ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2017

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

14 NOVEMBER 2017

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(in thousands of PLN)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 9 months period ended 30 September 2017

	Note	*9 months period ended 30 September 2017 (unaudited)*	*3 months period ended 30 September 2017(unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016(unaudited)*
Continuing operations					
Sales revenue	*11.1*	**1 813 089**	**635 533**	**2 053 540**	**686 020**
Cost of goods sold	*11.6*	(1 490 059)	(511 085)	(1 677 507)	(570 220)
Gross profit / (loss)		**323 030**	**124 448**	**376 033**	**115 800**
Other operating revenues	*11.2*	11 375	1 923	18 747	7 773
Selling and distribution expenses	*11.6*	(3 113)	(911)	(3 105)	(966)
Administrative expenses	*11.6*	(90 467)	(33 928)	(71 791)	(23 996)
Other operating expenses	*11.3*	(3 064)	(1 074)	(8 157)	(5 864)
Gross profit / (loss) from operations		**237 761**	**90 458**	**311 727**	**92 747**
Finance income	*11.4*	10 721	(2 850)	6 334	1 160
Finance costs	*11.5*	(35 890)	(9 513)	(55 591)	(9 414)
Profit / (loss) before tax		**212 592**	**78 095**	**262 470**	**84 493**
Income tax expense (taxation)	*13.1*	(42 616)	(12 495)	(43 805)	(5 713)
Net profit / (loss) for the period from continuing operations		**169 976**	**65 600**	**218 665**	**78 780**
Discontinued operations					
Profit/ (loss) for the period from discontinued operations		-	-	-	-
Net profit / (loss) for the period		**169 976**	**65 600**	**218 665**	**78 780**
Net profit/ (loss) attributable to equity holders of the parent		169 368	65 996	216 208	77 804
Net profit/ (loss) attributable to non-controlling interests		608	(396)	2 457	976

Adam Kłapszta	*Aneta Lato-Żuchowska*	*Zygmunt Artwik*	*Elżbieta Niebisz*	*Aneta Desecka*
President of the Board	*Vice President of the Board*	*Vice President of the Board*	*Vice President of the Board*	*Chief Accountant*

Earnings per share (in PLN):	*Note*	*9 months period ended 30 September 2017 (unaudited)*	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Basic, for profit for the period attributable to equity holders of the parent	*14*	3.33	1.30	4.25	1.53
Basic, for profit for the period from continuing operations attributable to equity holders of the parent	*14*	3.33	1.30	4.25	1.53
Diluted, for profit for the period attributable to equity holders of the parent	*14*	3.33	1.30	4.25	1.53
Diluted, for profit for the period from continuing operations attributable to equity holders of the parent	*14*	3.33	1.30	4.25	1.53

Adam Kłapszta	*Aneta Lato-Żuchowska*	*Zygmunt Artwik*	*Elżbieta Niebisz*	*Aneta Desecka*
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(in thousands of PLN)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for a 9-month period ended 30 September 2017

	Note	*9 months period ended 30 September 2017 (unaudited)*	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Net profit / (loss) for the period		**169 976**	**65 600**	**218 665**	**78 780**
Other comprehensive income					
Items to be reclassified to the profit / (loss) in subsequent reporting periods:					
Cash flow hedges	*12*	4 236	1 043	4 330	2 124
Income tax on other comprehensive income	*13.1,12*	(805)	(198)	(823)	(404)
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		3 431	845	3 507	1 720
Items not to be reclassified to the profit / (loss) in subsequent reporting periods:	*12*	(728)	(386)	(1 108)	(199)
Profits / (losses) on provisions for post-employment	*13.1,12*	138	73	210	37
Income tax on other comprehensive income		(590)	(313)	(898)	(162)
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		**2 841**	**532**	**2 609**	**1 558**
Net other comprehensive income		**172 817**	**66 132**	**221 274**	**80 338**
Comprehensive income for the period		172 209	66 528	218 817	79 362
Comprehensive income attributable to equity holders of the parent		608	(396)	2 457	976

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(in thousands of PLN)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2017

	Note	*30 September 2017 (unaudited)*	*31 December 2016*
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	3 305 586	3 391 246
Investment property		2 316	2 337
Intangible assets	*17*	3 906	119 282
Assets of removing overburden and other mining assets (long-term)	*18*	74 474	80 524
Other long-term financial assets	*19.1*	12 904	11 945
Other long-term non-financial assets	*19.2*	5 639	5 726
Deferred tax assets	*13.2*	96 696	90 998
Total non-current assets		**3 501 521**	**3 702 058**
Current assets			
Short-term intangible assets	*17*	145 777	273 036
Inventories	*20*	98 487	105 296
Trade and other receivables	*21*	241 479	246 025
Income tax receivables		596	10 227
Short-term financial derivatives (assets)	*27.4*	588	296
Other short-term financial assets	*19.1*	38 308	77 317
Other short-term non-financial assets	*19.2*	12 163	28 776
Amounts due from customers under long-term construction contracts	*11.7*	14 601	8 168
Cash and cash equivalents	*22*	370 425	350 101
Total current assets		**922 424**	**1 099 242**
Assets classified as held for sale		-	-
TOTAL ASSETS		**4 423 945**	**4 801 300**

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	Note	*30 September 2017 (unaudited)*	*31 December 2016*
LIABILITIES AND EQUITY			
Equity			
Share capital		101 647	101 647
Reserve capital		1 094 493	1 028 647
Revaluation reserve from valuation of hedging instruments		(3 653)	(7 084)
Other reserve capital		3 472	3 472
Retained earnings / Accumulated losses		885 559	769 302
Net profit / (loss)		169 368	247 674
Equity attributable to equity holders of the parent		**2 250 886**	**2 143 658**
Equity attributable to non-controlling interests		-	-
Total equity		**2 250 886**	**2 143 658**
Long-term liabilities			
Interest-bearing loans and borrowings	*24*	375 109	587 851
Long-term employee benefits		47 450	48 587
Trade liabilities and other long-term financial liabilities	*27.2*	5 562	5 069
Long-term financial derivatives (liabilities)	*27.4*	1 516	4 294
Long-term subsidies	*27.5*	44 889	43 302
Other long-term provisions and accruals	*25*	368 876	312 253
Deferred tax liability	*13.2*	415 040	388 359
Total long-term liabilities		**1 258 442**	**1 389 715**
Short-term liabilities			
Trade liabilities and other short-term financial liabilities	*27.1*	123 818	302 662
Current portion of interest-bearing loans and borrowings	*24*	362 580	421 958
Short-term financial derivatives (liabilities)	*27.4*	3 941	5 759
Other non-financial liabilities	*27.3*	53 350	116 431
Current income tax liability		5 643	166
Short-term employee benefits		7 127	6 503
Short-term subsidies	*27.6*	1 504	6 670
Amounts due to customers under long-term construction contracts	*11.7*	2 229	3 990
Other short-term provisions and accruals	*25*	354 425	403 788
Total short-term liabilities		**914 617**	**1 267 927**
Total liabilities		**2 173 059**	**2 657 642**
TOTAL LIABILITIES AND EQUITY		**4 423 945**	**4 801 300**

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(in thousands of PLN)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 9-month period ended 30 September 2017

	Note	*Period ended 30 September 2017 (unaudited)*	*Period ended 30 September 2016 (unaudited)*
Cash flow from operating activities			
Profit /(loss) before tax		212 592	262 470
Adjustments for:			
Depreciation and amortization		150 904	151 860
Interests and shares in profits		21 642	35 870
(Profit) / loss on foreign exchange differences		(6 711)	6 411
(Profit) / loss on investing activities		(1 223)	1 709
(Increase) / decrease in receivables		13 767	31 199
(Increase) / decrease in inventories		6 808	31 432
Increase / (decrease) in payables except for loans and borrowings		(166 313)	(80 717)
Change in provisions, prepayments, accruals and employee benefits		318 731	253 850
Income tax paid		(7 700)	(19 758)
Allowances for emission of CO_2		(131 295)	(199 397)
Other		(1 352)	(60)
Net cash flow from operating activities		**409 850**	**474 869**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1 637	2 685
Purchase of property, plant and equipment and intangible assets		(69 931)	(104 200)
Proceeds and expenses relating to other financial assets		37 229	5 740
Dividends received		208	-
Interest received		3	4
Other		(130)	64
Net cash flow from investing activities		**(30 984)**	**(95 707)**
Cash flow from financing activities			
Payment of finance lease liabilities		(6 691)	(11 533)
Proceeds from loans and borrowings and debt securities		8 831	12 640
Repayment of loans and borrowings and debt securities		(272 312)	(266 450)
Dividends paid		(65 562)	-
Interest paid		(22 329)	(37 034)
Other		(437)	(1 192)
Net cash flow from financing activities		**(358 500)**	**(303 569)**
Net increase / (decrease) in cash and cash equivalents		**20 366**	**75 593**
Cash and cash equivalents at the beginning of the period		**348 647**	**383 319**
Cash and cash equivalents at the end of the period	*22*	**369 013**	**458 912**

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(in thousands of PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 9 months period ended 30 September 2017 (unaudited)

	Issued capital	*Reserve capital*	*Revaluation reserve of financial instruments*	*Other reserve capital*	*Retained earnings / accumulated losses*	*Total*	*Non-controlling interest*	*Total equity*
as of 1 January 2017	**101 647**	**1 028 647**	**(7 084)**	**3 472**	**1 016 976**	**2 143 658**	**-**	**2 143 658**
Net profit for the period	-	-	-	-	169 368	169 368	608	169 976
Total other comprehensive income	-	-	3 431	-	(590)	2 841	-	2 841
Total income for the period	**-**	**-**	**3 431**	**-**	**168 778**	**172 209**	**608**	**172 817**
Distribution of profits from previous years	-	65 846	-	-	(65 846)	-	-	-
Dividend for previous years	-	-	-	-	(65 560)	(65 560)	-	(65 560)
Distribution of profits from previous years for CSBF	-	-	-	-	(29)	(29)	-	(29)
The effect of the 'put' option settlement on the shares of non-controlling interests	-	-	-	-	608	608	(608)	-
as at 30 September 2017	**101 647**	**1 094 493**	**(3 653)**	**3 472**	**1 054 927**	**2 250 886**	**-**	**2 250 886**

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

(in thousands of PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 9 months period ended 30 September 2016 (unaudited)

	Issued capital	*Reserve capital*	*Revaluation reserve of financial instruments*	*Other reserve capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interest*	*Total Equity*
As at 1January 2016	**101 647**	**2 542 060**	**(11 941)**	**5 877**	**(752 820)**	**1 884 823**	**-**	**1 884 823**
Net profit for the period	-	-	-	-	216 208	216 208	2 457	218 665
Total other comprehensive income	-	-	**3 507**	-	**(898)**	**2 609**	-	**2 609**
Total income for the period	-	-	3 507	-	215 310	218 817	2 457	221 274
Distribution of profits from previous years	-	(1 513 421)	-	(2 405)	1 515 826	-	-	-
Share of profits from previous years for ZFŚS	-	-	-	-	(58)	(58)	-	(58)
The effect of the settlement of a put option on the shares of non-controlling interests	-	-	-	-	2 457	2 457	(2 457)	-
Other changes	-	-	-	-	14	14	-	14
as at 30 June 2016	**101 647**	**1 028 639**	**(8 434)**	**3 472**	**980 729**	**2 106 053**	**-**	**2 106 053**

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ADDITIONAL EXPLAINING NOTES

1. General information

The Capital Group of Zespół Elektrowni Pątnów–Adamów–Konin SA ("the Group") consists of Zespół Elektrowni Pątnów–Adamów–Konin SA (" 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 9-month period concluded on 30 September 2017 and includes comparative data for the 9-month period concluded on 30 June 2016 and the data as of 31 December 2016. The interim consolidated condensed financial statement of comprehensive income, the consolidated income statement, and additional explanatory notes present additional financial information for the 3-month period concluded on 30 September 2017 and comparative data for the 3-month period concluded 30 September 2016.

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 9 months ended 30 September 2017 was approved for issuing by the Management Board on 14 November 2017.

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

(in thousands of PLN)

2. Composition of the Group

The Group consists of Zespół Elektrowni Pątnów–Adamów–Konin SA and the following subsidiaries:

Entity	Seat	Scope of activities	Percentage share of the Group in capital as at 30 September 2017	Percentage share of the Group in capital as at 31 December 2016
Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and construction service	100.00%	100.00%
Elektrownia Pątnów II sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production and distribution of electricity from 464 MW 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 works with regard to engineering structures not elsewhere classified	100.00%	100.00%
PAK Górnictwo sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and conservation of machinery and electrical equipment, railway transport, assembly works	100.00%	100.00%
Energoinwest Serwis sp. z o.o. in liquidation	62-510 Konin ul. Spółdzielców 3	The company in liquidation	100.00%*	100.00%*
PAK Kopalnia Węgla Brunatnego Konin SA	62-540 Kleczew ul. 600-lecia 9	Lignite mining	97.58%	96.23%
PAK Kopalnia Węgla Brunatnego Adamów SA	62-700 Turek ul. Uniejowska 9	Lignite mining	99.26%	98.41%
Aquakon sp. z o.o. in liquidation	62-610 Sompolno Police	The company in liquidation	96.20%*	92.57%*
Eko-Surowce sp. z o.o. in liquidation	62-540 Kleczew ul. 600-lecia 9	The company in liquidation	100.00%*	96.23%*
PAK-Volt SA	00-834 Warszawa ul. Pańska 77/79	Sale of electricity	100.00%	100.00%
EL PAK Serwis sp. z o.o. in liquidation	62-510 Konin ul. Przemysłowa 158	The company in liquidation	100.00%*	100.00%*

** Entities where ZE PAK SA is partly or in total indirectly shareholder through other companies from the ZE PAK SA Group*

As of 30 September 2017, 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.

As a result of the process of redeeming shares from eligible employees and after the transfer of shares repurchased from the State Treasury, the share of ZE PAK SA Capital Group's companies in the shareholding of PAK KWB Konin SA increased to 97.58% and in PAK Coal Mine Brunatnego Adamów SA to 99.26%.

On 9 May 2017 PAK Górnictwo sp. Z o.o. has made agreements with PAK KWB Konin SA, PAK Serwis sp. z o.o. and EL PAK sp. z o.o., as a result of which PAK Górnictwo sp. z o.o. acquired shares in the following companies: EL PAK Serwis sp. z o.o., Aquakon sp. z o.o., Eko-Surowce sp. z o.o., Energoinwest Serwis sp. z o.o. On August 1, 2017, the Extraordinary General Meeting of Shareholders of four companies acquired by PAK Górnictwo sp. Z o.o. took resolution on terminating the companies and starting their liquidation as of 1 August 2017. The initiated liquidation process is a consequence of the restructuring of the auxiliary activity towards the main segments of the Capital Group. The activities carried out by the abovementioned companies will be carried out by PAK Górnictwo sp. Z o.o. that takes over the rights and obligations of the liquidated companies.

On 30 June 2017, EL PAK sp. z o.o. (acquired company) and PAK Serwis sp. z o.o. (acquirer) have merged into one Company, pursuant to Art. 492 § 1 point 1 of the CCC by transferring all the assets of EL PAK sp. z o.o. to PAK Service sp. z o.o. Legal status EL PAK sp. z o.o. ceased from 1 July 2017. This change in the Group's structure is also a consequence of the consolidation of auxiliary activities to the Group's main segments. As of December 31, 2016 ZE PAK SA held 100% of shares in EL PAK sp. Z o.o. On 16 October 2017 a new subsidiary has been set up – PAK Adamów Sp. z o.o., in which ZE PAK SA holds all the shares. The appointment of the new subsidiary company is related to preparation of the process of terminating the activity of Elektrownia Adamów.

3. Composition of the Management Board of the parent company

As the day of the report publication, ZE PAK SA Management Board is composed of the following members:

- Adam Kłapszta President of the Board,
- Aneta Lato-Żuchowska Vice President of the Board,
- Zygmunt Artwik Vice President of the Board,
- Elżbieta Niebisz Vice President of the Board,

On 3 March 2017, by the resolution of the Supervisory Board of the Company, Mr. Adam Kłapszta, who previously held the position of the Vice-President of the Management Board of the Company acting as the President of the Management Board, was appointed as the President of the Management Board of the Company. The resolution on entrusting the function of the President of the Management Board of the Company entered into force upon its adoption.

During a meeting of the Supervisory Board held on 3 March 2017, Ms. Katarzyna Sobierajska and Mr. Tomasz Zadroga stepped down from the positions of the Vice-Presidents of the Management Board of the Company as of 3 March 2017.

On 3 March 2017, the Supervisory Board of the Company appointed Ms. Elżbieta Niebisz to the position of the Vice-President of the Management Board. The resolution on the appointment became effective upon its adoption.

4. Basis for development of the interim 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 concluded on 31 December 2016 authorised for issue on 21 March 2017.

This interim condensed consolidated financial statement was developed according to the historical cost principle, except for the derivatives and other financial instruments.

The balance sheet value of the recognised hedged assets and liabilities is adjusted with fair value changes, which may be attributed to the risk against which such assets and liabilities are hedged

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

Taking into account the long-term financial projections indicating the generation of positive cash flows, the consolidated financial statements have been prepared on the assumption that the activities will continue for a period of at least 12 months after the balance sheet date. As at the date of approval of these financial statements, there are no circumstances indicating the continuation of activities of the Group's companies would be threatened, wherein the activities concerning the allocations of certain types of activities between the Companies are carried out. The indicated activities will not affect the limitation of the scope of economic activity conducted by the Capital Group of ZE PAK SA. Relating to information provided in note 15.1, the Management Board of the Company maintains that there are no threats identified for continuation of activity of the Group's companies.

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

After 1 January 2016 both new or revised standards and interpretations obligatory for annual periods beginning on 1 January 2016 have not been published. Standards and interpretations issued but not valid because they have not been approved by EU, or have been approved by EU but have not been applied by the Capital Group, have been presented in the annual financial statement for 2016. In the first half of year 2017 only the MSSF 17 standard – Insurance Contracts, and KIMSF 23 interpretation - Uncertainty Related to the Recognition of Income Taxes, have been published.

The Group has not decided to apply earlier any other standard, that have been published but have not entered into force. Due to planned deadlines for implementing MSSF 9 – Financial instruments and MSSF 15 – Revenues from customer contracts as of 1 January 2018 and MSSF 16 – Leasing from the annual period beginning on 1 January 2019, on the day of approval of this consolidated financial statement, the Group is analysing the impact of the above MSSF on the accounting policies applied by the Group.

As of 30 September 2017 the Group has no reliable estimation of the impact of above IFRS on consolidated financial statement. The Group is planning to carry out detailed analysis and calculations in scope of implementation of IFRS 9 and IFRS 15 in the second half of 2017 and in year 2018 in scope of IFRS 16.

6. Significant principles (policy) of accounting

The principles (policy) of accounting used to prepare the interim condensed consolidated financial statements are coherent with those used for preparing the annual consolidated financial statements of the Group for the year beginning on 1 January 2016. After 1 January 2016 both new or revised standards and interpretations obligatory for annual periods beginning on 1 January 2016 have not been published. Standards and interpretations issued but not valid because they have not been approved by EU, or have been approved by EU but have not been applied by the Capital Group, have been presented in the annual financial statement for 2016. In the first half of year 2017 only the MSSF 17 standard – Insurance Contracts, and KIMSF 23 interpretation - Uncertainty Related to the Recognition of Income Taxes, have been published.

The Management of the company does not foresee that implementation of the above standards and interpretations would have a significant impact on the principles of accounting applied by the Group.

The Group has not decided to apply earlier any other standard, interpretation or change that have been published but have not entered into force yet, in the lights of the EU rules.

7. Essential values based on professional judgement and estimates

The scope of essential values based on professional judgement and estimates has been presented in consolidated financial statement made as on 31 December 2016 and has not been changed in the current year, excluding the items described below.

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 September 2017 to the price amounting to 37.76 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 reduction (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 2016, the emission in ZE PAK Group amounted to 11 456 099 tonnes of CO_2.

In April 2017 the Group made redemption of CO_2 emission for 2016.

As of 30 September 2017, the Group created a provision for the allowances in relation to the actual emission size for the period from 1 January 2017 till 30 September 2017.

Details concerning the provision for liabilities due to the redemption of greenhouse gases emission allowances and certified emission reduction units were presented in note 25.3.1.

8. Change of estimates

Within the 9-month period concluded on 30 September 2017, except for these described in the financial statement, there were no significant changes in estimated sizes and the methodology of estimates that would affect the current period or future period.

9. 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.

10. Operating segments

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

Therefore, there are the following operating segments:

- The Generation Segment covering production of electricity both from conventional sources (including cogeneration) and by combustion and co-combustion of biomass. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment covers following entities:
  - Zespół Elektrowni Pątnów–Adamów–Konin SA
  - Elektrownia Pątnów II sp. z o.o.
  - PAK – Holdco sp. z o.o.
  - PAK Infrastruktura sp. z o.o.
- The Mining Segment covering the extraction of lignite. In the Mining Segment, within the Capital Group ZE PAK SA:
  - PAK Kopalnia Węgla Brunatnego Konin SA
  - PAK Kopalnia Węgla Brunatnego Adamów SA
- 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.
  - Energoinwest Serwis sp. z o.o. in liquidation
  - EL PAK Serwis sp. z o.o. in liquidation
- The Sales Segment performing services of the sale of electricity. The Sales Segment also includes the "PAK – Volt" SA company.

ZE PAK SA Group operates also in other kinds of activities, included in the 'Other' column.

For the three quarters of 2017 there is included the activity of the following companies: of Eko-Surowce sp. Z o.o. - in liquidation, Aquakon sp. z o.o. - in liquidation and PAK Górnictwo sp. z o.o. Due to the acquisition of other activities by PAK Górnictwo Sp. z o.o., which became the core business of this company, for the three quarters of 2017 data of this company are presented in the 'Other' segment. For the comparative data, this company is presented in the Mining segment. On 30 June 2017, EL PAK sp. Z o.o. (acquired company) and PAK Serwis sp. z o.o. (acquirer) have merged into one Company. The activity of the two companies is included in the 'Renovation' segment.

Transaction prices applied in transactions between operating segments are determined on a market basis as in transactions with unrelated parties. None of the Group's operating segments have been merged with another segment to create the above reporting 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 accounting for financial income and expenses, plus depreciation and amortization charges).

The table below presents the segments results for the periods ended 30 September 2017 and 30 September 2016:

(in thousands of PLN)

9-month period ended 30 September 2017 (unaudited)

	Generation	*Mining*	*Renovation*	*Sale*	*Other*	*Consolidation adjustment*	*Total*
Sales revenue to external customers	1 294 831	4 589	77 024	431 384	5 261	-	1 813 089
Sales revenue between segments	263 516	638 324	148 789	4	95 768	(1 146 401)	-
Sales revenue	**1 558 347**	**642 913**	**225 813**	**431 388**	**101 029**	**(1 146 401)**	**1 813 089**
Cost of goods sold	(1 326 933)	(586 973)	(201 514)	(424 986)	(100 570)	1 150 917	(1 490 059)
Gross profit /(loss)	**231 414**	**55 940**	**24 299**	**6 402**	**459**	**4 516**	**323 030**
Other operating income	3 213	7 001	748	501	167	(255)	11 375
Selling and distribution expenses	(1 926)	(4)	-	(354)	(829)	-	(3 113)
Administrative expenses	(27 648)	(41 341)	(13 953)	(3 135)	(4 390)	-	(90 467)
Other operating expenses	(988)	(1 446)	(483)	(342)	(59)	254	(3 064)
Financial income	10 805	1 375	455	90	20	(2 024)	10 721
Financial costs	(24 247)	(11 853)	(301)	(73)	(38)	622	(35 890)
Profit / loss before tax	**190 623**	**9 672**	**10 765**	**3 089**	**(4 670)**	**3 113**	**212 592**
Income tax expense	(36 155)	(3 642)	(2 902)	(675)	1 964	(1 206)	(42 616)
Net profit / loss for the period from continuing operations	**154 468**	**6 030**	**7 863**	**2 414**	**(2 706)**	**1 907**	**169 976**
Profit / loss from operating activities, without financial operations and income tax	**204 065**	**20 150**	**10 611**	**3 072**	**(4 652)**	**4 515**	**237 761**
Depreciation / Amortization	95 190	58 454	5 047	62	1 351	(5 621)	154 483
Write-down	-	-	-	-	-	-	-
EBITDA	**299 255**	**78 604**	**15 658**	**3 134**	**(3 301)**	**(1 106)**	**392 244**

(in thousands of PLN)

9-month period ended 30 September 2016 (unaudited)

	Generation	*Mining*	*Renovation*	*Sale*	*Other*	*Consolidation adjustment*	*Total*
Sales revenue to external customers	1 337 428	6 483	48 191	655 692	5 746	-	2 053 540
Sales revenue between segments	324 222	657 106	171 708	4	70 462	(1 223 502)	-
Sales revenue	**1 661 650**	**663 589**	**219 899**	**655 696**	**76 208**	**(1 223 502)**	**2 053 540**
Cost of goods sold	(1 423 744)	(538 701)	(215 658)	(648 882)	(78 069)	1 227 547	(1 677 507)
Gross profit /(loss)	**237 906**	**124 888**	**4 241**	**6 814**	**(1 861)**	**4 045**	**376 033**
Other operating income	4 766	12 795	1 001	-	256	(71)	18 747
Selling and distribution expenses	(1 905)	-	-	(341)	(859)	-	(3 105)
Administrative expenses	(24 600)	(26 063)	(14 904)	(3 254)	(2 972)	2	(71 791)
Other operating expenses	(858)	(6 689)	(604)	(42)	(54)	90	(8 157)
Financial income	3 338	3 183	133	183	5	(508)	6 334
Financial costs	(42 888)	(12 955)	(210)	-	(46)	508	(55 591)
Profit / loss before tax	**175 759**	**95 159**	**(10 343)**	**3 360**	**(5 531)**	**4 066**	**262 470**
Income tax expense	(23 394)	(18 390)	(26)	(599)	(266)	(1 130)	(43 805)
Net profit / loss for the period from continuing operations	**152 365**	**76 769**	**(10 369)**	**2 761**	**(5 797)**	**2 936**	**218 665**
Profit / loss from operating activities, without financial operations and income tax	**215 309**	**104 931**	**(10 266)**	**3 177**	**(5 490)**	**4 066**	**311 727**
Depreciation / Amortization	81 395	76 432	5 608	51	1 480	(3 523)	161 443
Write-down	-	-	-	-	-	-	-
EBITDA	**296 704**	**181 363**	**(4 658)**	**3 228**	**(4 010)**	**543**	**473 170**

(in thousands of PLN)

11. Revenues and costs

11.1. Sales revenues

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Revenues by type				
Electricity sale	1 170 123	412 083	1 287 279	429 948
Electricity sold from the market	381 662	143 735	509 711	182 897
Energy certificates of origin	35	70	14 239	(5 583)
Construction contracts	68 646	23 844	44 965	18 456
Compensation related to PPA termination	132 129	39 702	137 574	45 551
Heat	41 560	9 178	41 839	9 469
Other	21 033	7 219	18 887	5 854
Excise	(2 099)	(298)	(954)	(572)
Total	1 813 089	635 533	2 053 540	686 020

The fall in revenues from the sale of Energy certificates of origin is due to the fact that because of the low prices of green certificates in 2017 the production of energy from biomass unit was stopped.

11.2. Other operating revenues

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Compensation received	1 727	519	3 416	109
Reversal of write-downs against receivables	255	16	117	106
Grants settlement	1 146	378	1 344	451
Grants received	5 507	73	10 602	5 655
Reversal of provisions for costs and losses and liabilities write-off	1 147	56	692	153
Other	1 593	881	2 576	1 299
Total	11 375	1 923	18 747	7 773

The main component of the "Other" item is the return of overpayment of property tax in the amount of PLN 479 thousand.

