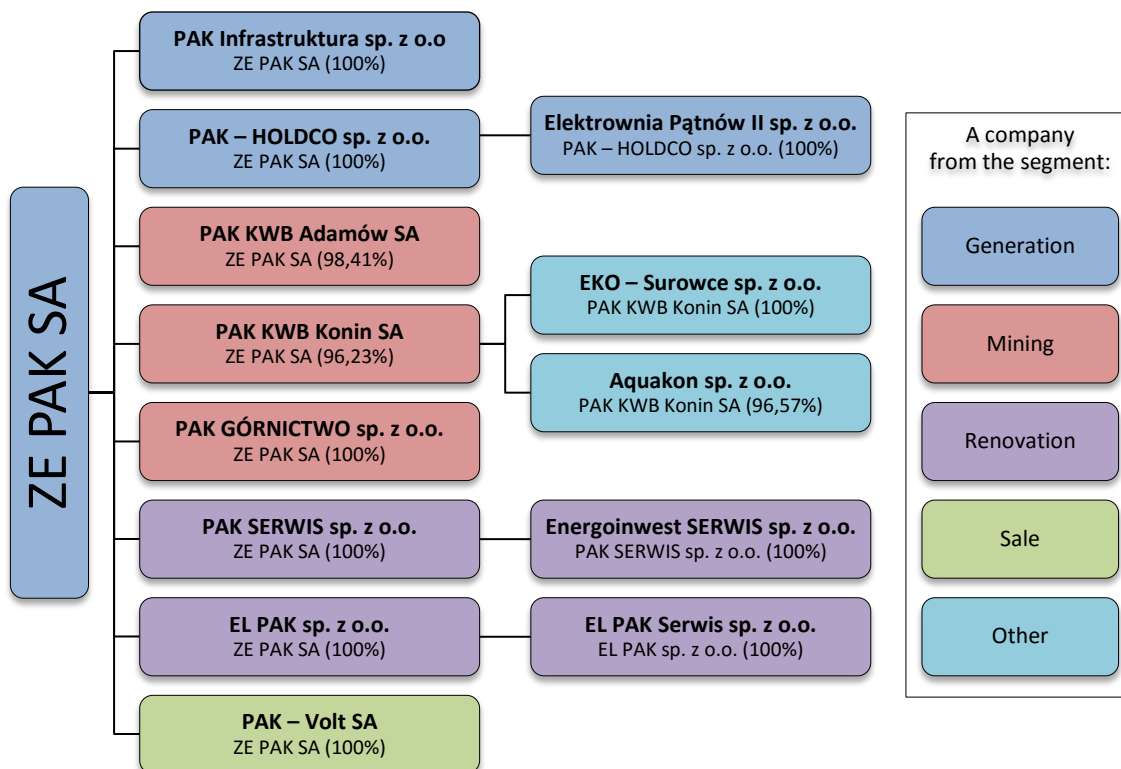


Table 1: Listing of the Group companies (without ZE PAK SA)

Entity	Registered office	Scope of activity	Percentage of capital held by the Group as of	
			30 June 2016	31 December 2015
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%	100,00%
Przedsiębiorstwo Serwisu Automatyki i Urządzeń „EL PAK” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Services related to industrial automatics and electric appliances maintenance	100,00%	100,00%
„Elektrownia Pątnów II” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electric energy production and distribution from the 464 MW power unit	100,00% *	100,00% *
„PAK – HOLDCO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	100,00%	100,00%
„PAK Infrastruktura” sp. z o.o.	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100,00%	100,00%
„PAK GÓRNICTWO” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Exploration and recognition of lignite	100,00%	100,00%
Energoinwest SERWIS sp. z o.o.	62-510 Konin ul. Spółdzielców 3	Construction and repair services	100,00% *	100,00% *
PAK Kopalnia Węgla Brunatnego Konin SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	96,23%	96,23%
PAK Kopalnia Węgla Brunatnego Adamów SA	62-700 Turek ul. Uniejowska 9	Lignite extraction	98,41%	98,41%
„Aquakon” sp. z o.o.	62-610 Sompolno Police	Mechanical services, repairs, reclamation of land, production and trade of mineral water	92,57% *	92,57% *

Eko-Surowce sp. z o.o.	62-540 Kleczew ul. 600-lecia 9	Vulcanization services, sale of lignite	96,23%*	96,23%*
PAK – Volt SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
EL PAK Serwis sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of electric equipment, repair and maintenance of machines.	100,00%*	100,00%*

\* Indirect share via other companies from ZE PAK Group.

## 2.3. Composition of the Management Board

The Company's Management Board composition was as follows at the date of submission of the report:

- Adam Kłapszta Vice President of the Management Board, acting President of the Management Board
- Aneta Lato-Żuchowska Vice-President of the Management Board,
- Adrian Kaźmierczak Vice-President of the Management Board,
- Tomasz Zadroga Vice-President of the Management Board,
- Zygmunt Artwik Vice-President of the Management Board,

In the first half-year of 2016, during the meeting on 11 February 2016, the Supervisory Board of the Company adopted a resolution on the appointment of Mr. Aleksander Grad to the composition of the Management Board of the Company on 18 February 2016 and entrusted to him the function of the President of the Management Board. On 17 June 2016, Mr. Aleksander Grad, in connection with the new career plans, resigned from the position of the President of the Management Board and the member of the Management Board of the Company.

In the meeting on 8 April 2016, the Supervisory Board of the Company adopted a resolution on the appointment of Mr. Adam Kłapszta to the composition of the Management Board of the Company and entrusted to him the function of the Vice-President of the Management Board. In relation with the resignation submitted by Mr. Aleksander Grad, the Supervisory Board of the Company started the procedure of selecting the new President of the Management Board. Until the completion of this procedure, the Supervisory Board has delegated directing the works of the Management Board to Mr. Adam Kłapszta, who since 17 June 2016 has been acting as the President of the Management Board.

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

In the first half of 2016 there have been no significant changes in the structure of the ZE PAK Capital Group.

## 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

In the first half of 2016, total sales amounted to PLN 1 367 520 thousand and compared to the first half of 2015 decreased by PLN 140 002 thousand, i.e. about 9.29%.

In the analysed half of year, compared to the same period last year, the Group reduced sales of electricity from 7.19 TWh to 6.76 TWh, i.e. about 5.98%. Parallel to 174.99 PLN/MWh, i.e. by 0.41%, decreased the average achieved selling price of electricity. Both of these factors meant that the revenues from sales of electricity decreased by PLN 80 356 thousand, i.e. about 6.36%. The lower volume of electricity sales was due to lower sales of electricity from trading, which decreased from 2.44 TWh to 1.85 TWh. The volume of electricity sales from own production increased from 4.75 TWh to 4.91 TWh (net production volumes of individual plants of the Group are presented in Chart 3).

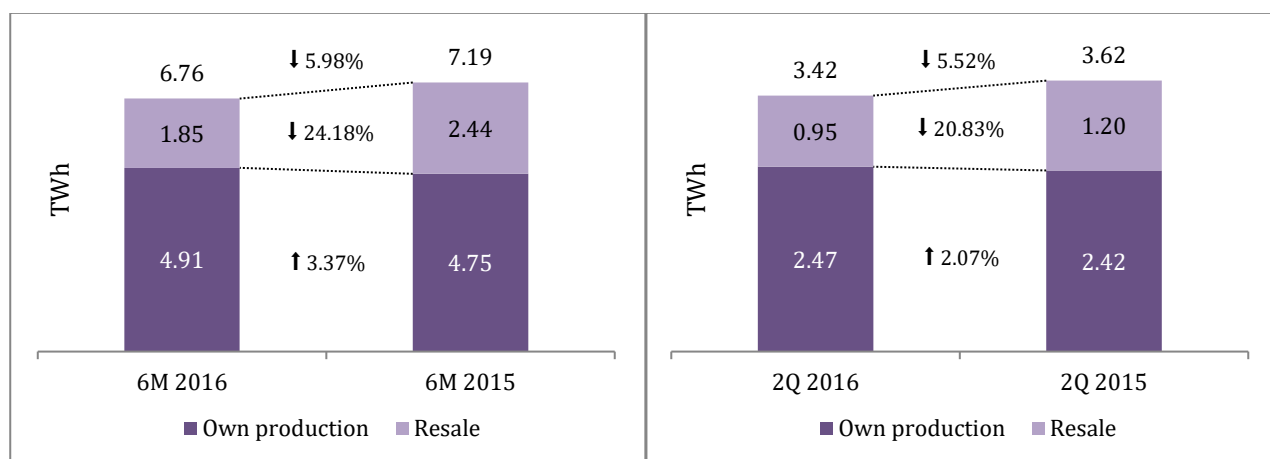
In the first half of 2016 compared to the first half 2015 revenues from the sale of property rights from certificates of origin of energy decreased by PLN 7 861 thousand, i.e. by 28.40% due to a decrease in the average price of green certificates and lower volume of green electricity production.

In the first half of 2016 years revenues from compensation for termination of long-term contracts for Elektrownia Pańków II they were higher by PLN 2 781 thousand, i.e. by 3.12% in comparison with the compensation obtained in the first half of 2015. The main reason for the increase of the compensation costs are: a major overhaul of Pańków II Power Plant (renovation costs are recorded every month in the amount of 1/12 of the costs) and the decrease in revenues related to the lower production volume and lower selling price.

Revenues from contracts for construction services in the first half 2016 compared to revenues earned in the same period of the previous year decreased by PLN 54 654 thousand, i.e. by 67.34%. The main reason for the decrease in revenues is lower range of construction works than it did in the first quarter of last year, when companies from the Group worked on modernisation of units 1-2 in Pańków I power plant.

Heat sales in the first half of 2016 years were lower than those achieved in the first half of the previous year by PLN 804 thousand, i.e. 2.42%, despite lower sales volume of heat by 52 243 GJ.

