ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA

FINANCIAL STATEMENT
FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2018
INCLUDING THE AUDIT REPORT

30 APRIL 2019

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(in thousand PLN)

BALANCE SHEET

Assets

	Note	*As of 31 December 2018*	*As of 31 December 2017 (transformed data)*
A. Fixed assets		**1 745 389**	**2 015 659**
I. Intangible assets	6	**45 055**	**196 877**
1. Development expenses		-	-
2. Goodwill		-	-
3. Other intangible assets		45 055	196 877
4. Prepayments for intangible assets		-	-
II. Tangible fixed assets	7	**614 649**	**647 725**
1. Tangible assets		566 398	582 725
a) land (including perpetual usufruct)		1 281	1 286
b) buildings, premises and constructions		171 029	177 803
c) plant and machinery		392 116	401 664
d) motor vehicles		848	715
e) other		1 124	1 257
2. Construction in progress		48 251	64 302
3. Prepayments for construction in progress		-	698
III. Long-term receivables		-	-
1. from affiliates		-	-
2. from others, of which entity has capital engagement		-	-
3. from others		-	-
IV. Long-term investment	8.1	**1 077 881**	**1 162 453**
1. Property		-	-
2. Intangible fixed assets		-	-
3. Long-term financial assets		1 077 881	1 162 453
a) in affiliates		1 077 729	1 162 302
– shares		1 049 381	1 128 552
– other securities		-	-
– loans granted		23 348	30 250
– other long-term financial assets		5 000	3 500
b) in other entities of which entity has capital engagement		-	-
– shares		-	-
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		-	-
c) in other entities		152	151
– shares		152	151
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		-	-
4. Other long-term investments		-	-
V. Long-term prepayments and deferred costs	10	**7 804**	**8 604**
1. Deferred tax assets		-	-
2. Other prepayments and deferred costs		7 804	8 604
B. Current assets		**406 608**	**371 855**
I. Inventories	25	**56 084**	**41 617**
1. Raw materials		35 094	39 601
2. Semi-finished goods and work-in-progress		-	-

(in thousand PLN)

3. Finished products		-	-
4. Goods		20 989	1 985
5. Inventory prepayments		1	31
II. Short-term receivables		**175 393**	**138 444**
1. Receivables from affiliates	42.2	65 833	38 983
a) trade receivables, due in:		53 986	36 626
– up to 12 months		53 986	36 626
– over 12 months		-	-
b) other		11 847	2 357
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		109 560	99 461
a) trade receivables, due in:		44 210	60 899
– up to 12 months		44 210	60 899
– over 12 months		-	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors		6 189	19 409
c) other		59 161	19 153
d) submitted to court		-	-
III. Short-term investments	8.2	**174 807**	**191 260**
1. Short-term financial assets		174 807	191 260
a) in affiliates		25 438	18 714
– shares		-	-
– other securities		-	-
– loans granted		23 438	15 214
– other short-term financial assets		2 000	3 500
b) in other entities		19	-
– shares		-	-
– other securities		-	-
– loans granted		-	-
– other short-term financial assets		19	-
c) cash and other monetary assets	35	149 350	172 546
– cash on hand and cash at bank		149 350	147 358
– other cash and cash equivalents		-	25 188
– other monetary assets		-	-
2. Other short-term investments		-	-
IV. Short-term prepayments and deferred costs	10	**324**	**534**
C. Unpaid share capital (basic)		-	-
D. Own shares		-	-
Total assets		**2 151 997**	**2 387 514**

Konin, 30 April 2019

Henryk Sobierajski *Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board*	*Zygmunt Artwik* *Vice President of the Board*	*Paweł Markowski* *Vice President of the Board*	*Aneta Desecka* *Chief Accountant*

(in thousand PLN)

Liabilities and equity

		Note	*As of 31 December 2018*	*As of 31 December 2017 (transformed data)*
A. Equity			**1 338 387**	**1 488 863**
I.	**Equity capital**	11	**101 647**	**101 647**
II.	**Reserve capital, including:**		**1 124 377**	**1 094 697**
	– surplus of sales value (issue value) over nominal value of shares		380 030	380 030
III.	**Revaluation reserve, including:**		**227 466**	**227 497**
	– for fair value revaluation		-	-
IV.	**Other reserves, including:**		**3 472**	**3 472**
	– created in accordance with the company's articles of association		-	-
	– for own shares		-	-
V.	**Profits (losses) from previous years**		**(54 059)**	**(54 059)**
VI.	**Net profit (loss) for the period**		**(64 516)**	**115 609**
VII.	**Deductions from net profit during the period (negative value)**		**-**	**-**
B. Liabilities and provisions for liabilities			**813 610**	**898 651**
I.	**Provisions for liabilities**	14	**505 037**	**404 030**
	1. Deferred tax liability	27	37 523	79 215
	2. Provision for retirement benefits and similar obligations		19 855	23 207
	– long-term		7 905	9 210
	– short-term		11 950	13 997
	3. Other provisions		447 659	301 608
	– long-term		111 471	78 410
	– short-term		336 188	223 198
II.	**Long-term liabilities**	16	**61 392**	**203 524**
	1. To affiliates		-	-
	2. To other entities of which entity has capital engagement		-	-
	3. To other entities		61 392	203 524
	a) loans and credits	12	58 900	201 035
	b) debt securities issued		-	-
	c) other financial liabilities	12	492	489
	d) bills of exchange		-	-
	e) other		2 000	2 000
III.	**Short-term liabilities**		**245 412**	**289 597**
	1. To affiliates	42.2	11 428	29 736
	a) trade liabilities:		10 743	26 687
	– up to 12 months		10 743	26 687
	– over 12 months		-	-
	b) other		685	3 049
	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		229 850	255 659
	a) loans and credits	12	148 773	153 684
	b) debt securities issued		-	-
	c) other financial liabilities	12	364	961
	d) trade liabilities:		35 113	21 586
	– up to 12 months		35 113	21 586
	– over 12 months		-	-
	e) advance payments received		-	-

	f) bills of exchange		-	-
	g) taxation, customs duty and social security creditors		38 141	60 402
	h) payroll		3 299	5 644
	i) other		4 160	13 382
	4. Special funds		4 134	4 202
IV.	**Accruals and deferred income**	18	**1 769**	**1 500**
	1. Negative goodwill		-	-
	2. Other accruals and deferred income		1 769	1 500
	– long-term		410	457
	– short-term		1 359	1 043
Total Liabilities and equity			**2 151 997**	**2 387 514**