(in thousands of PLN)

11.3. Other operating expenses

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Loss on the sale of property, plant and equipment	265	51	676	97
Costs of court and enforcement proceedings	238	8	452	26
Compensation paid	48	31	347	23
Property tax from previous periods	533	23	-	-
Electricity related damage	138	65	130	95
Donations given	371	328	206	16
Trade unions expenses	38	9	68	23
Compensatory benefits	250	116	190	59
Other	1 183	443	6 088	5 525
Total of other operating expenses	3 064	1 074	8 157	5 864

The main item of „other" for a period of 9 months ended 30 September 2017 is the revaluation of provisions for energy certificates of origin in the amount of PLN 342 thousand.

11.4. Financial income

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Interest income	2 223	787	3 451	1 290
Dividends	208	7	60	4
Foreign exchange gains	7 629	(3 946)	6	(141)
Valuation of interest rate hedging instruments (SWAP)	292	292	-	-
Other	369	10	2 817	7
Total of financial income	10 721	(2 850)	6 334	1 160

11.5. Financial costs

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Interest expenses	21 859	6 351	30 636	12 292
Valuation and realization of derivative financial instruments	4 041	369	5 689	1 777
Foreign exchange losses	317	(284)	6 507	(8 241)
Reserve discount for the liquidation of power units	416	139	322	107
Revaluation of investments	-	-	827	827
Reserve discount for reclamation	7 392	2 464	5 762	1 818
Other	1 865	474	5 848	834
Total of financial costs	35 890	9 513	55 591	9 414

The "Other" item for the period of 9 months ended 30 September 2017 mainly includes commissions related to bank loans, bank guarantees and loans in the amount of PLN 503 thousand and a reversal of discount of actuarial reserves in the amount of PLN 883 thousand.

(in thousands of PLN)

11.6. Costs by type

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Depreciation	154 483	50 777	161 443	51 620
Impairment write-downs on inventories	228	(548)	30 891	9 050
Consumption of materials	189 099	62 878	245 031	91 106
External service	75 455	26 532	34 281	13 383
Taxes and fees excluding excise tax	124 077	38 523	117 984	37 969
CO_2 emission costs	231 634	63 540	200 180	57 341
Employee benefits costs	356 629	109 804	378 946	117 010
Other costs by type	28 278	6 680	24 961	14 198
Value of sold goods and materials and sold energy purchased from the market	366 022	135 424	517 275	183 877
Total costs by type	1 525 905	493 610	1 710 992	575 554
Items included in prime costs of sales	1 490 059	511 085	1 677 507	570 220
Items included in costs of sales	3 113	911	3 105	966
Items included in administrative costs	90 467	33 928	71 791	23 996
Change of product status	(58 763)	(52 745)	(42 778)	(20 295)
Costs of producing benefits for own needs	1 029	431	1 367	667

11.7. Construction agreement

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Revenues from contracts for construction services recognised in the period	68 646	23 844	44 965	18 456
Revenues invoiced in the period	60 451	22 158	34 179	12 091
Balance sheet valuation	8 195	1 686	10 786	6 365
Costs applied in the period	64 565	23 873	37 305	15 343
Expected losses due to the contracts recognised in the period	23	23	(77)	(31)
Results due to performance of the contracts included in the period	4 058	(52)	7 737	3 144

	9 months period ended 30 September 2017 (unaudited)	*9 months period ended 30 September 2016 (unaudited)*
Gross amount payable by contracting parties due to works resulting from the contract	14 601	8 394
Gross amount paid to contracting parties due to works resulting from the contract	2 229	4 338

(in thousands of PLN)

12. Components of other comprehensive income

Components of other total comprehensive income present as follows:

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Cash flow securities				
Profits (losses) for the period	4 041	1 235	(5 689)	(1 777)
Adjustment resulting from reclassification of profits (loses) included in the profit or the loss	195	(192)	10 019	3 901
Gross cash flow securities for the period	**4 236**	**1 043**	**4 330**	**2 124**
Income tax concerning cash flow securities	(805)	(198)	(823)	(404)
Net cash flow securities for the period	**3 431**	**845**	**3 507**	**1 720**
Actuarial gross profits (losses) concerning provisions for post-employment employee benefits	**(728)**	**(386)**	**(1 108)**	**(199)**
Income tax concerning actuarial profits (losses)	138	73	210	37
Actuarial net profits (losses) concerning provisions for post-employment employee benefits	**(590)**	**(313)**	**(898)**	**(162)**
Other gross comprehensive income	**3 508**	**657**	**3 222**	**1 925**
Income tax concerning other comprehensive income	**(667)**	**(125)**	**(613)**	**(367)**
Other net comprehensive income	**2 841**	**532**	**2 609**	**1 558**

13. Income Tax

13.1. Tax load

The main components of tax load for 9 months period ended 30 September 2017 and 30 September 2016 present as follows:

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Included in the profit or the loss				
Current income tax				
Current income tax load	22 594	17 491	16 391	8 310
Deferred income tax load				
Related to creation and reversal of temporary differences	20 159	(4 858)	27 355	(2 601)
Other changes	(137)	(138)	59	4

(in thousands of PLN)

Tax load in the consolidated profit or loss	**42 616**	**12 495**	**43 805**	**5 713**
Included in the consolidated statement of the comprehensive income				
Net profit (loss) tax due to revaluation of cash flow securities	(805)	(198)	(823)	(404)
Actuarial allowance concerning actuarial profits/losses	138	73	210	37
Tax advantage/(tax load) included in comprehensive income	**(667)**	**(125)**	**(613)**	**(367)**

13.2. Deferred income tax

Deferred income tax results from the following items:

	30 September 2017 (unaudited)	*31 December 2016*
Deferred tax asset		
Balance sheet provisions	129 109	127 581
Overburden and other mining assets	7 939	7 571
Interest and exchange rate differences	7 766	11 377
Hedging instruments	1 037	1 910
Valuation of non-terminated agreements for building services	1 104	1 726
Tax loss from previous years	19 979	35 964
Impairment write-down against inventories	1 826	1 936
Impairment write-down against receivables	641	714
Impairment write-downs against fixed assets	4 573	-
Difference between the carrying amount and tax value of fixed assets	1	3 537
Settlements with employees	1 868	5 139
Other	25 449	39 487
Total	201 292	236 942
Provision under deferred income tax		
Difference between the balance sheet value and the tax value of fixed assets	473 110	436 426
Receivables under PPAs	13 416	16 787
Energy certificates	297	2 615
Interest and exchange rate differences	1 623	2 531
Valuation of non-terminated construction agreements	3 419	2 247
Purchased CO_2 allowances	27 698	73 632
Other	73	65
Total	519 636	534 303
After offsetting the balances at the level of the Group companies, the deferred tax is presented as:		
Asset:	**96 696**	**90 998**
Provision:	**415 040**	**388 359**

In the “other deferred tax asset” item, the main items as of 30 September 2017 consist of valuation of preferential loans in Elektrownia Pątnów II sp. Z o.o. in the amount of PLN 8 145 thousand (as at 31 December 2016 the amount of PLN 8 629 thousand), PLN 11 157 thousand is a provision for the write-off of CO2 emission rights in Elektrownia Pątnów II sp. z o.o. (as at 31 December 2016 amounted to PLN 13 728 thousand). As at 31 December 2016, this item also included a provision for a liability towards Zarządca Rozliczeń in Elektrownia Pątnów II sp. Z o.o. in the amount of PLN 12 589 thousand.

The status of the tax settlements of the Group’s companies for tax losses as at 30 September 2017, including deferred tax was presented below.

As at 30 June 2017, Elektrownia Pątnów II sp. z o.o showed the tax loss in the amount of PLN 3 238 thousand. The cumulated value of tax losses as of 30 September 2017 amounted to PLN 32 551 thousand. The Company created a tax asset to the value of the cumulated tax losses, predicting that these losses will be entirely settled with tax incomes from future periods. The value of the created tax asset as at30 September2017 amounts to PLN 6 185 thousand.

As at 31 December 2016, Elektrownia Pątnów II sp. z o.o showed tax loss in the amount of PLN 9 312 thousand. The Company created the tax asset for the deferred tax from the tax loss for 2016.

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 the next five tax years. However, the amount of deduction in any of these years must not exceed 50% of the loss amount.

As at 31 December 2016, the legal opportunity to deduct 50% of the unsettled tax loss for 2011 in the amount of PLN 88 517 thousand is time-barred. The Company took into account the accounting effects of the entire tax loss for 2011’s limitation by impairment write-downs against tax asset in the financial results for 2013 and 2015. Therefore, the final limitation of the tax loss for 2011 remained without an effect on the financial result of 2016.

On 24 April 2017, the Company received an individual interpretation of tax law provisions regarding recognition in time of expenses for returning funds to Zarządca Rozliczeń for covering stranded costs as a tax deductible cost. This interpretation assumes that the company’s position on the settlement of the aforementioned costs is incorrect.

In the current tax settlements for 2014-2017, the company assumed that the repayment of stranded costs from the company to Zarządca Rozliczeń SA, the validity of which arises from the PPA act, constitute the tax deductible costs at the time of making such payments. The tax authority, on the other hand, acknowledges that the company has the right to recognise the costs as tax deductible costs on the day they are incurred, i.e. accounted in the books of account. In the light of receiving the individual tax interpretation, considering unsettled tax losses the Management assessed that there is no risk of tax arrears on this account. The Company appealed against the received individual interpretation.

As at 30 June 2017, PAK KWB Konin SA settled all tax losses for 2012-2015 in the amount of PLN 22 327 thousand. As at 30 June 2017, the deferred income tax asset is PLN 60 283 thousand.

On 7 July 2017 Pątnów II Power Plant submitted to the Provincial Administrative Court in Poznań (through the Director of the National Tax Information Office), complaining about the above individual interpretation of the tax law.

The Management Board's objective is to finally determine the correctness of tax settlements in the years 2014 - 2017. The review of the Administrative Court's interpretation line allows us believing that the company now uses a correct approach to settling stranded costs.

As at 30 September 2017, PAK KWB Adamów SA settled all the tax losses for the years 2012 – 2015 in the amount of PLN 22 327 thousand. As at 30 September 2017 the deferred income tax asset amounts to PLN 56 338 thousand.

As at 30 September 2017, PAK KWB Adamów SA shows a tax loss in the amount of PLN 5 438 thousand. The deferred income tax asset is PLN 30 510 thousand.

As at 31 December 2016, ZE PAK SA disclosed an asset due to unsettled tax losses for 2013-2014 in the amount of PLN 4 638 thousand and an asset due to tax loss for 2016 in the amount of PLN 25 346 thousand.

As at 31 September 2017, the Company achieved a tax profit, thanks to which it could settle and presented the use of the asset for 2013-2014 in whole and in 50%, from 2016 in the amount of PLN 12 673 thousand.

(in thousands of PLN)

14. Profit / (loss) per one share

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

Data concerning profit/ (loss) and shares that served to calculated basic and diluted profit/ (loss) per one share were presented below:

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Net profit / (loss) on continued activities of the parent company's shareholders	169 368	65 996	216 208	77 804
Profit / (loss) on abandoned activities of the parent company's shareholders	-	-	-	-
Net profit / (loss) of ordinary shareholders used for calculation of diluted profit / (loss) per one share	169 368	65 996	216 208	77 804
The average weighted number of ordinary shares used for calculation of basic and diluted profit / (loss) per one share	50 823 547	50 823 547	50 823 547	50 823 547

The table below shows the profit per one share for the period of 9 months ended 30 September 2017 and 30 September 2016 presented in the profit and loss account.

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
Basic from profit / (loss) per share for the financial year attributable to equity holders of the parent	3.33	1.30	4.25	1.53
Diluted from profit / (loss) per share for the financial year attributable to equity holders of the parent	3.33	1.30	4.25	1.53

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

(in thousands of PLN)

15. Tangible fixed assets

9 months period ended 30 September 2017 (unaudited)

	*Land and perpetual usufruct**	*Buildings and constructions*	*Plants and machinery*	*Motor vehicles*	*Other*	*Assets under construction*	*Total*
Gross value as at 1 January 2017	235 209	2 014 362	4 862 243	69 615	29 082	243 951	7 454 462
Purchase	2 720	2 348	3 724	379	328	51 378	60 877
Repairs	-	-	65 310	20	(56)	(63 874)	1 400
Transfer from fixed assets under construction	16 533	2 745	3 623	672	332	(23 905)	-
Sale and liquidation	(523)	(1 251)	(1 528)	(1 079)	(268)	(11)	(4 660)
Gross value as at 30 September 2017	253 939	2 018 204	4 933 372	69 607	29 418	207 539	7 512 079
Depreciation and impairment write-downs as at 1 January 2017	7 932	1 128 103	2 763 323	38 921	20 766	104 171	4 063 216
Depreciation write-down for the period	2 280	36 247	101 320	5 655	1 476	-	146 978
Impairment write-downs	-	150	106	17	(123)	(150)	-
Sale and liquidation	-	(1 084)	(1 490)	(864)	(263)	-	(3 701)
Depreciation and impairment write-downs as at 30 September 2017	10 212	1 163 416	2 863 259	43 729	21 856	104 021	4 206 493
Net value as at 1 January 2017	227 277	886 259	2 098 920	30 694	8 316	139 780	3 391 246
Net value as at 30 September 2017	243 727	854 788	2 070 113	25 878	7 562	103 518	3 305 586

** this item includes also lands used for opencast mining*

(in thousands of PLN)

9 months period ended 30 September 2016 (unaudited)

	*Land and perpetual usufruct**	*buildings and constructions*	*Plant and machinery*	*Motor vehicles*	*Other*	*Assets under construction*	*Total*
Gross value as at 1 January 2016	224 845	1 927 606	3 968 357	70 298	28 563	1 119 880	7 339 549
Purchase	-	34	1 315	331	350	31 292	33 322
Repairs	-	-	-	-	-	7 806	7 806
Transfer from fixed assets under construction	9 368	73 831	845 647	-	116	(928 962)	-
Sale and liquidation	(1 194)	(687)	(4 772)	(855)	(230)	(1 913)	(9 651)
Gross value as at 30 September 2016	233 019	2 000 784	4 810 547	69 774	28 799	228 103	7 371 026
Depreciation and impairment write-downs as at 1 January 2016	5 431	1 024 186	1 994 014	30 556	19 012	791 121	3 864 320
Depreciation write-downs for the period	1 775	39 587	97 730	6 822	1 689	-	147 603
Impairment write-downs	-	51 530	631 517	-	-	(683 047)	-
Sale and liquidation	(7)	(424)	(3 019)	(755)	(225)	-	(4 430)
Depreciation and impairment write-downs as at 30 September 2016	7 199	1 114 879	2 720 242	36 623	20 476	108 074	4 007 493
Net value as at 1 January 2016	219 414	903 420	1 974 343	39 742	9 551	328 759	3 475 229
Net value as at 30 September 2016	225 820	885 905	2 090 305	33 151	8 323	120 029	3 363 533

** this item includes also lands used for opencast mining*

15.1. The value impairment test of assets of ZE PAK SA 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 number 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 (CGU) within the Group's companies.

The main reason for analysing the impairment of components identified by the Management is the steady lower market level of the Group's net assets from their balance sheet value. As a result, the identified independent cash flow generation centres have been analysed.

According to MSR 36, cash generating units are the smallest identifiable groups of assets generating revenues from current use that are independent of other assets or group of assets' revenues. If there are any circumstances providing that the given asset might lose some of its value, the recoverable amount of that individual asset is estimated. If the estimation of the recoverable amount of a single asset is not possible, the recoverable amount of the cash-generating unit to which the asset belongs is determined (cash-generating unit of the asset).

By extracting the CGUs within the Group's Companies there has been made the analysis of cash flow generation independence in the aspect of particular Companies operations.

The parent company of the Group, ZE PAK SA, apart from its manufacturing activity within it is responsible for ensuring a certain level of efficiency of production units and realization of production schedules, it also concentrates on significant operational and financial functions at the Group level.

Elektrownia Pątnów II Sp. Z o.o. – second producer of electricity in the Group, under the Act of LTC termination, participates in the programme of covering the stranded costs by the end of 2015.

Final settlement of the programme is planned to be set out in 2026

PAK KWB Konin SA and PAK KWB Adamów SA operate on several lignite open casts.

In these Companies, as profit generating units, the smaller groups of assets generating the independent cash inflow have not been identified, as for many reasons the assets generated by the various asset groups are very closely related. As a result the mine is to deliver a particular amount of coal to the power plant, regardless of the area in which it will originate. The organisational structure and accounting system are subordinated to the set production purpose as well.

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

- ZE PAK S.A.
- Elektrownia Pątnów II Sp. z o.o.
- PAK KWB "Konin" S.A.
- PAK KWB "Adamów" S.A

Additionally, other CGUs were separated within the segments: Repairs, Sales and Other.

Conducting the value impairment test of fixed assets as at 3- September 2017, the Group based on the financial model reflecting strategic priorities of the parent company – ZE PAK SA till 2047.

In ZE PAK S.A. there was established one economic benefit generating unit, with the following production assets:

- Pątnów I Power Plant – operation time till 31.12.2030
- Adamów Power Plant- operation time till 1.01.2018
- Konin Power Plant-collector - operation time till 30.06.2020
- Konin Power Plant biomass unit - operation time till 31.12.2047

Estimation of economic benefits generation is possible for each of the above units, nevertheless the inflows depends on each other to a certain extent, therefore they should be considered as one unit.

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 OFFPEAK was adopted on the basis of the Report on the energy market in Poland prepared for ZE PAK SA by an independent external consultant;
- production assumptions result from the adopted investment and a renovation programme of ZE PAK SA. Reduction of electricity generation from brown coal and maintenance of generation for biomass-fired boiler are assumed.
- in the structure of total revenue in 2016-2017, nearly 87% are revenues from own and purchased electricity. From 2018, due to the exclusion of production in Elektrownia Adamów, total revenue will decrease by 30% in relation to 2017. In 2021, another decrease will take place when units 5 and 6 as well as the boiler part in Elektrownia Konin will not work,
- the Company assumed the use of the free CO_2 emission 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 the subsidiaries,
- the effects of restructuring costs for the withdrawal of the old units in Elektrownia Konin and Elektrownia Adamów were taken into account,
- the weighted average cost of capital after taxation (WACC) in the projection period at the level of 8.60 % was adopted (in 2016 – 7.37 %).

The Company has analysed the published draft law act on the power market in Poland. According to the Company, there is no certainty that the final provisions of the law will not change in the legislative process, which could have an impact on the Company's future results. Therefore, the projections for future cash flows did not take into account the effects on the power market.

Based on the tests, there is no need of recognition of write-offs updating the value of fixed assets.

In case of Elektrownia Pątnów II sp. Z o.o., due to its participation in the program of covering the costs of stranded costs (PPAs) and estimation of inflows because of that, there is no evidence of tangible assets loss of value, requiring testing for that CGU.

Similarly for other CGUs, operating within the segments as Repairs, Sale or Others - no indications of a possible impairment of assets have been identified.

The tests for both lignite mines are based on long-term financial projections covering the life cycles of both mines and their individual openings, which were agreed upon with the assumptions adopted for the ZE PAK SA model. The adaptation of financial projections of the mines to the operating periods of generating units results from the assumption that the Companies of the Capital Group are the only Customers.

The financial projection for PAK KWB Konin S.A. and PAK KWB Adamów S.A. were created with the following parameters taken into account:

- The production volume (coal extraction) and revenues were determined on the basis of forecasts of this fuel demand by the main customers, i.e. ZE PAK SA and Elektrownia Pątnów II sp. z o.o., and predicted price paths were based on an open pit funding agreement
- the overburden removal and coal extraction were developed according to the current exploitation schedule and predicted lignite open casts,
- The level of investment expenditures has been assumed to enable the construction of a new opencast supplying power plants and maintaining specific production capacities in the course of their operation,
- The effects of employment restructuring processes have been taken into account,
- The costs of incidents such as:
  - Reclamation costs of the open casts,
  - Pension reserves,
  - severance pay for group layoffs,
  - income of the sale of property after the exploitation of the open casts is finished.

(in thousands of PLN)

- for PAK KWB, weighted average cost of capital after taxation (WACC) in the projection period for PAK KWB Adamów SA at 8.0% and for PAK KWB Konin SA at the level of 8.4% was adopted; the higher discount rate reflects the higher risk associated with the operation of PAK KWB Konin SA 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 CGU PAK KWB Adamów SA, and for CGU PAK KWB Konin SA.

On the basis of the carried-out analysis and tests results, an increase in the estimated service potential of fixed assets for CGU ZE PAK SA was not determined, therefore, the reversal of impairment write-downs in the amount of PLN 1 880 000 thousands was not conducted.

16. Lease

16.1. 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 at 30 September 2017, and 31 December 2016, 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:

	as at 30 September 2017(unaudited)		*as at 31 December 2016*	
	minimum payments	*present value of payments*	*minimum payments*	*present value of payments*
Up to 1 year	1 637	1 526	7 572	7 189
1 to 5 years	3 265	2 901	4 249	3 962
Over 5 years	-	-	-	-
Total minimum lease payments	4 902	4 427	11 821	11 151
Minus financial expenses	(475)	-	(670)	-
Present value of minimal lease payments, including:	4 427	4 427	11 151	11 151
Short-term	1 526	1 526	7 171	7 189
Long-term	2 901	2 901	3 980	3 962

(in thousands of PLN)

17. Intangible assets

Long-term intangible assets – 9 months period ended 30 September 2017 (unaudited)

	CO_2 emission units (EUA)	*Patents and licences*	*Computer software*	*Other*	*Total*
Gross value as at 1 January 2017	114 503	21 540	1 998	431	138 472
Transfer EUA*	(123 225)	-	-	-	(123 225)
Decrease	-	-	(45)	-	(45)
Increase	8 722	14	7	-	8 743
Gross value as at 30 September 2017	-	21 554	1 960	431	23 945
Depreciation and impairment write-downs as at 1January 2017	-	16 943	1 903	344	19 190
Depreciation write-down for the period	-	799	80	16	895
Impairment write-down	-	-	-	-	-
Decrease	-	(1)	(45)	-	(46)
Depreciation and impairment write-downs as at 30 September 2017	-	17 741	1 938	360	20 039
Net value as at 1 January 2017	114 503	4 597	95	87	119 282
Net value as at 30 September 2017	-	3 813	22	71	3 906

* transfer *to a short-term part*

(in thousands of PLN)

Long-term intangible assets – 9 months period ended 30 September 2016 (unaudited)

	CO_2 Emission units (EUA)	*Patents and licenses*	*Computer software*	*Other*	*Total*
Gross value as at 1 January 2016	12 054	19 558	1 949	396	33 957
Transfer EUA*	(18 764)	-	-	-	(18 764)
Decrease	-	-	(3)	-	(3)
Increase	6 710	1 904	62	32	8 708
Gross value as at 30 September 2016	-	21 462	2 008	428	23 898
Depreciation and impairment write-downs as at 1January 2016	-	14 525	1 719	323	16 567
Depreciation write-down for the period	-	917	154	11	1 082
Impairment write-down	-	-	-	-	-
Decrease	-	-	(3)	-	(3)
Depreciation and impairment write-downs as at 30 September 2016	-	15 442	1 870	334	17 646
Net value as at 1 January 2016	12 054	5 033	230	73	17 390
Net value as at 30 September 2016	-	6 020	138	94	6 252

* transfer *to a short-term part*

(in thousands of PLN)

Short-term intangible assets

	30 September 2017 (unaudited)	*30 September 2016 (unaudited)*
	CO_2 emission units (EUA)	*CO_2 emission units(EUA)*
Gross value as at 1 January	273 036	354 389
Purchase of EUA	62 621	192 687
Redemption of EUA	(313 105)	(354 389)
Transfer EUA	123 225	18 764
Gross value as at 30 September	145 777	211 451
Depreciation and impairment as at 1 January	-	-
Impairment write-down	-	-
Depreciation and impairment as at 30 September	-	-
Net value as at 1 January	273 036	354 389
Net value as at 30 September	145 777	211 451

18. Assets for overburden removal and other mining assets

As at 30 September 2017, the item of assets concerning overburden stripping and other mining assets includes the assets related to overburden stripping and other mining assets of PAK KWB Konin in the amount of PLN 74 308 thousand.

	30 September 2017 (unaudited)	*31 December 2016*
As at 1 January	80 524	94 057
Increases	560	1 306
Decreases	-	(455)
Depreciation for the period	(6 610)	(14 384)
as at the end of the period	74 474	80 524
long-term	74 474	80 524
short-term	-	-

(in thousands of PLN)

19. Other assets

19.1. Other financial assets

	30 September 2017 (unaudited)	*31 December 2016*
Deposits for debt service security	36 498	76 484
Investments and deposits	5 601	2 540
Investments and FLZG* and FRZG* deposits	6 364	7 810
Shares	219	167
Other	2 530	2 261
Total other financial assets	51 212	89 262
short-term	38 308	77 317
long-term	12 904	11 945

**FLZG – mining liquidation fund, FRZG – mining reclamation fund*

19.2. Other non-financial assets

	30 September2017 (unaudited)	*31December 2016*
VAT receivables	1 108	22 184
Insurance	448	1 561
Other receivables from the state budget	1 789	-
Other accruals	6 523	3 359
Delivery prepayments	680	905
Prepayments for intangible assets	187	187
Prepayments for assets under construction	5 940	5 880
Other	1 127	426
Total other non-financial assets	17 802	34 502
short-term	12 163	28 776
long-term	5 639	5 726

The main components of „other accruals" as at 30 September 2017 are the settlements concerning the license fees in the amount of PLN 800 thousand, settlements concerning the fees for land exclusion from agricultural and forestry production in the amount of PLN 1 231 thousand, settlements related to valuation of assets (mainly land) for sale in the amount of PLN 916 thousand, a write-off for the CSF (Company's Social Fund) in the amount of PLN 1 370 thousand

(in thousands of PLN)

20. Inventories

	30 September 2017 (unaudited)	*31 December 2016*
Production fuel	8 250	9 161
Spare parts and other materials	82 633	74 608
Certificates of origin of energy	7 475	21 406
Goods	129	121
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	98 487	105 296

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.

According to entries in the records, as at 30 September 2017, the Group possessed in total 36 836.654 MWh of property rights of green certificates including 4014.442 MWh of the produced and not yet verified by ERO green energy for production in June 2017.

In the third quarter of 2017, the Group did not receive any certificates. During this period, 3 000 MWh of property rights resulting from certificates origin of energy produced in December 2016 were sold. During the current reporting period, the Group stopped the generation from renewable sources because of too low allowance prices on the market.

21. Trade receivables and other receivables

	30 September 2017 (unaudited)	*31 December 2016*
Trade receivables	137 604	126 793
Receivables due to compensation related to the termination of the PPAs	70 611	88 350
Receivables due to security of purchase of electricity in the balancing market	4 500	8 674
Other receivables	28 764	22 208
Net receivables	241 479	246 025
Write-down of receivables impairment	41 512	41 947
Gross receivables	282 991	287 972

In the other receivables line, as at 30 September 2017, the Group presents mainly receivables due to the security deposit in the amount of PLN 24 220 thousand.

Terms of transactions with affiliates are presented in the note 31.

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.

22. Cash and cash equivalents

Cash at the bank is a subject to interest at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits. Short-term deposits are made for various periods ranging from one day to three months, depending on the Group's current cash requirements and bear interest at their fixed interest rates. The fair value of cash and cash equivalents as at 30 September 2017 amounts to PLN 370 425 thousand (as at September 30, 2016: PLN 458 488 thousand).