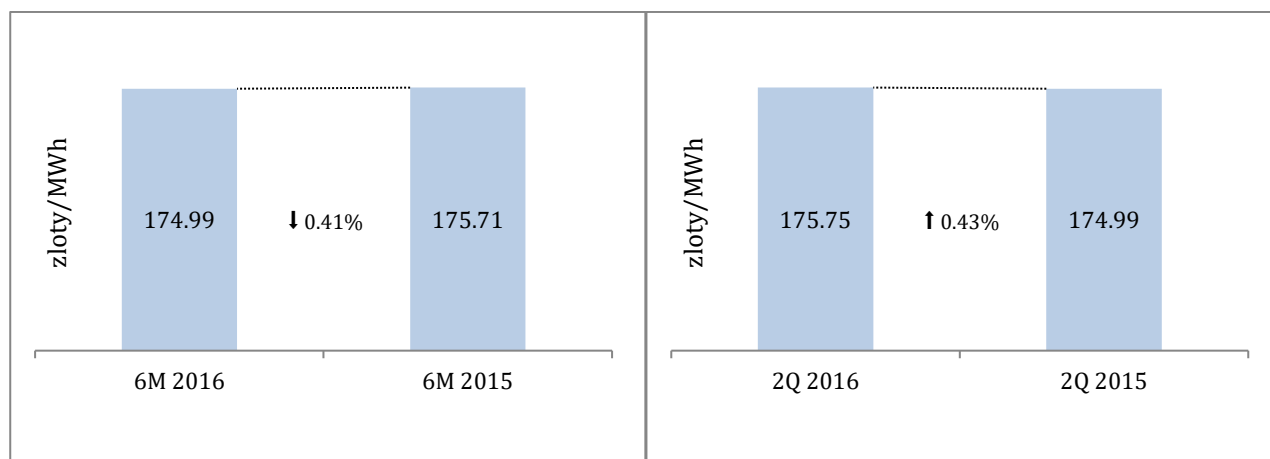
Chart 1: Sale of electricity\*



\* In addition to the values presented in the chart, additionally in 6 months 2016 years sold 0.04 TWh of electricity as a part of the production units 1 and 2 in Pańków I during the investment period, including in the second quarter of 2016 0.00 TWh (in the corresponding periods 2015 sales in the period of investment was respectively 0.05 TWh and 0.05 TWh).

Source: Own data

Chart 2: Average electricity sale prices\*

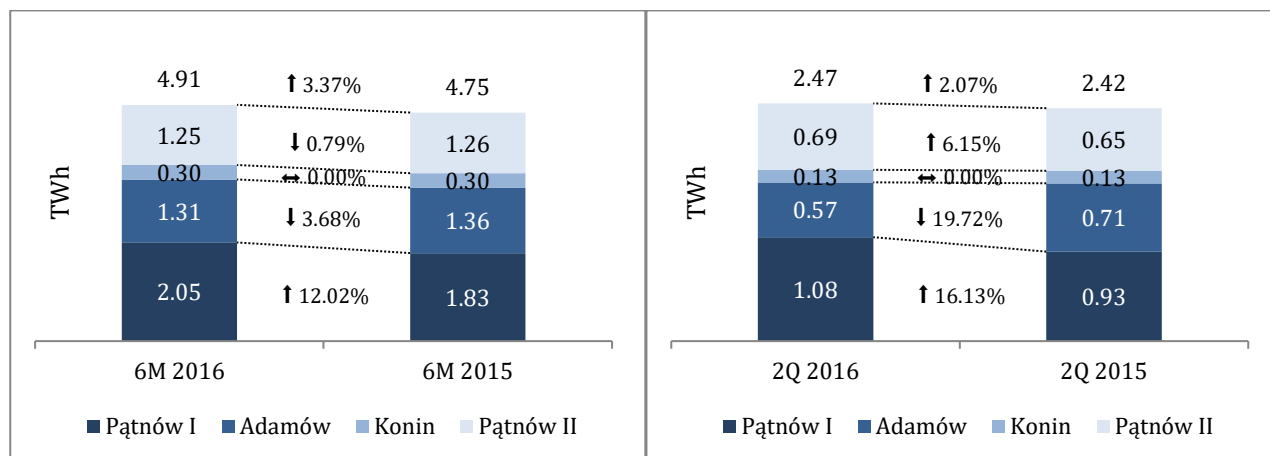


\* The average price is calculated as revenue from energy sales divided by sales volumes.

Source: Own data



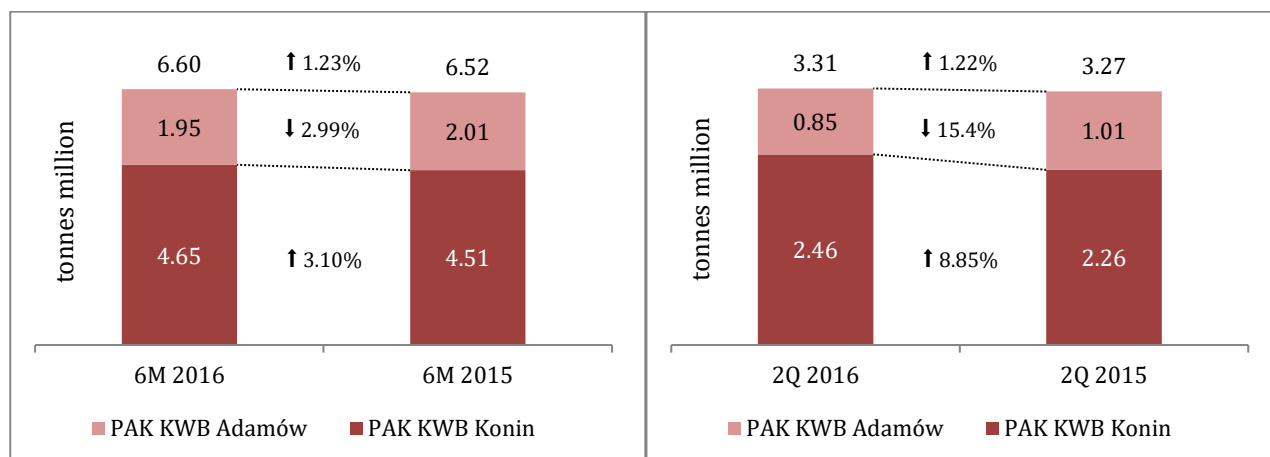
Chart 3: Net production of electricity\*



\* In addition to the values presented in the chart, additionally in 6 months 2016 years produced 0.04 TWh of electricity as a part of the production units 1 and 2 in Pałnów I during the investment period, including in the second quarter of 2016 0.00 TWh (in the corresponding periods 2015 production in the period of investment was respectively 0.05 TWh and 0.05 TWh).

Source: Own data

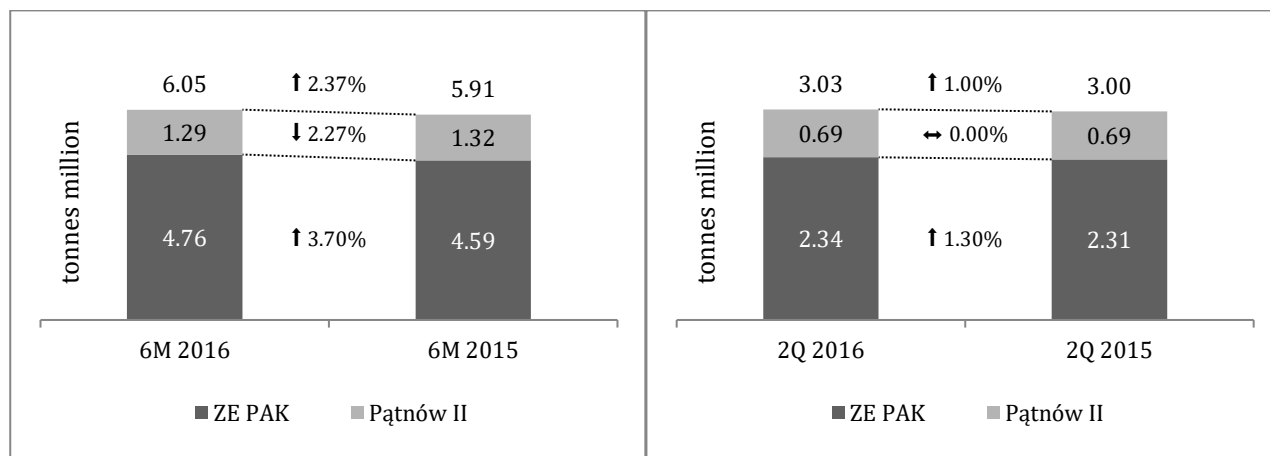
Chart 1: Consumption of lignite\*



\* In addition to the values presented in the chart, additionally in 6 months 2016 years consumed 0.05 million tonnes of lignite for production units 1 and 2 in Pałnów I during the investment period, including in the second quarter of 2016 0.00 million tonnes (in the corresponding periods 2015 consumption in the period of investment was respectively 0.07 million tonnes and 0.07 million tonnes).

Source: Own data

Chart 2: CO<sub>2</sub> emissions\*



\* In addition to the values presented in the chart, additionally in 6 months 2016 years emitted 0.04 million tonnes of CO<sub>2</sub> as a part of the production units 1 and 2 in Państw I during the investment period, including in the second quarter of 2016 0.00 million tonnes of CO<sub>2</sub> (in the corresponding periods 2015 emission in the period of investment was respectively 0.07 million tonnes and 0.07 million tonnes).