Konin, 30 April 2019

Henryk Sobierajski *Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board*	*Zygmunt Artwik* *Vice President of the Board*	*Paweł Markowski* *Vice President of the Board*	*Aneta Desecka* *Chief Accountant*

(in thousand PLN)

PROFIT & LOSS ACCOUNT (calculation type)

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017 (transformed data)*
A. Net sales of finished goods, goods for resale and raw materials, of which:	22	**1 220 800**	**1 477 055**
– from affiliates	42.2	380 172	426 460
I. Net sales of finished products		988 830	1 260 372
II. Net sales of goods for resale and raw materials		231 970	216 683
B. Cost of finished products, goods for resale and raw materials sold, of which:		**1 269 021**	**1 352 265**
– to affiliates		515 820	438 336
I. Cost of finished products sold	28	1 063 870	1 181 760
II. Cost of goods for resale and raw materials sold		205 151	170 505
C. Gross profit (loss) on sales (A–B)		**(48 221)**	**124 790**
D. Selling expenses	28	1 846	2 944
E. Administrative expenses	28	50 112	35 805
F. Profit (loss) on sales (C–D–E)		**(100 179)**	**86 041**
G. Other operating income	29	3 102	3 260
I. Gains on the sale of non-financial fixed assets		63	9
II. Grants		46	46
III. Revaluation of non-financial assets		-	1 172
IV. Other operating income		2 993	2 033
H. Other operating expenses	30	47 568	3 305
I. Loss on the sale of non-financial fixed assets		-	-
II. Impairment of non-financial assets		15 296	-
III. Other		32 272	3 305
I. Operating profit (loss) (F+G–H)		**(144 645)**	**85 996**
J. Financial income	31	132 976	66 595
I. Dividends and shares in profits, including:		127 774	62 285
a) from affiliates, including:		127 692	62 085
– of which the entity has capital engagement		127 692	62 085
b) from others, including:		82	200
– of which the entity has capital engagement		-	-
II. Interest, including:		2 569	2 811
– from affiliates		428	574
III. Profit on the disposal of financial assets, including:		-	-
– affiliates		-	-
IV Revaluation of investments		2 146	-
V. Other		487	1 499
K Financial costs	32	94 523	24 101
I. Interest, including:		11 738	16 944
– to affiliates		-	-
II. Loss on the disposal of financial assets, including:		-	-
– in affiliates		-	-
III. Impairment of investments		79 359	5 292
IV. Other		3 426	1 865
L. Gross profit (loss) (I+J–K)		**(106 192)**	**128 490**
M. Corporate profits tax	27	(41 676))	12 881
N. Other tax charges		-	-
O. Net profit (loss) (L–M–N)		**(64 516)**	**115 609**

Konin, 30 April 2019

Henryk Sobierajski Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board	*Zygmunt Artwik* Vice President of the Board	*Paweł Markowski* Vice President of the Board	*Aneta Desecka* Chief Accountant

(in thousand PLN)

STATEMENT OF CASH FLOW (indirect method)

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017 (transformed data)*
A. Cash flow from operating activities			
I. Net profit (loss)		(64 516)	115 609
II. Adjustments, total		190 848	33 058
1. Depreciation	28	38 801	38 334
2. Foreign exchange gains (losses)		(1 340)	2 819
3. Interest and shares in profits (dividends)		(116 495)	(71 035)
4. Profit (loss) on investing activities	36	(888)	1 092
5. Change in provisions	36	323 062	232 736
6. Change in inventories		(14 467)	12 298
7. Change in receivables	36	(26 949)	(960)
8. Change in short-term liabilities, except for loans and borrowings		(27 298)	(44 319)
9. Change in prepayments, accruals and deferred income		1 279	1 111
10. Other adjustments	36	15 143	(139 018)
III. Net cash flow from operating activities (I±II)		**126 332**	**148 667**
B. Cash flow from investing activities			
I. Inflows		118 281	103 806
1. Sale of intangible assets and tangible fixed assets		66	56
2. Sale of investments in property and intangible assets		-	-
3. From financial assets, including:		118 215	103 750
a) in affiliates		118 133	103 550
b) in others		82	200
– disposal of financial assets		-	-
– dividends and share in profits		82	200
– repayment of long-term loans granted		-	-
– interests		-	-
– other inflows from financial assets		-	-
4. Other investing inflows		-	-
II. Outflows		22 875	19 804
1. Purchase of intangible assets and tangible fixed assets		22 687	10 355
2. Investments in property and intangible assets		-	-
3. For financial assets, including:		188	9 449
a) in affiliates		188	9 449
b) in others		-	-
– purchase of financial assets		-	-
– long-term loans granted		-	-
4. Other investing outflows		-	-
III. Net cash flow from investing activities (I-II)		**95 406**	**84 002**
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 credits		-	-
3. Issue of debt securities		-	-
4. Other financial inflows		-	-
II. Outflows		244 939	229 788
1. Reacquisition of own shares		-	-
2. Dividends and other payments to shareholders		85 960	65 562
3. Outflows due to appropriation of profit other than payments to shareholders		-	-
4. Repayment of loans and credits		148 544	148 543
5. Redemption of debt securities		-	-
6. Relating to other financial liabilities		-	-
7. Finance lease payments		191	142
8. Interest paid		10 244	15 541
9. Other financial outflows		-	-
III. Net cash flow from financial activities (I-II)		**(244 939)**	**(229 788)**

(in thousand PLN)

D. Total net cash flow (A.III±B.III±C.III)		**(23 201)**	**2 881**
E. Balance sheet change in cash and cash equivalents,, including:		(23 195)	2 795
– change in cash and cash equivalents due to foreign exchange gains/losses		5	(86)
F. Cash and cash equivalents at the beginning of the period	35	**172 546**	**169 665**
G. Cash and cash equivalents at the end of the period (F±D), including	35	**149 345**	**172 546**
– of restricted use		2 833	3 533