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

(in thousands of PLN)

Cash structure

	30 September 2017 (unaudited)	*30 September 2016 (unaudited)*
Cash in hand and at bank	242 051	269 179
Short-term deposits	128 374	189 309
Total cash and cash equivalents in the balance sheet	370 425	458 488
Foreign exchange differences	(1 412)	424
Total cash and cash equivalents in cash flow statement	369 013	458 912

23. Payment of dividend

Dividend from ordinary shares for 2016, paid on 16 August 2017, amounted to PLN 65 562 thousand.

Dividend per share paid for 2016 amounted to PLN 1.29.

Due to the loss in 2015, the dividend for 2015 was not paid out in 2016.

24. Interest-bearing loans and borrowings

Short-term	*Maturity*	*30 September 2017 (unaudited)*	*31 December 2016*
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	140 725	142 567
Overdraft facility at BZ WBK in the amount of PLN 50 000 thousand; interest rate at WIBOR 1M + bank margin	30.06.2018	20 089	28 670
Loan agreement in the amount of PLN 66 700 thousand in Alior Bank SA - interest rate at WIBOR 1M + bank margin	30.05.2018	39 653	63 061
Revolving loan in the amount of PLN 76 500 thousand in Bank Millennium SA, interest rate at WIBOR 3M + bank margin	31.12.2017	7 191	28 765
Bank loan (syndicated) in the amount of PLN 577 000 thousand (Loan A), interest rate at WIBOR 3M+ bank margin	20.03.2020	142 810	146 260
Bank loan in the amount of PLN90 000 thousand (Loan B). interest rate at WIBOR 3M+bank margin	20.03.2020	12 112	12 369
Syndicated overdraft in Alior Bank SA in the amount of PLN 1 000 thousand, interest rate at WIBOR 1M+bank margin	31.05.2017	-	266
Total		**362 580**	**421 958**

(in thousands of PLN)

Long-term	*Maturity*	*30 September 2017 (unaudited)*	*31 December 2016*
Bank loan (syndicated) in the amount EUR 240 000 thousand; interest rate at EURIBOR 3M + bank margin	20.07.2019	138 572	244 556
Syndicated investment loan in amount of PLN 577 000 thousand (Loan A); interest rate at WIBOR 3M + bank margin	20.03.2020	183 909	283 045
Syndicated overdraft facility in amount of PLN 90 000 thousand (Loan B); interest rate at WIBOR 3M + bank margin	20.03.2020	52 628	60 250
Total		**375 109**	**587 851**

25. Provisions and accruals

25.1. Accruals

	30 September 2017 (unaudited)	*31 December 2016*
Bonus and holiday leave provision	25 689	29 371
Insurance company compensations	319	16
Audit of the financial statement	10	570
Others	33 849	1 886
Total	59 867	31 843
short-term	59 867	31 843
long-term	-	-

The main component of the "Other" item is the economic use of the environment in the amount of PLN 31 134 thousand.

(in thousands of PLN)

25.2. Change in provisions

	Provision for EUA redemption	*Provision for the fixed assets liquidation costs*	*Provision for the reclamation of ash storage yards*	*Provision for the long-term contract loss*	*Provision for the certificates of origin of energy redemption*	*Reclamation provisions and other provisions related to mining activities*	*Other*	*Total*
as at 1 January 2017	**313 105**	**16 848**	**1 005**	**13**	**7 838**	**307 837**	**37 552**	**684 198**
increase	231 634	417	235	35	520	61 929	11 869	306 639
decrease	(313 105)	(1 002)	(143)	(8)	(1 115)	(5 238)	(6 792)	(327 403)
as at 30 September 2017 *(unaudited)*	**231 634**	**16 263**	**1 097**	**40**	**7 243**	**364 528**	**42 629**	**663 434**
Long-term	-	16 263	990	-	-	346 994	4 629	368 876
Short-term	231 634	-	107	40	7 243	17 534	38 000	294 558
as at 1 January 2016	**354 389**	**16 419**	**1 698**	**148**	**9 449**	**330 561**	**53 487**	**766 151**
increase	241 106	322	-	83	508	1 569	11 892	255 480
decrease	(354 389)	-	(269)	(221)	(4 183)	(8 214)	(11 945)	(379 221)
as at 30 September 2016	**241 106**	**16 741**	**1 429**	**10**	**5 774**	**323 916**	**53 434**	**642 410**
Long-term	-	16 741	863	-	-	303 483	6 429	327 516
Short-term	241 106	-	566	10	5 774	20 433	47 005	314 894

25.3. Description of significant titles of provisions

25.3.1. The provision for liabilities due to the emission of greenhouse gases and provisions for the redemption of certified emission reductions (EUA)

The Group recognises the provision for the redemption of greenhouse gases emission allowances

The next accounting period 2013-2020 on emission allowances is effective from 1 January 2013. The assumption of this period is the allocation of free EUA rights to the Group, resulting from the production of heat, but the energy sector has been subjected to a possibility of derogation. Derogation resulting from Art. 10c of the ETS Directive consists in granting additional free allowances, provided that the incurred investment expenditures are declared for investments reported in the National Investment Plan. ZE PAK SA Group submits to the Ministry of the Environment the annual financial and material reports on capital expenditures incurred for the tasks submitted to the National Investment Plan, thus requesting free EUA units for subsequent reporting years.

On 30 September 2017, the Company submitted a material and financial statement to the Ministry of Environment regarding the free EUAs under article 10c for the incurred investment expenses in the period from 1 July 2016 to 30 June 2017. However, due to the uncertainty in terms of the creation of a dual-commodity market, including the power market, which will directly impact the modernisation of units 3 and 4 in Elektrownia Pątnów, the Company did not apply for the free allowances. As a consequence, the Group did not receive the EUA for 2017 under Art. 10c

As of 1 January 2017, the Group held physically EUAs in the number of 13 820 841 on its accounts in the Union Registry. In February 2017, the Group received free EUAs for heat for 2017 (Article 10a of the ETS Directive) in the amount of 83 317 EUAs. In addition, in the first quarter of 2017, the Group completed purchases of emission allowances under futures contracts concluded at the turn of 2015 and 2016 for the production needs of 2016. After these operations, the levels of the held EUAs on the Group’s accounts in the Union Registry, as of 31 March 2017, amounted to 15 249 158. Following the redemption process in April 2017, there are 3 793 059 EUA units remaining in the Union Register, and they will be used for redemption purposes for 2017. Since the beginning of 2017, the Group has been making further acquisitions of EUAs on both the SPOT and the futures market. As at 30 September 2017, there are 4,903,059 EUA units physically present in the Group's accounts. Units purchased by the Group in the first three quarters of 2017 will be used to amortize 2017.

The provision for the burden of core operating activities for the purchased CO2 allowances, which the Group intends to present for redemption for 2017, is being created. At the moment of the actual redemption of allowances, the previously created reserve will be used.

25.3.2. Provision for reclamation of ash storage yards and costs of liquidation of fixed assets

The Group creates the provision for future costs of reclamation of the land on the basis of legal obligation resulting from the “Integrated Permits” and Act on Waste The basis of estimation of the provision size are specialised studies and technical and economical expert reports developed by domestic services or external experts. The value of the provision is estimated and verified on every balance sheet date on the basis of current cost estimates and a discount. As at 30 September 2017, the created provision amounted to PLN 1 097 thousand.

Due to the legal obligation of liquidation the fixed assets after their period of use, the Group creates a provision for expected future expenses necessary to meet this obligation. As at 30 June 2017, the provision due to that amounted to PLN 16 124 thousand.

25.3.3. Reclamation provisions and other provisions related to mining activities

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

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

As at the date of preparation of this condensed interim financial statement, the works related to the updating of the level of reclamation reserves for PAK KWB Konin SA opencast mines have been completed. The results of the reports have been entered into the accounts of PAK KWB Konin SA.

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

The provision for the liquidation of facilities and reclamation of mining areas, and due to preparation of exploration areas in PAK KWB Konin and PAK KWB Adamów according to the status as at 30 September 2017 amounted to PLN 364 528 thousand and increased in comparison with the year concluded on 31 December 2016 by PLN 56 691 thousand. Calculating the provision, the Group adopted the following assumptions: the discount rate was 3.5%; the inflation rate was 2.5%.

25.3.4. Provision for redemption of energy certificates

Due to the sale of electricity to the final recipients, the Group is obliged to redeem the specified number of certificates of origin of energy from renewable energy sources, gas, and peak load co-generation. As at 30 September 2017, the provision due to this amounted to PLN 7 243 thousand.

25.3.5. Other provisions

The main items of other provisions as at 30 September 2017 there are, in PAK KWB Konin: provisions for mining damage in the amount of PLN 6 875 thousand, provisions for pending legal proceedings in the amount of PLN 610 thousand, provision for operating fee in the amount of PLN 4 348 thousand provision for remuneration for mining usufruct in the amount of PLN 3 869 thousand; in PAK KWB Adamów: provisions for permanent taking out of agricultural and forest production for the final reservoir of the Adamów open pit in the amount of PLN 15 828 thousand, provision for mining damage in the amount of PLN 3 383 thousand, provision for court proceedings in the amount of PLN 684 thousand, provision for remuneration for mining usufruct in the amount of PLN 1 152 thousand, provision related to the settlement of purchase of fixed assets from the mine liquidation fund in the amount of PLN 797 thousand. In PAK Serwis, the provisions for warranty repairs amount to PLN 2 393 thousand.

26. CO_2 emission allowances

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning emission 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 Group submitted a material and financial statement to the Ministry of the Environment for the incurred investment expenses from 1 July 2016 to 30 June 2017. However, due to the uncertainty regarding the emergence of a dual-commodity energy market, including power market, which will have a direct impact on the possible modernisation of units nos. 3 and 4 in the Pątnów Power Plant, despite showing further small expenses, the Group has not applied for free allowances in view of the possible need to return them for not carrying out further modernisation of these units. Therefore, the Group did not receive EUAs for 2017 under Article 10c.

For Elektrownia Pątnów II sp. z o.o. system, a specified number of CO2 emission allowances were allocated. However, for this system, no investment tasks that would cover receivables for CO2 emission allowances were reported to the National Investment Plan (KPI), so allocation of free EUA units for this system depends on expenses for tasks conducted for the systems of ZE PAK SA. In 2013-2017, ZE PAK SA did not incur significant expenses so that the part of them would meet the requirements for receiving free EUA allowances by Elektrownia Pątnów II. Currently, Elektrownia Pątnów II sp. z o.o. does not assume that it will receive any free allowances for surplus of the expenses incurred by ZE PAK SA.

As at 30 September 2017, the Group held physically EUAs on its accounts in the Union Registry in amount of 4 903 059 of which 4 665 715 tons owned ZE PAK SA and 237 344 tons Elektrownia Pątnów II sp. z o.o. In the first half of 2017, the Group received free EUAs for heat for 2017 (acc. to Art. 10a of the ETS Directive) in the amount of 83 317 EUAs. Additionally, in the first quarter of 2017, the Group completed purchases of emission allowances under futures contracts concluded at the turn of 2015 and 2016 for the production needs of 2016. Additionally, 1 110 000 was purchased on the SPOT market. Throughout 2017, the Group will continue to purchase CO_2 emission allowances both on the SPOT market and in futures contracts. In April 2017, the Group redeemed the CO_2 emission for 2016 in the amount of 11 456 099 tonnes.

(in thousands of PLN)

The tables below present carbon dioxide emission allowances granted in the scope of the National Allocation Plan for Allowances, purchased on the secondary market in periods concluded on 30 September 2017 and 30 September 2016

CO_2 emission allowances in the 9 months period ended 30 September 2017 (unaudited)

(in tons)		***Zespół Elektrowni Pątnów-Adamów-Konin SA***	***Elektrownia Pątnów II sp. z o.o.***
	CO_2 emission *	6 255 811	2 174 334
EUA	Balance at the beginning of the period	12 900 660	920 181
	Purchased	1 110 000	1 345 000
	Free of charge	83 317	-
	Redemption	(9 428 262)	(2 027 837)
	Balance at the end of the period	4 665 715	237 344

CO_2 emission allowances in the 9 months period ended 30 September 2016 (unaudited)

(in tons)		***Zespół Elektrowni Pątnów-Adamów-Konin SA***	***Elektrownia Pątnów II sp. z o.o.***
	CO_2 emission *	7 058 712	2 016 867
EUA	Balance at the beginning of the period	9 689 990	2 567 596
	Purchased	7 269 500	703 000
	Free of charge	430 676	-
	Redemption	(9 907 506)	(2 350 415)
	Balance at the end of the period	7 482 660	920 181

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

27. Trade liabilities, other liabilities and accruals

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

	30 September 2017 (unaudited)	*31 December 2016*
Trade liabilities	93 124	186 493
Liabilities due to the put option	3 755	6 061
Investment liabilities	2 884	12 814
Liabilities to employees due to salaries	17 746	15 325
Financial lease liabilities	1 526	7 189
Other	4 783	74 780
Total	123 818	302 662

Under "Other liabilities" as at September 30, 2017, the Group mainly presents liabilities related to employee settlements and deductions from the payroll of PLN 2,108 thousand and settlements on account of deposit in the amount of PLN 1 139 thousand.

Liabilities due to the “put” option concern obligation of ZE PAK to redeem the employee shares pursuant to the shares sale agreement of PAK KWB Konin and PAK KWB Adamów. The agreement’s provisions determine the price and the term of redemption. In accordance with IFSR, ZE PAK recognised the obligation to redeem shares owned by non-controlling interests on the day of the acquisition of control. In relation with the ongoing process of the employee shares redemption, as of 30 September 2017, the remaining liability amount is PLN 3 755 thousand.

(in thousands of PLN)

Principles and terms of payment of above financial liabilities:

Terms of transactions with affiliates are presented in the note 31 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.

27.2. Trade liabilities and other financial liabilities (long-term)

	30 September 2017 (unaudited)	*31 December 2016*
Liability due to financial lease	2 901	3 962
Short-term liabilities to other entities – over 12 months	440	483
Other	2 221	624
Total	5 562	5 069

27.3. Other non-financial liabilities

	30 September 2017 (unaudited)	*31 December 2016*
VAT tax liabilities	23 900	13 637
Liabilities due to environmental charges	-	48 650
Liabilities due to the excise tax	912	543
Liabilities due to social insurance	20 437	24 373
Personal income tax	5 049	6 200
Other budget liabilities	64	7 405
Advanced payments for deliveries	1 183	4 299
Service charge	-	10 771
Other	1 805	553
Total	53 350	116 431

Liabilities due to environmental charges include air pollution charges, landfill and waste water collection and wastewater disposal. The settlement period is one year.

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

27.4. Derivative financial instruments

	30 September 2017 (unaudited)	*31 December 2016*
Instruments securing floating interest rates (SWAP)	5 457	10 053
Total	5 457	10 053
Short-term	3 941	5 759
Long-term	1 516	4 294

(in thousands of PLN)

27.5. Grants and deferred income (long-term)

	30 September 2017 (unaudited)	*31 December 2016*
Long-term grants	41 880	43 006
Other	3 009	296
Total	44 889	43 302

27.6. Grants and deferred income (short-term)

	30 September 2017 (unaudited)	*31 December 2016*
Settlement of short-term return lease	-	5 163
Short-term grants	1 502	1 502
Other	2	5
Total	1 504	6 670

28. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in the note below, as of 30 September 2017, the Group did not possess other contingent liabilities, granted guarantees, and sureties

28.1. Court proceedings

The court proceedings did not change from those presented in the financial statement for the year ended 31 December 2016, except from those mentioned below.

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

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

On the basis of the decision of the President of the Energy Regulatory Office SA (“the ERO President”), issued on 31 July 2009, the company was obliged to return the compensation scheme administrator, Zarządca Rozliczeń SA, the amount of zloty 52 493 thousand, due to the adjustment of stranded costs for 2008. The company’s Management Board did not agree with the ERO President’s decision and appealed to the Regional Court of Warsaw – Court for Protection of Competition and Consumers (“SOKiK”). On 23 September 2009, the Court decided about suspension of the execution of the part of the decision, and ordered to pay the amount of zloty 26 493 thousand.

On 1 December 2010, the Court for Protection of Competition and Consumers decided about a dismissal of the company's appeal against the ERO President's decision, acknowledging legitimacy of his arguments.

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

On 11 October 2012, the Court of Appeal issued a beneficial judgement for the company changing the judgement of the Court of First Instance and the ERO President’s decision of 31 July 2009. At the same time, the Court determined the amount of the annual adjustment of the stranded costs for 2008 for Elektrownia Pątnów II sp. z o.o., which

Zarządca Rozliczeń SA is obliged to pay to Elektrownia Pątnów II sp. z o.o. in the amount plus zloty 29,082 thousand. The judgement of the Court of Appeal was legally binding. Due to the above, on 17 October 2012, Elektrownia Pątnów II sp. z o.o. summoned Zarządca Rozliczeń SA to pay a judged amount of the adjustment for 2008, and to return the amount of zloty 26,493 thousand paid by Elektrownia Pątnów II Sp. z o.o. due to partial execution of the decision of the ERO President pursuant to the Court for Protection of Competition and Consumers decision of 23 September 2009. The request for payment was issued for the total amount of zloty 55,576 thousand. On 22 October 2012, Zarządca Rozliczeń SA paid the above-mentioned amount to the Company's account.

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

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

On 4 November 2014, the Court of Appeal in Warsaw issued a judgement dismissing the appeal of Elektrownia Pątnów II sp. z o.o. against the judgement of the Regional Court in 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 stranded costs for 2008 for Elektrownia Pątnów II sp. z o.o., which Elektrownia Patnów II sp. z o.o. is obliged to return to Zarządca Rozliczeń SA, in 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 2014 taking into account previous settlements of the Parties in the subject case, that is including the necessity to return the amount of zloty 29,082 thousand obtained by Elektrownia Pątnów II sp. z o.o. from Zarządca Rozliczeń SA, by virtue of the judgement of the Court of Appeal of 11 October 2012.

As a result of the judgement, Elektrownia Pątnów II sp. z o.o. decreased the revenues due to the PPA settlements in 2014 by zloty 81.5 million.

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

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

The judgement of the Court of Appeal in Warsaw of 4 November 2014 is legally binding and is subject to execution by Elektrownia Pątnów II sp. z o.o. In accordance with the arrangements made between Elektrownia Pątnów II sp. z o.o. and Zarządca Rozliczeń SA, the amount being the dispute subject is subsequently repaid to Zarządca Rozliczeń SA according to the adopted payment schedule. The las payment was made on July 28, 2017.

Consequently, the issue of settlement of stranded costs for 2008 between Elektrownia Pątnów II sp. Z o.o. and Zarządca Rozliczeń SA has been completed.

Proceedings due to determining the amount of the annual adjustment of the stranded costs for 2016

On 27 March 2017, the President of the Energy Regulatory Office ("the ERO President") initiated ex officio administrative proceedings in order to determine the amount of the annual adjustment of stranded costs for 2016 for Elektrownia Pątnów II sp. z o.o. On 27 July 2017 the President of ERO issued a decision fixing the annual cost of stranded costs for Elektrownia Pątnów II sp. z o.o. for 2016 in the amount of PLN 88 354 thousand.

The proceeding is completed.

On 29 September 2017, Zarządca Rozliczeń SA paid the amount resulting from the decision of the President of ERO for Elektrownia Pątnów II Sp. z o.o

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

On 17 September 2008 and 29 May 2009, the ERO President initiated proceedings on imposing a pecuniary penalty on the ZE PAK SA company due to failure to perform the obligation to maintain fuel stocks securing continuity of electricity and heat supplies to recipients as of 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 ERO President of 28 December 2010, the pecuniary penalty, due to failure to perform the obligation to maintain fuel stocks in the quantity securing continuity of electricity and heat supplies to recipients, was imposed on ZE PAK SA in 2008 and 2009 in the amount of zloty 1,500 thousand. Initially, the Company created the provision for the costs of the penalty in the full amount in 2010, which it then redeemed in 2015 in connection with the penalty payment.

On 30 January 2014, the Court for Protection of Competition and Consumers 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 Court for Protection of Competition and Consumers of 30 January 2014 that consequently upholds the decision of the ERO President.

On 11 December 2015, the Company submitted a cassation appeal from the judgement of the Court of Appeal of Warsaw of 13 May 2015 before the Supreme Court.

On 22 March 2017, the Supreme Court issued a judgement, which revoked the contested sentence of the Court of Appeal in Warsaw of 13 May 2015 and handed over the case to the Court of Appeal in Warsaw for repeated examination and stating on costs of cassation proceedings.

The proceedings are not completed.

Proceedings on refund of excise duty overpayment

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.

As at 1 March 2009, the Act of 6 December 2008 on excise duty entered into force, according to which the sale of electricity to an entity which is not its final customer is not subject to excise duty.

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, 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 million , 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 („PAC"), as well as the Supreme Administrative Court. Due to the position of judicature presented in the course of court proceedings, the amount of overpayment, the repayment of which the Company submits, has been reduced to the amount of damages caused by economic analyses, i.e. currently up to the amount of approximately PLN 108 million.

Moreover, in association with the rulings of the Administrative Courts regarding other power companies, in the subject of overpaid excise duty and the resolution I GPS 1/11 of the National Administrative Court ("NSA") of 22 June 2011 (where the NSA ruled that transferring the tax load in price, excludes the possibility to return the overpayment), notwithstanding the ongoing administrative proceedings, on 10 February 2012, the Company initiated a civil-law proceedings, filling an application to summon the State Treasury to a conciliation hearing regarding the amount of PLN 626 406 thousand, to the District Court Warszawa Śródmieście. 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 again from the start by the Head of the Customs Office, after the cases returned from the Supreme Administrative Court. The Company submitted monthly economic analyses of suffering the prejudice. 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 issued. In February 2016, the Company submitted cassation appeals to the Supreme Administrative Court. Currently, the Company is expecting the determination of hearing dates before the Supreme Administrative Court,

- 14 proceedings for the period of December 2007 – February 2009 (excluding July 2008) on 26 January 2017, hearings took place before the Provincial Administrative Court in Poznań. In all the cases, the Company's appeals against the Customs Chamber in Poznań were dismissed. The Company submitted applications for a written justification of the judgement, which were obtained on 7 March 2017, to the Provincial Administrative Court. Currently, the Company analyses justifications and prepares the applications of cassation appeals to the Supreme Administrative Court,
- 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 our 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.

Notwithstanding the foregoing proceedings, ZE PAK SA lodged a complaint against the actions of the Polish authorities to the European Commission ("EC"), pursuant to art. 258 of the Treaty on the Functioning of the European Union. The opinion issued by the EC may oblige the Polish tax authorities to pass a ruling beneficial to ZE PAK SA. On 21 March 2017, ZE PAK SA received a "pre-closure letter" from the EC, which initially denied the relevance of ZE PAK SA's position, however, at the same time giving the right to a second comment on the subject, which ZE PAK SA exercised. On 9 June 2017, a letter summarising the reasoning of ZE PAK SA, in terms of the overpaid excise tax. Currently, ZE PAK SA is awaiting the EC to take the final position on the case in question.

In case of the Elektrownia Pątnów II sp. z o.o., the proceedings for all periods (one case) were included in the cause lists of the Provincial Administrative Court after a negative decision of the Head of Customs Chamber. The aforementioned company does not have access to comparative analyses of suffering the prejudice. On 4 November 2015, a hearing in the Provincial Administrative Court in Poznań took place. On 18 November 2015, a negative ruling was given. On 8 February 2016, the company filed a cassation appeal to the Supreme Administrative Court. Currently, Elektrownia Pątnów II sp. z o.o. is awaiting the setting of a hearing before the Supreme Administrative Court

***Proceedings on failure to comply with the obligations referred to in Article 49a paragraph 1 and 2 of the Act – Energy law*.**

On 27 September 2016, the President of the Energy Regulatory Office initiated administrative proceedings against Elektrownia Pątnów II sp. z o.o. on its failure to comply with the obligations, referred to in Article 49a paragraph 1 and 2 of the Act – Energy law, i.e. obligation of selling electricity generated in the period from 1 January 2012 to 31 December 2012 by means of the so-called pubic trading.

On 12 October and 21 December 2016, Elektrownia Pątnów II sp. z o.o. sent the appropriate explanations and its position in the above-mentioned issue to the ERO President.

On 28 April 2017 ERO President Issued a decision to discontinue the aforementioned. proceedings

The proceedings are successfully completed for the company.

Prosecution of individual interpretation of tax law in scope of returns to Zarządca Rozliczeń S.A. the negative corrections resulting from LTC Act

On 7 July 2017 Elektrownia Pątnów II sp. z o.o. submitted to the Provincial Administrative Court in Poznań (through the Director of National Tax Information Office) a complaint about the individual interpretation of the tax law issued by the Director of National Tax Information dated 20 April 2017 in scope of repayment for Zarządca Rozliczeń SA, on the basis of the agreement between the Parties, liability for repayment of stranded costs for 2008 and other future repayments (negative corrections) from Elektrownia Pątnów II Sp. Z o.o. for Zarządca Rozliczeń S.A., that validity will be based on the Act dated 29 June 2007 of the principles of covering the costs incurred by generators in connection with the termination of long-term contracts for sale of power and electricity (Dz. U. z 2017 r., item 569 with changes, hereinafter referred to as "LTC Act").

On the 10th of August 2017, the Director of the National Treasury Information Division sent to the Voivodship Administrative Court in Poznań the answers to the above mentioned complaint.

In the opinion of Elektrownia Pątnów II sp. z o.o., all the repayments from Elektrownia Pątnów II Sp. z o.o. for Zarządca Rozliczeń S.A. arising from the LTC Act constitutes the costs of obtaining revenues at the actual time of those payments. The Company reserves the right to include these costs in the settlement for the tax year, in which Zarządca Rozliczeń SA was paid / will be paid. The above is included in the regulation in article 42 pint 4 of LTC Act.

The above opinion complies also with the broad case law in this scope.

Having a different opinion the Director of National Treasury Department, who issued the individual interpretation considered the Company's position to be incorrect and stated that the repayments for Zarządca on the basis of the agreement made in 2014-2017 (within the scope of repayments) in 2017 (in scope of future, not made repayments), and other repayments from The Company for Zarządca, which validity will be based on LCT Act, constitute or will constitute the revenue costs on the day of incurring the costs, i.e. posting in accounting books.

The proceeding is in progress. The Parties of the proceeding expect a date for the hearing to be fixed.

Proceedings on an environmental decision issued to PAK KWB Konin SA concerning lignite deposit in Tomisławice

PAK KWB Konin SA 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 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 ruled that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court overturned the contested decision of the Provincial Administrative Court in Poznań and referred the matter for reconsideration. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision repealing the decision of the Self-government Appeal Court of 25 March 2009 refusing to declare the invalidity of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open pit by PAK KWBK SA On 7 January 2013, PAK KWBK 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 cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA from the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 repealing the decision of the Self-government Appeal Court in Konin of 25 March 2009 refusing the annulment of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune related to the extraction of lignite from Tomisławice open pit.

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA 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 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. In the case of a ruling on suspending the proceedings, a separate proceeding is under way.

The decision of the Supreme Administrative Court in Warsaw of 7 October 2014 does not invalidate the environmental decision issued by the Head of Wierzbinek Commune and does not halt the extraction and utilisation works at Tomisławice open pit. The environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune is still in legal transactions, and until the issue of a final judgement by the Self-government Appeal Court, it exerts legal effects.

Proceedings on an environmental decision on lignite deposit in Ościsłowo

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017, refusing the establishment of the environmental conditions for the investment titled: "Extraction of lignite and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. PAK KWB Konin SA appealed accordingly to the General Directorate for Environmental Protection in Warsaw. The appeal included a request to revoke the appealed ruling in its entirety and determine the environmental conditions for the execution of the above-mentioned project. On 23 June 2017, PAK KWB Konin SA received a notification from the General Director for Environmental Protection in Warsaw stating that, due to the complicated nature of the case, a new settlement date was set for 22 September 2017. Within the given deadline, GDEP in Warsaw has not issued any decision in the matter. Currently, the Company is not aware of the date of issue of the decision by the GDEP in Warsaw. The proceedings for issuing the environmental decision were initiated on 16 September 2015.