Source: Own data

Table 2: Specification of consolidated sales revenue

	PLN thousand 6 months period ended 30 June 2016	PLN thousand 6 months period ended 30 June 2015	PLN thousand change	% dynamics
Electricity (decreased by excise tax)	856 949	831 308	25 641	3,08
Electricity resold from the market	326 814	432 811	(105 997)	(24,49)
Energy certificates of origin	19 822	27 683	(7 861)	(28,40)
Construction contracts	26 509	81 163	(54 654)	(67,34)
Compensation related to LTC termination	92 023	89 242	2 781	3,12
Heat	32 370	33 174	(804)	(2,42)
Other	13 033	12 141	892	7,35
<b>Total sales revenues</b>	<b>1 367 520</b>	<b>1 507 522</b>	<b>(140 002)</b>	<b>(9,29)</b>

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

	PLN thousand 6 months period ended 30 June 2016	PLN thousand 6 months period ended 30 June 2015	PLN thousand change	% dynamics
<b>Sales revenues</b>	<b>1 367 520</b>	<b>1 507 522</b>	<b>(140 002)</b>	<b>(9,29)</b>
Cost of goods sold	(1 107 287)	(1 423 732)	316 445	(22,23)
Gross profit (loss) on sales	260 233	83 790	176 443	210,58
Other operating income	10 974	11 392	(418)	(3,67)
Selling and distribution expenses	(2 139)	(1 924)	(215)	11,17
Administrative expenses	(47 795)	(56 858)	9 063	(15,94)
Other operating expenses	(2 293)	(2 743)	450	(16,41)
<b>Profit (loss) on operating activities*</b>	<b>218 980</b>	<b>33 657</b>	<b>185 323</b>	<b>550,62</b>
Finance income	5 174	11 618	(6 444)	(55,47)
Finance costs	(46 177)	(25 961)	(20 216)	77,87
<b>Gross profit (loss)</b>	<b>177 977</b>	<b>19 314</b>	<b>158 663</b>	<b>821,49</b>
Income tax (taxation)	(38 092)	(3 895)	(34 197)	877,97
<b>Net profit (loss)</b>	<b>139 885</b>	<b>15 419</b>	<b>124 466</b>	<b>807,22</b>

Net other comprehensive income	1 051	2 425	(1 374)	(56,66)
<b>Comprehensive income for the period</b>	<b>140 936</b>	<b>17 844</b>	<b>123 092</b>	<b>689,82</b>
<b>EBITDA*</b>	<b>328 803</b>	<b>223 407</b>	<b>105 396</b>	<b>47,18</b>

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

Cost of sales in the first half of 2016 years amounted to PLN 1 107 287 thousand and compared to that paid in the first half of 2015 years decreased by PLN 316 445 thousand, i.e. by 22.23%. To reducing the cost to the greatest extent contributed: lower depreciation (in effect of an impairment loss of generation assets of the Company made in 2015), the lower value of electricity to resell purchased from the market, lower cost of external services and materials consumption and lower the cost of benefits employee. By contrast, to increasing the cost influenced higher costs of CO<sub>2</sub> emissions through the purchase of more emission allowances than it was in the first half of last year and the higher exchange rate EUR/PLN and inventories impairment on green certificates in amount of PLN 21 841 thousand as a result of valuation on 30 June 2016 in price of PLN 69.00 MWh.

*Table 4: Consolidated cost by type*

	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June 2016</i>	<i>PLN thousand</i> <i>6 months period</i> <i>ended 30 June 2015</i>	<i>PLN thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Depreciation and amortization	109 823	189 750	(79 927)	(42,12)
Impairment of fixed assets	-	-	-	-
Impairment of inventory	21 841	43 711	(21 870)	(50,03)
Materials	153 925	225 533	(71 608)	(31,75)
External services	20 898	55 713	(34 815)	(62,49)
Taxes and fees excluding excise tax	80 015	83 391	(3 376)	(4,05)
Costs of CO <sub>2</sub> emission*	142 839	158 456	(15 617)	(9,86)
Employee benefits	261 936	300 866	(38 930)	(12,94)
Other costs by type	10 763	22 968	(12 205)	(53,14)
Cost of goods for resale and raw materials sold and resale of electricity purchased from the market	333 398	422 764	(89 366)	(21,14)
<b>Total costs by type</b>	<b>1 135 438</b>	<b>1 503 152</b>	<b>(367 714)</b>	<b>(24,46)</b>

\* *CO<sub>2</sub> emission costs in cost of goods sold in 6 months of 2016 amounted to PLN 163 140 thousand (the difference in the amount of PLN 20 301 thousand, compared to the values presented in the cost by type is a component of change in the stocks of finished goods).*

Other operating income in the first half of 2016 amounted to PLN 10 974 thousand and were lower by PLN 418 thousand than those achieved in the same period last year. Details of changes in particular positions of other operating income are specified in point 12.2 of Interim condensed consolidated financial statement for the period of 6 months ended 30 June 2016.

Selling expenses in the first half of 2016 amounted to PLN 2 139 thousand and were higher by PLN 215 thousand from the expenditure incurred in the same period last year.

General and administrative expenses in the first half of 2016 amounted to PLN 47 795 thousand and were lower than those incurred in the corresponding period of the previous year by PLN 9 063 thousand, i.e. 15.94%. The decrease in general and administrative expenses is mainly the result of lower employee benefits.

Other operating expenses in the reporting period amounted to PLN 2 293 thousand and decreased compared to the first half of the previous year by PLN 450 thousand. Details of changes in particular positions of other operating expenses are specified in point 12.3 of Interim condensed consolidated financial statement for the period of 6 months ended 30 June 2016.

The ZE PAK Capital Group in the first half of 2016 achieved operating profit of PLN 218 980 thousand, which compared to a profit in the first half of last year increased by PLN 185 323 thousand, i.e. by 550.62%.

In the first half of 2016 on the achieved results were negatively influenced by the negative result of financial activity in the amount of PLN (41 003) thousand. In the same period last year on financing activities were also negative and

amounted to PLN (14 343) thousand. In the first half of 2016 increased interest costs, which resulted mainly from a change in accounting financial loan for the modernization of units at Pałnów I, in relation to the completion of the investment. Additionally the exchange rate EUR/PLN contributed to financial losses on valuation of financial instruments and decreased result on financial activities.

Gross profit in the first half of 2016 amounted to PLN 177 977 thousand, that is, in relation to profit for the first half of 2015 increased by PLN 158 663 thousand, i.e. by 821.49%.

Net profit in the first half of 2016 amounted to PLN 139 885 thousand, which compared to the net profit for the first half of 2015 increased by PLN 124 466 thousand, i.e. by 807.22%.

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

There were no unusual events substantially affecting the assets, liabilities, capital, net financial result or cash flows in the first half of 2016.

### **Execution of the investment programme**

In the period from 1 January to 30 June 2016, the investment expenses in the Group along with the renovation components amounted to PLN 28 096 thousand. The investment tasks executed in this period mostly regarded the generation segment.

#### ***Generation Segment***

After the completed modernisation of the units 1 and 2 in the Pałnów I Power Plant, checking the adopted modernisation effects is planned. In the first and second quarters of 2016, in accordance with the contractual provisions, warranty measurements of achieving all of the units' guaranteed technical parameters were carried out. Respectively, tests on the unit 1 took place at the turn of March and April, on the unit 2 – in June. The basic effect of the modernisation was to increase the efficiency of the units from 33.5% to 37.5% and reduce gas emissions into the environment, to the following sizes:

- nitrogen oxides (NO<sub>x</sub>) emissions reduction from 1.37 kg/MWh before modernisation to the adopted level of 0.74 kg/MWh;
- carbon dioxide (CO<sub>2</sub>) emissions reduction from 1.17 Mg/MWh to the adopted level of 1.05 Mg/MWh;
- increase in constant output capacity of each unit from 200 MW to 222 MW.

The report developed after the measurements of the unit 1 confirms the achievement of all of the unit's guaranteed technical parameters. The report after the measurements of the unit 2 is in development.

Within the framework of the modernisation of the Pałnów I Power Plant, the modernisation of the existing coal handling system was continued. The implementation of this task is to guarantee a process system with a large handling capacity for feeding the basic fuel to the boilers. Within the task, the reconstruction of the Pałnów II Power Plant's existing coal handling control room was continued whose purpose was to locate there a control room for the needs of the Pałnów I Power Plant. In this control room, the operation of all coal handling devices will be monitored thanks to appropriate system measurements. Such a solution will allow the operator to monitor potential failures, which will increase the reliability of the entire system.

In the first half-year, the implementation of the IT system for keeping a unified database on real estates was completed. In order to implement the IT system for keeping a unified database covering all real estate possessed or managed by the ZE PAK Capital Group was achieving benefits both in the field of liabilities, costs and increasing the used assets efficiency as well as in the field concerning the expenses related with the economic use of the real estates, i.e. extracting brown coal, waste management, environmental impact management (especially water leachate) and land reclamation management. In late April, the system was put into operation.

In the first half-year of 2016, the design works connected with the steam and gas unit construction in the Konin Power Plant, which is an investment aimed at diversification of fuel sources used to produce energy in the Group, were continued. The project assumes 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 an additional 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 2020. The investment execution will allow to replace the exploited brown coal-fired units in the Konin Power Plant. The documentation needed for obtaining all the necessary administrative and legal permits related to the planned investment is being collected and the talks on contracts required to implement the project are being continued. At the same time, studies preparing an alternative solution involving the reconstruction of heat sources in the Konin power plant, which would provide heat supplies to the city of Konin after immobilization the coal part of the Konin power plant

in June 2020 and the absence of launching the planned new gas-steam unit, were started. The electricity and heat energy generation in co-generation would be based on the biomass boiler CFB K-12 and the turbogenerator TG-6. As part of the above project, the promise of an amendment to the concession for electricity and heat generation in the dedicated biomass co-combustion system in the Konin power plant was obtained from the Energy Regulatory Office.

### ***Mining Segment***

The continuation of identification and designing works executed at the perspective brown coal deposits and the continuation of expenses for maintenance of the currently used open pits of Drzewce, Józwin, Tomisławice, Koźmin and Adamów.