Konin, 30 April 2019

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(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017 (transformed data)*
I. Equity at the beginning of the period (OB)		**1 438 816**	**1 491 939**
– changes in accounting policy		-	-
– merger of the Company with PAK – HOLDCO		-	102
– correction of prior period error		**-**	**(53 225)**
I.a. Equity at the beginning of the period (OB), after adjustments		**1 438 816**	**1 438 816**
1. Share capital at the beginning of the period		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**
2. Reserve capital at the beginning of the period		1 094 697	1 028 749
2.1. Changes in reserve capital		29 680	65 948
a) increases		29 680	65 948
– issue of shares		-	-
– profit distribution		29 649	65 845
– disposal of fixed assets		31	1
– acquisition of the company		-	102
b) decreases		-	-
– redemption of shares		-	-
– cover of loss		-	-
2.2. Reserve capital at the end of the period		**1 124 377**	**1 094 697**
3. Capital from revaluation at the beginning of the period – changes of accountancy policies		227 497	227 498
3.1. Changes of capital from revaluation		(31)	(1)
a) increases		-	-
b) decreases		31	1
– disposal of fixed assets		31	1
3.2. Capital from revaluation at the end of the period		**227 466**	**227 497**
4. Other reserves at the beginning of the period		3 472	3 472
4.1. Changes in other reserves		-	-
a) increases		-	-
b) decreases		-	-
– cover of loss		-	-
4.2. Other reserves at the end of the period		**3 472**	**3 472**
5. Profit (loss) from previous years at the beginning of the period		61 550	130 573
5.1. Profit from previous years at the beginning of the period		115 609	131 407
– changes of accountancy rules		-	-
– error adjustments		-	-
5.2. Profit from previous years at the beginning of the period, after adjustments		115 609	131 407
a) increases		-	-
– distribution of profits from previous years		-	-
b) decreases		115 609	131 407
– distribution of profit for reserve capital	*13.1*	29 649	65 845
– dividend payment	*13.1*	85 960	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		(54 059)	(834)
– changes of accountancy rules		-	-
– error adjustments		-	(53 225)
5.5. Loss from previous years at the beginning of the period, after adjustments		(54 059)	(54 059)
a) increases		-	-
– transfer of loss from previous years to cover		-	-
b) decreases		-	-
– cover of loss from reserve capital		-	-
5.6. Loss from previous years at the end of the period		(54 059)	(54 059)

(in thousand PLN)

5.7. Profit (loss) from previous years at the end of the period	**(54 059)**	**(54 059)**
6. Net result	**(64 516)**	**115 609**
a) net profit	-	115 609
b) net loss	**(64 516)**	-
c) result impairments	-	-
II. Equity at the end of the period (CB)	**1 338 387**	**1 488 863**
III. Equity after proposed result distribution (cover of loss)	**1 338 387**	**1 488 863**

Konin, 30 April 2019

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INTRODUCTION TO THE FINANCIAL STATEMENT

1. General information about the Company

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

The company is entered in the National Court Register maintained by the District Court Poznań - Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register, under KRS number 0000021374 issued on June 21, 2001.

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

The Company has been established for an indefinite period.

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

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

1) production and distribution of electricity (PKD 35.11.Z),
2) production and distribution of heat (steam and hot water) (PKD 35.30.Z).

2. Composition of the Management Board

The 2018 financial year began in the following composition:

1) Adam Kłapszta – President of the Board,
2) Aneta Lato-Żuchowska – Vice-President of the Board,
3) Zygmunt Artwik – Vice-President of the Board,
4) Elżbieta Niebisz – Vice-President of the Board,

On June 22, 2018, the Management Board was appointed by the resolution of the Company's Supervisory Board for a new term. The Management Board of the 7th term of office appointed 4 people, i.e.:

1) Adam Kłapszta - President of the Board,
2) Aneta Lato-Żuchowska – Vice-President of the Board,
3) Zygmunt Artwik – Vice-President of the Board,
4) Elżbieta Niebisz – Vice-President of the Board.

At the meeting on November 13, 2018, the Supervisory Board of the Company appointed Mr. Marcin Ginel as the Vice-President of the Management Board. From November 13, 2018, the Board consisted of 5 members:

1) Adam Kłapszta – President of the Board,
2) Aneta Lato-Żuchowska – Vice-President of the Board,
3) Zygmunt Artwik – Vice-President of the Board,
4) Elżbieta Niebisz – Vice-President of the Board,
5) Marcin Ginel – Vice-President of the Board.

Already after the end of the reporting period, on January 10th, 2019 Mr. Adam Kłapszta resigned from the membership in the Management Board and performing the position of the President of the Management Board. Ms. Elżbieta Niebisz also ceased to be a Member of the Management Board of the Company, who also resigned from the position of Vice President of the Management Board on January 10th 2019. In this situation, at the meeting held on January 10th, 2019, until the election of the new President of the Company's Management Board, the Supervisory Board entrusted the management of the Company as acting President of the Management Board to Mr. Marcin Ginel - Vice-President of the Management Board. During the same meeting, i.e. January 10, 2019, the Supervisory Board of the Company appointed Mr. Paweł Markowski as the Vice-President of the Management Board.

On April 12th, 2019 Mr. Marcin Ginel resigned from the membership in the Management Board and performing the position of the Vice President acting President of the Management Board. The same day the resignation from membership in the Management Board and the function of the Vice President was also submitted by Ms. Aneta Lato-Żuchowska. At the meeting held on April 12, 2019, the Supervisory Board of the Company, acting pursuant to art. 383 § 1 of the Code of Commercial Companies delegated a member of the Company's Supervisory Board – Mr. Henryk Sobierajski, for a period of three months to temporarily perform the duties of a Member of the Management Board, entrusting him with the duties of the President of the Management Board.

As of the date of publication of this report, the composition of the Company's Management Board is as follows:

1) Henryk Sobierajski – Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board,
2) Zygmunt Artwik – Vice-President of the Board,
1) Paweł Markowski – Vice-President of the Board.

3. Determination 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 according to the IAS

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

The main potential differences between the IFRS and the AoA, according to the state obligatory as at 31 December 2018, developed with the assumption of using the IFRS based on the IFRS 1 guidelines and adoption of the financial data resulting from the consolidated financial statement of the ZE PAK SA Group are presented below. 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, with the assumption that the date of transition to the IFRS is 1 January 2009:

Tangible fixed assets

a) Valuation of the 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.

b) Allotment of renovation components

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

c) Valuation of land and perpetual usufruct

According to the 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.

d) Capitalisation of external financing 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 execute the capitalisation of external financing costs on the liabilities of general nature, used for the financing of capital work in progress.