(in thousands of PLN)

Dispute of PAK KWB Konin S.A. with FUGO S.A. for contractual penalties and unfounded enrichment

The proceeding has expired – FUGO SA cannot complain to the court about payment of the indicated amounts.

28.2. Tax settlements

Tax settlements and other regulated areas of activities (for example, customs or foreign exchange matters) may be the subject of inspection of the administrative 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 companies, cause uncertainty and conflicts. Such phenomena result in the significantly higher tax risk 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 tax payment. As a result of the conducted inspections, the current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, as at 30 September 2017 and 31 December 2016, appropriate provisions for the recognised and calculable tax risk were created.

29. Liability repayment securities

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

As at 30 September 2017, the Group did not record any changes in liabilities secured on the assets and other repayment obligations in relation to the state at 31 December 2016, except for the following items.

Liabilities secured with the entity's assets

	30 September 2017 (unaudited)		*31 December 2016*	
Kind of liabilities, guarantees, and sureties	*Security amount*	*Currency*	*Security amount*	*Currency*
EL PAK SERWIS sp. z o.o. in liquidation				
1. Payment-bid security				
1.1. Agreement with PAK KWB KONIN SA for electrical service	-	PLN	3	PLN
PAK Kopalnia Węgla Brunatnego Konin SA				
1. Registered and financial pledges				
1.1 Registered pledge on machines and devices, including assignment of insurance policy for Alior Bank SA	115 050	PLN	100 500	PLN
2. Mortgage				
2.1. Mortgage on perpetual usufruct right	-	PLN	100 500	PLN
Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.				
1. Registered pledge				
1.1. Registered pledge for Bank BGŻ BNP PARIBAS on fixed assets	5 674	PLN	-	PLN
2. Bank deposit				
2.1 Bail*	652	PLN	672	PLN
2.2. Bail	29	EUR	-	EUR
3. Payment-bid security				
3.1. Cash - transfer of the bid*	40	PLN	255	PLN

(in thousands of PLN)

Other securities of liabilities

Kind of liabilities, guarantees, and sureties	*30 September 2017 (unaudited)* Security amount	*Currency*	*31 December 2016* Security amount	*Currency*
Elektrownia Pątnów II sp. z o.o.				
1. Assignment				
1.1. Assignment from the Framework Electricity Sales Agreement no. TPE/HOU/2009/0082 concluded on 30.04.2009 between EPII and TAURON Polska Energia SA including Transaction Agreements for 2017	-	PLN	121 381	PLN
1.2. Assignment from the Framework Electricity Sales Agreement no. SPOT/127/EPII/Inter Energia/2009 concluded on 9.12.2009 between EPII and Inter Energia SA including Transaction Agreement for 2017	-	PLN	62 024	PLN
1.3. Assignment from the Framework Electricity Sales Agreement no 73/16/EPII/InnogyPolska/2017 concluded on 20.10.2016 between EPII and innogy Polska S.A. including Transaction Agreements for 2017	67 735	PLN	-	PLN
1.4. Assignment from the Framework Electricity Sales Agreement no SPOT/127/EPII/Inter Energia/2009 concluded on 9.12.2009 between EPII and Inter Energia S.A. including Transaction Agreements for 2017	14 147	PLN	-	PLN
1.5. Assignment from the Framework Electricity Sales Agreement no SPOT/17/EPII/ ENEATrading/2015 concluded on 3.08.2015 between EPII and ENEA Trading Sp. z o.o. including Transaction Agreements for 2017	7 118	PLN	-	PLN
1.6. Assignment from the Framework Electricity Sales Agreement no 23/15/PAK/ENERGA/2016-2018 concluded on 29.07.2015 between ZE PAK, EPII and ENERGA-OBRÓT S.A including Transaction Agreements for 2017	123 357	PLN	-	PLN
1.7. Assignment from insurance policy 908200170157/908200174155	664 154	EUR	659 763	EUR
PAK Kopalnia Węgla Brunatnego Konin SA				
1. Guarantees				
1.1. Surety of the credit amounting to zloty 1 million for AQUAKON sp. z o .o.	-	PLN	1 000	PLN
1.2. Surety of the credit amounting to zloty 1 million for Eko-Surowce sp. z o .o.	-	PLN	1 000	PLN
Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.				
1. Guarantees				
1.1. Performance Bond	9 879	PLN	9 997	PLN
1.2. Payment guarantee	13	PLN	131	PLN
1.3. Performance Bond	-	EUR	195	EUR
1.4. Advance repayment guarantee	1 804	PLN	5 658	PLN
1.5. Removal of defects and faults guarantee	302	EUR	279	EUR
1.6. Removal of defects and faults guarantee	4 578	PLN	4 264	PLN
2. Assignment				
2.1. Debt assignment agreement for repair and maintenance services from ZE PAK SA	230 069	PLN	273 602	PLN
2.2. Debt assignment agreement on UM140076 agreement from ZE PAK SA	2 518	PLN	3 209	PLN
2.3. Debt assignment agreement on UM160041 and UM160043 with ZE PAK SA	-	PLN	630	PLN
2.4. Debt assignment agreement on UM160010, UM160012 and UM160036 with Elektrowni Pątnów II sp. z o.o.	-	PLN	2 089	PLN
2.5. Debt assignment agreement on 4101223823/0 with GE POWER Sp. z o.o.	2 046	PLN	-	PLN
2.6. Debt assignment agreement on 1394/ZU/0057/11/16 with	2 602	PLN	-	PLN

(in thousands of PLN)

SBB ENERGY S.A.				
2.7. Debt assignment agreement on UM160079 with ZE PAK	1 079	PLN	-	PLN
Zespół Elektrowni Pątnów-Adamów-Konin SA				
1. Sureties				
1.1. Surety of ZE PAK SA for PAK KWB Konin SA due to the overdraft facility in bank BZ WBK in the amount of PLN 50 million	50 000	PLN	65 000	PLN

** In connection with the merger of PAK Serwis sp. z o.o. and EL PAK sp. z o.o., the data of these companies are presented together*

30. Obtained guarantees and sureties

As at 30 September 2017, the Group did not record any changes in given guarantees and sureties in relation to the state at 31 December 2016, except for the following items.

Kind of liabilities, guarantees and sureties	*30 September 2017 (unaudited)* *PLN*	*30 September 2017 (unaudited)* *EUR*	*31 December 2016* *PLN*	*31 December 2016* *EUR*
Elektrownia Pątnów II sp. z o.o.				
1. Guarantees				
1.1. Payment guarantees	2 860	-	10 158	-
1.2. Performance bonds	3 815	-	4 144	-
1.3. Advanced Payment Refund Guarantees	-	-	291	-
AQUAKON sp. z o.o. in liquidation				
1. Sureties				
1.1. Overdraft facility in Alior Bank SA secured by PAK KWB Konin SA in the amount of zloty 1 million	-	-	1 000	-
Eko-Surowce sp. z o.o. in liquidation				
1. Guarantees				
1.1. Overdraft facility in Alior Bank SA secured by PAK KWB Konin SA in the amount of zloty 1 million	-	-	1 000	-
PAK -Volt SA				
1. Guarantees				
1.1. Alpiq Energy - bank guarantee securing the payment	4 820	-	19 482	-
1.2. Polenergia Obrót S.A. - bank guarantee securing the payment	11 954	-	9 321	-
Energoinwest Serwis sp. z o.o. in liquidation				
1. Guarantees				
1.1. Performance bonds and Removal of defects and faults guarantee PZU SA	-	-	389	-
PAK Kopalnia Węgla Brunatnego Konin SA				
1. Surety				
1.1. Surety from ZE PAK SA due to overdraft facility in bank BZ WBK SA in the amount of PLN 50million	50 000	-	65 000	-
Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.				
1. Guarantees				
1.1. Faults and defects removal guarantee	3 257	18	2 889	-
1.2. Performance Bonds	2 154	-	2 934	-
2. Promissory notes				
2.1 Blank promissory notes from Fabryka Wentylatorów FAWENT SA	169	-	338	-
2.2. Blank promissory notes from SCR Energetyka WN sp. z o.o.	16	-	-	-

(in thousands of PLN)

Zespół Elektrowni Pątnów-Adamów-Konin SA				
1. Guarantees				
1.1. Payment guarantees	17 577	-	8 551	-
1.2. Performance Bonds	24 305	-	36 958	-
1.3. Advance repayment guarantees	1 907	-	5 929	-

** In connection with the merger of PAK Serwis sp. z o.o. and EL PAK sp. z o.o., the data of these companies are presented together*

31. Information about related entities

The following table presents total amounts of transactions concluded with affiliates for the period of 9 months ended 30 September 2017 and 3 September 2016 as well as receivables and liabilities as at 30 September 2017 and 31 December 2016:

affiliated entity		*Sales to related entities (unaudited)*	*Purchase from related entities (unaudited)*	*Receivables from related entities (unaudited)*	*Liabilities towards related entities (unaudited)*
Elektrim SA	2017	-	90	-	-
	2016	-	90	-	-
Megadex Serwis sp. z o.o.	2017	2	-	-	-
	2016	1	35 706	617	4 783
Polkomtel sp. z o.o.	2017	96 080	1 982	15 413	287
	2016	90 296	3 384	14 538	1 716
Laris Investments sp. z o.o.	2017	357	616	221	-
	2016	384	730	231	21
Total	**2017**	**96 439**	**2 688**	**15 634**	**287**
	2016	**90 681**	**39 910**	**15 386**	**6 520**

31.1. Loan granted to a member of the Management Board

Both in the 9-month period ended 30 September 2017, and in the one ended 30 September 2016, ZE PAK SA did not grant any loans and similar benefits to any of members of Management Board and supervisory staff.

31.2. Other transactions involving members of the Management Board

Both in the 9-month period ended 30 September 2017, and in the one ended 30 September 2016, there were no transactions with members of Management Board and supervisory staff.

(in thousands of PLN)

31.3. Remuneration of chief executive staff of the Group

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

	9 months period ended 30 September 2017 (unaudited)	*9 month period ended 30 September 2016 (unaudited)*
Management Board of the parent company		
Short-term employee benefits	1 991	2 434
Termination benefits	-	28
Supervisory Board of the parent company		
Short-term employee benefits	724	845
Management Boards of subsidiaries		
Short-term employee benefits	3 418	4 212
Post-employment benefits	19	-
Termination benefits	31	-
Supervisory Board of subsidiaries		
Short-term employee benefits	-	-
Total	6 183	7 519

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

	9 months period ended 30 September 2017 (unaudited)	*9 month period ended 30 September 2016 (unaudited)*
Short-term employee benefits	11 621	11 326
Jubilee awards	-	64
Post-employment benefits	15	15
Benefits for termination of the contract of employment	165	164
Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)	11 801	11 569

32. Goals and rules of financial risk management

Apart from derivatives, 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 to obtain 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 its conducted activities.

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

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

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

32.1. 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 concluded 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 the interest rate quoted on the inter-bank market for foreign currencies, for which the Group has the exposition to interest rate risk from the balance sheet date.

(in thousands of PLN)

Classes of financial instruments	***30 September 2017 (unaudited)***		***Interest rate risk sensitivity study as at 30 September2017***							
			WIBOR				***EURIBOR***			
			WIBOR + 57pb		***WIBOR - 57pb***		***EURIBOR + 12.8pb***		***EURIBOR - 12.8pb***	
	Carrying amount	***Value at risk***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***
Other financial assets	51 212	47 718	64	-	(64)	-	47	-	(47)	-
Trade and other receivables	241 479	-	-	-	-	-	-	-	-	-
Derivative financial instruments	588	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	370 425	370 425	1 898	-	(1 898)	-	48	-	(48)	-
Interest-bearing loans and borrowings	(737 689)	(737 689)	(2 613)	-	2 613	-	(358)	-	358	-
Trade payables and other financial liabilities	(129 380)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(5 457)	(5 457)	-	-	-	-	-	212	-	(212)
Total	**(208 822)**	**(325 003)**	**(651)**	**-**	**651**	**-**	**(263)**	**212**	**263**	**(212)**

(in thousands of PLN)

Classes of financial instruments	***30 September 2016 (unaudited)***		***Interest rate risk sensitivity study as of 30 September 2016***							
			WIBOR				***EURIBOR***			
			WIBOR + 68 pb		***WIBOR - 68 pb***		***EURIBOR + 18.35 pb***		***EURIBOR – 18.35 pb***	
	Carrying amount	***Value at risk***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***	***Profit / loss***	***Other comprehensive income***
Other financial assets	88 485	85 698	78	-	(78)	-	136	-	(136)	-
Trade and other receivables	230 829	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	458 488	458 488	2 650	-	(2 650)	-	126	-	(126)	-
Interest-bearing loans and borrowings	(1 069 979)	(1 069 979)	(4 493)	-	4 493	-	(751)	-	751	-
Trade payables and other financial liabilities	(231 317)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	(12 613)	(12 613)	-	-	-	-	-	657	-	(657)
Total	**(536 107)**	**(538 406)**	**(1 765)**	**-**	**1 765**	**-**	**(489)**	**657**	**489**	**(657)**

32.2. Currency risk

The Group is exposed to the currency risk due to concluded transactions. Such risk also concerns credit and loans. The Group does not take benefits from the Derivative financial instruments protecting against exchange rate fluctuations.

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

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

(in thousands of PLN)

	30 September 2017 (unaudited)		***Analysis of sensitivity rate risk as of 30 September 2017***			
			EUR/PLN			
Classes of financial instruments			***EUR/PLN + 6.675%***		***EUR/PLN - 6.675%***	
			4.5967		***4.0215***	
	Carrying amount	**Value at risk**	**Profit / loss**	**Other comprehensive income**	**Profit / loss**	**Other comprehensive income**
Other financial assets	51 212	36 498	2 436	-	(2 436)	-
Trade and other receivables	241 479	7 916	528	-	(528)	-
Derivative financial instruments	588	588	39	-	(39)	-
Cash and cash equivalents	370 425	37 487	2 502	-	(2 502)	-
Interest-bearing loans and borrowings	(737 689)	(279 297)	(18 643)	-	18 643	-
Trade payables and other financial liabilities	(129 380)	(1 078)	(72)	-	72	-
Derivative financial instruments	(5 457)	-	-	-	-	-
Total	**(208 822)**	**(197 886)**	**(13 210)**	**-**	**13 210**	**-**

	30 September 2016 (unaudited)		***Analysis of sensitivity rate risk as of 30 September 2016***			
			EUR/PLN			
Classes of financial instruments			***EUR/PLN + 7.4%***		***EUR/PLN - 7.4%***	
			4.6311		***3.9929***	
	Carrying amount	**Value at risk**	**Profit / loss**	**Other comprehensive income**	**Profit / loss**	**Other comprehensive income**
Other financial assets	88 485	74 268	5 496	-	(5 496)	-
Trade and other receivables	230 829	3 380	250	-	(250)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	458 488	68 794	5 091	-	(5 091)	-
Interest-bearing loans and borrowings	(1 069 979)	(409 116)	(30 275)	-	30 275	-
Trade payables and other financial liabilities	(231 317)	(2 174)	(161)	-	161	-
Derivative financial instruments	(12 613)	(827)	(61)	-	61	-
Total	**(536 107)**	**(265 675)**	**(19 660)**	**-**	**19 660**	**-**

32.3. Credit risk

The credit risk is a potential credit event, which may be materialised in the form of the following factors: the counterparty's insolvency, partial repayment of receivables, significant delay in repayment of receivables, or another not predicted derogation from contractual terms.

The Group concludes transactions only with reputable companies of good credit rating. All clients who want to use trade credit terms, are subject to procedures of initial verification. Moreover, thanks to current monitoring of receivables, the Group's exposure to the risk of unrecoverable receivables is insignificant.

The main recipients of electricity include the companies with a significant position in the electricity trade sector, such as Energa Obrót, Tauron Polska Energia, Alpiq Energy, and innogy Polska. The transactions concluded on the exchange market are settled on a day-to-day basis by Towarowa Giełda Energii SA Company, which minimises the credit risk.

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

32.4. 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 tables below present financial liabilities of the Group as at 30 September 2017 and 31 December 2016 according to the maturity date based on contractual non-discounted payments.

(in thousands of PLN)

30 September 2017 (unaudited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest bearing loans and borrowings	82 945	286 912	400 226	-	770 083
Trade payables and other financial liabilities	114 153	9 665	5 562	-	129 380
Derivative financial instruments	43 530	47 477	1 409	-	92 416
Total	**240 628**	**344 054**	**407 197**	**-**	**991 879**

31 December 2016	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest bearing loans and borrowings	100 041	329 180	634 191	-	1 063 412
Trade payables and other financial liabilities	240 997	61 665	5 069	-	307 731
Derivative financial instruments	14 446	3 716	3 973	-	22 135
Total	**355 484**	**394 561**	**643 233**	**-**	**1 393 278**

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

30 September 2017 (unaudited)	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Inflows	-	(118)	(266)	(101)	-	(485)
Outflows	-	1 092	2 460	1 409	-	4 961
Net amount	-	(1 210)	(2 726)	(1 510)	-	(5 446)
Discounted using appropriate interbank rates	**-**	**(1 210)**	**(2 731)**	**(1 516)**	**-**	**(5 457)**

31 December 2016	*On demand*	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Inflows	-	(154)	(365)	(302)	-	(821)
Outflows	-	1 516	3 716	3 973	-	9 205
Net amount	-	(1 670)	(4 081)	(4 275)	-	(10 026)
Discounted using appropriate interbank rates	**-**	**(1 671)**	**(4 088)**	**(4 294)**	**-**	**(10 053)**

(in thousands of PLN)

33. Financial instruments

33.1. Fair values of particular classes of financial instruments

The table shown below presents 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.

		Balance sheet value		*Fair value*		
Financial assets	*Category according to IAS 39*	*30 September 2017 (unaudited)*	*31 December 2016*	*30 September 2017 (unaudited)*	*31 December 2016*	*Level of the fair value hierarchy for needs of disclosures*
Other financial assets	PiN	51 212	89 262	51 212	89 262	2
Trade receivables and other receivables	PiN	241 479	246 025	241 479	246 025	2
Derivative financial instruments	WwWGpWF	588	296	588	296	2
Cash and cash equivalents	UdtW	370 425	350 101	370 425	350 101	1
Financial liabilities						
Interest-bearing bank credits and loans, including:		737 689	1 009 809	737 689	1 009 809	3
long term	PZFwgZK	375 109	587 851	375 109	587 851	
short term	PZFwgZK	362 580	421 958	362 580	421 958	
Liabilities due to supplies and services and other financial liabilities	PZFwgZK	129 380	307 731	129 380	307 731	2
Derivative financial instruments	WwWGpWF	5 457	10 053	5 457	10 053	2

Used abbreviations:

UdtW – *Financial assets maintained to the maturity date,*
WwWGpWF – *Financial assets/liabilities evaluated in the fair value by the financial result,*
PZFwgZK – *Other financial liabilities evaluated according to the depreciated cost.*
PiN – *Loans and receivables*
DDS – *Financial assets available for sale,*

(in thousands of PLN)

As at 30 September 2017 and 31 December 2016, the Group had following financial instruments evaluated in the fair value:

	30 September2017 (unaudited)	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	588	-
Derivatives hedging liabilities	-	-	5 457	-
	31 *December2016*	Level *1*	Level *2*	*Level 3*
Derivatives hedging assets	-	-	296	-
Derivatives hedging liabilities	-	-	10 053	-

In the 9 months period ended 30 September 2017 and the one ended 31 December 2016, 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

(in thousands of PLN)

33.2. 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 the effect of protection transactions Interest Rate Swap exchanging the stream of cash interest payments based on the variable EURIBOR rate for the fixed rate in EUR.

	Type of interest rate	*Carrying amount as at 30 September 2017 (unaudited)*	*Carrying amount as at 31 December 2016*
Financial assets at interest rate risk – PLN	Fixed	-	-
	Variable	344 158	236 701
Financial assets at interest rate risk – Other currencies	Fixed	-	-
	Variable	74 397	200 708
Financial liabilities at interest rate risk – PLN	Fixed	-	-
	Variable	458 391	622 686
Financial liabilities at interest rate risk – Other currencies	Fixed	139 468	193 703
	Variable	139 829	193 420
Net exposure – PLN	Fixed	-	-
	Variable	(114 233)	(385 985)
Net exposure – Other currencies	Fixed	(139 468)	(193 703)
	Variable	(65 432)	6 815

Interest rate of financial instrument of variable interest rate is updated in periods shorter than one year. Interests on financial instruments of the 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 the above tables are not subject to interest and they are not subject to interest rate risk.

33.2.1. Hedging

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

(in thousands of PLN)

The below tables present basic parameters of derivative transaction indicated as security instruments, including periods, when cash flows due to cash flow securities and when they will influence the financial result, as well as their fair value in PLN as at 30 September 2017 and 31 December 2016.

Instrument type	*Nominal value in the transaction currency [euro]**	*Fair value in PLN*	*Expected duration of hedged item's realisation*
	30 September 2017 (unaudited)	*30 September 2017 (unaudited)*	*30 September 2017 (unaudited)*
IRS transaction	32 366	(5 457)	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*

Instrument type	*Nominal value in the transaction currency [euro]**	*Fair value in PLN*	*Expected duration of hedged item's realisation*
	31 December 2016	*31 December 2016*	*31 December 2016*
IRS transaction	43 785	(10 053)	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:

	9 months period ended 30 September 2017 (unaudited)	*Year ended 31 December 2016*
Opening balance	(6 883)	(14 742)
Effective part of profits / losses on a security instrument	3 837	(1 278)
Amounts charged to the income statement, including:	1 464	(7 274)
− adjustment of costs of interest	1 464	(7 274)
− adjustment under ineffective hedging	-	-
Closing balance	(4 510)	(8 746)
Deferred tax assets – recognized in the revaluation reserve	857	1 662
Closing balance including deferred tax	(3 653)	(7 084)

In 3 quarters of 2017, the Group's companies did not apply the instruments to limit the risk arising from changes in exchange rates, with the exception of ZE PAK SA, which secured the EUR exchange rate for part of the flows related to the purchase of CO2 emission allowances. In order to secure the exchange rate, the forward transactions with the settlement date in December 2017 and in March 2018 were applied. The below table presents a summary of the active "forward" transactions as at 30 September 2017 and 30 September 2016, for the purchase of EUR currency.

(in thousands of PLN)

Type of concluded transactions	*Currency cross*	*Transaction amount (nominal value in euro thousand) 30 September2017 (unaudited)*	*Net market value (fair value in zloty thousand) 30 September 2017 (unaudited)*	*Maturity*
Purchase of EUR transaction (forward)	(EUR/PLN)	9 837	105	December 2017
Purchase of EUR transaction (forward)	(EUR/PLN)	9 500	483	March 2018

Type of concluded transactions	*Currency cross*	*Transaction amount (nominal value in euro thousand) 30 September2016 (unaudited)*	*Net market value (fair value in zloty thousand) 30 September 2016 (unaudited)*	*Maturity*
Purchase of EUR transaction (forward)	(EUR/PLN)	20 000	(827)	December 2016

The Group also secures the risk of changing the prices of CO2 emission allowances using forward transactions to purchase the allowances for its own needs. The following table presents a summary of the active forward transactions as at 30 September 2017 and 30 September 2016.

30 September 2017 (unaudited)

Type of concluded transactions	*Number of purchased allowances*	*Total denomination of transactions (tys. EUR)*	*Transaction currency*	*Maturity date*
Forward transactions	5 125 000	27 834	EUR	Up to 1 year

30 September 2016 (unaudited)

Type of concluded transactions	*Number of purchased allowances*	*Total denomination of transactions (tys. EUR)*	*Transaction currency*	*Maturity date*
Forward transactions	5 880 000	46 004	EUR	Up to 1 year
Forward transactions	650 000	5 336	EUR	Up to 2 years

(in thousands of PLN)

34. 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 period ended 30 September 2017 and on 31 December 2016, 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 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.

	30 September2017 (unaudited)	*31 December 2016*
Interest-bearing credits and loans	737 689	1 009 809
Derivative financial instruments (liabilities)	5 457	10 053
Trade liabilities and other financial liabilities	129 380	307 731
Minus cash and its equivalents	370 425	350 101
Net debt	502 101	977 492
Equity	2 250 886	2 143 658
Capitals from revaluation of security instruments	(3 653)	(7 084)
Total capital	2 254 539	2 150 742
Net capital and debt	**2 756 640**	**3 128 234**
Leverage ratio	18,21%	31,25%

35. Events after the balance sheet date

After the balance sheet date, until the date of preparation of these interim condensed consolidated financial statements for the 9 months ended 30 September 2017, there were no other significant events than those described in the additional explanatory notes.