In the first half of 2016, both mines belonging to the Capital Group executed investment tasks at active open pits with the purpose of maintaining optimal production capacities. In PAK KWB Konin SA, the greatest expenses were incurred for the extension of the Józwin open pit's power system, drilling draining wells on the Tomisławice open pit and extension of a dirty water sedimentation tank on the Tomisławice open pit. PAK KWB Adamów SA is executing the works related to the construction of the deep-seated water drainage system related to the progress of extraction works aimed at ensuring the correct utilisation of the Adamów open pit.

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

#### **Dęby Szlacheckie brown coal deposit**

As the part of works aimed at documentation of the deposit, the so-called "Appendix No. 1 to the geological documentation of the Dęby Szlacheckie deposit" which was approved by the decision of the Minister of the Environment dated 13 May 2015.

In May 2015, in the Regional Directors of Environmental Protection in Poznań ("RDOŚ Poznań"), we applied for the issue of the environmental decision (including determination of the report's scope) for the project called: "Extraction of brown coal and associated minerals from the Dęby Szlacheckie deposit in districts of: Babiak and Koło, the Wielkopolska Province." In July 2015, the RDOŚ Poznań's letter determining the material competence of the authority was received. The RDOŚ Poznań acknowledged that it is the competent authority to issue the environmental decision for the scope: execution of an opencast excavation with construction of a process system of overburden collection in it, execution of an external dump and construction of an overburden dump system, execution of the well drainage system and the surface drainage system, execution of the local yard transport facilities, execution of the final reservoir for completion of the deposit utilisation, reclamation works on dump plateaus.

In 2016, in the Babiak and Koło Communes, PAK KWB Konin SA submitted applications on amendments to the study of conditions and directions of spatial development. The study of conditions and directions of spatial development of the Babiak Commune should include the documented boundaries of the brown coal deposit "Dęby Szlacheckie", an external spoil tip and a technical infrastructure zone. Meanwhile, the study of conditions and directions of spatial development of the Koło Commune should include the documented boundaries of the brown coal deposit "Dęby Szlacheckie" and a technical infrastructure zone. Moreover, the amendment to the study should take into account the reconstruction of the existing technical infrastructure necessary for exploitation of the "Dęby Szlacheckie" deposit.

PAK KWB Konin SA continues work on a report on the environmental impact of Dęby Szlacheckie open pit.

#### **Ościsłowo brown coal deposit**

In March 2015, PAK KWB Konin SA applied to the Head of the Wilczyn Commune for the closure of the proceeding for the issue of the environmental decision concerning the project "Extraction of brown coal and associated minerals from the Ościsłowo deposit" because the competence of the authority issuing the environmental decision changed and, currently, the competent authority is the RDOŚ Poznań. The report on the environmental impact for the Ościsłowo open pit and the expert's report concerning the impact of the projected Ościsłowo open pit on bodies of surface and underground waters as well as protected areas were prepared.

On 6 August 2015, PAK KWB Konin SA submitted an application for the issue of the decisions on the environmental conditions for the projected Ościsłowo open pit in the RDOŚ Poznań. With the application, the report on the Ościsłowo open pit's impact on the environment, consisting the required attachment to the application for the issue of the environmental decision, was also submitted.

On 16 September 2015, the proceedings on the issue of the environmental decision for the Ościsłowo Open Pit was initiated. The RDOŚ (Regional Directorate of Environmental Protection) Poznań set another deadline for settlement of the matter on 5 October 2016.

### Piaski brown coal deposit

In August 2014 PAK KWB Konin SA 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.

In March 2016, the City Council in Rychwał issued a negative opinion on the applied amendment to the destination of the Rychwał Commune areas for the open-pit brown coal mine on the "Piaski" deposit. The consequence of the above opinion was non-adoption of a resolution on preparing the amendment to the study of conditions and directions of spatial development of the commune and the city of Rychwał.

In July 2016, PAK KWB Konin SA received a notice from the Rzgów commune on proceeding to prepare the amendment to the study of conditions and directions of spatial development of the Rzgów commune.

### Poniec-Krobia and Oczkowice brown coal deposits

The PAK GÓRNICTWO sp. z o.o. company is currently at the stage of balancing the completed works. The documentation on the formal matters related to the current activities is also completed.

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

### **Other significant events of the reporting period**

#### ***Discussions between the Management Board and the social party***

In the fourth quarter of 2015, the Management Board, having regard to the impact of deteriorating external factors on the Company financial condition, decided to temporarily suspend the financing of the employee pension plan as well as to reduce the statutory bonus attributable to employed workers. The Management Board decisions did not require interference in the content of provisions of the agreements between the employer and employees. At the same time, the Management Board offered the social party temporary suspension of the Corporate Collective Labour Agreement, as a whole or in part. The Management Board's proposals were not accepted by the social party.

On 8 February 2016, trade unions acting in ZE PAK SA reported, under the Act of 23 May 1991 on resolution of collective disputes, requests related to, among others, new components of the remuneration system, severance payments and work safety.

The Management Board refused to execute the trade unions' requests. The Management Board considered the trade unions' requests on introducing new components to the remuneration system as unacceptable, according to Article 4 paragraph 2 of the Act on resolution of collective disputes. The consequence of failure to take into account the requests, since 8 February 2016, includes the occurrence of a collective dispute between ZE PAK SA, as an employer, and trade unions, as representation of employees. So far there has been no conclusion of an agreement, talks between the Management Board and the social side. One of the topics of the conducted talks are issues related to Employee Pension Fund ("EPF"). On 12 May 2016, the Management Board of the Company decided to liquidate the EPF. The fund will be liquidated with 12-month notice.

#### ***Agreement on financial support for PAK KWB Konin SA***

In the course of the work related to preparing the description of further strategy of the Company and Capital Group, as well as final projections for banks granting the loan for the final stage of the 1-4 unit modernisation in Pątnów power plant, ZE PAK SA and PAK KWB Konin SA Management Boards decided to conclude the agreement for reaching the necessary decisions on providing financial support for the investment carried out by PAK KWB Konin SA that involves the opening of a new lignite open pit, which is to secure uninterrupted supplies of coal for the purposes of the ZE PAK Capital Group's power plant. On 16 March 2016, a relevant agreement, which constitutes the first stage of setting the rules on developing the necessary decisions between the parties, including the conditions for granting financial support for construction of a new pit, was concluded. The final decisions will be preceded by a design economic and financial analysis of opening a new pit. The final stage will be to conclude the relevant (final) agreement/agreements on financial support after obtaining the required corporate consents.

### ***Annex to credit facility agreement for modernisation of units in Pańków I power station***

On June 30, 2016, the Company, with a consortium of banks consisting of: mBank SA, Bank Gospodarstwa Krajowego, Bank Millennium SA, Bank Polska Kasa Opieki SA and Powszechna Kasa Oszczędności Bank Polski SA concluded an annex to the investment credit agreement in the amount of PLN 1 200 million, granted to finance the final stage of the modernisation of units in the Pańków I Power Plant.

In the annex, the parties agreed that the Company's decision to resign from the external funding for the modernisation of the units nos. 3 and 4 in Pańków I power plant, which was to be granted on the basis of the agreement, will not constitute a breach of the agreement. The deadline for full credit repayment was changed. The repayment is to take place by 20 March 2020 (previously 31 December 2023). The Company, under the agreement, used the amount of PLN 667 million and voluntarily released PLN 533 million of the unused amount for the modernisation of the units 3 and 4. The financial terms of the credit agreed with banks remained at levels which do not differ from the market rates. Other terms of the Credit are similar to those adopted for this type of agreement.

The release of the said unused credit amount does not affect the change in ZE PAK SA's strategy involving the modernisation of units 3 and 4 in the Pańków I power plant. The Company plans to complete the modernisation process, whereas in accordance with earlier declarations, the Company expects to implement system solutions that will ensure the economic profitability of the investment. Due to the inability to determine the date of the introduction of the above-mentioned system solutions, the Company decided to resign from further maintenance of the unused credit amount, so as not to incur the associated costs.

### ***Termination of long term heat delivery agreement***

On 30 June 2016, the Company notified the Municipal District Heating Company – Konin sp. z o.o. ("MPEC") on termination of the Heat Sale Contract no. 93/MPEC/PAK/2005 concluded on 1 January 2005 between the Company and MPEC, the subject of which is the heat supply from the Company to the city of Konin, executed from the date contract conclusion. The contract will expire with a 4-year notice, effective on 30 June 2020.

The agreement was terminated by the Company due to the fact that the heat generation from the currently used source based on brown coal in the Konin power plant after 30 June 2020 year will not be possible due to the environmental requirements. Whereas adjusting the currently used source to the stricter requirements would result in expenses exceeding the economic effect, which would be gained thanks to this.

The company still wants to remain the heat supplier for the city of Konin and for this purpose, it conducts analytical as well as formal and legal works in order to develop an optimal project of launching a new heat source, replacing the existing carbon one, which could be the basis for the conclusion of a new contract with MPEC.

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

There were no significant events affecting profits or cash flow after balance sheet date.