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

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

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

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

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

The following table presents the differences as of 31 December 2018:

	Balance sheet value Acc. to AoA	*Balance sheet value Acc. to IFRS*	*Value adjustment*
Tangible fixed assets	614 649	628 156	13 507
Equity	1 338 387	1 280 694	(57 693)
Deferred tax provision	37 523	98 557	61 034

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

	31 December 2018
AoA net profit	(64 516)
Adjustment of the tangible fixed assets	767
IAS 19 adjustment – Actuarial profits/losses	393
IFRS 9 adjustment – Impairment of assets	1 713

	31 December 2018
AoA capital	1 338 387
Adjustment of the tangible fixed assets	(55 531)
IAS 9 adjustment – Impairment of assets	(2 162)

4. Assumption of continuation of economic activity

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. Considering, in particular, the increased reporting standards of public interest entities and the protection of stakeholders, the Company's Management Board draws attention to the following issues:

1) The company closed 2018 with a net loss of PLN (-65) million. The amount of the loss was significantly affected by one-off events in the amount of PLN 104 million, including impairment of the shares in PAK KWB Adamów SA. In addition, the situation on the energy market affected the incurred loss. From the beginning of the year, an upward trend in CO2 emission rights was visible, which the Company is obliged to purchase in order to submit for redemption. At the beginning of the year, allowance prices were around EUR 8, and ended the year at over EUR 24, resulting in a significant increase in the Company's operating costs in 2018. In addition, the deterioration of the operating result was affected by the limitation of the Company's operations due to the termination of electricity production by Adamów Power Plant on January 1, 2018, in connection with the end of the period of environmental derogation for five blocks with a total capacity of 600 MW.
2) As at December 31, 2018, current liabilities and provisions, including bank loans and provisions related to CO2 emission allowances, exceed current assets and the value of acquired CO2 emission allowances by PLN 145 million.

The circumstances described above may affect the assessment of the Company's future operations, including the assessment of the Company's ability to continue as a going concern. Increasing operating costs, significant fluctuations in the level of prices of CO2 emission allowances, the level of short-term debt and uncertainty regarding market regulations determining the prices of energy produced and certificates obtained affect the uncertainty of the implementation of plans adopted by the Management Board. Consequently, the Management Board draws attention to the existence of significant uncertainty which may raise doubts as to the Company's ability to continue as a going concern. However, it should be emphasized that the financial situation in the past year was largely determined by the strategy of hedging the prices of energy sold and CO2 emission allowances purchased. The mismatches in this regard have already been corrected at the stage of contracting the sale of energy and purchase of allowances for 2019. A number of operations at the operational level were also taken to improve the economic situation of the Company.

Currently, the Management Board is focusing its activities on improving liquidity in the short term. The Management Board has carried out a detailed analysis of cash flow forecasts and confirms that the analysis of the Company's cash flows indicates the possibility of generating sufficient, positive cash flows at least in the next 12 months from the date of these financial statements. This analysis assumes renewal of existing credit limits regarding the financing of the Company's current operations. According to the Management Board, the risk of not renewing credit limits is limited.

As a result, in the opinion of the Management Board, the situation described above will not adversely affect the Company's ability to pay its liabilities, finance the necessary investments or cooperate with key clients.

5. Merger of commercial companies

On August 1, 2018, on the basis of an entry in the National Court Register, there was a merger of the companies: Zespół Elektrowni Pątnów - Adamów - Konin SA (the acquiring company) and PAK - HOLDCO sp. z o.o. (company being acquired). The merger was carried out in the mode of art. 492 § 1 point 1 of the Code of Commercial Companies, in accordance with art. 515 § 1 and applying the simplified procedure of merger with art. 516 on the basis of the Resolution of the AGM No. 24 of 22 June 2018 (AN Rep. A No. 5536/2018 prepared by the Notary Public Dariusz Wierzchulski at the Notary's Office in Warsaw).

The merger was carried out on the basis of art. 44c of the Act on accounting using the pooling of shares method. In this report, the data were restated as at December 31, 2017. Adjustments resulting from the merger are presented in note 4 of additional information and explanations to the financial statements.

6. Accepted principles (policy) of accounting

The company operates based on the following legal acts:

1. The Accounting Act of September 29, 1994 (unified text Journal of Laws of 2018, item 395, as amended) - hereinafter referred to as "AoA", "Act"),
2. The Act of 15 February 1992 on Corporate Income Tax (Journal of Laws of 2018, item 2343, as amended),
3. Ordinance of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and the conditions for obtaining information required by the law of a non-member state as equivalent (consolidated text Journal of Laws of 2014, item 133, as amended)
4. Act of 29 July 2005 on public offer and conditions for introducing financial instruments to organized trading system and on public companies (consolidated text, Journal of Laws of 2016, item 1639), as amended.

The company introduced the following regulations for use in the field of valuation of assets and liabilities:

1. Regulation No. 35/2003 of the President of the Management Board of ZE PAK SA in Konin of July 1, 2003 regarding the economy tangible fixed assets,
2. Regulation No. 34/2003 of the President of the Management Board of ZE PAK SA in Konin of 1 July 2003 regarding the Company Account Plan for ZE PAK SA.

The financial statements were prepared in accordance with the historical cost convention, which was modified in the case of the following issues:

- Intangible assets,
- Tangible assets,
- investments in subsidiary entities and other long-term investments,
- other short-term investments (excluding cash and financial assets),
- financial instruments

The Company uses the following methods for the valuation of assets and liabilities and the measurement of the financial result:

Tangible fixed assets

The initial value of fixed assets is recognized in the accounting books according to the purchase prices or costs incurred for their creation, expansion, or modernization. After the initial recognition, the value of the fixed assets is reduced by redemption and write-downs resulting from permanent loss in value.

When keeping accounts for auxiliary (analytical) accounts of tangible fixed assets in accordance with Art. 17 sec. 1 point 1 of the Act, the principles resulting from Regulation No. 35/2003 of the President of the Management Board - General Director of ZE PAK SA of July 1, 2003 regarding economy of tangible fixed assets in ZE PAK SA are applied, and so:

- Items of a value up to PLN 500 are considered to materials.
- For fixed assets of a value of PLN 500 - 3,500, depreciation writes-downs made once in the month of putting into service was established; in accordance with article 16f p. 3 of the Act on corporate income tax. Fixed assets of a value of over PLN 3,500 purchased before 1 January 1997, are depreciated with the straight line method, while fixed assets purchased after 1 January 1997, in accordance with the decision of the Board of the ZE PAK S.A., are depreciated with the declining balance method. The declining balance method applied until the end of 1999. Since 1 January 2000, all newly purchased fixed assets have been depreciated with the straight line method.
- Re-estimation takes place on the basis of separate provisions. The re-estimation result is transferred onto the capital from revaluation. After the sale or liquidation of the fixed asset, the amount remaining in the capital from the revaluation is transferred onto the supplementary capital. The last re-estimation took place on 1 January 1995.
- Since 1 January 2000, for tax purposes, for all newly purchased fixed assets, depreciation rates set forth in the annex to the act of 15 February 1992 on corporate income tax as amended have been adopted. In relation to the fixed assets purchased and entered in the records before 1 January 2000, the rates arising from the resolution of the Minister of Finance of 17 January 1997 on the depreciation of fixed assets and intangible assets are applied.
- The necessity of calculated depreciation adjustment in case of the items' price is higher than PLN 3,500 and the planned period of use is shorter than one year was taken into account. In practice, they will be used longer than 1 year.
- Computers and computer sets are depreciated with the straight line method with the ability of application of the increasing ratio, in accordance with article 16i point 3 of the act on corporate income tax act.