Adam Kłapszta	*Aneta Lato-Żuchowska*	*Zygmunt Artwik*	*Elżbieta Niebisz*	*Aneta Desecka*
President of the Board	*Vice President of the Board*	*Vice President of the Board*	*Vice President of the Board*	*Chief Accountant*

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA

STANDALONE FINANCIAL STATEMENT
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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

14 NOVEMBER 2017

TABLE OF CONTENT

(in thousands PLN)

BALANCE SHEET

Assets

	30 September 2017 (unaudited)	*30 June 2017 (unaudited)*	*31 December 2016*	*30 September 2016 (unaudited)*	*30 June 2016 (unaudited)*
A. Fixed assets	**1 984 906**	**1 981 651**	**2 219 586**	**2 065 000**	**2 070 559**
I. Intangible assets	**139 861**	**140 068**	**368 132**	**193 376**	**185 580**
1. Development expenses	-	-	-	-	-
2. Goodwill	-	-	-	-	-
3. Other intangible assets	139 861	140 068	368 132	193 376	185 580
4. Prepayments for intangible assets	-	-	-	-	-
II. Property, plant and equipment	**648 368**	**645 792**	**662 844**	**668 280**	**676 107**
1. Tangible fixed assets	590 931	599 840	617 868	625 318	634 417
a) land (including perpetual usufruct)	1 287	1 288	1 290	1 244	1 245
b) buildings, premises and constructions	179 643	182 421	187 386	190 211	192 766
c) plant and machinery	408 104	414 319	426 981	431 539	437 941
d) motor vehicles	647	627	854	965	1 103
e) other	1 250	1 185	1 357	1 359	1 362
2. Construction in progress	53 448	42 043	41 067	39 053	37 781
3. Prepayments for construction in progress	3 989	3 909	3 909	3 909	3 909
III. Long-term receivables	**-**	**-**	**-**	**-**	**-**
1. from affiliates	-	-	-	-	-
2. from others, of which entity has capital engagement	-	-	-	-	-
3. from others	-	-	-	-	-
IV. Long-term investment	**1 196 086**	**1 195 148**	**1 187 862**	**1 202 323**	**1 207 577**
1. Property	-	-	-	-	-
2. Intangible assets	-	-	-	-	-
3. Long-term financial assets	1 196 086	1 195 148	1 187 862	1 202 323	1 207 577
a) in affiliates	1 195 935	1 194 997	1 187 711	1 202 172	1 207 426
– shares	1 142 146	1 142 053	1 139 747	1 139 747	1 143 453
– other securities	-	-	-	-	-
– loans granted	46 789	45 944	47 964	62 425	63 973
– other long-term financial assets	7 000	7 000	-	-	-
b) in other entities of which entity has capital engagement	-	-	-	-	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	-	-	-	-
c) in other entities	151	151	151	151	151
– shares	151	151	151	151	151
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	-	-	-	-
4. Other long-term investments	-	-	-	-	-
V. Long-term prepayments and deferred costs	**591**	**643**	**748**	**1 021**	**1 295**
1. Deferred tax assets	-	-	-	-	-
2. Other prepayments and deferred costs	591	643	748	1 021	1 295
B. Current assets	**313 472**	**334 598**	**378 620**	**440 663**	**442 799**
I. Inventories	**46 424**	**45 932**	**53 915**	**72 881**	**92 252**
1. Raw materials	44 857	44 145	39 602	52 844	49 142
2. Semi-finished goods and work-in-progress	-	-	-	-	-
3. Finished products	-	-	-	-	-
4. Goods	1 565	1 787	13 959	17 088	40 358
5. Inventory prepayments	2	-	354	2 949	2 752
II. Short-term receivables	**126 567**	**122 498**	**137 373**	**134 329**	**146 018**

(in thousands PLN)

1. Receivables from affiliates	43 491	50 586	64 297	65 059	68 927
a) trade receivables, due in:	37 845	41 640	60 639	46 646	46 514
– up to 12 months	37 845	41 640	60 639	46 646	46 514
– over 12 months	-	-	-	-	-
b) other	5 646	8 946	3 658	18 413	22 413
2. Receivables from other entities of which entity has capital engagement	-	-	-	-	-
a) trade receivables, due in:	-	-	-	-	-
– up to 12 months	-	-	-	-	-
– over 12 months	-	-	-	-	-
b) other	-	-	-	-	-
3. Receivables from other entities	83 076	71 912	73 076	69 270	77 091
a) trade receivables, due in:	56 068	48 708	53 785	50 406	47 944
– up to 12 months	56 068	48 708	53 785	50 406	47 944
– over 12 months	-	-	-	-	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	7 593	7 977	7 428	8 522	7 044
c) other	19 415	15 227	11 863	10 342	22 103
d) submitted to court	-	-	-	-	-
III. Short-term investments	**139 335**	**162 558**	**186 022**	**231 708**	**202 149**
1. Short-term financial assets	139 335	162 558	186 022	231 708	202 149
a) in affiliates	16 195	15 752	16 125	16 484	24 197
– shares	-	-	-	-	-
– other securities	-	-	-	-	7 522
– loans granted	16 195	15 752	16 125	16 484	16 675
– other short-term financial assets	-	-	-	-	-
b) in other entities	587	-	296	-	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other short-term financial assets	587	-	296	-	-
c) cash and other monetary assets	122 553	146 806	169 601	215 224	177 952
– cash on hand and cash at bank	122 553	146 806	169 601	215 224	177 952
– other cash and cash equivalents	-	-	-	-	-
– other monetary assets	-	-	-	-	-
2. Other short-term investments	-	-	-	-	-
IV. Short-term prepayments and deferred costs	**1 146**	**3 610**	**1 310**	**1 745**	**2 380**
C. Unpaid share capital (basic)	-	-	-	-	-
D. Own shares	-	-	-	-	-
Total assets	**2 298 378**	**2 316 249**	**2 598 206**	**2 505 663**	**2 513 358**

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(in thousands PLN)

Liabilities and equity

		30 September 2017 (unaudited)	*30 June 2017 (unaudited)*	*31 December 2016*	*30 September 2016 (unaudited)*	*30 June 2016 (unaudited)*
A.	**Equity**	**1 487 391**	**1 460 667**	**1 491 837**	**1 500 094**	**1 488 233**
I.	**Share capital**	**101 647**	**101 647**	**101 647**	**101 647**	**101 647**
II.	**Reserve capital, including:**	**1 094 493**	**1 094 492**	**1 028 647**	**1 028 639**	**1 028 639**
	– surplus of sales value (issue value) over nominal value of shares	380 030	380 030	380 030	380 030	380 030
III.	**Revaluation reserve, including:**	**227 497**	**227 498**	**227 498**	**227 507**	**227 506**
	– for fair value revaluation	227 497	227 498	227 498	227 507	227 506
IV.	**Other reserves, including:**	**3 472**	**3 472**	**3 472**	**3 472**	**3 472**
	– created in accordance with the company's articles of association	-	-	-	-	-
	– for own shares	-	-	-	-	-
V.	**Profits (losses) from previous years**	**(834)**	**(834)**	**(834)**	**(834)**	**(834)**
VI.	**Net profit (loss) for the period**	**61 116**	**34 392**	**131 407**	**139 663**	**127 803**
VII.	**Deductions from net profit during the period (negative value)**	**-**	**-**	**-**	**-**	**-**
B.	**Liabilities and provisions for liabilities**	**810 987**	**855 582**	**1 106 369**	**1 005 569**	**1 025 125**
I.	**Provisions for liabilities**	**269 517**	**226 428**	**347 396**	**283 498**	**237 059**
	1. Deferred tax liability	69 546	74 158	68 806	74 789	82 284
	2. Provision for retirement benefits and similar obligations	9 687	9 764	9 922	11 808	11 737
	– long-term	9 093	9 006	8 835	11 798	11 530
	– short-term	594	758	1 087	10	207
	3. Other provisions	190 284	142 506	268 668	196 901	143 038
	– long-term	17 252	17 114	17 603	17 604	17 497
	– short-term	173 032	125 392	251 065	179 297	125 541
II.	**Long-term liabilities**	**238 970**	**272 473**	**344 005**	**381 101**	**415 790**
	1. To affiliates	-	-	254	254	254
	2. To other entities of which entity has capital engagement	-	-	-	-	-
	3. To other entities	238 970	272 473	343 751	380 847	415 536
	a) loans and credits	236 537	272 087	343 295	380 318	414 926
	b) debt securities issued	-	-	-	-	-
	c) other financial liabilities	433	386	456	490	524
	d) bills of exchange	-	-	-	-	-
	e) other	2 000	-	-	39	86
III.	**Short-term liabilities**	**257 293**	**321 791**	**387 209**	**292 288**	**332 457**
	1. To affiliates	34 759	72 521	32 405	55 071	84 195
	a) trade liabilities:	34 263	38 275	31 922	52 803	80 520
	– up to 12 months	34 263	38 275	31 922	52 803	80 520
	– over 12 months	-	-	-	-	-
	b) other	496	34 246	483	2 268	3 675
	2. To other entities of which entity has capital engagement	-	-	-	-	-
	a) trade liabilities:	-	-	-	-	-
	– up to 12 months	-	-	-	-	-
	– over 12 months	-	-	-	-	-
	b) other	-	-	-	-	-
	3. To other entities	217 607	243 824	350 650	232 128	242 798
	a) loans and credits	154 921	156 152	158 629	161 128	162 389
	b) debt securities issued	-	-	-	-	-
	c) other financial liabilities	156	694	139	961	132

(in thousands PLN)

d) trade liabilities:	24 262	18 661	53 247	32 409	35 625
– up to 12 months	24 262	18 661	53 247	32 409	35 625
– over 12 months	-	-	-	-	-
e) advance payments received	78	75	50	90	79
f) bills of exchange	-	-	-	-	-
g) taxation, customs duty and social security creditors	28 953	27 602	68 521	27 511	29 841
h) payroll	4 025	4 123	4 314	4 114	4 050
i) other	5 212	36 517	65 750	5 915	10 682
4. Special funds	4 927	5 446	4 154	5 089	5 464
IV. Accruals and deferred income	**45 207**	**34 890**	**27 759**	**48 682**	**39 819**
1. Negative goodwill	-	-	-	-	-
2. Other accruals and deferred income	45 207	34 890	27 759	48 682	39 819
– long-term	14 062	14 074	14 097	14 987	15 069
– short-term	31 145	20 816	13 662	33 695	24 750
Total Liabilities and equity	**2 298 378**	**2 316 249**	**2 598 206**	**2 505 663**	**2 513 358**

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(in thousands PLN)

PROFIT & LOSS ACCOUNT (calculation type)

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
A. Net sales of finished goods, goods for resale and raw materials, of which:	1 086 592	388 034	1 208 091	392 083
– from affiliates	329 540	114 182	427 700	141 872
I. Net sales of finished products	947 372	326 019	1 124 335	352 303
II. Net sales of goods for resale and raw materials	139 220	62 015	83 756	39 780
B. Cost of finished products, goods for resale and raw materials sold, of which:	988 819	345 869	1 067 873	362 175
– to affiliates	326 267	112 468	379 653	130 828
I. Cost of finished products sold	879 664	296 557	988 801	329 375
II. Cost of goods for resale and raw materials sold	109 155	49 312	79 072	32 800
C. Gross profit (loss) on sales	97 773	42 165	140 218	29 908
D. Selling expenses	2 190	674	2 129	700
E. Administrative expenses	22 608	7 003	19 177	6 895
F. Profit (loss) on sales	72 975	34 488	118 912	22 313
G. Other operating income	1 459	(97)	3 675	775
I. Gains on the sale of non-financial non-current assets	9	0	-	-
II. Grants	35	12	247	82
III. Revaluation of non-financial assets	-	-	-	-
IV. Other operating income	1 415	(109)	3 428	693
H. Other operating expenses	1 336	77	32 745	9 579
I. Loss on the sale of non-financial non-current assets	-	-	-	-
II. Impairment of non-financial assets	-	(548)	30 814	9 083
III. Other	1 336	625	1 931	496
I. Operating profit (loss)	73 098	34 314	89 842	13 509
J. Finance income	14 816	1 010	82 526	-860
I. Dividends and shares in profits, including:	12 285	-	78 778	-
a) from affiliates, including:	12 085	-	78 722	-
– of which the entity has capital engagement	12 085	-	78 722	-
b) from others, including:	200	-	-	-
– of which the entity has capital engagement	-	-	-	-
II. Interest, including:	1 808	703	2 858	1 081
– from affiliates	460	153	803	253
III. Profit on the disposal of financial assets, including:	-	-	-	-
– affiliates	-	-	-	-
IV Revaluation of investments	292	292	856	(1 951)
V. Other	431	15	34	10
K Finance costs	15 304	2 334	20 826	8 273
I. Interest, including:	13 063	4 094	15 807	7 178
– to affiliates	-	-	-	-
II. Loss on the disposal of financial assets, including:	-	-	33	33
– in affiliates	-	-	-	-
III. Impairment of investments	1 566	(1 986)	827	827
IV. Other	675	226	4 159	235
L. Gross profit (loss)	72 610	32 990	151 542	4 376

(in thousands PLN)

M. Corporate profits tax	11 494	6 266	11 879	(7 484)
N. Other tax charges	-	-	-	-
O. Net profit (loss)	**61 116**	**26 724**	**139 663**	**11 860**

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(in thousands PLN)

STATEMENT OF CASH FLOW (indirect method)

	9 months period ended 30 September 2017 (unaudited)	*3 months period ended 30 September 2017 (unaudited)*	*9 months period ended 30 September 2016 (unaudited)*	*3 months period ended 30 September 2016 (unaudited)*
A. Cash flow from operating activities				
I. Net profit (loss)	61 116	26 724	139 663	11 860
II. Adjustments, total	96 917	61 683	(7 815)	61 088
1. Depreciation	28 723	9 690	27 129	9 482
2. Foreign exchange gains (losses)	1 651	(1 135)	(854)	2 010
3. Interest and shares in profits (dividends)	314	3 941	(63 777)	6 924
4. Profit (loss) on investing activities	(301)	(1 144)	859	859
5. Change in provisions	172 309	43 090	190 863	46 440
6. Change in inventories	7 491	(492)	31 275	19 371
7. Change in receivables	16 453	(7 568)	36 318	7 632
8. Change in short-term liabilities, except for loans and borrowings	(64 989)	2 467	(62 650)	(33 355)
9. Change in prepayments, accruals and deferred income	17 769	12 833	17 533	9 772
10. Other adjustments	(82 503)	1	(184 511)	(8 047)
III. Net cash flow from operating activities	158 033	88 407	131 848	72 948
B. Cash flow from investing activities				
I. Inflows	6 695	3 500	73 293	15 293
1. Sale of intangible assets and tangible fixed assets	56	-	1 594	-
2. Sale of investments in property and intangible assets	-	-	-	-
3. From financial assets, including:	6 639	3 500	71 699	15 293
a) in affiliates	6 439	3 300	71 643	15 237
b) in others	200	200	56	56
– disposal of financial assets	-	-	-	-
– dividends and share in profits	200	200	56	56
– repayment of long-term loans granted	-	-	-	-
– interests	-	-	-	-
– other inflows from financial assets	-	-	-	-
4. Other investing inflows	-	-	-	-
II. Outflows	22 457	9 672	82 502	7 824
1. Purchase of intangible assets and tangible fixed assets	13 058	9 579	82 502	7 824
2. Investments in property and intangible assets	-	-	-	-
3. For financial assets, including:	9 399	93	-	-
a) in affiliates	9 399	93	-	-
b) in others	-	-	-	-
– purchase of financial assets	-	-	-	-
– long-term loans granted	-	-	-	-
4. Other investing outflows	-	-	-	-
III. Net cash flow from investing activities	(15 762)	(6 172)	(9 209)	7 469
C. Cash flow from financing activities				
I. Inflows	-	-	-	-
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	-	-	-	-
2. Loans and borrowings	-	-	-	-
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Outflows	189 234	106 488	90 403	43 087
1. Reacquisition of own shares	-	-	-	-
2. Dividends and other payments to shareholders	65 562	65 562	-	-

(in thousands PLN)

3. Outflows due to appropriation of profit other than payments to shareholders	-	-	-	-
4. Repayment of loans and borrowings	111 408	37 136	74 741	37 136
5. Redemption of debt securities	-	-	-	-
6. Relating to other financial liabilities	-	-	-	-
7. Finance lease payments	104	37	97	33
8. Interest paid	12 160	3 753	15 505	5 918
9. . Other financing outflows	-	-	60	-
III. Net cash flow from financing activities	(189 234)	(106 488)	(90 403)	(43 087)
D. Total net cash flow	(46 963)	(24 253)	32 236	37 330
E. Balance sheet change in cash and cash equivalents,, including:	(47 048)	(24 253)	32 235	37 272
– change in cash and cash equivalents due to foreign exchange gains/losses	(85)	-	(1)	(58)
F. Cash and cash equivalents at the beginning of the period	169 516	146 806	182 989	177 895
G. Cash and cash equivalents at the end of the period, including	122 553	122 553	215 225	215 225
– of restricted use	4 648	(3)	6 088	760

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(in thousands PLN)

STATEMENT OF CHANGES IN EQUITY

	30 September 2017 (unaudited)	*30 June 2017 (unaudited)*	*31December 2016*	*30 September 2016 (unaudited)*	*30 June 2016 (unaudited)*
I. Equity at the beginning of the period (OB)	**1 491 837**	**1 491 837**	**1 360 431**	**1 360 431**	**1 360 431**
– changes in accounting policy	-	-	-	-	-
– correction of prior period error	-	-	-	-	-
I.a. Equity at the beginning of the period (OB), after adjustments	**1 491 837**	**1 491 837**	**1 360 431**	**1 360 431**	**1 360 431**
1. Share capital at the beginning of the period	101 647	101 647	101 647	101 647	101 647
1.1. Changes in share capital	-	-	-	-	-
a) increases	-	-	-	-	-
b) decreases	-	-	-	-	-
1.2. Share capital at the end of the period	**101 647**	**101 647**	**101 647**	**101 647**	**101 647**
2. Reserve capital at the beginning of the period	1 028 647	1 028 647	2 542 060	2 542 060	2 542 060
2.1. Changes in reserve capital	65 846	65 845	(1 513 413)	(1 513 421)	(1 513 421)
a) increases	65 846	65 845	33	25	25
– issue of shares	-	-	-	-	-
– profit distribution	65 845	65 845	-	-	-
– disposal of fixed assets	1	-	33	25	25
b) decreases	-	-	1 513 446	1 513 446	1 513 446
– redemption of shares	-	-	-	-	-
– cover of loss	-	-	1 513 446	1 513 446	1 513 446
2.2. Reserve capital at the end of the period	**1 094 493**	**1 094 492**	**1 028 647**	**1 028 639**	**1 028 639**
3. Capital from revaluation at the beginning of the period – changes of accountancy policies	227 498	227 498	227 531	227 531	227 531
3.1. Changes of capital from revaluation	(1)	-	(33)	(24)	(25)
a) increases	-	-	-	-	-
b) decreases	1	-	33	24	25
– disposal of fixed assets	1	-	33	24	25
3.2. Capital from revaluation at the end of the period	**227 497**	**227 498**	**227 498**	**227 507**	**227 506**
4. Other reserves at the beginning of the period	3 472	3 472	5 877	5 877	5 877
4.1. Changes in other reserves	-	-	(2 405)	(2 405)	(2 405)
a) increases	-	-	-	-	-
b) decreases	-	-	2 405	2 405	2 405
– cover of loss	-	-	2 405	2 405	2 405
4.2. Other reserves at the end of the period	**3 472**	**3 472**	**3 472**	**3 472**	**3 472**
5. Profit (loss) from previous years at the beginning of the period	131 407	131 407	(1 516 684)	(1 516 684)	(1 516 684)
5.1. Profit from previous years at the beginning of the period	131 407	131 407	-	-	-
– changes of accountancy rules	-	-	-	-	-
– error adjustments	-	-	-	-	-
5.2. Profit from previous years at the beginning of the period, after adjustments	131 407	131 407	-	-	-
a) increases	-	-	-	-	-
– distribution of profits from previous years	-	-	-	-	-
b) decreases	131 407	131 407	-	-	-
– distribution of profit for reserve capital	65 845	65 845	-	-	-
– dividend payment	65 562	65 562	-	-	-
5.3. Profit from previous years at the end of the period	-	-	-	-	-
5.4. Loss from previous years at the beginning of the period	-	-	(1 516 684)	(1 516 684)	(1 516 684)
– changes of accountancy rules	-	-	-	-	-
– error adjustments	-	-	-	-	-
5.2. Loss from previous years at the beginning	(834)	(834)	(1 516 684)	(1 516 684)	(1 516 684)

(in thousands PLN)

of the period, after adjustments					
a) increases	-	-	-	-	-
– transfer of loss from previous years to cover	-	-	-	-	-
b) decreases	-	-	(1 515 850)	(1 515 850)	(1 515 850)
– cover of loss from reserve capital	-	-	(1 515 850)	(1 515 850)	(1 515 850)
5.6. Loss from previous years at the end of the period	(834)	(834)	(834)	(834)	(834)
5.7. Profit (loss) from previous years at the end of the period	**(834)**	**(834)**	**(834)**	**(834)**	**(834)**
6. Net result	**61 116**	**34 392**	**131 407**	**139 663**	**127 803**
a) net profit	61 116	34 392	131 407	139 663	127 803
b) net loss	-	-	-	-	-
c) result impairments	-	-	-	-	-
II. Equity at the end of the period (CB)	**1 487 391**	**1 460 667**	**1 491 837**	**1 500 094**	**1 488 233**
III. Equity after proposed result distribution (cover of loss)	**1 487 391**	**1 460 667**	**1 491 837**	**1 500 094**	**1 488 233**

Konin, 14 November 2017

Adam Kłapszta	*Aneta Lato-Żuchowska*	*Zygmunt Artwik*	*Elżbieta Niebisz*	*Aneta Desecka*
President of the Board	*Vice President of the Board*	*Vice President of the Board*	*Vice President of the Board*	*Chief Accountant*

ADDITIONAL INFORMATION TO THE SUMMARY FINANCIAL STATEMENT FOR 9 MONTHS

1. General information about the Company

Zespół Elektrowni Pątnów – Adamów – Konin Spółka Akcyjna ("ZE PAK SA", „Company") was established by a Notarial Deed of 29 December 1994. The company headquarters are located in Konin, at ul. Kazimierska 45.

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

The Company operates under the Tax number (NIP) 665-00-01-645 assigned on 17 September 1993 and the REGON number 310186795.

The Company has been established for an indefinite period.

The Company is the dominating entity of the Capital Group Zespół Elektrowni Pątnów – Adamów – Konin SA ("Group", "Capital Group", "ZE PAK SA Group").

According to the Articles of Association, the Company's business activity is:

the generation and distribution of electricity,

the generation and sale of thermal power (steam and hot water).

The semi-annual summary financial statement from ZE PAK SA as developed based on the provisions of the regulation of the Minister of Finances of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Dz.U. 2014 item 133, as amended). The format, basis and scope of the developed statement is in accordance with the requirements of that regulation.

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

Below, the main potential differences between IFRS and the Act on Accounting are presented (Dz.U. 2016, item 1047, as amended) (AoA), under the assumption of adopting IFRS on the basis of IFRS 1 guidelines and adopting financial data resulting from the consolidated financial statement of the ZE PAK SA Group. The date of transition of the ZE PAK SA 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, under the assumption that the date of transition to the IFRS is 1 January 2009, would particularly regard the following aspects:

Tangible Fixed Assets

Appraisal of tangible fixed assets

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 Act on Accounting (AoA) and according to IFRS, the amount of the impairment write-downs against tangible fixed asset values is also different.

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.

(in thousands PLN)

Appraisal of land and perpetual usufruct

According to the AoA, 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.

Capitalisation of borrowing costs

According to the AoA, 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 capitalise 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 AoA 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 has issued new standards. New standards and changes to the current standards are still being developed. 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 shall develop its first financial statement compliant with the IFRS, which can include data for 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.

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 certain positions in the financial statement acc. to AoA and IFRS may 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 in accordance with AoA and IFRS can differ substantially.

The below table presents the differences as of 30 September 2017 (unaudited data):

	Balance sheet value acc. to AoA	*Balance sheet value acc. to IFRS*	*Value adjustment*
Tangible Fixed Assets	644 379	646 595	2 216
Equity	1 487 391	1 428 571	(58 820)
Provisions due to deferred tax assets	69 546	130 318	60 772

(in thousands PLN)

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

	30 September 2017 (unaudited)
AoA net profit	61 116
Adjustment of the tangible fixed assets	(896)
IAS19 Correction – Actuarial profits (losses)	283

	30 September 2017 (unaudited)
AoA Capital	1 487 391
Adjustment of the tangible fixed assets	(58 820)
IAS19 Correction – Actuarial profits (losses)	(283)

3. Assumption of continuation of economic activity

The financial statement was developed under the assumption of continuing the Company's business activity in the foreseeable future, at least 12 months after the balance sheet date, i.e. after 30 September 2017.

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

4. Merger of commercial companies

In the reporting period for which the financial statement was developed, the Company did not merge with any other business entity, nor did it purchase an organised part of an enterprise.

5. Adopted accounting principles (policy)

The accounting principles adopted by the Company, including the assets and liabilities valuation method and the method of measuring the financial result are in accordance with the provisions of the act of 29 September 1994 on accounting (Dz.U. 2016, item 1047, as amended) and were described in the financial statement of the Zespół Elektrowni Pątnów - Adamów - Konin SA for the financial year ended on 31 December 2016 and published on 21 March 2017.

6. 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, hence, it was not obliged to present numerical information ensuring comparability of the financial statement data for the previous year with the statement for the current accounting year.

7. 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.

8. The amount and nature of items affecting assets, liabilities, equity, net income or cash flows that are abnormal due to their nature, value or frequency

During the current reporting period, there were no events affecting assets, liabilities, equities, net result or cash flow, that were unusual at their type, value or frequency.

(in thousands PLN)

9. Information on impairment write-downs against provisions value, impairing to the net value possible to achieve and on the reversal of such write-downs

The gross financial result for the current period includes the effects of creating and reversing the provision impairment write-down:

Impairment write-downs	*31 December 2016*	*changes*			*30 September 2017 (unaudited)*
		creation	*use*	*liquidation*	
Inventories	13 525	548	10 380	-	3 693

Certificates of origin of energy arising from the energy production from renewable energy sources and peak load co-generation are presented according to fair value at the end of the month, in which the energy based on renewable sources was produced.

As of 30 September 2017, the Company had, as per the register, a total of 36 836.654 MWh green certificate property rights, including 4 014.442 MWh of green energy for the generation in June 2017, which had already been generated and not verified by the Energy Regulatory Authority.

In the period of 9 months 2017, the Company received 2016 outstanding certificates for the year 2016 in the amount of 219 465.611 MWh for production in the period from July to December 2016. These certificates were successively sold. During the current reporting period, the Company stopped production from renewable sources due to the low price of rights on the market.

As at September 30, 2017, an impairment loss for the value of property rights in the amount of PLN 13 thousand relates to the revaluation of rights in the Company's state on September 30, 2017 to the unit price of PLN 37.77 / MWh.

10. Information on the write-downs against the impairment of financial assets, tangible fixed assets, non-material and legal values or other assets and the reversal of such write-downs

The gross financial result for the current year includes the effects of creating and reversing impairment write-downs, in particular:

Impairment write-downs	*31 December 2016*	*changes*			*30September 2017 (unaudited)*
		creation	*use*	*liquidation*	
Intangible assets	1 279	-	-	-	1 279
Tangible fixed assets	1 560 722	-	-	-	1 560 722
Financial assets	28 249	-	-	-	28 249
Receivables	35 434	-	1	210	35 223

11. Information on the creation, increase, use or liquidation of the provisions

The gross financial result for the current year includes the effects of creating the estimates of future obligations, in particular:

Provisions and accruals	*31 December 2016*	*Changes*			*30 September 2017 (unaudited)*
		creation	*use*	*liquidation*	
Provisions for pension and post-mortem benefits	9 922	-	-	235	9 687
Provisions for CO2 emission allowances	250 189	172 925	250 189	-	172 925
Provisions for reclamation	1 005	235	143	-	1 097
Provisions for liquidation	16 848	-	-	585	16 263
Provision for payments	626	-	535	91	-
Cost prepayments for:	13 592	28 343	11 164	-	30 771
− annual bonus provision	10 357	-	8 933	-	1 424
− unused holidays provision	2 161	992	1 167	-	1 986

(in thousands PLN)

– fees for commercial utilization of the environment	-	26 832	-	-	26 832
– duty to redeem property rights	931	519	931	-	519
– provision for current year costs	143	-	133	-	10
Prepayment income settlement	14 167	268	-	-	14 435
Total	**306 349**	**201 771**	**262 031**	**911**	**245 178**

12. Information on the provisions and assets related to deferred income tax

In the 9-month period ended on 30 September 2017, there had been a change in the state of the provisions and assets related to deferred income tax, i.e.:

- a change in the state of assets, increasing tax burden in the amount of PLN 28 730 thousand,
- a change in the state of the provisions, decreasing tax burden in the amount of PLN 27 990 thousand.

13. Information on significant acquisition and sales transactions of tangible fixed assets and any significant liability due to purchasing tangible fixed assets

In the 9-month period ended on 30 September 2017, the Company:

- Purchased or accepted from investments, tangible fixed assets in the amount of PLN 3 677 thousand,
- sold or liquidated fixed tangible asset component in the amount of PLN 47 thousand net.

As of 30 September 2017, the liabilities of the Company for the purchase of tangible fixed assets amount to PLN 3 010 thousand.

14. Information about the failure to repay a bank credit or loan, or the breach of significant provisions of a bank credit or loan agreement, in relation to which no remedial actions have been undertaken until the end of the reporting period

During the current reporting period, the Company made bank credit payments in accordance with the provisions of credit agreements. As of the balance sheet day of 30 September 2017, the Company met the covenants, pursuant to the credit agreement of 13 March 2014.

15. Information on the issuer or its subsidiary, concluding one or multiple transactions with associated entities, should they have been concluded under conditions other than market conditions

Zespół Elektrowni Pątnów-Adamów-Konin SA and subsidiaries, consolidated under the Group, did not conclude any transactions with the affiliates pursuant to conditions other than market conditions in the period of 9 months of 2017.

16. Information on the change in the manner (method) of appraisal of financial instruments, appraised at fair value

There have been no changes to the manner (method) of appraising financial instruments according to fair value in the Company's financial statement presented for the current reporting period.

17. Information on the changes in the classification of financial assets

In the current reporting period, there have been no changes to the classification of financial assets.

18. Information on the issue, redemption and repayment of non-equity and equity securities

In the current reporting period, the Company did not issue, redeem or repay any non-equity and equity securities.

19. Events of the accounting year not specified in the balance sheet and the income statement

During the reporting period until the development date of this financial statement, i.e., 14 November 2017, there were no events that were not, and should be included in the accounting books and financial statements for the period ended September 30, 2017.