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

In the first half of 2016, Zespół Elektrowni Pańków – Adamów – Konin SA 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 SA, 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 SA 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 SA 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 SA, 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 SA submitted to the District Court of Warszawa Śródmieście a summons for the State Treasury for a conciliatory hearing for the amount of approximately 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:

- Twenty-two cases for the period of January 2006 – November 2007 (excluding November 2006) were conducted from the start by the Head of the Customs Office, after the cases returned from the Supreme Administrative Court. The Company included monthly economic analyses of punitive damage. After the negative decisions of the Head of the Customs Office and then of the Head of Customs Chamber, complaints were submitted to the Provincial Administrative Court in Poznań, Hearings before the Provincial Administrative Court in Poznań took place on 4 and 18 November 2015. In all cases, negative judgments for the Company were given. The Company decided to file a cassation to the Supreme Administrative Court,
- 14 proceedings for the period December 2007 – February 2009 (excluding July 2008) are suspended in the Provincial Administrative Court pursuant to the amicable application of both parties because of the resolution ref. II FPS 5/13 passed by the Supreme Administrative Court on 27 January 2014. So far, none of the parties has applied for resumption of the proceedings. These proceedings also included annual economic analysis. These proceedings should be undertaken at the latest by November 2016,
- the proceeding for November 2006 was concluded with a negative judgment of the Supreme Administrative Court of 8 December 2011,
- the proceeding for July 2008 reached the recognition of the Company's cassation appeal by the Supreme Administrative Court. On the hearing on 29 April 2015, the Supreme Administrative Court dismissed the Company's cassation appeal and pointed out that it fully agrees with the Provincial Administrative Court in Poznań in the judgment, against which the cassation appeal was submitted.

The Company will take further actions depending on the provisions of the issued decisions.

In the case of EP II, the proceeding for all periods (one case) was included in the cause lists of the Provincial Administrative Court after the decision of the Head of Customs Chamber, which was negative for the Company. The Company does not have analyses because it did not run activities in 2001 and there is no comparative data. On 4 November 2015, a hearing in the Provincial Administrative Court took place. On 18 November 2015, a negative judgment was given. On 8 February 2016, the Company filed a cassation appeal to the Supreme Administrative Court.

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

PAK KWB Konin SA is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomislawice. On 7 August 2007, the Head of the Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for



the extraction of lignite at the Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWB Konin SA and the Self-government Appeal Court submitted an appeal against this judgment. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and handed over the case for the judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open pit by PAK KWB Konin SA. On 7 January 2013, PAK KWB Konin SA submitted a cassation appeal from the described decision.

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

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA means that the judgment 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. On 1 October 2015, the Self-government Appeal Court issued a decision to suspend the proceedings on the statement of invalidity of the environmental decision issued by the Head of the Wierzbinek Commune in connection with the unfinished European Commission proceedings against the Polish government on breach of the provisions concerning the environment protection in connection with the lignite deposit in Tomisławice.

The decision of the Supreme Administrative Court in Warsaw of 7 October 2014 does not invalidate the environmental decision issued by the Head of the Wierzbinek Commune and does not halt the extraction and utilisation works at the Tomisławice open pit. The environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune is still in legal transactions, and until the issue of a final judgment by the Self-government Appeal Court, it exerts legal effects.

Other legal proceedings have been described in the Interim condensed consolidated financial statement for the 6 month period ended 30 June 2016 in point 29.1.

## 5. INFORMATION REGARDING THE SHAREHOLDING STRUCTURE

Share capital of ZE PAK is represented by 50.823.547 shares. Shares are ordinary. Each share gives right to one vote at General Meeting of Shareholders.

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

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

Shareholder	Number of shares and corresponding number of votes at the General Meeting*	Share [%] in the total number of shares/votes
<b>Zygmunt Solorz-Żak (indirectly) through:</b>	<b>26 200 867</b>	<b>51,55</b>
– Elektrim SA	196 560	0,39
– Embud sp. z o.o.	592 533	1,16
– Trigon XIX Fundusz Inwestycyjny Zamknięty	10 004 001	19,68
– Argumenol Investment Company Limited	15 407 773	30,32
<b>Nationale – Nederlanden OFE</b>	<b>5 068 410</b>	<b>9,97</b>

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

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

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

Shareholder	Position in the Company's authorities	Number of shares and the corresponding number of votes at the General Meeting	% Share [%] in the total number of shares/votes
<b>Zygmunt Solorz-Żak (indirectly through:</b>	<b>President of the Supervisory Board of the Company</b>	<b>26 200 867</b>	<b>51,55</b>
– Elektrim SA		196 560	0,39
– Embud sp. z o.o.		592 533	1,16
– Trigon XIX Fundusz Inwestycyjny Zamknięty		10 004 001	19,68
– Argumenol Investment Company Limited		15 407 773	30,32

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

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

Zespół Elektrowni Pątnów – Adamów – Konin SA has not published any financial forecasts.

## 7. INFORMATION REGARDING THE PAID OR DECLARED DIVIDENDS

In 2015, ZE PAK SA incurred the net loss in the amount of PLN 1 515.8 million (according to the Polish Accounting Standards). The Management Board of the Company proposed to cover this loss from the supplementary capital of the ZE PAK SA (amounting to PLN 2 542.0 million as of 31 December 2015) in the amount of PLN 1 513.4 million and from the reserve capital (amounting to PLN 5.9 million as of 31 December 2015) in the amount of 2.4 million.

The shareholders gathered at the Ordinary General Meeting of ZE PAK SA on 28 June 2016 supported the proposal of the Management Board regarding covering the loss incurred in 2015.

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

Zespół Elektrowni Pątnów – Adamów – Konin SA and companies consolidated under the Group have not concluded transactions with entities affiliated pursuant to conditions other than market conditions in the first half of 2016.

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

Zespół Elektrowni Pątnów – Adamów – Konin SA and companies consolidated under the Group have not granted guarantees, sureties, credits or loans in the first half of 2016, the standalone or total value of which would comprise 10% of ZE PAK SA's equity.

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

In the first half of 2016, PAK KWB Konin SA, a company subject to consolidation under the ZE PAK Capital Group, has made four emission of debentures in the total amount of PLN 42 500 thousand (in total covered by the companies within the Group). In the first half of 2016, PAK KWB Konin SA also has made redemptions of debentures in the amount of PLN 27 500 thousand (including PLN 22 500 thousand within the Group).

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

The process of forecasting future results of the ZE PAK Capital Group must include a wide range of factors existent in the branch and markets in which the Company conducts its operations. These include both internal factors as well as factors with their source in the environment. In the view of the Board, they can be divided into factors which constantly influence the Group's functioning as well as those which appear incidentally in the period which is embraced by a given periodical report.

The most important factors which constantly affect 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;
- CO<sub>2</sub> allowances costs;
- compensation for the stranded costs related to the termination of Elektrownia Pańków II's LTC contract;
- seasonality and meteorological conditions;
- investment expenses, in particular those privileged to obtain CO<sub>2</sub> emission allowances free of charge;
- EUR/PLN exchange rate, interest rates level.

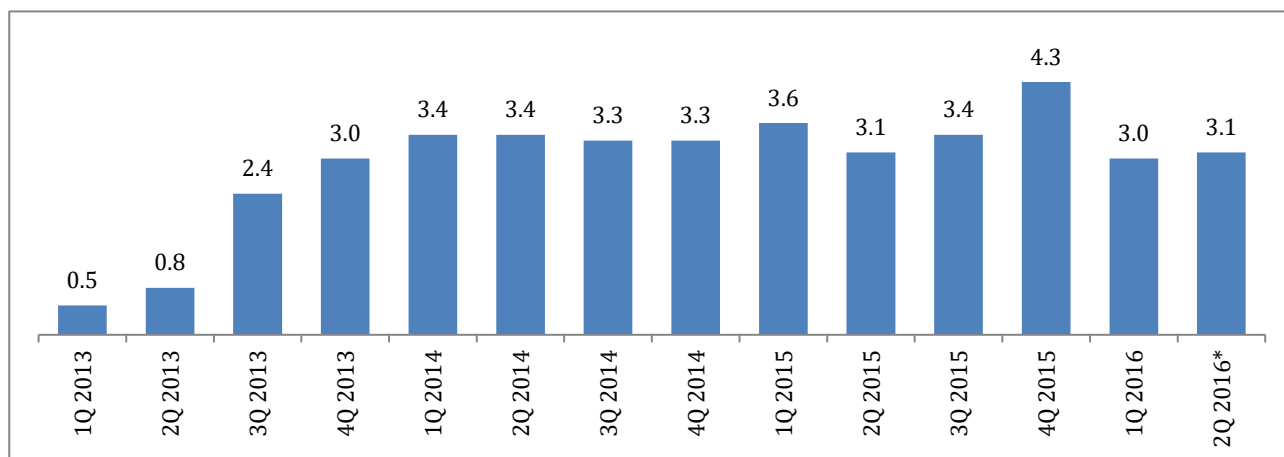
Furthermore, an important factor that could have a significant impact on the Company's financial results in the further quarters includes the value impairment test result. In accordance with IAS 36, the value impairment test of assets is carried out after the occurrence of certain conditions. The last such a test was carried out on 30 June 2016, and its result justified the write-down for asset components. It should be noted that the valuation model of the Company's assets shows sensitivity to a range of parameters, among others, the ones described in this section. Therefore, in the face of deterioration of the operational perspectives, both the market ones and those having its origin in the legal conditions, the assumptions for the valuation model of the Company's assets can change, and consequently the value impairment test result may cause the necessity of verifying the value of the write-downs against the asset components in the future. Another analysis of the reasons justifying the potential necessity to conduct the value impairment test of the Company's asset components will be executed at the end of the next reporting period.

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

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

The gross domestic product ("GDP") measured in constant prices of the previous year increased really in the first quarter of 2016 by 3.0%, while in the second quarter, the growth rate was 3.1%. The analogous values for the previous year are 3.6% and 3.1% of growth. Still, the quarter dynamics of the gross domestic product growth has been maintained at a level above 3% for already 2.5 years. At the end of 2015, acceleration of the upward trend of the dynamics to 4.3% in the fourth quarter of 2015 could be observed. In the first quarter of 2016, the growth rate weakened to 3.0%, which damped a little bit predictions for the rest of the year. The second quarter, despite slight improvement, did not really meet the analysts' expectations.