- Since January 2001, the rules of balance sheet depreciation of the fixed assets that were subject to evaluation during the privatisation of the Company have been changed. Since 1 January 2001, the fixed assets have been depreciated with the straight line method, in accordance with the expected period of economic use.
- Estimates concerning the period of economic use and the depreciation method are subject to a review at the end of each financial year in order to verify, whether the used methods and the depreciation period are consistent with the expected term structure of economic benefits provided by this fixed asset.
- Fixed assets under construction are valued at least at the balance sheet date, in the amount of total costs in a direct relationship of their purchase or production, lessened by write-downs resulting from permanent loss in value. Within the capital work in progress, investment materials are recognised as well. The capital work in progress is not depreciated until they are completed and put into service.
- External financing costs of the construction, adjustment, assembly, or improvements of fixed assets or intangible assets, for a period of construction, adjustment, assembly, or improvement, are recognised in the value of these assets if these liabilities were incurred for this purpose. Other external financing costs are recognised in an income statement.
- The act, before amendments, assumed an off balance sheet registers of the perpetual usufruct of land. The amended act includes the perpetual usufruct of land in the fixed assets. Pursuant to Art. 2 point 1 of the Act of 29 September 1990 on the amendment of the Act on Land Management and Dispossession (Journal of Laws No. 79, item. 464), the land owned by the State Treasury or a commune that, on 5 December 1990, was managed by state legal persons other than the State Treasury or municipal legal persons became the subject of the perpetual usufruct this day by operation of law.

The perpetual usufruct of land acquired in this way was not included in the books, but it is recognised off-balance sheet;

- Pursuant to the Act on accounting, the Company carries out an inventory of the fixed assets every four years. The last inventory of the fixed assets took place in 2018.
- As of the balance sheet date, the Company assesses every time whether the balance sheet value of the recognised assets does not exceed the value of the expected future economic benefits. If there is an indication of such a situation, the balance sheet value of the assets is reduced to net sale price. Write-downs resulting from permanent loss in value are recognised in other operating costs. Write-downs resulting from permanent loss in value concerning the fixed assets, which were re-evaluated on the basis of separate regulations, reduce the differences transferred onto the capital from revaluation, which were caused by revaluation. Possible excess of the write-down over the differences from revaluation is classified as other operating costs.

Permanent impairment of assets

At each balance sheet date, the Company assesses whether there is objective evidence indicating a permanent impairment of an asset or group of assets. If such evidence exists, the Company determines the estimated recoverable amount of the asset and makes an impairment loss, in an amount equal to the difference between the recoverable amount and the carrying amount. The loss resulting from impairment is recognized in the profit and loss account for the current period. In the case when the revaluation of assets was made before, the loss reduces the amount of capitals from revaluation and then is recognized in the profit and loss account for the current period.

Intangible assets

Intangible assets are recognized if it is plausible that, in the future, they will cause inflow of economic benefits to the Company that can be directly associated with these assets. The initial recognition of the intangible assets' value takes place according to purchase prices or production cost. After the initial recognition, the intangible assets are valued according to purchase prices or production cost reduced by redemption and write-downs resulting from permanent loss in value. The intangible assets are depreciated with the straight line method in the period corresponding to the estimated period of their economic use. The expected period of economic use is as follows:

- licenses - 5 years,
- software licenses - 2 years,
- other intangible assets - 5 years.

The intangible assets of an initial value of less than PLN 3,500 are depreciated once in the month of putting into service.

Estimates concerning the period of economic use and the depreciation method are subject to a review at the end of each financial year in order to verify, whether the used methods and the depreciation period are consistent with the expected term structure of economic benefits provided by given intangible assets.

As of the balance sheet date, the Company assesses every time whether the balance sheet value of the recognised assets does not exceed the value of the expected future economic benefits. If there is an indication of such a situation, the balance sheet value of the assets is reduced to net sale price. Write-downs resulting from permanent loss in value are recognised in other operating costs.

Emission allowances and their equivalents purchased by the Company for its own needs are disclosed as intangible assets. These rights are valued at the purchase price.

Long-term receivables

The long-term receivables include, among others:

- receivables due to paid security deposits (e.g. within lease agreements),
- receivables from entities, with whom a bank conciliation or an arrangement was concluded.

The long-term receivables, as well as other receivables, are valued in accordance with Art. 28 of the Act on accounting during the year, which on the day of purchase or creation – according to the face value and as of the balance sheet date – in the amount of required payment, with caution, reduced by the impairment write-downs made in justified cases.

Long-term investments

The long-term investments are property resources controlled by the entity, which will cause inflow of economic benefits to the entity in the future. The investments may be non-financial assets and, then, occur as:

- real estate,
- intangible assets,

or they may be financial assets and, then, occur as:

- shares,
- capital contributions in subsidiaries,
- other securities (long-term bills, government bonds, etc.),
- granted long-term loans,
- other long-term assets (bills of exchange, payable orders, deposits, commercial papers, additional payments to capital).

As of the balance sheet date, the long-term investments are valued according to purchase price reduced by write-downs resulting from permanent loss in value.

The investments in the subsidiaries that are controlled entities, co-subsidiaries, and associated party entities are valued according to the historical expense reduced by possible loss in value.

Commercial papers not quoted on the market are valued as of the balance sheet date with the straight line method, i.e. in the purchase price enlarged by an appropriate part of the discount, falling on the period until the balance sheet date, taking into account the possible loss in value.

Short-term investments (excluding cash and financial instruments)

The short-term investments, excluding cash and financial instruments, are valued according to the market price (value), and the short-term investments, for which there is no active market, in other way of a determined fair value.