20. Events of previous years recognised in the financial statement

As of the date of preparation of the financial statements for the period ended September 30, 2017, i.e. until November 14, 2017, there were no other significant events related to previous years which were not and should be included in the financial statements of the accounting year.

21. Information on the changes in the business or economic circumstances that significantly affect the fair value of the entity's financial assets and financial liabilities, regardless of the fact, whether those assets and liabilities are recognised in the fair value or the corrected purchase cost (amortised cost)

The decision of the Regional Director for Environmental Protection, regarding the Ościsłowo open pit

As part of activities aimed at ensuring the resources for the Group's generation assets, the engineering works at the perspective lignite deposits are being continued. PAK KWB Konin SA undertakes activities to obtain all necessary decisions and documents allowing granting the mining licence to the company. Currently, the activities are focused on the Ościsłowo open pit. The planned open pit is to ensure the lignite necessary to generate energy in the Pątnów II power plant and the modernised units in the Pątnów I power plant. Obtaining the extraction licence must be preceded by obtaining a number of formal and legal consents and documents detailing the manner of conducting the extraction activities, as well as its scope and impact on the environment of the planned investment. The environmental decision is one of these documents. The authority competent to issue the environmental decision for the project named: "Extraction of lignite and associated minerals from the Ościsłowo deposit" is the Regional Directorate for Environmental Protection in Poznań (RDOŚ).

On September 16, 2015, the proceeding in case of issuing an environmental decision for Ościsłowo opencast was initiated. Within the documentation necessary in the proceedings there was prepared a report on the environmental impact of Ościsłowo opencast mine and an expertise on the influence of the projected opencast on the uniform surface waters and underground waters as well as the protected areas. PAK KWB Konin SA with due diligence provides the data and complements the documentation needed for the proper conduct of the proceedings. The deadline for issuing the environmental decision was changed several times.

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017, refusing the establishment of the environmental conditions for the investment titled: "Extraction of lignite and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. PAK KWB Konin SA appealed accordingly to the General Directorate for Environmental Protection in Warsaw. The appeal included a request to revoke the appealed ruling in its entirety and determine the environmental conditions for the execution of the above-mentioned project. In the opinion of the Management Board of the Company, there are real reasons to expect that the final decision will be positive in the case of solutions proposed by PAK KWB Konin SA. On 23 June 2017, PAK KWB Konin SA received a notification from the General Director for Environmental Protection in Warsaw stating that, due to the complicated nature of the case, a new settlement date was set for 22 September 2017. Within the given deadline, GDEP in Warsaw has not issued any decision in the matter. Currently, the Company is not aware of the date of issue of the decision by the GDEP in Warsaw. The proceedings for issuing the environmental decision were initiated on 16 September 2015.

(in thousands PLN)

22. Additional information

Additional information and disclosures required by the provisions of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Dz.U. Of 2014, item 133, as amended), which could significantly impact the assessment of the economic, financial situation and, which have been, as a result of the issuer's financial result, included in the explanatory notes to the semi-annual summary consolidated financial statement (scfs), including:

- explanations regarding the seasonality or cyclicality of the issuer's activities in the presented period (item 9 of scfs),
- information on significant settlements due to lawsuits (28.1 scfs),
- information on changes of contingent liabilities or contingent assets, which had occurred from the end of the last financial year (items 29 and 30 of scfs),
- information regarding the paid (or declared) dividends (item 23 of scfs).

Konin, 14 November 2017

Adam Kłapszta	Aneta Lato-Żuchowska	Zygmunt Artwik	Elżbieta Niebisz	Aneta Desecka
President of the Board	*Vice President of the Board*	*Vice President of the Board*	*Vice President of the Board*	*Chief Accountant*

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA CAPITAL GROUP

OTHER INFORMATION TO EXTENDED CONSOLIDATED REPORT FOR III QUARTER 2017

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

14 NOVEMBER 2017

TABLE OF CONTENT

1. SELECTED FINANCIAL DATA

Selected consolidated financial data	*PLN thousand* *9 months 2017 period from 01.01.2017 to 30.09.2017*	*PLN thousand* *9 months 2016 period from 01.01.2016 to 30.09.2016*	*EUR thousand* *9 months 2017 period from 01.01.2017 to 30.09.2017*	*EUR thousand* *9 months2016 period from 01.01.2016 to 30.09.2016*
Sales revenue	1 813 089	2 053 540	425 948	470 047
Operating profit/loss	237 761	311 727	55 857	71 353
Profit/loss before tax	212 592	262 470	49 944	60 078
Net profit/loss for the period	169 976	218 665	39 932	50 052
Net profit attributable to equity holders of the parent	169 368	216 208	39 790	49 489
Total comprehensive income	172 817	221 274	40 600	50 649
Net cash flow from operating activities	409 850	474 869	96 286	108 696
Net cash flow from investing activities	(30 984)	(95 707)	(7 279)	(21 907)
Net cash flow from financing activities	(358 500)	(303 569)	(84 222)	(69 486)
Net increase / (decrease) in cash and cash equivalents	20 366	75 593	4 785	17 303
Net profit/loss per share (in PLN/EUR per share)	3,33	4,25	0,78	0,97
Weighted average numbers of shares (in pcs)	50 823 547	50 823 547	50 823 547	50 823 547
	as at 30.09.2017	*as at 31.12.2016*	*as at 30.09.2017*	*as at 31.12.2016*
Total assets	4 423 945	4 801 300	1 026 652	1 085 285
Fixed assets	3 501 521	3 702 058	812 588	836 812
Current assets	922 424	1 099 242	214 064	248 472
Total equity	2 250 886	2 143 658	522 356	484 552
Share capital	101 647	101 647	23 589	22 976
Share capital attributable to equity holders of the parent	2 250 886	2 143 658	522 356	484 552
Total liabilities	2 173 059	2 657 642	504 295	600 733
Long-term liabilities	1 258 442	1 389 715	292 043	314 131
Short-term liabilities	914 617	1 267 927	212 252	286 602
Book value per share (in PLN/EUR per share)	44,29	42,18	10,28	9,53
Weighted average number of shares (in pcs)	50 823 547	50 823 547	50 823 547	50 823 547

Selected financial data of ZE PAK SA	*PLN thousand* 9 months 2017 period from 01.01.2017 to 30.09.2017	*PLN thousand* 9 months 2016 period from 01.01.2016 to 30.09.2016	*EUR thousand* 9 months 2017 period from 01.01.2017 to 30.09.2017	*EUR thousand* 9 months2016 period from 01.01.2016 to 30.09.2016
Sales revenue	1 086 592	1 208 091	255 272	276 527
Operating profit/loss	73 098	89 842	17 173	20 564
Profit/Loss before tax	72 610	151 542	17 058	34 687
Net profit/loss for the period	61 116	139 663	14 358	31 968
Net cash flow from operating activities	158 033	131 848	37 127	30 179
Net cash flow from investing activities	(15 762)	(9 209)	(3 703)	(2 108)
Net cash flow from financing activities	(189 234)	(90 403)	(44 457)	(20 693)
Total net cash flow	(46 963)	32 236	(11 033)	7 379
Net profit/loss per share (in PLN/EUR per share)	1,20	2,75	0,28	0,63
Weighted average number of shares (in pcs)	50 823 547	50 823 547	50 823 547	50 823 547
	as at 30.09.2017	*as at 31.12.2016*	*as at 30.09.2017*	*as at 31.12.2016*
Total assets	2 298 378	2 598 206	533 378	587 298
Fixed assets	1 984 906	2 219 586	460 631	501 715
Current assets	313 472	378 620	72 747	85 583
Total equity	1 487 391	1 491 837	345 174	337 215
Share capital	101 647	101 647	23 589	22 976
Liabilities and provisions for liabilities	810 987	1 106 369	188 203	250 083
Long-term liabilities	238 970	344 005	55 457	77 759
Short-term liabilities	257 293	387 209	59 709	87 525
Book value per share (in PLN/EUR per share)	29,27	29,35	6,79	6,63
Weighted average number of shares (in pcs)	50 823 547	50 823 547	50 823 547	50 823 547

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

- *particular items of statement of comprehensive income (Profit & loss account) and statement of cash flows (Cash flow) – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period starting from 1 January 2017 to 30 September 2017, which is EUR/PLN 4.2566 and from 1 January 2016 to 30 September 2016 , which is EUR/PLN 4.3688;*
- *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 29 September 2017, which is EUR/PLN 4.3091 and as of 30 December 2016, which is EUR/PLN 4.4240.*

2. DESCRIPTION OF THE GROUP

2.1. BASIC INFORMATION

As of 30 September 2017 ZE PAK Capital Group (hereinafter referred to as the "Group", "Capital Group", "ZE PAK SA Group") is composed of a dominant entity Zespół Elektrowni Pątnów – Adamów – Konin SA (hereinafter referred to as "ZE PAK SA" or "Company") and twelve subsidiaries i.e. Elektrownia Pątnów 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."), EL PAK Serwis sp. z o.o. in liquidation, Aquakon sp. z o.o. in liquidation, Eko-Surowce sp. z o.o. in liquidation, Energoinwest SERWIS sp. z o.o. in liquidation, 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 Pątnów 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: Pątnów II which is equipped with a supercritical power unit, Pątnów I, Adamów and Konin equipped additionally with power unit with biomass fired boiler. Total installed gross power output of the production facilities of the Group was 2501 MWe as of 30 September 2017.

The Group's main mining assets are concentrated in two companies: PAK KWB Konin SA, which currently operates on Jóźwin, Tomisławice and Drzewce open casts, PAK KWB Adamów SA, which operates on Adamów open casts.

Majority of the Group's sales revenue is derived from sale of electricity (both generated within the Group and purchased for resale). This is supplemented by revenues from sale of heat, construction and service contracts, certificates of Energy origin (green and red certificates). An additional sales revenue, which depends on the level of generation costs and electricity prices on the market as well as the volume of generated electricity, is revenue from termination of long-term contracts for sale of electricity (Power Purchase Agreements), generated by Elektrownia Pątnów II sp. z o.o. The Group having lignite mines in its structure 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.

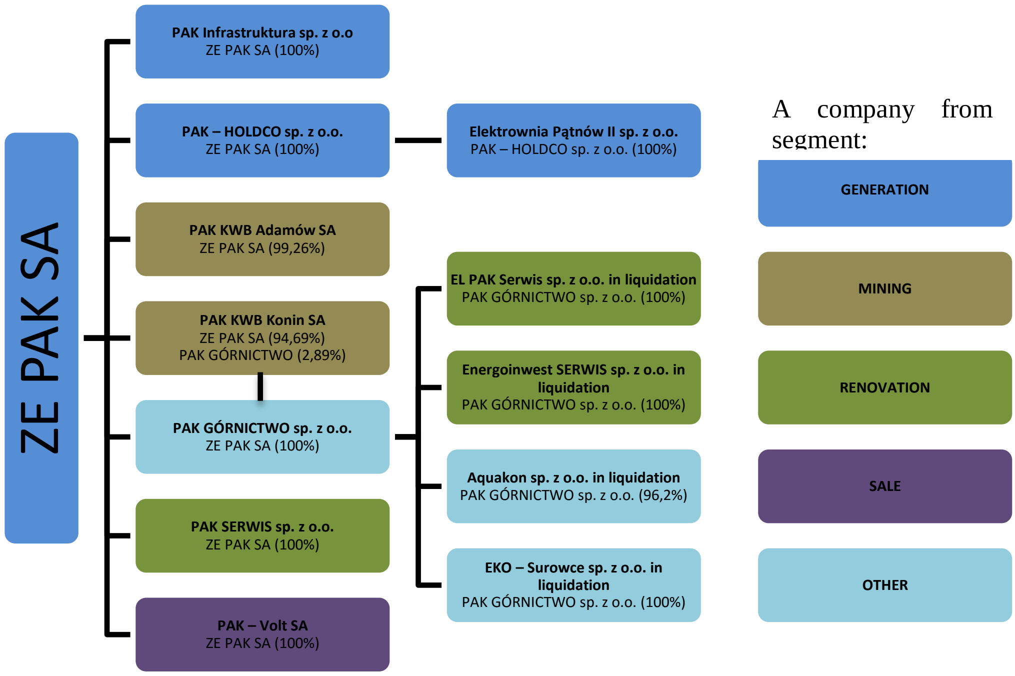
The structure of ZE PAK Group as at 30 September 2017 is presented in Picture 1

The Company outside the CG holds shares in Zakłady Pomiarowo-Badawcze Energetyki Energopomiar Sp. z o.o. with registered office in Gliwice, providing measurement, research and consulting services related to the Energy market. ZE PAK SA holds 1 share with a value of PLN 151 201.01 in the aforementioned company, comprising 2.81% of the total capital.

The main shareholder makes the Group affiliated with other entities, in which Zygmunt Solorz holds substantial direct or indirect share.

2.2. Structure

Picture 1: Structure of the Group as of 30 September 2017



As the day of the report publication the structure of ZE PAK SA Capital Group has changed in relation to the one shown in the above diagram. On 16 October 2017 a new subsidiary has been set up – PAK Adamów Sp. Z o.o., in which ZE PAK SA holds all the shares.

Table 1: Description of the Group's companies (excluding ZE PAK SA)

Entity	*Registered office*	*Scope of operation*	*Percentage share of the Group in the capital*	
			30.09.2017	*31.12.2016*
Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	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. Przemysłowa 158	Repair and conservation of machinery and electrical equipment, railway transport, assembly works	100,00%	100,00%
PAK Kopalnia Węgla Brunatnego Konin SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	97,58%*	96,23%*
PAK Kopalnia Węgla Brunatnego Adamów SA	62-700 Turek ul. Uniejowska 9	Lignite extraction	99,26%	98,41%
PAK – Volt SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
Energoinwest Serwis sp. z o.o. in liquidation	62-510 Konin ul. Spółdzielców 3	Company in liquidation	100,00%*	100,00%*
„Aquakon" sp. z o.o. in liquidation	62-610 Sompolno Police	Company in liquidation	96,2%*	92,57%*
Eko-Surowce sp. z o.o. in liquidation	62-540 Kleczew ul. 600-lecia 9	Company in liquidation	100,00%*	96,23%*

EL PAK Serwis sp. z o.o. in liquidation	62-510 Konin ul. Przemysłowa 158	Company in liquidation	100,00%*	100,00%*

* *Entities with partial or total indirect share via other companies from ZE PAK Group.*

2.3. Composition of the Management Board

As the day of the report publication, ZE PAK SA Management Board is composed of the following members:

- Adam Kłapszta – President of the Management Board,
- Aneta Lato-Żuchowska – Vice President of the Management Board,
- Zygmunt Artwik – Vice President of the Management Board,
- Elżbieta Niebisz – Vice President of the Management Board.

The current composition of the Management Board has not changed since the previously submitted financial report.

2.4. Description of the changes in the Groups structure

On 1 August 2017 Extraordinary General Meetings of four subsidiary companies, i.e. Energoinwest Serwis sp. z o.o., EL PAK Serwis sp. z o.o., Aquakon sp. z o.o. and Eko-Surowce sp. z o.o. have adopted resolutions on termination and liquidation opening of the above mentioned companies. Initiated liquidations are the consequence of the restructuring of ancillary activities to the main segments of the capital group. Activities carried out by the mentioned companies will be carried out by PAK Górnictwo sp. z o.o. which enters into the rights and obligations of the liquidated companies.

On 16 October 2017 a new subsidiary has been set up – PAK Adamów Sp. Z o.o., in which ZE PAK SA holds all the shares. The appointment of the new subsidiary company is related to preparation of the process of terminating the activity of Elektrownia Adamów.

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 3Q 2017 the total sales amounted to PLN 635 533 thousand and, compared to the 3Q 2016 decreased to PLN 50 487 thousand, i.e. 7.36%. In the period of 9 months of 2017 the total sales amounted to PLN 1 813 089 thousand and in relation to the same period of 2016 they were lower by PLN 240 451 thousand, i.e. by 11.71%.

In the 3Q 2017, compared to the analogous quarter of the previous year, the Group noticed that the sale of electricity decreased form 3.56 TWh to 3.13 TWh, i.e. by 12.08%. Simultaneously, the average achieved price of sold electricity increased to PLN 177.33MWh, i.e. by 2.98%. Despite the price increase, the decrease in volume caused that the revenue from the sale of electricity decreased. The fall in revenues from sale of electricity from own production and from resale (reduced by excise duty) in the 3Q 2017, compared to the same period of the previous year, amounted to PLN 56 753 thousand, i.e. by 9.27%. The smaller volume of electricity sales resulted from lower sales of electricity from own production as well as from resales. The volume of electricity sale from own production decreased from 2.49TWh to 2.31 TWh (the volumes of net production of particular power plants of the Group are shown in Chart 3), while the volume of electricity sale from resale decreased from 1.07TWh to 0.82TWh. Similar trends characterized the period of 9 months 2017 in relation to 9 months of 2016. In this case also increased the sale price of electricity to the level of PLN 176.45/MWh, i.e. by 1.4%. The volume of electricity sale decreased by 14.92% to the level of 8.78TWh, while both the volume of energy from own production and from resale decreased. Despite the price increase, the decrease in volume caused the reduction of the revenue from the sale of electricity (reduced by excise duty) of PLN 246 350 thousand, i.e. by 13.72% in the 9 months period of 2017 in relation to 9 months of 2016.

In the 3Q 2017 the revenues from the sale of property rights on energy certificates of origin amounted to PLN 70 thousand, while the 3Q 2016 registered negative value – PLN (5 583) thousand. The revenues from the property rights on energy certificates of origin in the 3Q 2017 concerned "red certificates" because as a result of the lack of biomass production, the Group did not record any revenues from green certificates. In the 9 months period of 2017 the revenues from the sale of property rights on energy certificates of origin amounted to PLN 35 thousand. The lower revenues in the period of 9 months of 2017 than in the 3Q 2017 results from selling a part of stock of green certificates in previous periods by the prices lower than their valuation at the end of 2016.

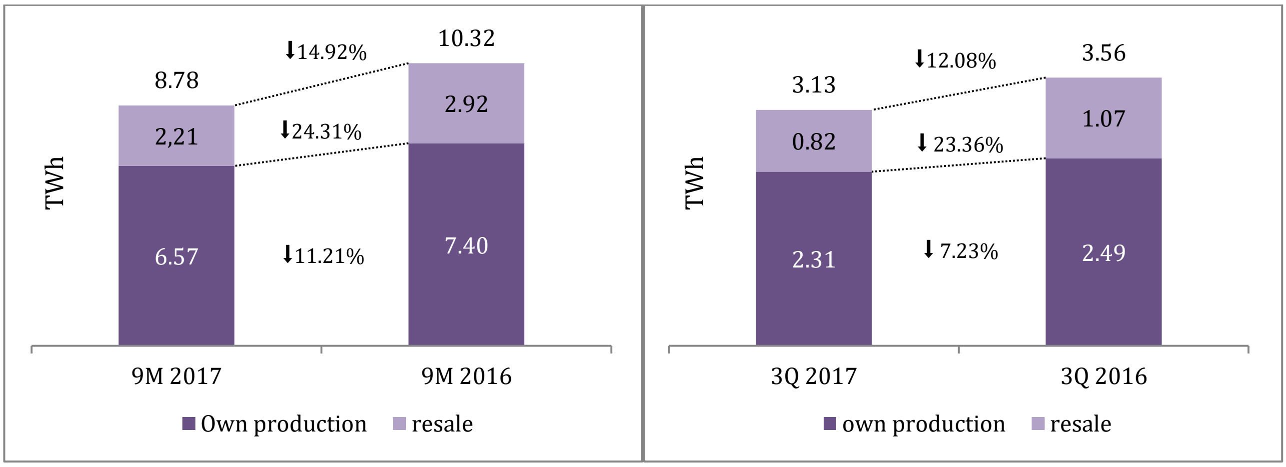
In the 3Q 2017 the revenues from Compensation for termination of long-term contracts for Elektrownia Pątnów II were lower by PLN 5 849 thousand, i.e. by 12.84% compared to the compensation achieved in 2Q 2016. The value of compensation within 9 months of 2017 in relation to 9 months of 2016 is lower by PLN 5 445 thousand, i.e. by 3.96%.

The revenues from contracts for construction services in the 3Q 2017, in relation to these from the 3Q 2016 increased by PLN 5 388 thousand, i.e. by 29.19%. In the 9 months period of 2017 compared to 9 months of 2016 the increase of revenues from contracts for construction services amounted to PLN 23 681 thousand, i.e. 52.67%. The main reason was the increase of contractual involvement of PAK Serwis Sp. Z o.o. for execution of projects in Energy sector for external customers.

The revenues from sales of heat in the 3Q 2017 were lower than these achieved in 3Q 2016 by PLN 291 thousand, i.e. by 3.07%, while in the 9 months period of 2017 in relation to 9 months of 2016 these revenues were lower by PLN 279 thousand, i.e. by 0.67%. The fall of revenues from sale of heat resulted from lower realized average sale price and additionally, in the 3Q 2017 slightly higher volume of sale.

Other sale revenues in the 3Q 2017 increased by PLN 1 365 thousand in relations to the same period of 2016. In the 9 months period of 2017 the increase amounted to PLN 2 146 thousand. The increase of other revenues resulted mainly from the greater range of services realized for system operator by the company of renovation sector.

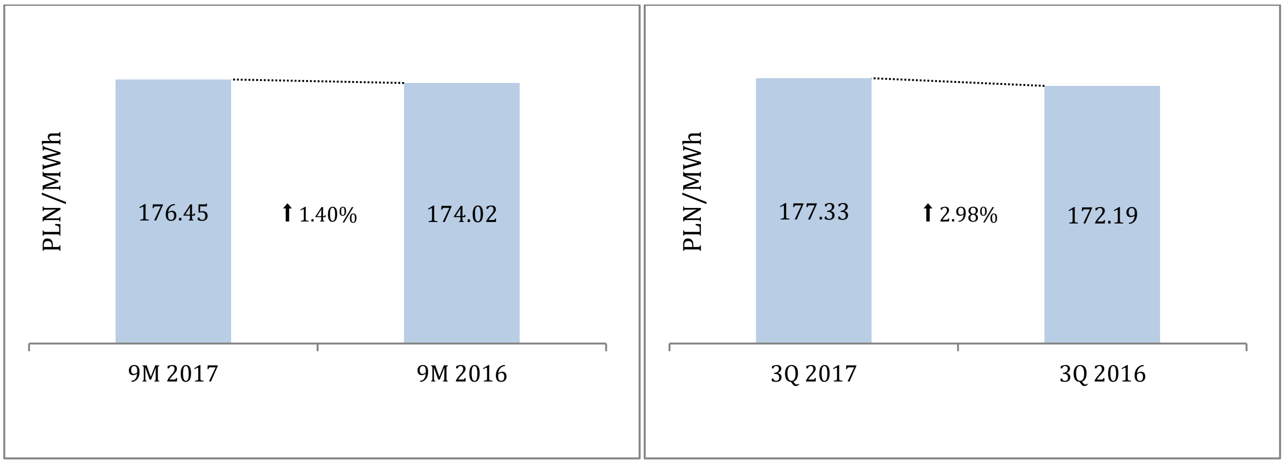
*Chart 1: Electricity sale**



* *Apart from the values presented in the chart, the electricity sales within 9 months of 2016 included 0.04 TWh within the generation of units 1 and 2 in the Pątnów Power Plant I in the investment period, including 0.00 TWh in the III quarter of 2016.*

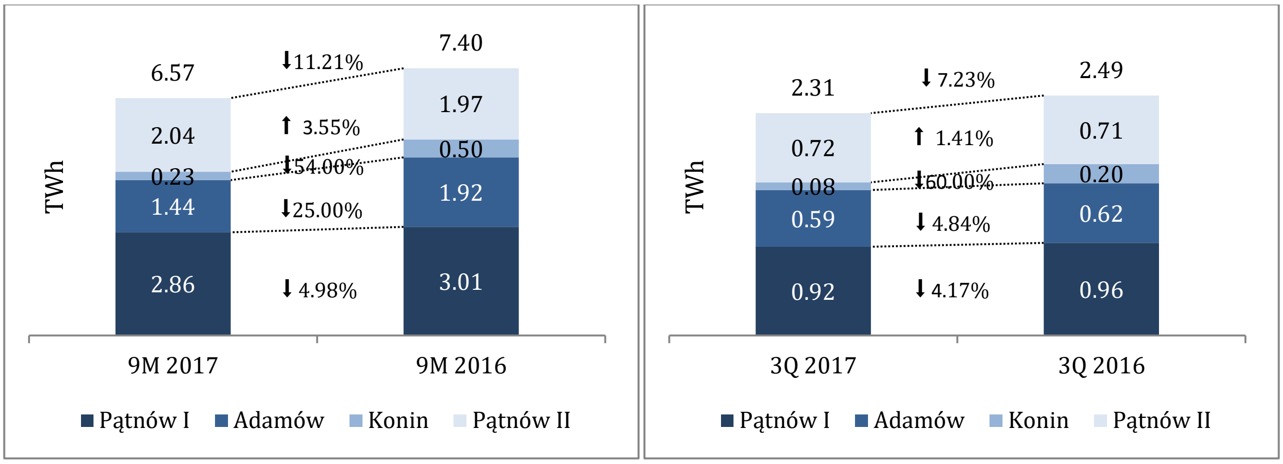
Source: Internal data

*Chart 2: Average electricity prices**



* *Average price, calculated as electricity sales revenues (own production with system service as from resale) divided by the sales volume.*
Source: Internal data

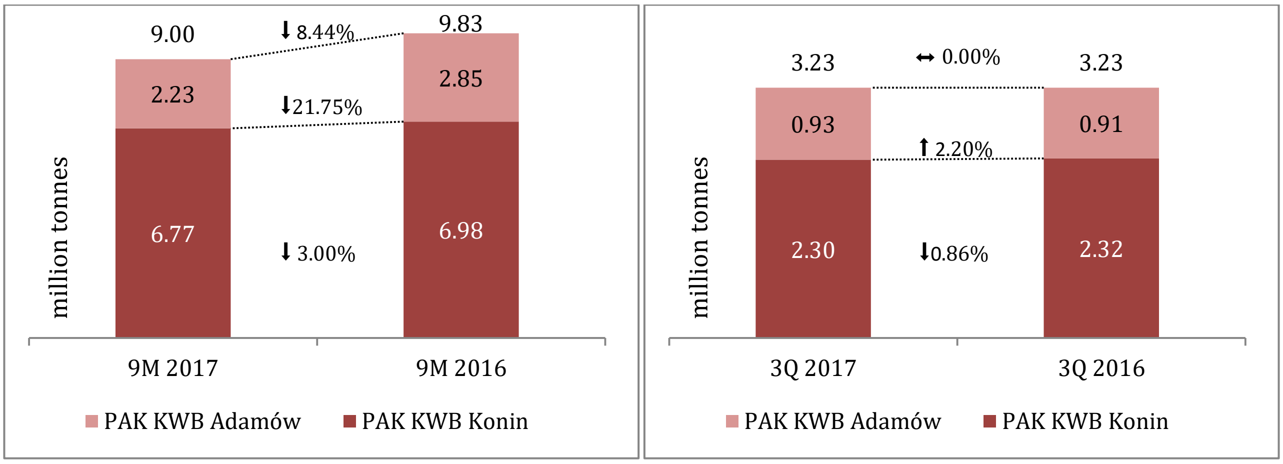
*Chart 3: Net electricity production**



* *Apart from the values presented in the chart, the electricity sales within 9 months of 2016 included 0.04 TWh within the generation of units 1 and 2 in the Pątnów Power Plant I in the investment period, including 0.00 TWh in the III quarter of 2016.*