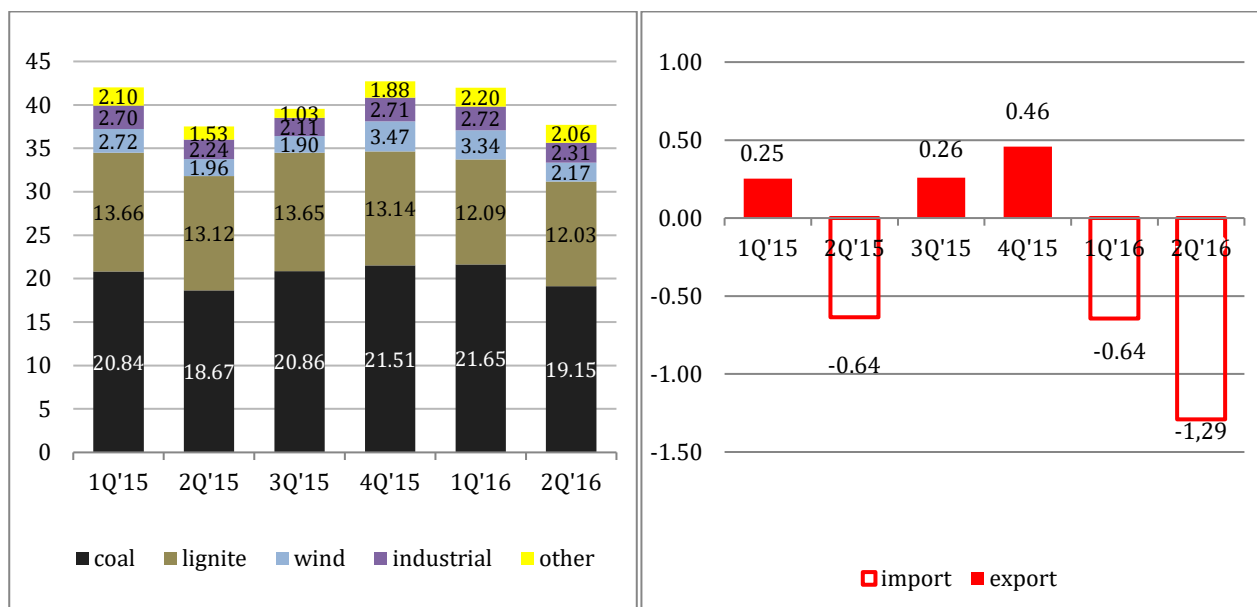
Chart 6: GDP dynamics (%) in relation to the analogous quarter of the year before (yearly average fixed prices)



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

The industrial production in the second quarter of this year increased by 5% Y-o-Y in comparison to 3% recorded in the first quarter. The situation deterioration in the construction industry was recorded once again, where both in the first and second quarters of 2016, the decline exceeded 10% on a year-to-year basis. The data concerning retail sale are the factor that does not raise concerns. In the first quarter of this year, on real basis, the retail sales increased by 4.4%, while in the second one, the growth accelerated, exceeding 5%. In subsequent periods, the factors determining the rate of GDP and, in particular, the consumer demand should be the expenses related to the “500+” new child benefit programme as well as the effects of the improvement in the labour market seen for a long time. Some opinions suggest that only the second half-year will reveal the full effects of the programme stimulating the expenses of families covered by the government subsidies scheme. The unemployment rate recorded at the end of June was 8.8%, and in July, it dropped to 8.6%, that is the lowest level since 1991. A periodic depreciation of the Polish zloty increasing the attractiveness of the export activities may also prove to be a positive factor. Negative factors concern particularly the deterioration of the investment dynamics, especially in the construction and assembly sector.

Chart 3: Structure of electricity production and the balance of electricity exchange with foreign countries (gross size) – TWh



Source: Own development based on Polskie Sieci Elektroenergetyczne SA's data.

The data concerning the functioning of the Public Power System and the Balancing Market, presented by Polskie Sieci Elektroenergetyczne SA, show that the national electricity generation in the first quarter of 2016 was 81.6 TWh, and increased by 2.1% in comparison to the analogous first quarter of the year before. The increase in consumption occurred

in all months of the first half-year. In the period from January to June 2016, the electricity generation remained almost at the same level as in the analogous period of the previous year and was 79.7 TWh. The power plants generating energy based on hard coal had the greatest share in the generation structure. Their generation increased by 3.24% in relation to the first half-year of the previous year. The significant decrease in generation on brown coal by nearly 10% draws attention, which can be connected with more repairs of the units generating on this raw material in the first quarter of 2016 and the influence of the transmission system operator's balance sheet activities. Wind power plants generated nearly 17.7% more energy than in the same period of the last year. The balance of cross-border exchange showed advantage on the side of energy imported into Poland in the amount of 1.9 TWh. There was an increase in energy imports, especially from the East, from Ukraine and a new connection with Lithuania. The energy trade with Germany balance deteriorated significantly.

## 11.2. Regulatory environment

The entities conducting activities in the electricity market are subject to strict regulation, such as the Energy Law, law on renewable energy sources ("res"), resolutions as well as the directives of the European Commission and international conventions, regarding, among others, the environmental protection and climactic changes (including CO<sub>2</sub> emissions), obligation of public sales of a part of the produced energy as well as the support of specific energy production processes. 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.

On 1 July 2016, another amendment to the law on renewable energy sources entered into force. The amendment concerns mainly the chapter 4 of the law regulating the new principles of supporting green electricity producers. The law on RES entered into force on 1 January 2016. However, the date of entry into force of chapter 4 was postponed by a half of year. During this period, new support principles were developed. As soon as this year, the auction system for renewable energy sources producers, within which the amount of energy from res will be ordered in division by particular res technology basket, is to launch. The amended regulations emphasised rewarding technologies providing renewable energy generation mainly by a stable generation. The support principles for prosumers were also standardised. The new definition of prosumer allows the broader directory of entities, including not only households but also among others public sector institutions, to use the preferences. These preferences involve proposing a system, in which the so-called indulgence for the energy taken from the operator for putting the unconsumed energy excesses to the prosumers in place of the guaranteed tariffs system. Another new solution is the introduction of a separate obligation, within the framework of the so-called "res obligation" to purchase green electricity from biogas plants, which is to improve the financial situation of the biogas plant owners. The provisions of the law also introduce conditions improving development of the power engineering scattered within local energy cooperates and clusters. These entities are to take part in one of the auction system ranges. However, the Ministry of Energy admits that some of the provisions of the Law will require clarification in the subsequent documentations and another amendment to this law is announced to be appear already at the turn of the third and fourth quarter of this year.

## 11.3. Electricity prices

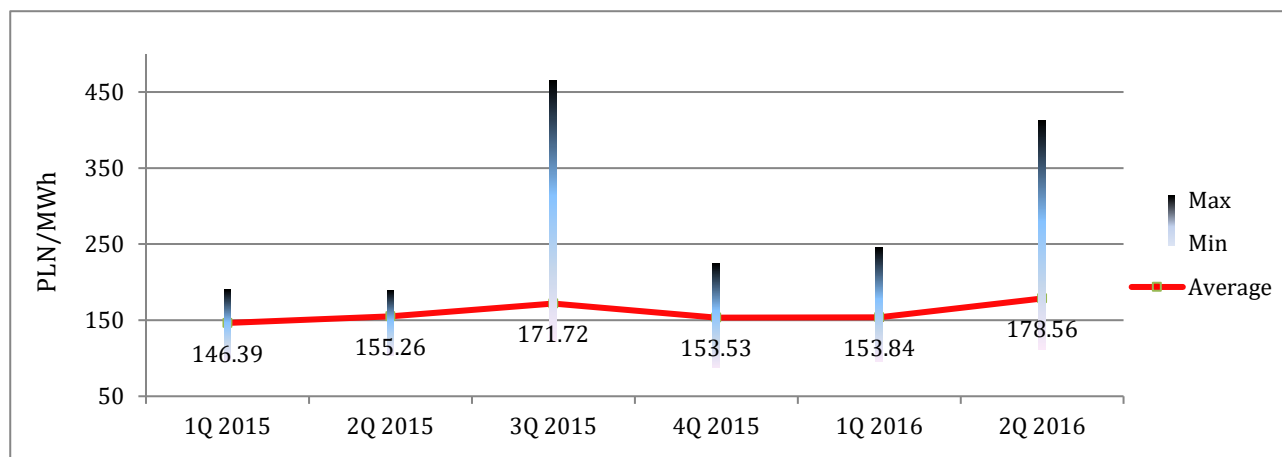
The Group generates most of their revenues from the production and sales of electricity, therefore the price for which it sells electricity is very important for the results of its activities. In addition, the Group practices the purchase of energy on the market of electricity and re-sale to recipients.

On the day-ahead-market of the Polish Power Exchange ("PPE"), the first half of 2016 was characterised by strongly increased fluctuations amplitude than the same period of the previous year. The beginning of the year marked with an increase in prices. In January, the prices reached their maximum at the level close to 245 PLN/MWh. The factors supporting the price increase in the first half of January were slightly lower average temperatures than in the previous year. The low temperatures cause increased demand for power in the national power system, which translates into higher energy prices. Relatively less favourable wind conditions in the first month of the year also mattered. The balance of the factors supporting the upward trend on the energy market started to change in the second half of January and stabilised in subsequent months. The temperatures did not reach the values of deviating negatively from the averages of previous years. The generation from wind sources also increased. The high growth in wind powers (compared to the same period of the last year) in combination with good wind conditions caused, for example, the increase in generation of wind sources in February higher by over 96% than in the analogous month of the previous year. Throughout the first half-year, the wind generation increased by 17.7% compared to the first half-year of 2015. The fluctuations amplitude in energy prices in March, April and May was between 100 and 200 PLN/MWh. However, in June, factors that pushed the prices up to the levels seen last in August 2015 occurred on the market. The genesis of the causes of the price increase in June was similar as in the memorable August 2015. High temperatures causing an increase in demand for energy in cooling devices in combination with the relatively small energy reserve of the system have contributed to the increases on the day-ahead-market of PPE. Starting in February, a negative balance of cross-border exchange was recorded, which means that Poland

again was the energy importer like in the same period of the previous year. However, in the first half-year of 2016, the import surplus over the export was over five times higher. The factor influencing the deterioration of the cross-border exchange balance was, among others, a change of the direction of trade on the cross-border connection with Lithuania, where after commissioning of the connection Sweden-Lithuania, the prices fell significantly to levels justifying import to Poland from this direction. In addition, the energy export from Poland decreased in virtually all directions, and Ukraine occurred among the countries, from which we bought the energy.