The effects of increase or decrease in the value of the short-term investments valued according to the market price (value) are classified respectively as financial expense or income.

Financial assets

Financial assets, at the time of entry into the books of accounting, are valued according to the cost (purchase price), which is the fair value of the payment. Transaction costs are recognised in the initial value of these financial instruments. Financial assets are entered into the books of accounting on the transaction date.

After initial recognition, financial assets are classified into one of four categories and valued in the following way:

	Category	*Valuation method*
1.	Financial assets maintained to the maturity date	According to the adjusted purchase price (depreciated cost) determined with the effective interest method
2.	Granted loans	According to the adjusted purchase price (depreciated cost) determined with

	and receivables	the effective interest method. Receivables of a short maturity date, for which no interest rate was determined, valued according to the required payment
3.	Financial assets destined for trade	According to the fair value, and profits/losses due to revaluation are recognised in the income statement
4.	Available-for-sale financial assets	According to the fair value and profits/losses due to revaluation are recognised in the income statement until the investment sale or reduction of its value. At this moment, the total profit or loss due to revaluation is transferred to the income statement

The fair value of financial instruments traded on the active market is determined in relation to the prices quoted on this market as of the balance sheet date. In case of the lack of a quoted market price, the fair value is estimated on the basis of the quoted market price of a similar instrument, or on the basis of expected cash flows.

Permanent loss in value of financial assets

As of each balance sheet date, the Company assesses whether there is objective evidence of permanent loss in value of a component or a group of financial assets. If such evidence exists, the Company estimates the estimated, possible to recover value of the component of assets and makes an impairment write down resulting from the loss in value, in the amount equal to the difference between the value possible to recover and the balance sheet value. Impairment write-downs against the value of a financial asset component or a portfolio of similar financial assets are determined:

- in case of financial assets valued at the depreciated purchase cost – as the difference between the value of these assets resulting from the books of accounting as of the valuation date and the amount possible to recover. The amount possible to recover is the present value of the future cash flows expected by the entity, discounted with the effective interest rate previously used by the entity, valuing revalued financial assets' component or a portfolio of similar financial assets' components,
- in case of the financial assets valued at the fair value – as the difference between the purchase price of an assets' component and its fair value determined as of the valuation date. However, the fair value of debt financial instruments as of the valuation date is understood as the present value of expected future cash flows expected by the entity, discounted with a current market interest rate used for similar financial instruments. The loss cumulated to this day recognised in the capital (fund) from revaluation is classified as finance costs in the amount not lesser than the one indicated in the write-down reduced by the part directly classified as financial costs,
- in case of other financial assets – as the difference between the value of the assets' component resulting from the books of accounting and the present value of future cash flows expected by the entity, discounted with the current market interest rate used for similar financial instruments.

Lease

The Company is a party of lease agreements, under which it conveys in return for payment to use or taking profits, the foreign fixed assets or intangible assets for an agreed period.

In case of lease agreements, under which there is transfer of, substantially, all the risks and profits resulting from ownership of assets covered by the agreement, the leased assets are recognized as the fixed asset. At the same time, a liability in the amount equal to the current value of minimum lease payments, determined as of the inception the lease date. Lease payments are divided between the financial costs and reduction of balance of the liability in a way allowing obtaining a constant interest rate on the remaining unpaid liability. Financing costs are recognised directly in the income statement.

The fixed assets subject to a financial lease agreement are depreciated in the way specified for own fixed assets. However, if there is uncertainty as transfer of property rights for the subject of the agreement, the fixed assets used under financial lease agreements are then depreciated for the shorter of the two periods: the expected period of use or the lease term. Lease payments under the agreements, which do not meet the conditions of a financial lease agreement, are recognized as costs in the income statement with the straight line methods for the lease term.

If a sale and sale-and-lease-back is a financial lease, then that part of the amount of sales revenue, which exceeds the value recognised in the balance sheet, is deferred in time and depreciated during the period of the lease agreement. If a sale and sale-and-lease-back are operating lease and if the transaction was concluded at prices corresponding to the fair value, any profits and losses arising resulting from that are recognised in the income statement. If the sale price is lower than the fair value, profits and losses resulting from that are recognised in the income statement, except for compensation of the loss with the future lease payments lower than market prices. In such a situation, the loss is deferred in time and settlement in proportion to the lease payments for the period of the expected use of the assets' component. If the sale price exceeds the fair value, the amount exceeding the fair value is deferred in time and settled in revenues for a period of the expected use of the assets' component.

Short- and long-term receivables

Trade receivables are recognised in the required amount reduced by impairment write-downs. The receivables value is adjusted taking into account the probability of their payment with the impairment write down. The impairment write-downs are classified respectively as other operating costs or financial costs – depending on the type of receivable subject to the impairment write-down. The redeemed, expired, or non-collectible receivables reduce previously made impairment write-downs against their value. The redeemed, expired, or non-collectible receivables, for which no impairment write-downs against their value were made, or the write-downs were not made in full, are classified as other operating costs or financial costs.

Inventory

Inventory is valued at the lower of the two values: the purchase price (or production cost) and the net sale price. The particular components of the inventory are valued in the following way:

- production fuel – weighted average method,
- spare parts and other materials – weighted average method.

The net sale price is a sale price possible to achieve as of the balance sheet date without the tax on goods and services and the excise tax, reduced by rebates, discounts, etc. and the costs related to accommodation of the component for sale and making this sale.

The Company makes the impairment write-downs against possessed inventories. For replacement parts with a value of over PLN 100,000, which do not rotate over 3 years, 100% write-offs are created. The impairment write-downs against inventories increase other operating costs.

The In the Company, the constant inventory procedure is applied for material stocks. Because the inventory is located in the guarded area and is in a continuous quantity/quality register, each material item must be counted at least once every two years, last inventory of the production fuel took place according to the status as of 31 December 2018.

Energy certificates obtained free of charge from energy production in renewable sources, gas and cogeneration are presented as goods and carried at fair value as at the end of the month in which they were produced. As at the balance sheet date, the Company measures these inventories at cost (i.e. the initial value) not higher than the net selling price by analysing the value of inventories for impairment. Any impairment loss is presented in the cost of sales.

Assets components internally generated

The cost of internal generation of assets includes costs remaining within the direct relationship with a given product and the justified part of costs related indirectly to their production.