Source: Internal data

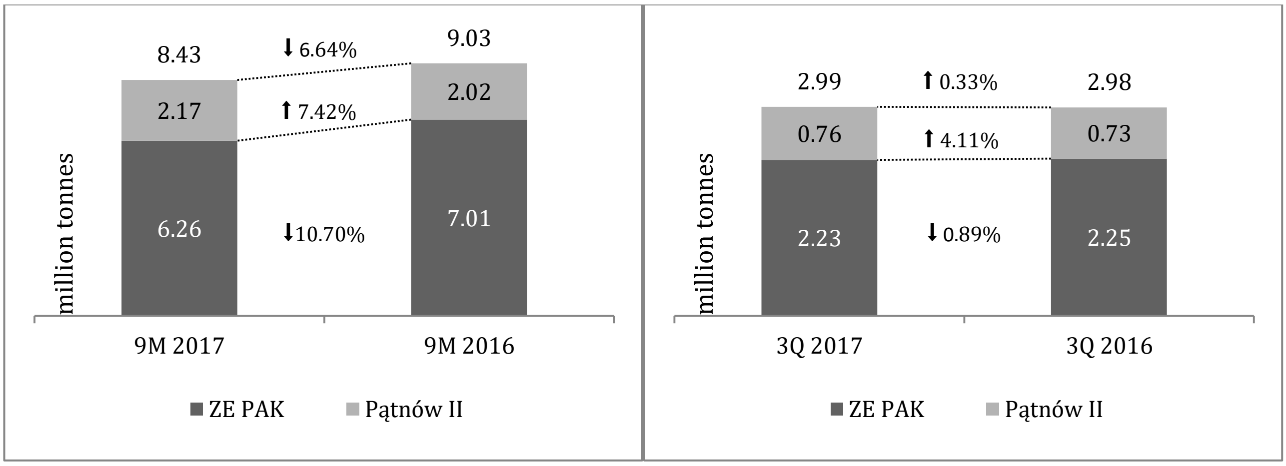
*Chart 4: Lignite consumption**



* *Apart from the values presented in the chart, additionally 0.05 m tonnes of coal were consumed within 9 months of 2016 for the needs of units 1 and 2 at the Pątnów I Power Plant in the investment period, including 0.00 m tonnes in the III quarter of 2016.*

Source: Internal data

*Chart 5: CO_2 emissions**



* *Apart from the values presented in the chart, additionally 0.04 m tonnes of CO2 were emitted in the course of generation in units 1 and 2 at the Pątnów I Power Plant in the investment period, within 9 months of 2016, including 0.00 m tons in the III quarter of 2016.*
Source: Internal data

Table 2: A list of consolidated sales revenues

	PLN thousand 3 months period ended 30 September 2017	*PLN thousand* 3 months period ended 30 September 2016	*PLN thousand* change	*%* dynamics
Revenues from the sales of electricity (reduced by excise duty)	411 785	429 376	(17 591)	(4,10)
Revenues from sales of traded electricity	143 735	182 897	(39 162)	(21.41)
Property rights on energy certificates of origin	70	(5 583)	5 653	-
Revenues from contracts for construction services	23 844	18 456	5 388	29.19
Compensation for termination of long-term contracts	39 702	45 551	(5 849)	(12.84)
Revenues from sales of heat	9 178	9 469	(291)	(3.07)
Other sales revenues	7 219	5 854	1 365	23.32
Total sales revenues	**635 533**	**686 020**	**(50 487)**	**(7.36)**

	PLN thousand 9 months period ended 30 September 2017	*PLN thousand* 9 months period ended 30 September 2016	*PLN thousand* change	*%* dynamics
Revenues from the sales of electricity (reduced by excise duty)	1 168 024	1 286 325	(118 301)	(9.20)
Revenues from sales of traded electricity	381 662	509 711	(128 049)	(25.12)
Property rights on energy certificates of origin	35	14 239	(14 204)	(99.75)
Revenues from contracts for construction services	68 646	44 965	23 681	52.67
Compensation for termination of long-term contracts	132 129	137 574	(5 445)	(3.96)
Revenues from sales of heat	41 560	41 839	(279)	(0.67)
Other sales revenues	21 033	18 887	2 146	11.36
Total sales revenues	**1 813 089**	**2 053 540**	**(240 451)**	**(11.71)**

Table 3: Selected items of the consolidated income statement

	PLN thousand	*PLN thousand*	*PLN thousand*	*%*
	3 months period ended 30 September 2017	*3 months period ended 30 September 2016*	*change*	*dynamics*
Sales revenues	**635 533**	**686 020**	**(50 487)**	**(7.36)**
Prime cost	(511 085)	(570 220)	(59 135)	(10.37)
Gross sales profit (loss)	124 448	115 800	8 648	7.47
Other operating revenues	1 923	7 773	(5 850)	(75.26)
Cost of sales	(911)	(966)	(55)	(5.69)
General management costs	(33 928)	(23 996)	9 932	41.39
Other operating costs	(1 074)	(5 864)	(4 790)	(81.68)
Profit (loss) from operating activities	**90 458**	**92 747**	**(2 289)**	**(2.47)**
Financial revenues	(2 850)	1 160	(4 010)	-
Financial costs	(9 513)	(9 414)	99	1.05
Gross profit (loss)	**78 095**	**84 493**	**(6 398)**	**(7.57)**
Income tax (tax load)	(12 495)	(5 713)	6 782	118.71
Net profit (loss)	**65 600**	**78 780**	**(13 180)**	**(16.73)**
Net other comprehensive income	532	1 558	(1 026)	(65.85)
Comprehensive income	**66 132**	**80 338**	**(14 206)**	**(17.68)**
EBITDA*	**141 235**	**144 367**	**(3 132)**	**(2.17)**

	PLN thousand	*PLN thousand*	*PLN thousand*	*%*
	9 months period ended 30 September 2017	*9 months period ended 30 September 2016*	*change*	*dynamics*
Sales revenues	**1 813 089**	**2 053 540**	**(240 451)**	**(11.71)**
Prime cost	(1 490 059)	(1 677 507)	(187 448)	(11.17)
Gross sales profit (loss)	323 030	376 033	(53 003)	(14.10)
Other operating revenues	11 375	18 747	(7 372)	(39.32)
Cost of sales	(3 113)	(3 105)	8	0.26
General management costs	(90 467)	(71 791)	18 676	26.01
Other operating costs	(3 064)	(8 157)	(5 093)	(62.44)
Profit (loss) from operating activities	**237 761**	**311 727**	**(73 966)**	**(23.73)**
Financial revenues	10 721	6 334	4 387	69.26
Financial costs	(35 890)	(55 591)	(19 701)	(35.44)
Gross profit (loss)	**212 592**	**262 470**	**(49 878)**	**(19.00)**
Income tax (tax load)	(42 616)	(43 805)	(1 189)	(2.71)
Net profit (loss)	**169 976**	**218 665**	**(48 689)**	**(22.27)**
Net other comprehensive income	2 841	2 609	232	8.89
Comprehensive income	**172 817**	**221 274**	**(48 457)**	**(21.90)**
EBITDA*	**392 244**	**473 170**	**(80 926)**	**(17.10)**

* *The Company defines and calculates EBITDA as the profit/(loss) on operating activities (calculated as the net profit/(loss) for the accounting year corrected by the (i) income tax (tax load), (ii) financial revenues, as well as (iii) financial costs) corrected by the depreciation (shown in the income statement), as well as impairment write-downs against tangible assets, intangible assets, and mining assets.*

Table 4: Consolidated costs by type

	PLN thousand *3 months period ended 30 September 2017*	*PLN thousand* *3 months period ended 30 September 2016*	*PLN thousand* *change*	*%* *dynamics*
Depreciation	50 777	51 620	(843)	(1.63)
Impairment write-downs against inventory	(548)	9 050	(9 598)	-
Consumption of materials	62 878	91 106	(28 228)	(30.98)
Outsourcing	26 532	13 383	13 149	98.25
Taxes and fees excluding excise tax	38 523	37 969	554	1.46
Costs of CO_2 emissions	63 540	57 341	6 199	10.81
Costs of employee benefits	109 804	117 010	(7 206)	(6.16)
Other costs by type	6 680	14 198	(7 518)	(52.95)
Value of sold goods and materials and sold traded electricity	135 424	183 877	(48 453)	(26.35)
Total costs by type	**493 610**	**575 554**	**(81 944)**	**(14.24)**

* *CO_2 emission costs in the prime cost of sales, in the III Quarter of 2016 amounted to PLN 76 567 thousand (difference of PLN 19 226 thousand in relation to the value presented in the costs by type, is a component of the change in stock position).*

	PLN thousand *9 months period ended 30 September 2017*	*PLN thousand* *9 months period ended 30 September 2016*	*PLN thousand* *change*	*%* *dynamics*
Depreciation	154 483	161 443	(6 960)	(4.31)
Impairment write-downs against inventory	228	30 891	(30 663)	(99.26)
Consumption of materials	189 099	245 031	(55 932)	(22.83)
Outsourcing	75 455	34 281	41 174	120.11
Taxes and fees excluding excise tax	124 077	117 984	6 093	5.16
Costs of CO_2 emissions	231 634	200 180	31 454	15.71
Costs of employee benefits	356 629	378 946	(22 317)	(5.89)
Other costs by type	28 278	24 961	3 317	13.29
Value of sold goods and materials and sold traded electricity	366 022	517 275	(151 253)	(29.24)
Total costs by type	**1 525 905**	**1 710 992**	**(185 087)**	**(10.82)**

* *CO_2 emission costs in the prime cost of sales, in the period of 9 months 2016 amounted to PLN 239 707 thousand (the difference of PLN 39 527 thousand in relation to the value presented in the costs by type is a component of the change in stock position)*

The prime costs of sales in the 3Q 2017 amounted to PLN 511 085 thousand and in relation to the costs incurred in 3Q 2016 decreased by PLN 59 135 thousand, i.e. by 10.37%. In the period of 9 months 2017 the prime costs of sales amounted to PLN 1 490 059 thousand and in relation to the costs incurred in analogous period of 2016 decreased by PLN 187 448 thousand, i.e. by 11.17%.

Decrease of the prime cost of sales mostly resulted from: lower price of electricity from resale purchased for trade, lower costs materials usage connected with the lower production (mainly production from biomass boiler) and the lower costs of employee benefits resulting from lower average employment in this period.

In both analysed periods, there were no significant write-downs on inventories, and that increased the cost base in 3Q and in 9 months of 2016. The lower value of amortisation noticed in 9 months of 2017 in relation to analogous period 2016 results from inactivation of one of opencasts, and termination of depreciation of asset for removal of overburden in one of the mines in March 2016.

This effect no longer occurs in the third quarter because these factors have already been taken into account in the comparative period of last year. However, the increase of prime costs resulted from external service as the greater involvement of a renovation company in contracts for external customers, higher service costs. Higher taxes and fees result from the increase of charge due to the exclusion of land from agricultural and forestry production. CO_2 emission costs decreased in the 3Q 2017 the same as in 9 months period of 2017 compared to the analogous period of 2016 (while referring to the emission costs for 2016 remember of costs as a change of product status). The emission costs decreased because of a smaller volume of produced energy, and given only 3Q 2017 also because of a lower purchase price of emission allowance. Additionally, the need to increase the reclamation reserve had a bad influence to the amount of prime cost (the Company informed about that in October). The prime cost was charged by that part of the reserve which related to the actually operated opencast, and the remaining part of the reserve related to the opencast where the exploitation was terminated, increased the general management costs.

Other operating revenues in 3Q 2017 amounted to PLN 1 923 thousand and were lower from the ones achieved in analogous period of the last year by PLN 5 850 thousand, i.e. by 75.26%, while in 9 months of 2017 amounted to PLN 11 375 thousand which means that comparable to 9 months of 2016 they were lower by PLN 7 372 thousand. The greatest fall of other operating revenues in 3Q 2017 as well as in 9 months of 2017 compared to the same periods of 2016 was noticed in the position of profit on disposal of non-financial fixed assets as a result of termination of one of the leaseback agreements.

Costs of sales in 3Q 2017 amounted to PLN 911 thousand and were lower from those incurred in 3Q 2016 by PLN 55 thousand, i.e. by 5.69%. In 9 months of 2017 they amounted to PLN 3 113 thousand and in relation to 9 months last year they increased by PLN 8 thousand, i.e. by 0.26%.

In 3Q 2017 general management costs amounted to PLN 33 928 thousand, which means they increased by PLN 9 932 thousand, i.e. by 41.39% in relation to the costs incurred in 3Q 2016. In months period of 2017 these costs amounted to PLN 90 467 thousand, which means they were higher by PLN 18 676 thousand, i.e. by 26.01%. The increase of these costs in 3Q 2017 is a consequence of classifying a part of costs resulting from increasing the reclamation to the position of general management costs (the Company informed about that in October). The general management costs include that part of increasing the reserve concerning the non-exploiting opencasts. An increase of administrative costs is a consequence of a lower base in 2016, due to the terminated at that time: provisions for bonuses in one of the companies, as well as the higher value of terminated provisions associated with mining activities.

Other operating costs in 3Q 2017 amounted PLN 1 074 thousand and they were lower in relation to 3Q 2016 by PLN 4 790 thousand, i.e. by 81.68%. In 9 months of 2017 other operating costs amounted to PLN 3 064 thousand and they decreased by PLN 5 093 thousand, i.e. by 62.44%. The fall in 3Q 2017 as well as in 9 months of 2017 results mainly from the higher cost base in 3Q 2016 caused by write-down of fixed assets value under construction and in mining segment.

ZE PAK Group in 3Q 2017 got profit on operating activity in amount of PLN 90 458 thousand that, in comparison to 3Q 2016 decreased by PLN 2 289 thousand, i.e. by 2.47%. In 9 months of 2017 the profit on operating activities amounted to PLN 237 761 thousand and comparing to 9 months of the previous year it decreased by PLN 73 966 thousand, i.e. by 23.73%.

In 3Q 2017 the negative result on financial activity amounted PLN (12 363) thousand and it was lower from the one in 3Q 2016 which amounted to PLN (8 254) thousand. Achieved lower result in 3Q is a consequence of negative value of financial revenues which resulted from the EUR/PLN exchange rate increase in 3Q 2017 and influence of the increase on euro valuation of credit liabilities. For 9 months 2017 the result on financial activity was also negative and it amounted to PLN (25 169) thousand and was higher from the result for 9 months of 2016 which was PLN (49 257) thousand. In the period of 3 quarters of 2017 compared to the analogous period of 2016, financial costs were lower due to a lower value of interests of financial liabilities, EUR/PLN exchange rate formation resulted positively as well.

Gross profit in 3Q 2017 amounted to PLN 78 095 thousand and compared to 3Q 2016 it decreased by PLN 6 398 thousand, i.e. 7.57%. For 9 months of 2017 the gross profit amounted to PLN 212 592 thousand, and compared to the gross profit for 9 months of 2016 it decreased by PLN 49 878 thousand, i.e. by 19.00%.

Net profit in 3Q 2017 amounted to PLN 65 600 thousand and compared to 3Q 2016 it decreased by PLN 13 180 thousand, i.e. 16.73%. For 9 months of 2017 the net profit amounted to PLN 169 976 thousand, and compared to the gross profit for 9 months of 2016 it decreased by PLN 48 689 thousand, i.e. by 22.27%.

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

The results achieved by the Group in the third quarter of 2017 were affected by an increase in the reclamation reserve. The reserve is related to the exploitation of lignite mines and refers to the estimated cost of rehabilitation of the areas subject to extraction after its completion. The basis for the increase of the reserve was the report on the costs of rehabilitation and development of excavations and post-mining areas, prepared by an independent advisor. The preparation of the documentation was ordered due to the need to update the assumptions taken into account when estimating the costs related to the reclamation of used sites. Costs related to the established reserves will be borne by PAK Kopalnia Węgla Brunatnego Konin SA after completion of the opencast exploitation, i.e. after 2020 and 2030 respectively.

The increase in the provision affected the consolidated results of ZE PAK SA Group, i.e. the gross profit was reduced by PLN 46.363 million and the net profit was reduced by PLN 37.554 million.

Execution of the investment programme

In the period from 1 January to 30 September 2017, the investment expenses in the Group along with the renovation components amounted to PLN 62 299 thousand. The investment tasks executed in this period mostly regarded the mining segment.

Generation Segment

Currently, the ZE PAK SA Group does not implement big investment projects. The investment activity in the generation segment is focused on fulfilling the necessary tasks to ensure the maintenance of the current efficiency and maintenance of the held generation assets.

The main objective of spending the investment in the first three quarters of 2017 was to finance the continuation of the modernization of the carburizing system at Elektrownia Pątnów I, which aims at securing a highly reliable technological system for supplying basic fuel to boilers at full capacity. By the end of the third quarter of 2017 the vast majority of the scope of the material task was realized.

The third quarter of 2017 was a continuation of the implementation of the investment task involving the tightening of the wall between the boiler house and the turbine hall at the Pątnów power plant. The execution of the task is aimed at decreasing the dust amounts entering from the boiler house area towards the turbine hall, increasing structural and fire safety of the buildings, and improving the aspects associated occupational health and safety of the staff.

Works related to the adaptation of the existing TG-6 condensate turbine system and auxiliary systems for co-operation with the district heating system at Elektrownia Konin were commenced. The implementation of the investment task will enable the heating of the water supplied to the city of Konin by steam generated by the biomass block. The biomass block at Elektrownia Konin will become a source of renewable energy for the National Electric Power System and heat for the heating of Konin. The planned launch date for the upgraded TG-6 turbine with new auxiliary systems was set for the first quarter of 2018.

Mining segment

In the mining segment, the investment expenses are incurred in order to maintain the production capacity of the currently exploited open pits. In the first three quarters of 2017, the greatest expenses were incurred for the purchase of area and buildings and the extension of the Jóźwin open pit's power system.

As part of activities to ensure the raw material for the Group's generation assets, the designing works at the perspective brown coal deposits are continued. PAK KWB Konin SA undertakes activities to obtain all necessary decisions and documents allowing granting the licence to extraction to the company. Currently, the activities are focused on the Ościsłowo open pit. The planned open pit is to ensure the coal necessary to generate the energy in Pątnów II power plant and the modernised units in Pątnów I power plant. Obtaining the licence for extraction must be preceded by obtaining a number of formal and legal consents and documents detailing the manner of conducting the extraction activities, its scope and impact on the environment of the planned investment. The environmental decision is the one of these documents. The authority competent to issue the environmental decision for the project named: "Extraction of brown coal and associated minerals from the Ościsłowo deposit" is the Regional Directors of Environmental Protection in Poznań (RDOŚ). On 16 September 2015, the proceedings on the issue of the environmental decision for the Ościsłowo open pit were initiated before this authority. Within the documentation necessary in the proceeding, among others, the report on the environmental impact for the Ościswo 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. PAK KWB Konin SA provides the data and supplements the documentation needed for the proper conduct of the proceedings with due diligence. The date of issuing the environmental decision was postponed several times. On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director of Environmental Protection in Poznań refusing to determine the environmental conditions for the project. The decision of RDOŚ in Poznań is not final and PAK KWB Konin SA appealed against it to the General Directorate for Environmental Protection in Warsaw, within legal deadline. In the appeal, the repeal of the settlement under appeal in whole and determination of the environmental conditions for the implementation of the above mentioned project were applied. In the opinion of the Management Board of the Company, there are realistic prerequisites to expect that the final decision will be positive in the case of applying the solutions proposed by PAK KWB Konin SA. On 23 June 2017, PAK KWB Konin SA received a notification from the General Director for Environmental Protection in Warsaw, stating that, due to the complicated nature of the case, a new settlement date was set for 22 September 2017. Within the given deadline, GDEP in Warsaw has not issued any decision in the matter. Currently, the Company is not aware of the date of issue of the decision by the GDEP in Warsaw.

Another essential condition of the project implementation is the change of the local spatial development plan on the area to be included in the planned open pit. The decisions in this area are made by the local governments of three communes, where the exploitation of the Ościsłowo deposit is planned. In December 2016, the Minister of Agriculture issued the approval for dedicating the agricultural lands of Ślesin and Skulsk communes in the area of the construction of the Ościsłowo brown coal open pit for non-agricultural purposes. Also in December 2016, media reports on an archaeological discovery on the part of the land for the planned open pit were published. The Greater Poland Monument Conservator's Office will make the decision on protecting the area of the artefact after further site investigation. It is worth noting that in the past, on the other open pits exploited by the mines, archaeological and excavation works took place many times. PAK KWB Konin SA cooperated in the past and is going to cooperate in such cases with all relevant institutions.

3.2. Other significant events of the reporting period, events after the balance sheet date and other information which are relevant for the assessment of the human resources, property, financial situation and ability of the Company and the Group to fulfil its obligations

Discussions between the Management Board and the social party

On 18 January 2017, the trade unions operating in the Company filed another letter submitted under the Act of 23 May 1991 on resolution of collective disputes, containing requests regarding, among other, statutory bonus, return of the unpaid contributions to the EPF, and development of the support programme the Adamów power plant's employees. The Company's Management Board replied to the requests of the trade unions by presenting its position on individual requests along with invoking the relevant arguments in support of the taken position, by pointing to, among others, illegitimacy of the requests or the consequences of the regulation in the provisions of Article 4 of the Act on resolution of collective disputes concerning the inadmissibility of conducting a collective dispute.

On 26 July, also the trade unions operating in the mines, initiated a collective dispute at PAK KWB Konin SA, as a reaction to the organizational and restructuring changes conducted in the Capital Group.

On October 23, 2017, the Management Board of ZE PAK SA submitted to the trade unions a notice of intention to terminate employment contracts with 185 employees, due to the planned shutdown of Elektrownia Adamów beginning in 2018. The expected date of termination is 31 March 2018. On October 23, 2017, the Management Board of KWB Adamów also announced the intention to terminate employment contracts with 149 employees in connection with the planned reduction of coal production. The expected termination of employment contracts is March 31, 2018. Currently, the Board is in the process of preparing a screening program aimed at supporting employees in the group of people with whom the contracts are to be terminated.

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 third quarter of 2017, Zespół Elektrowni Pątnów – 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.

Proceedings on refund of excise duty overpayment

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.

As of 1 March 2009, the Act of 6 December 2008 on excise duty entered into force, according to which the sale of electricity to an entity which is not its final customer is not subject to excise duty.

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, 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 zloty 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 („PAC”), as well as the Supreme Administrative Court. Due to the position of judicature presented in the course of court proceedings, the amount of overpayment, the repayment of which the Company submits, has been reduced to the amount of damages caused by economic analyses, i.e. currently up to the amount of approximately PLN 108 000 thousand.

Moreover, in association with the rulings of the Administrative Courts regarding other power companies, in the subject of overpaid excise duty and the resolution I GPS 1/11 of the National Administrative Court (”NSA”) of 22 June 2011 (where the NSA ruled that transferring the tax load in price, excludes the possibility to return the overpayment), notwithstanding the ongoing administrative proceedings, on 10 February 2012, the Company initiated a civil-law proceedings, filling an application to summon the State Treasury to a conciliation hearing regarding the amount of PLN 626 406 thousand, to the District Court Warszawa Śródmieście. 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 again from the start by the Head of the Customs Office, after the cases returned from the Supreme Administrative Court. The Company submitted monthly economic analyses of suffering the prejudice. 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 issued. In February 2016, the Company submitted cassation appeals to the Supreme Administrative Court. Currently, the Company is expecting the determination of hearing dates before the Supreme Administrative Court,
- 14 proceedings for the period of December 2007 – February 2009 (excluding July 2008) on 26 January 2017, hearings took place before the Provincial Administrative Court in Poznań. In all the cases, the Company's appeals against the Customs Chamber in Poznań were dismissed. The Company submitted applications for a written justification of the judgement, which were obtained on 7 March 2017, to the Provincial

Administrative Court. Currently, the Company analyses justifications and prepares the applications of cassation appeals to the Supreme Administrative Court,

- 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 our 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

Notwithstanding the foregoing proceedings, ZE PAK SA lodged a complaint against the actions of the Polish authorities to the European Commission ("EC"), pursuant to art. 258 of the Treaty on the Functioning of the European Union. The opinion issued by the EC may oblige the Polish tax authorities to pass a ruling beneficial to ZE PAK SA. On 21 March 2017, ZE PAK SA received a "pre-closure letter" from the EC, which initially denied the relevance of ZE PAK SA position, however, at the same time giving the right to a second comment on the subject, which ZE PAK SA exercised. On 9 June 2017, a letter summarising the reasoning of ZE PAK SA, in terms of the overpaid excise tax. Currently, ZE PAK SA is awaiting the EC to take the final position on the case in question.

In case of Elektrownia Pątnów II sp. z o.o., the proceedings for all periods (one case) were included in the cause lists of the Provincial Administrative Court after a negative decision of the Head of Customs Chamber. The aforementioned company does not have access to comparative analyses of suffering the prejudice. On 4 November 2015, a hearing in the Provincial Administrative Court in Poznań took place. On 18 November 2015, a negative ruling was given. On 8 February 2016, the company filed a cassation appeal to the Supreme Administrative Court. Currently, Elektrownia Pątnów II sp. z o.o. is awaiting the setting of a hearing before the Supreme Administrative Court

Proceedings on an environmental decision issued to PAK KWB Konin SA concerning lignite deposit in Tomisławice

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

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA 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. In the case of a ruling on suspending the proceedings, a separate proceeding is under way.

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 judgement by the Self-government Appeal Court, it exerts legal effects.

Proceedings on an environmental decision on lignite deposit in Ościsłowo

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017, refusing the establishment of the environmental conditions for the investment titled: "Extraction of lignite and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. PAK KWB Konin SA appealed accordingly to the General Directorate for Environmental Protection in Warsaw. The appeal included a request to revoke the appealed ruling in its entirety and determine the environmental conditions for the execution of the above-mentioned project. On 23 June 2017, PAK KWB Konin SA received a notification from the General Director for Environmental Protection in Warsaw stating that, due to the complicated nature of the case, a new settlement date was set for 22 September 2017. Within the given deadline, GDEP in Warsaw has not issued any decision in the matter. Currently, the Company is not aware of the date of issue of the decision by the GDEP in Warsaw. The proceedings for issuing the environmental decision were initiated on 16 September 2015.

5. INFORMATION REGARDING THE SHAREHOLDING STRUCTURE

Share capital of ZE PAK is represented by 50.823.547 shares. Shares are ordinary. Each share gives right to one vote at General Meeting of Shareholders.

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

*Table 4: 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	*pcs* *Number of shares and corresponding number of votes at the General Meeting**	*%* Share [%] in the total number of shares/votes
Zygmunt Solorz (indirectly) through:	**26 200 867**	**51,55**
– *Elektrim SA*	*196 560*	*0,39*
– *Embud 2 sp. z o.o. S.K.A.*	*592 533*	*1,16*
– *Trigon XIX Fundusz Inwestycyjny Zamknięty*	*10 004 001*	*19,68*
– *Argumenol Investment Company Limited*	*15 407 773*	*30,32*
Nationale – Nederlanden OFE	**5 068 410**	**9,97**
TFI PZU SA	**3 081 567**	**6,06**
OFE PZU „Złota Jesień"	**2 664 378**	**5,24**

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

The list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the date of this quarterly report does not differ from the analogous list as of the date of publication of the latest periodic report.

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

According to the information in possession of the Company, based on the delivered notifications regarding the acquisition/sales of the shares, as of the day this report was submitted, as well as the day the previous periodic report was submitted, none of the managing and governing persons held ZE PAK SA 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

The Ordinary General Meeting of 28 June 2017 passed a resolution on the division of net profit for the financial year of 2016 in the amount of PLN 131 406 539.49, in the following manner:

a) the amount of PLN 65 562 375.63 was allocated for the payment of dividend for the Company's shareholders, which means that the dividend per one Company stock amounted to PLN 1.29;

b) the remaining part of the profit in the amount of PLN 65 844 163.86 was assigned to strengthen the supplementary capital of the Company.