The half-yearly daily price minimum amounted to 95.68 PLN/MWh, and was recorded at the end of March, and the maximum achieved at the end of June amounted to 412.55 PLN/MWh. The weighted average half-yearly market price for the day-ahead-market on PPE in the first half-year of 2016 amounted to 166.11 PLN/MWh (IRDN), which means an increase by 10% in relation to the average of the first half-year of 2015.

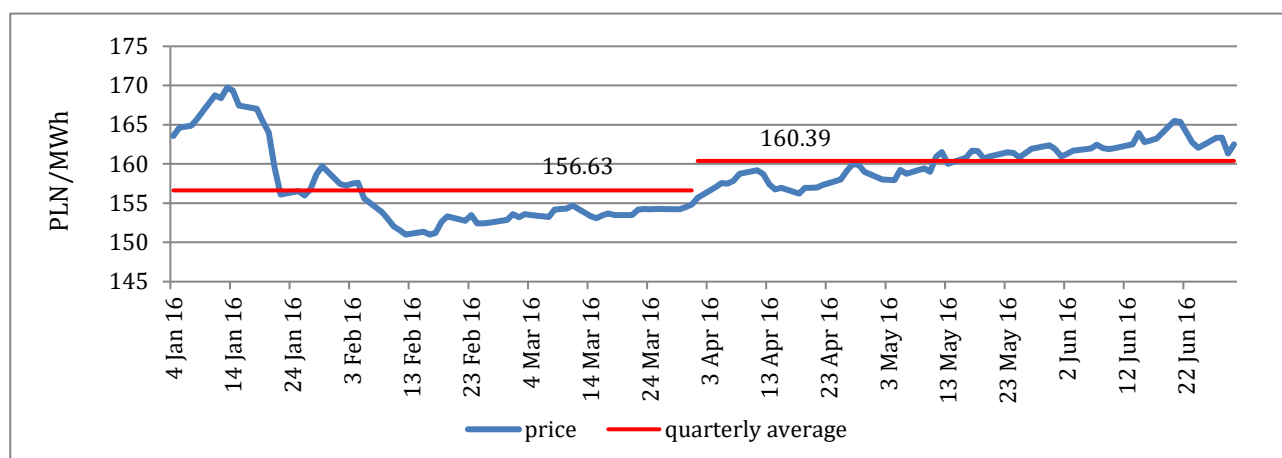
Chart 8: Energy prices (IRDN)



Source: Own development based on the PPE data.

The highest prices on the futures market of the electricity of the Polish Power Exchange in the first half-year were in January. The annual contract BASE\_Y-17 recorded its price maximum close to 170 PLN/MWh. However, the price failed to remain at a similar level for too long. In the later period, the influence of deep revaluation of energy resources, the price of the CO<sub>2</sub> allowances and declines in energy prices on spot markets in the country and on the markets in neighbouring countries brought the prices to the level of 151 PLN/MWh in mid-February. From that point, we dealt with a stable upward trend, supported by both the upward trend on the spot market and rising CO<sub>2</sub> prices. However, the prices failed to reach the new half-yearly maximum until the end of the half-year. The arithmetic mean of prices for an annual contract for 2017 in the first half-year of 2016 amounted to 158.52 PLN/MWh.

Chart 9: The price of the futures contract for the supply of electricity (band) for 2017



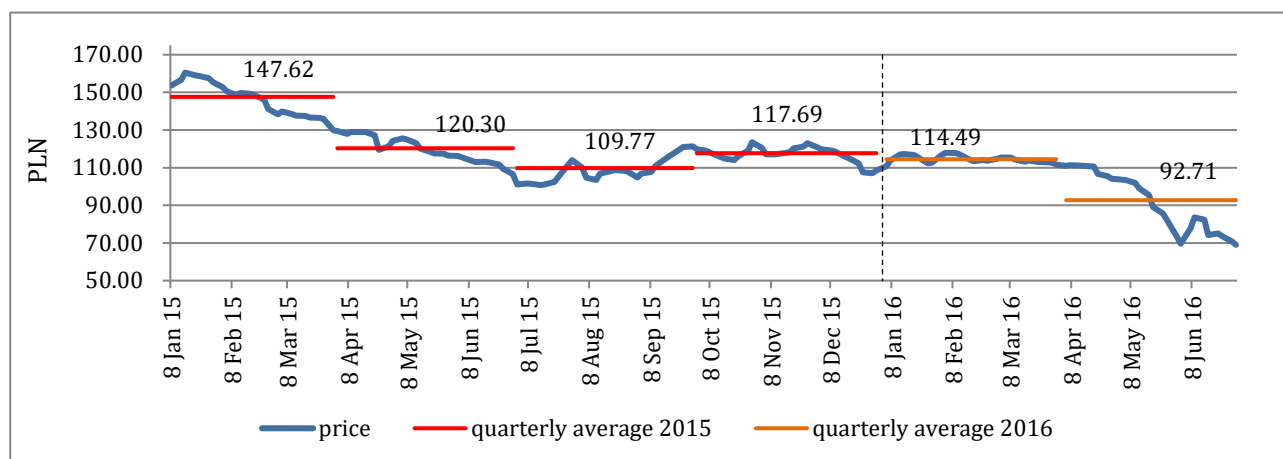
Source: Own development based on the PPE data.

## 11.4. Prices and supply of certificates of origin

Due to the fact that a part of the generated electricity derives from the co-combustion 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 it fulfils specific regulatory requirements. The number of obtained certificates of origin is significantly higher than the number of certificates that the Company is obligated to present for redemption, thus it is possible to dispose of their excess to other market participants.

Inasmuch as in the first quarter of 2016 the variation range of the green certificates prices was relatively narrow against the fluctuations of the last year, the second quarter marked with a dynamic decline, during which the prices reached historically low levels. The minimum price was reached on 30 June at PLN 69. The weighted-average for the half-year amounted to PLN 101.95 for the certificate. The average price recorded in the first half-year of 2016 is as much as 25% lower than the weighted average of the first half-year of 2015. It is worth noting that at the beginning of 2016, new principles on the lack of allocation of green certificates for the “large-scale” water energy and reducing the allotment of certificates for biomass co-firing technology by half already entered into force. However, these amendments failed to generate upward impulse on the green certificates market. The potential impulse for the green certificate prices can be the amount of the ratio of obligation to redeem the green certificates of origin in the coming years.

Chart 10: Average price of a certificate of origin for res produced energy



Source: Own development based on the PPE data.

## 11.5. Fuel costs, coal extraction costs

Fuel cost is the most important part of the costs related to the electricity and heat generation in companies of the ZE PAK Group. The prices of fuel largely determine the competitiveness of particular electricity production processes. The ZE PAK Group’s 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 minimal quantities for heating purposes in the process of electricity production.

Two lignite mines, PAK KWB Konin SA and PAK KWB Adamów SA, which are the only suppliers of lignite to the ZE PAK Group’s power plants, satisfy the entire demand of generation assets for this basic fuel. Therefore, the ZE PAK Group does not rely 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.

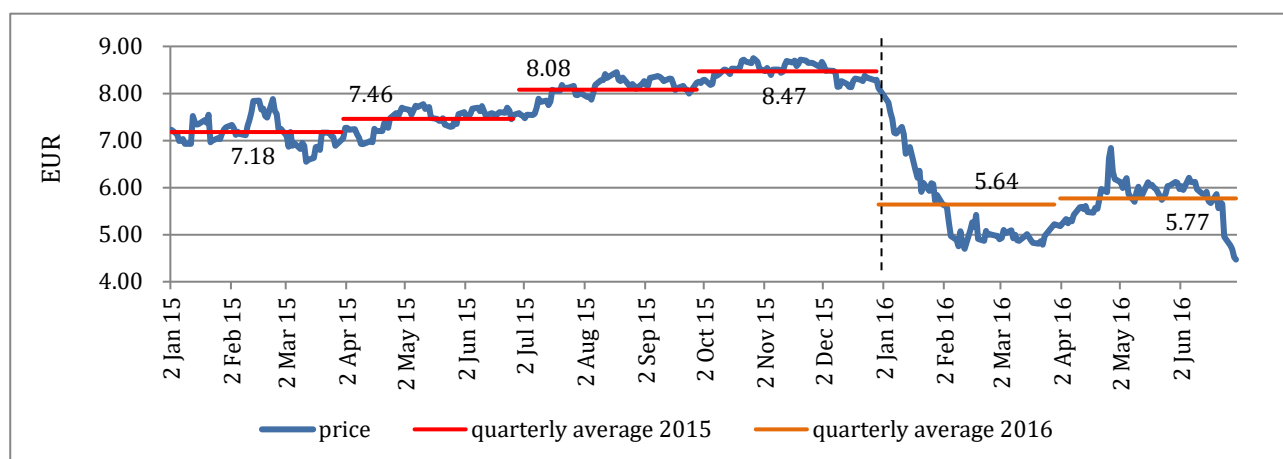
## 11.6. CO<sub>2</sub> allowances costs

The activity in the field of electricity and heat generation from conventional sources is associated with the need to bear the CO<sub>2</sub> emission costs. In view of the fact that these costs represent an important item in the structure of the costs incurred by the producers of energy from brown coal, the impact of emitted quantities of CO<sub>2</sub> and the price of emissions allowances is of great importance to the activities results. The results largely depend also on the amount of free-of-charge CO<sub>2</sub> allowances granted in a given period. The numbers 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 Company is obligated

to purchase the other part of the missing allowances at the free market. The company use also small amount of free allowances on the basis of the art. 10A of the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 (EUA from heat generation purpose).