Direct costs include:

- the value of used direct materials,
- direct payments,
- wearing out of specialist tools,
- other costs incurred in relation to bring the product to the form and place, in which it is on the day of valuation. Other costs incurred in bringing the product to the form and location in which it is on the day of the valuation.

A reasonable, appropriate to the period of manufacture of the product part of the indirect costs includes variable indirect production costs corresponding to the level of these costs at the normal use of production capacities. The normal level of production capacities use is the average, in line with expectations in typical conditions production volume for a given number of periods, taking into account the scheduled overhauls.

Production costs, which are the basis of assets valuation, do not include general overheads, sale costs, other operating costs, and financial costs of financial operations. The transfer of generation costs to the assets of ZE PAK S.A. takes place no later than on the balance sheet date.

Cash accumulated on bank accounts

Domestic cash is shown at nominal value. Cash funds accumulated on bank accounts are confirmed on the basis of bank confirmation of balances. The cash position shown in the cash flow statement consists of cash in hand and bank deposits with a maturity of no more than 3 months, which were not treated as investment activities.

Equities

In the Company, there are the following capitals, which, in the balance sheet, are shown according to the face value, namely:
1. Share capital,
2. Supplementary capital,
3. Capital from revaluation,
4. Other reserve capitals.

The share capital is shown in the amount complying with the Company's Articles of Association and the entry into the National Court Register.

The supplementary capital is created from the profit division, an excess from the sale of shares over their nominal value, from the transfer from the Staff Fund, and from the transfer from the reserve capital from revaluation.

Provisions

Provisions are recognized when the Company has an existing obligation (legal or customary) resulting from past events and when it is certain or highly probable that fulfilment of this obligation will result in the necessity of outflow of resources, and when it is possible to reliably estimate the amount of such liability.

Provisions for property decommissioning costs are included in the amount of forecasted liquidation costs in the current value of these costs. These provisions are recognized second-to-side as accrued expenses and settled over time for the remaining period of operation of the equipment designated for liquidation. In the case of devices excluded from traffic, the provisions for the costs of their liquidation are created in the burden of other operating costs. In the reserve position, the Company also recognizes a provision for future costs of land reclamation, on which the Company collects waste.

Provision for leaves, retirement benefits and post-death benefits

The employees of the Company are entitled to holiday leaves defined in the provisions of the Labour Code. The company creates provisions at the expense of unused holidays, which the employees have acquired until the balance sheet date.

According to the company's remuneration system, employees are entitled to retirement bonuses at the time of retirement and post-mortem benefits. The reserve for severance pay that will be paid in the future is created on the basis of independent actuarial calculations.

Provision for the costs of reclamation of ash landfills

The obligation to reclaim the area of ash landfills is created at the start of their operation. The provision is created based on reports of independent experts estimating reclamation costs at the request of the Company's Management Board. Estimates of projected restoration costs are updated periodically, however, for each reporting date the amount of the provision is verified in accordance with the current assumptions regarding the discount rate and inflation. In addition, the Company recognizes assets for the ash landfill, which is accounted for using the straight-line method over its lifetime. In subsequent periods, this asset is amortized using the straight-line method over the estimated period of operation of a given ash storage site. At the same time, in subsequent periods, the Group recognizes the increase in the provision resulting from the effect of unwinding the discount in correspondence with financial costs. The utilization of the provision is settled at the end of each reporting period in correspondence with operating costs. Subsequent possible changes to the estimated costs of reclamation adjust the value of the asset and the provision.

Provision for CO_2 emission allowances

The reserve for liabilities related to the deficit of CO2 emission rights is created by the Company in the period in which the actual emission exceeds the allocated rights. The cost of the created provision is presented in the income statement in the cost of sales.

The provision is created:

- in the part covered by allowances held as at the balance sheet date - in the value of held allowances, i.e. purchased at the balance sheet value, received at zero value,
- in the part not covered by allowances held as at the balance sheet date - at the lower value of the market value of the rights necessary to meet the obligation as at the balance sheet date and possible penalty.

(in thousand PLN)

Provision for the return of CO_2 emission allowances

The provision for the return of CO_2 emission allowances The Company creates at the time of probable commitment. Due to the suspension of investments reported to KPI, we estimated the potential risk of return of the above mentioned allowances. The amount is converted according to the euro exchange rate as at the day of preparing the financial statements. The provision is created to cover other operating expenses.

Assets and liabilities expressed in foreign currencies

As at December 31, 2018, assets and liabilities denominated in currencies other than PLN are converted into PLN using the average NBP exchange rate as at the balance sheet date. Foreign exchange rates resulting from the conversion are recognized respectively in the financial revenues (costs) or, in cases specified by law, capitalized in the value of assets.

The following rates have been accepted for the purposes of the valuation*:*

	31 December 2018	*31 December 2017*
EUR	4,3000	4,1709
USD	3,7597	3,4813

Exchange rates

Exchange rates regarding settlements denominated in foreign currencies, created as at the date of their valuation and when paying receivables and liabilities in foreign currencies, are included respectively in financial revenues or costs, and in justified cases - to the cost of products or the purchase price of goods, as well as the purchase price or the cost of producing fixed assets, fixed assets under construction or intangible assets. In the income statement, exchange rates are recognized after offsetting.

Bank credits and loans

At the moment of initial recognition, bank loans and credits are recognized at the cost representing the value of cash received and including the costs of obtaining a loan / credit. Then, all bank loans and borrowings, with the exception of liabilities held for trading, are measured at adjusted purchase price (amortized cost) using the effective interest rate. Liabilities held for trading are measured at fair value. Profit or loss on revaluation to fair value is recognized in the profit and loss account for the current period.

Special funds

The Company has the following special funds:
- Social Benefits Fund (ZFŚS),
- Staff Fund.

The Act of 4 March 1994 on the Company Social Benefits Fund (unified text Journal of Laws of 2017 item 2191, as amended) constitutes that the Company Social Benefits Fund is made up of employers employing at least 50 full-time employees. The company creates such a fund and makes periodic write-offs to the amount agreed with the Trade Unions. In accordance with the agreement signed with the Trade Unions, the Company administers the Inter-Enterprise Social Benefits Fund of the Company and its subsidiaries. The balance of the Fund is the accumulated revenues of the Fund reduced by non-recoverable expenses from the Fund. The Company shows separately the balance of the Fund and the Fund's assets in the balance sheet.

Accruals

Loans received for financing pro-ecological investments, and then cancelled by granting subsidies, are recognized as other accrued income and settled in the income statement in subsequent periods, in proportion to the depreciation of fixed assets purchased or produced as part of financed investments.