All Company shares included a dividend.

The date of granting the right to the dividend was established for 4 August 2017, and the date of payment of the dividend – for 16 August 2017.

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 third quarter of 2017.

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 third quarter of 2017, 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 third quarter of 2017, none of the Group companies issued, repurchased or repaid non-equity or equity securities.

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_2 allowances costs;
- compensation for the stranded costs related to the termination of Elektrownia Pątnów II's LTC contract;
- seasonality and meteorological conditions;
- investment expenses, in particular those privileged to obtain CO_2 emission allowances free of charge;
- EUR/PLN exchange rate, interest rates level.

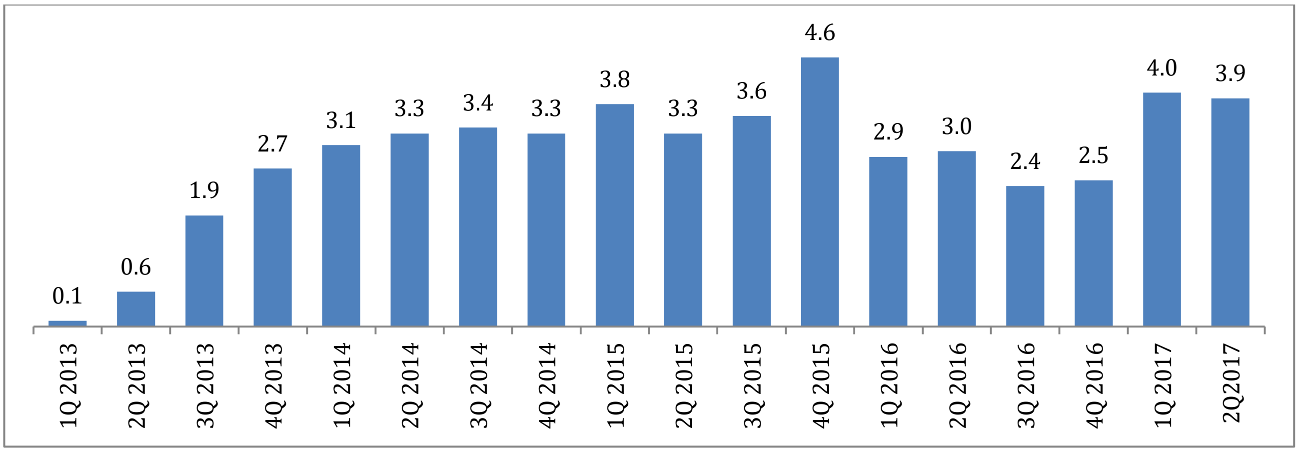
Furthermore, an important factor that could have a significant impact on the Company's financial results in the further quarters includes the value impairment test result. In accordance with IAS 36, the value impairment test of assets is carried out after the occurrence of certain conditions. The last such a test was carried out on 30 September 2017, 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.

According to the corrected data from the Central Statistical Office, the gross domestic product (”GDP”) calculated in fixed prices for the previous year increased in real terms in 2016 by 2.7%, against a 3.8% increase in 2015. Looking at the below chart, we can see that the increases in GDP dynamics in subsequent quarters of 2016 were lower than in the previous years. However, the dynamics leap recorded in the I and II quarters of 2017 is close to the best results, recorded in 2015.

Chart 6: GDP dynamics (%) in relation to the analogous quarter of the previous year *(yearly average fixed prices)*

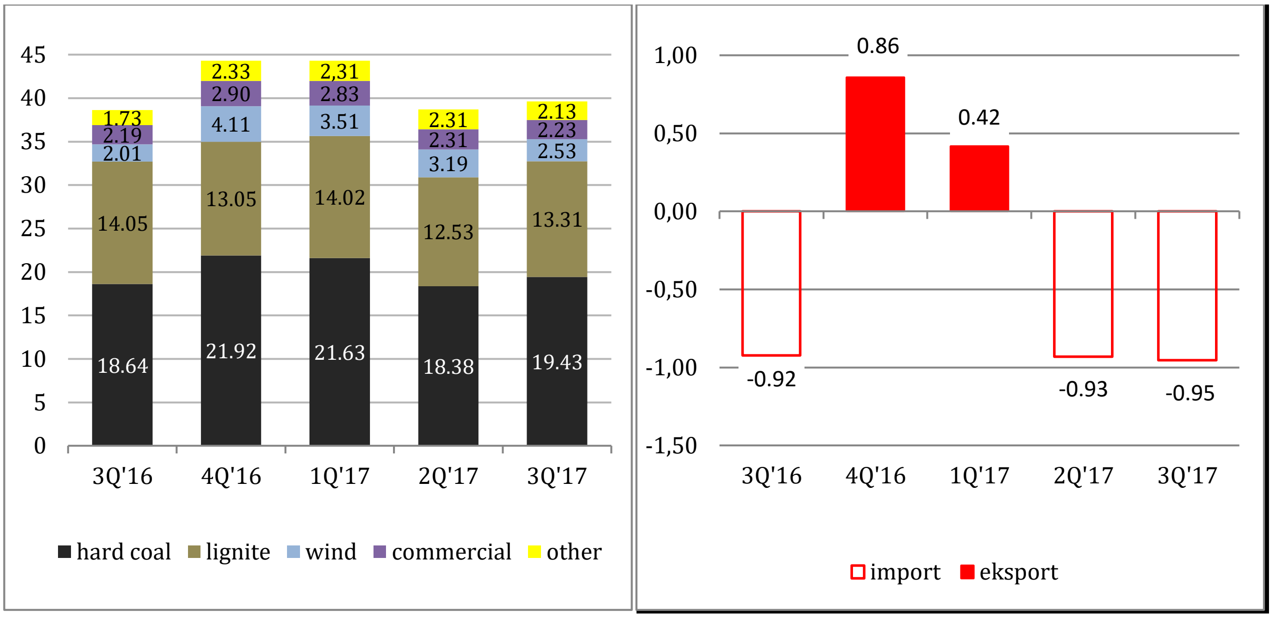


Source: Own elaboration based on CSO Data

On the basis of partial economic data in the third quarter, it is expected that GDP growth will be higher than in the first half of the year. According to the Central Statistical Office (GUS), industrial production rose by 4.3% year-on-year in

September (August growth of 8.8%, in July by 6.2%) and retail sales by 7.5% to the year (in August this increase amounted to 6.9%, while in July 6.8%). On the basis of the data disclosed so far, it can be estimated that the share of the contribution of the individual components is gradually changing, with a still strong consumption, the contribution of the investment is noticeable. The improving indicators are accompanied by revisions of the dynamics of GDP growth in Poland in 2017, which has recently been made by a number of institutions forecasting the state of the economy.

Chart 7: Structure of electricity generation and the balance of the electricity exchange with foreign countries (gross amounts) – TWh



Source: Own elaboration based on PSE data

Data concerning the functioning of the National Power System and the Balancing Market, presented by Polskie Sieci Elektroenergetyczne SA show that the gross national electricity consumption in the third quarter of 2017 amounted to 40.58 TWh[1] and increase by 2.6% in comparison to the third quarter of 2016. In 3Q 2017 gross electricity production amounted to 39.62 TWh, which means the increase by 2.6% in relation to the analogous period of the previous year. Hard coal power plants were the largest contributors, where the coal production was 19.45 TWh in the third quarter of 2017. The lignite produced 12.88 TWh. Wind power plants produced 2.53 TWh. In the third quarter of 2017 Poland was a net importer of energy, the exchange balance was 0.95 TWh on the import side.

11.2. Regulatory environment

Entities operating on the power market are subject to strict regulations, such as, e.g., the Energy Law, the act on renewable energy sources (”RES”), regulations regarding the obligation of selling a part of generated power to the public, as well as supporting defined power generation technologies, and the regulations and directives of the European Commission and international conventions, on, i.e., environmental protection and climate change (including CO_2 emissions). 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.

The Water Law Act was adopted by the Sejm (Lower House of the Parliament) on 18 July 2017 and concluded by the President on 3 August. The provisions of the Act govern the rules of using water resources and define fees associated with using these resources. The new burden arising from the act will apply to the largest agricultural farms and the power sector, as well as the industries using large amounts of waters. Water intake up to 5k litres per day is to be free of charge. Up till now, there have been no applicable pricing systems for water for cooling purposes in thermal power plants and generation hydro plants. Under the new regulations, in the case of the power sector, the fee for using water resources shall be PLN 0.70 per m^3 of the difference between the volume of underground waters consumed for these

[1] Table 3. Structure of electricity production in national power plants, the volume of electricity exchanges with foreign countries and national energy consumption - monthly and since the beginning of the year - gross volumes.

purposes and the volume of water from cooling systems of the power plants or CHPPs, introduced to the waters or the ground. Another rate applies to surface waters - it is PLN 0.35 per m3 of the difference between the volume of underground waters consumed for these purposes and the volume of water from cooling systems of the power plants. The rate for the so-called cooling waters, coming from cooling systems of the power plants, which are, e.g., later sent to rivers, shall be: PLN 0.68 if the water temperature is above 26 degrees Celsius and does not exceed 32 degrees; PLN 1.36 if it is higher than 32 degrees and does not exceed 35 degrees; PLN 4.24 if it exceeds 35 degrees. According to a declaration from the Ministry of Environment, passing the new law will enable meeting the prerequisites of the EU Water Framework Directive. The absences of an amendment by 31 July of this year would, according to the Ministry of Environment, mean the EU imposing penalties on Poland and loosing part of the European funds, i.e., for flood fighting investments. The provisions of the revised law shall enter into force at the beginning of 2018.

On 14 August 2017, the Polish President signed an amendment to the Act on renewable energy sources. A major change in the new regulations is the withdrawal from a fixed value of the so-called replacement fee, previously at PLN 300.03/MWh and binding it with market prices of energy certificates of origin - green certificates and blue certificates. The fee is supposed to be at 125% of the weighted average price of given certificates from the previous year, but not more than PLN 300.03/MWh.

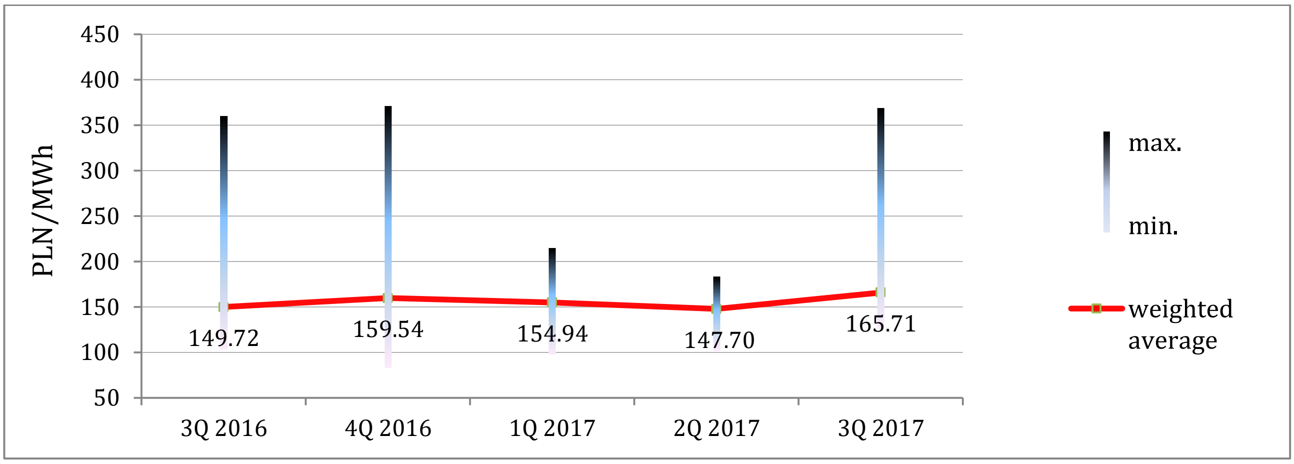
11.3. Electricity prices

The Group generates most of its 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.

According to an announcement by the Energy Regulatory Office, the average quarterly price of electricity sold under rules different than ones pursuant to art. 49A par. 1 and 2 of the Act - Energy law for the 3 quarter of 2017, amounted to PLN 167.16 /MWh compared to PLN 172.34 /MWh for the 3 quarter of 2016.

On the day ahead market (DAM) of the Towarowa Giełda Energii SA (TGE - Polish Power Exchange), the third quarter of 2017 was characterized by higher price volatility than in the previous two quarters of this year. As far as price fluctuations did not differ significantly from previous periods, in August and September there were more days characterized by increased volatility. This year's summer was characterized by slight temperature deviations from the long-term average, which did not result in increased demand for cooling energy on hot days. The schedule of renovation and modernization work on energy units has been planned so as not to accumulate them in the summer time, thus keeping the reserve of power in the system at a safe level. On the other hand, the factor which contributed to the demand for energy in the third quarter was the economic situation, i.e. another quarter, where GDP growth was probably at a level close to or higher than 4%, as evidenced by the monthly data published so far. Domestic electricity consumption increased in Q3 by 2.6% compared to the corresponding period of the previous year. The weighted average price for DAM in the third quarter of 2017 was at the level of PLN 165.71 / MWh, which is higher by PLN 15.99, i.e. about 10.7% than in the third quarter of the previous year and by over 12.2% more than in the second quarter of 2017.

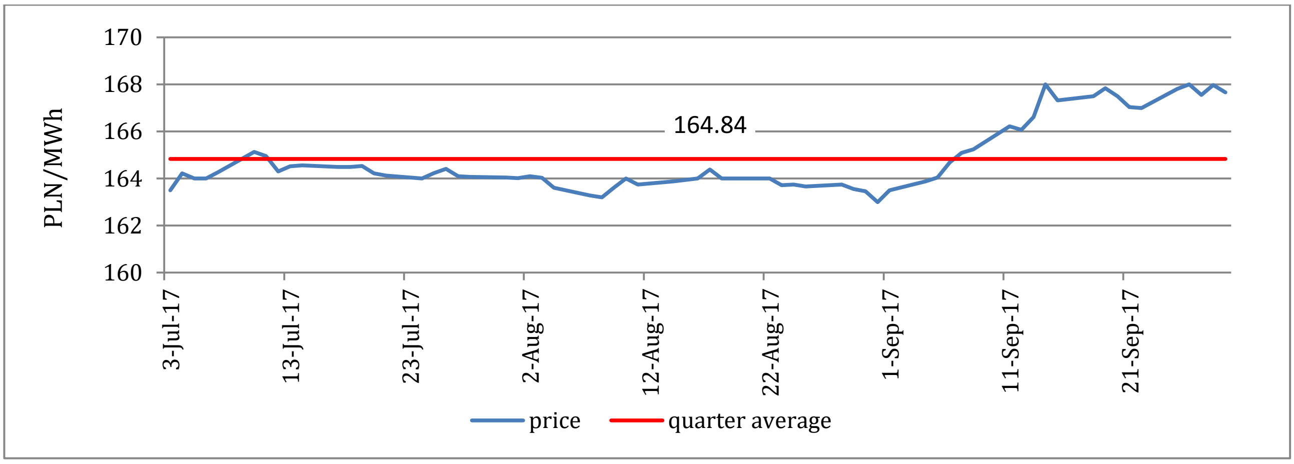
Chart 8: Energy prices (IRDN - Instruments of the Day Ahead Market)



Source: Own elaboration based on TGE data

On the electricity futures market, the BASE_Y-18 futures contract was characterized by low volatility in July and August. Only in early September there was a marked upward trend. Growth in the electricity market can be attributed to rising coal prices on European stock exchanges and rising CO_2 emission allowances. The annual contract BASE_Y-18 recorded its minimum price at the end of August at PLN 163.0 / MWh. In the later period, the upward trend was prevailing, the third quarter ended with quotations close to the maximum levels close to PLN 168.0 /MWh. The arithmetic average of daily settlement rates for the BASE_Y-18 contract in the third quarter of 2017 was at the level of PLN 164.84 / MWh, the analogous average for the BASE_Y-17 contract in the previous year was PLN 159.53 /MWh.

Chart 9: The price of the futures contract for the supply of electricity (band) for 2018



Source: Own elaboration on the basis of TGE data

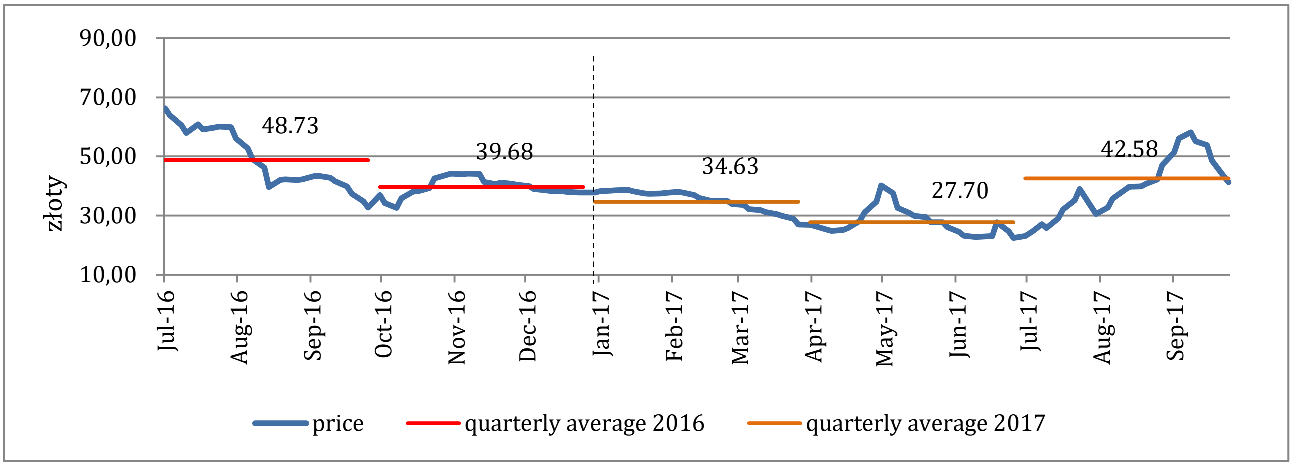
11.4. Prices supply of certificates of origin

Due to the fact that one of the power units at ZE PAK SA is dedicated to combusting biomass (forest and agricultural), and in addition, the Group utilizes high-efficiency co-generation in order to generate heat, a producer is entitled to green and red certificates, provided certain regulatory requirements are met. The number of obtained certificates of origin depends on the level of generation from a given sources and is usually higher than the number, which the Company is obliged to present for redemption, which in the case of a surplus allows to sell specific volumes to other market participants. However, biomass unit generation largely depends on the green certificates market price levels. During periods, when the total generated biomass energy and green certificate prices do not ensure reaching the assumed financial effect, the generation may be decreased or halted, which also automatically decreases the amount of generated green certificates. In the case of a shortage, the certificates must be purchased on the market.

In July and August of the year 2017, the market for property rights resulting from certificates of origin from renewable energy was characterized by considerable and dynamic price increases - a situation that contrasts with the clear downward trend prevailing in this market over a long period of time. Price increases can be combined with market participants' expectations for legislative solutions that would lead to the suppression of oversupply, which has been accompanied by the market for several years. The two of significant events in the third quarter are worth of mentioning. The latest amendment to the Renewable Energy Act stipulates that the substitute fee for the redemption of green certificates for energy origin will be subject to the market quotations of green certificates and will be equal to 125% of the weighted average market price of certificates of origin from the previous year but not more than PLN 300.03/MWh.

In August, the Ministry of Energy announced a mandatory gas price for 2018 at 17.5% for all renewable energy, with the exception of agricultural biogas and 0.5% for agricultural biogas and 2019 for energy from all sources. renewable sources except for agricultural biogas plants at 18.5%, and the obligation for energy from agricultural biogas plants at 0.5%. In September, renewable energy certificates returned to decline, which can be interpreted as doubting the possibility of a significant reduction of oversupply in the market by means of introduced changes. The reduction of the surplus of certificates on the market was certainly not conducive to high wind generation in the third quarter, which, despite similar installed capacity, increased by over 25% compared to the same quarter of the previous year. The weighted average price of green certificates in the third quarter of 2017 was at the level of PLN 42.58 / MWh, which represents a decrease of nearly 12.6% compared to the weighted average price in the third quarter of 2016 but at the same time an increase of 53.7% by the second quarter of 2017.

Chart 10: Price of RES energy certificate of origin



Source: Own elaboration based on TGE data

11.5. Extraction and supply costs of coal and other fuels

Fuel costs are the most important part of the costs related to the electricity and heat generation in companies of the ZE PAK SA Group. The prices of fuel largely determine the competitiveness of particular electricity production processes. The ZE PAK SA Group's power plants produce most of their electricity from brown coal, but they also use forest and agricultural biomass. Furthermore, heavy and light heating oil is used in minimum quantities for heating purposes in the process of electricity production.

Two brown coal mines, PAK KWB Konin SA and PAK KWB Adamów SA, which are the suppliers of brown coal to the ZE PAK SA Group's power plants, satisfy the 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 brown coal 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 brown coal depends on the factors which remain outside the direct control of the Group.

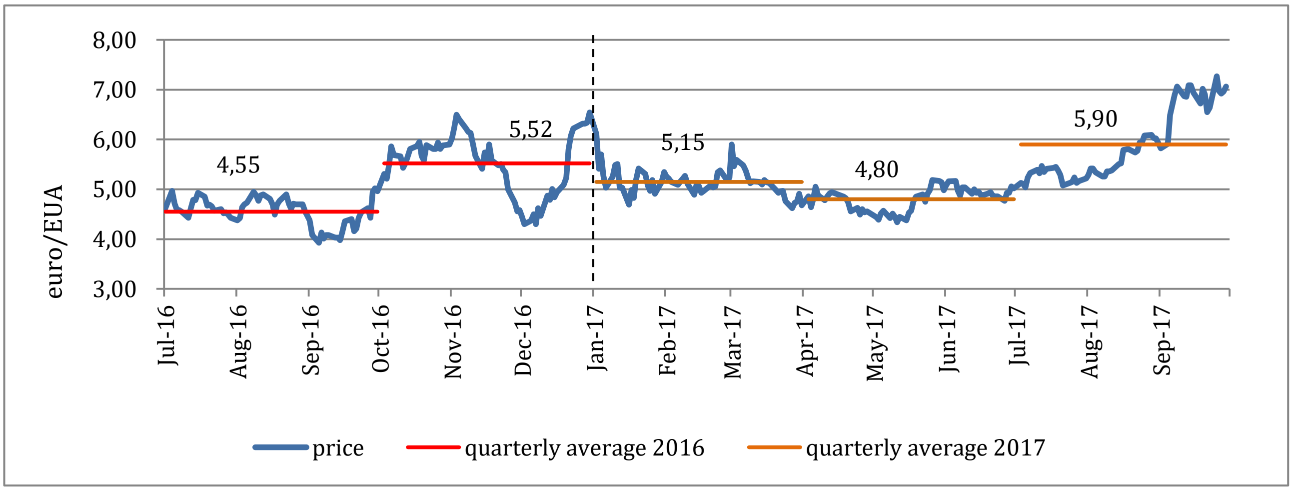
The deposits exploited by the Group's mines have specified richness. The opportunity to achieve the expected level of electricity production in the long term is partially dependent on the ability of extracting from the currently exploited deposits and launching the exploitation of new brown coal deposits, which would be economically viable. As part of activities to ensure the raw material for the Group's generation assets, PAK KWB Konin executed designing works at the perspective brown coal deposits. In order to develop the perspective deposits, it is necessary to obtain all necessary formal approvals and permits, culminated with obtaining a licence to extraction. The process of obtaining approvals and permits is a multi-step and stretched in time. In view of the above, there is a risk of delays and postponements in the schedule of developing subsequent deposits which, in turn, may entail risks of interruptions of coal supplies for the Group's generating assets. The opportunity to start the extraction from the prospective coal deposits in the future may be limited by many factors beyond the control of the Group. The main risk factors include: failure to obtain the necessary licenses, adverse settlements of the local government authorities in terms of shaping the special policy, lack of opportunity to obtain adequate financing.

11.6. CO_2 emission allowances costs

The activities in the scope of generating electricity and heat from conventional sources are associated with the need to incur the CO2 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 lignite, the impact of emitted quantities of CO2 and the price of CO2 emission allowances (EUA) is of great importance to the activities' results. In 2017, the Group received a small amount of free CO2 emission allowances, i.e., 83 317 EUA, resulting from the allocation for heat generation. Therefore, practically the entire volume of emission allowances needed for the ZE PAK SA Group will have to be purchased on the primary (auctions) and secondary (ICE, EEX and bilateral contracts) markets.

In the third quarter of 2017, the market for CO2 emission rights was characterized by a marked upward trend. Potential causes for this trend are to be seen in several factors that have affected the EUA prices in the past quarter. The summer period was characterized by relatively high temperatures in Europe and lower rainfall, which on one hand increased the demand for electricity (increase in use of cooling equipment) and, on the other hand, the more difficult hydrological situation in some European Union countries. The weather conditions have increased the intensity of the use of hard coal power plants, thus contributing to an increase in demand for EUAs. Another factor supporting the upward trend, especially in the second half Q3 was jointly called upon by the representatives of the French and German government administrations to swiftly finish work on changes to the EU's EU ETS trading system, and consequently, by intervening in the market mechanism, would have to raise the price of emission rights (according to the authors). Poland as a participant in work on changes in the CO_2 trading system is opposed to too radical steps that could affect the rise in carbon pricing and, consequently, energy prices. The third factor contributing to the rise in prices was the situation of the nuclear power sector in France, where the announcement of the necessary shutdowns of power units could lead to increased demand for energy produced by, among others, from coal in neighbouring countries. The EUA's arithmetic average in the third quarter of 2017 was € 5.90, up 29.7% compared to Q3 2016 and 22.9% comparing to the second quarter of 2017.

Chart 11: Price of the futures contract for the supply of EUA



Source: Own elaboration based on ICE data

11.7. Compensation for the stranded costs related to the termination of the "Long-term Contract" ("LTC")

The long-term contract for the sale of power and electricity (PPA) was concluded between Elektrownia Pątnów 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 LTC of Elektrownia Pątnów II sp. z o.o., 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 Pątnów 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 Pątnów II sp. z o.o. is covered by the said act by the end of 2025.

11.8. Seasonality and meteorological conditions (including mainly wind 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 and air conditioning.

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 Group's production may be subject to periodic deductions.

11.9. Investment expenses

The activities in the coal extraction and energy production sector require 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 CO2 emission. However, in the case of failure to implement these investments, the ability to use the free allocation is prevented as well.

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 zloty, 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 zloty in relation to EUR has negative impact on financial results, because it increases the financing costs in zloty related to the foreign currency debt, whereas the depreciation of the value of EUR in relation to zloty has positive impact on financial results, because it decreases the financial costs in zloty related to the debt in foreign currency;
- transactions related to the purchase of EUAs settled in euro;
- The company from the renovation segment provides periodic services to foreign contractors earning revenues in euro,
- ZE PAK SA and Elektrownia Pątnów II sp. z o.o. use debt financing based on a variable interest rate.

In the first half of 2017, the Group's companies did not apply the instruments to mitigate risks arising from changes in exchange rates, with the exception of ZE PAK SA, which secured the EUR exchange rate for part of the flows related to the purchase of units allowing for CO2 emission. To secure the exchange rate, the forward transactions with settlement date in December 2017 and March 2018 were applied. Currency risk in the case of construction income is partially offset by costs incurred in the same currency in respect of the same contracts. 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 principles adopted in the ZE PAK SA Group, possible transactions will have a 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, and 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. 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 secure financial liabilities and concern Elektrownia Pątnów II sp. z o.o the corporate credit based on the variable EURIBOR interest rate. IRS instruments were used in security.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS:

Adam Kłapszta ....

Aneta Lato-Żuchowska ....

Zygmunt Artwik ....

Elżbieta Niebisz ....