In the first quarter of 2016, on the CO<sub>2</sub> allowances market, a very dynamic and deep prices decrease occurred. While the EUAs prices were reaching higher and higher quotes through the entire previous year, they failed to reach new peaks as soon as in December. However, the beginning of the year already showed a very strong downward trend. The arithmetic mean for quotes in the first quarter of 2016 was 5.64 EUR/EUA, which means a decrease by over 33% in comparison to the mean of the fourth quarter of 2015. A part of the analysts considers the correlation with the prices of energy sources, which also suffered deep prices decreases, the reason for deep decreases. However, the downward trends on raw-material markets dominated already in the previous year, while the EUAs prices were then reaching higher and higher quotes, supported by plans and announcements of actions at EU level to raise the EUAs prices by tampering with the market based mechanism. The first quarter of each year is a specific period on the emission allowances market when free allocations of units are distributed for these systems, to which they are entitled. At the same time, market participants are preparing for the period of redeeming the allowances corresponding to the amount of CO<sub>2</sub> emitted in the previous year. The rapid and deep decrease from the beginning of the year can be also reflected by the share of conventional energy declining faster in relation to expectations in the energy generation structure, especially in the countries of Western Europe. The beginning of the second quarter on the emission allowances market announced very dynamic reversal of the downward trend. In April, the demand was stimulated by entities purchasing the rights to redeem last year's emissions. Increases on energy raw materials markets and the declaration of the French government on introduction of a price corridor for the prices of units entitling emissions in France, which would limit their fluctuations, can be also mentioned among the factors supporting the price increase. However, the event which broke down the CO<sub>2</sub> prices again was the outcome of the referendum on the United Kingdom leaving the EU. The decision on the "Brexit" raised concerns about the future shape of the EU ETS system. The arithmetic mean of prices for CO<sub>2</sub> emission allowance units in the first half-year of 2016 amounted to 5.71 EUR/EUA. The market recorded its minimum on the last day of June at 4.47 EUR/EUA.

Chart 11: Price of the futures contract for the supply of EUA



Source: Own development based on the ICE data.

## 11.7. Compensation for the stranded costs related to the termination of Elektrownia Pańńów II sp. z o.o.'s "Long-term Contract" ("LCT")

The long-term contract for the sale of power and electricity (LCT) was concluded between Elektrownia Pańńów II sp. z o.o. and Polskie Sieci Elektroenergetyczne SA. 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 Elektrownia Pańńów II's LCT, 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, Elektrownia Pańńów II sp. z o.o. is entitled to receive sufficient compensation. The amount of compensation is estimated according to an applicable formula specified in the Act. Elektrownia Pańńów II sp. z o.o. is covered by the said act by the end of 2025.



## 11.8. Seasonality and meteorological conditions

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

Regardless of the factors described above, meteorological conditions become more and more important for the level of the Group's production. So far, the Group has not been significantly subject to seasonality of demand. Due to the low cost of the units' operation was executed continuously (at base) for almost entire year. Currently, given the increasing share of RES in the segment of energy producers, primarily wind sources, at estimating the volume of the Group's generation, weather conditions become more and more important, with a particular focus on wind conditions. Statistically, the first and fourth quarters are periods with the best wind conditions. It should be taken into account that on periods when wind conditions are very good and the wind turbines' generation is high, the demand for energy generated by the Group's power plants may be subject to periodic deductions.

## 11.9. Investment expenses

The activities in the coal extraction and energy production sector requires substantial investment expenses. The Group's generation assets require periodical renovations and on-going modernisation, both due to the increasing strictness of requirements in the scope of environmental protection as well as the need for improvement of electricity production effectiveness. The level of investment expenses had major impact, and according to expectations will still have major impact, on the results of the operating activities, level of debt and cash flows. Delays in execution, changes of the investment programme, and excess in the budget can have severe impact on the investment expenses incurred in the future, as well as on the results, financial position and perspectives of development. Moreover, the part of the Group's planned investment projects reported to the National Investment Plan involves the allocation of free units allowing for CO<sub>2</sub> emission.

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

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

The most important factors include:

- A significant part of the debt (that is the Corporate Credit taken by Elektrownia Pątnów II sp. z o.o.) is denominated in EUR, which means 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 positive impact on financial results, because it decreases the financial costs in PLN related to the debt in foreign currency.
- ZE PAK SA and Elektrownia Pątnów II sp. z o.o. use debt financing based on a variable interest rate.
- Transactions relate to the purchase of EUAs are settled in EUR.

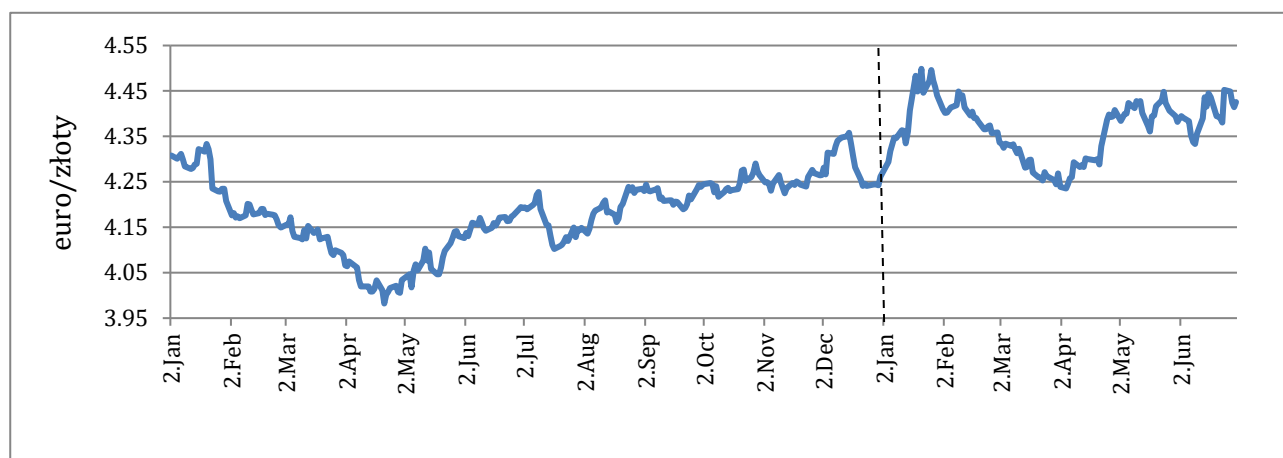
In the first half of 2016 ZE PAK Capital Group's companies do not use instruments, which limit the risk resulting from the changes in the exchange rate. Management Boards are constantly monitoring the financial position and market situation and can make the decision to use financial instruments limiting the exchange rate risk, if needed. According to the Risk Management Principles adopted by the ZE PAK Capital Group, 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 SA and Elektrownia Pątnów II sp. z o.o. 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 and concern the Elektrownia Pątnów II sp. z o.o.'s the corporate credit based on the variable EURIBOR interest rate. IRS instruments were used in security.

With the beginning of January there was a dynamic weakening of the zloty to close to 4.5 EUR/PLN in mid-January 2016 and then until the end of March zloty strengthened to a level close quotations from the end of 2015. In the second quarter,

again there was a weakening of EUR/PLN exchange rate, however, quotations not punched through the level of 4.45 EUR/PLN.

Chart 12: Average EUR/PLN exchange rate



Source: Own development based on NBP average exchange rate tables

## 12. REPRESENTATIONS OF THE MANAGEMENT BOARD

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

The Management Board of Zespół Elektrowni Pątnów – Adamów – Konin S.A. hereby declares that, according to its best knowledge, the ZE PAK Capital Group's financial statement for the half year ended 30 June 2016 and the comparative data were developed in accordance with the current principles of accounting and that they realistically and reliably reflect the property and financial position, as well as the financial result of the ZE PAK Capital Group. Furthermore, we declare that Management Board's Report on ZE PAK Capital Group Operations includes the real representation of the development, achievements, and the position of the ZE PAK Capital Group, including the description of basic risks and hazards.

The Management Board of Zespół Elektrowni Pątnów – Adamów – Konin S.A. hereby declares that, according to its best knowledge, the ZE PAK S.A. financial statement for the half year ended 30 June 2016 and the comparative data were developed in accordance with the current principles of accounting and that they realistically and reliably reflect the property and financial position, as well as the financial result of the Company.

### 12.2. Representation on the appointment of the entity authorised to audit the financial statement

The Management Board of Zespół Elektrowni Pątnów – Adamów – Konin S.A. hereby declares that the entity authorised to audit financial statements, conducting the audit of the ZE PAK Capital Group's consolidated Financial Statement for the half year ended 30 June 2016, was chosen in accordance with the regulations of the law, and that this entity and the statutory auditors conducting the audit complied with the conditions to express an unbiased and independent opinion on the audited annual financial statement, in accordance with the current regulations and occupational standards.

The Management Board of Zespół Elektrowni Pątnów – Adamów – Konin S.A. hereby declares that the entity authorised to audit financial statements, conducting the audit of the ZE PAK S.A. Financial Statement for the half year ended 30 June 2016, was chosen in accordance with the regulations of the law, and that this entity and the statutory auditors conducting the audit complied with the conditions to express an unbiased and independent opinion on the audited annual financial statement, in accordance with the current regulations and occupational standards.

## **SIGNATURES OF THE MANAGEMENT BOARD MEMBERS:**

Adam Kłapszta .....

Aneta Lato-Żuchowska .....

Adrian Kaźmierczak .....

Tomasz Zadroga .....

Zygmunt Artwik .....