The company makes accrued expenses to allocate costs related to the period to a given period. Prepayments include expenses relating to periods later than the period in which they were incurred, including insurance costs, subscriptions, bill of exchange discount.

Pre-paid accruals also include a part of the estimated costs of future reclamation of ash landfills used by the Company. These costs are included in the discounted value and relate to the expenditure that the Company will have to incur to complete the ash storage.

In addition, prepaid expenses consist of the amount of the provision created for the liquidation of the Company's assets to be settled.

Passive prepayments include the value of certificates of origin of energy generated in renewable energy sources, in combination with thermal energy, in cogeneration using natural gas and certificates resulting from energy efficiency, which the entity is obliged to redeem in connection with the delivery of electricity to final customers. The provision for the obligation to submit for certificates of origin of energy produced in renewable energy sources or in highly efficient cogeneration and energy efficiency is included:

- in the part covered with certificates of origin held as at the balance sheet date - in the value of certificates held,
- in the part not covered by the certificates of origin as at the balance sheet date - at the lower value of the market value of the certificates necessary to meet the obligation as at the balance sheet day and possible replacement fee.

Accruals include contractual penalties, compensation from the insurance company, interest increasing the principal amount, negative goodwill and subsidies received for the production of fixed assets.

In the item of accruals, the Company also presents deferred income related to the settlement of results on leaseback.

Revenues from the sale of goods, products and services, interest and dividends

Revenues from sales include amounts due or received from the sale of goods and services (reduced by refunds, rebates and discounts). Sales revenues are shown in net value, i.e. decreased by VAT due. Revenues from the sale of purchased electricity are recognized as revenues from the sale of goods. The value of revenues from sales of purchased electricity is recognized according to the average price of bilateral contracts.

Revenues from the sale of products also include revenues from the sale of green and red certificates. At the time of production, certificates of origin intended for sale are recognized in sales revenues, therefore, in order to prevent inflating revenues at the time of their sale, the cost of selling certificates is recognized as an adjustment to sales revenues.

Interest income is recognized at the time of accrual (using the effective interest rate), if their receipt is unquestionable.

Dividends due are classified as financial revenues as at the date of adoption of a resolution on profit distribution by the competent authority of the relevant company, unless a different date for the right to dividend is specified in the resolution.

Operational costs

The company keeps a cost record in a generic and calculation format and prepares a calculative profit and loss account.

General production costs

The general production costs are settled statistically for sold electricity and heat and other works and services in proportion to direct wages charged to energy sold, other works and services.

Corporate Income Tax

The basis for calculating income tax is gross profit adjusted for permanent and temporary differences between income determined for tax purposes and balance sheet financial result. Transitional income tax differences are recognized in the balance sheet as provisions for deferred income tax (positive difference) or are included in active accruals (negative differences).

Deferred Income Tax

Deferred income tax is determined using the balance sheet liability method in relation to all temporary differences existing as at the balance sheet date between the tax value of assets and liabilities and their balance sheet value shown in the financial statements. Provision for deferred income tax is created in relation to all positive temporary differences, unless the provision for deferred income tax arises as a result of amortization of goodwill or initial recognition of an asset or liability in a transaction that is not a business combination, and at the time it is concluded it has no effect either on the gross financial result or on taxable income or tax loss.

The deferred tax asset is recognized in relation to all negative temporary differences and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow to use the above mentioned differences and losses.

In case of negative temporary differences due to shares in subsidiaries or affiliates and shares in jointly controlled entities, the deferred income tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above-mentioned temporary differences will be reversed and taxable income will be generated that will allow deduction of negative temporary differences.

The carrying value of a deferred tax asset is verified as at each balance sheet date and is subject to a corresponding reduction in so far as it has ceased to be probable that taxable income will be sufficient to partially or fully realize the deferred tax asset.

Deferred income tax assets and reserves for deferred income tax are valued using tax rates, which, according to the regulations enacted by the balance sheet date, will apply in the period when the asset will be realized or the provision will be terminated. Deferred tax assets and provisions for deferred tax are presented in the balance sheet at their value after offsetting.

Konin, 30 April 2019

Henryk Sobierajski *Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board*	*Zygmunt Artwik* *Vice President of the Board*	*Paweł Markowski* *Vice President of the Board*	*Aneta Desecka* *Chief Accountant*

ADDITIONAL INFORMATION AND CLARIFICATION TO THE FINANCIAL STATEMENT

1. Information on significant events concerning previous years recognized in the financial statements for the financial year

Until the day of preparing the financial statements for the financial year that is until 30 April 2019 there were no events regarding previous years, which should be included in the financial statements for the financial year.

2. Information on significant events that occurred after the balance sheet date and not included in the financial statements

After the balance sheet date until the day of preparing the financial statements for the financial year, i.e. until 30 April 2019, no events occurred that should be recognized in the financial statements for the financial year.

3. Changes in accounting principles (policy) in the financial year

The financial statements for the current and previous financial year were prepared using identical accounting principles (policy) as well as the methods of data presentation in the financial statements.

4. Error adjustment and transformation of comparative data

As a result of the analysis, it was considered that on December 31, 2018 and in previous years, the Group was under a legal obligation consisting in the necessity of removing damage and reclamation of land used as ash landfills. In the opinion of the Management Board, the fact of creating a given ash storage facility, including incurring necessary expenses for its establishment, causes an obligating event that creates the Group's obligation to remove it in the future, because legal requirements cause that there is an obligation from which the Group cannot withdraw or avoid meeting it. The failure to adopt a provision for restoration of primary status in previous years, despite the existence of such an obligation, meets the definition of error in accordance with IAS 8 para. 43, and its adjustment affects the financial data presented for comparable periods.

As a result, as at December 31, 2017 and January 31, 2017, the Company recognized a provision for liquidation of damage and reclamation of ash storages used by the Group in the amount of discounted reclamation costs to be incurred in the future in the amount of PLN 61 278 thousand, in correspondence with profits from previous years and the item of accruals to the extent that the obligation to remove and restore the original state concerns an unamortized part. The Company did not transform the previously published profit and loss accounts for 2017 because in the opinion of the Management Board, the described adjustment has no material impact and does not distort comparative data. The total effect of the adjustment on the Company's equity capital as at 31 December 2017 was PLN 53 225 thousand.

The above adjustment does not include the effect of deferred tax, because the Company assesses that when the created provisions are realized, it will not generate sufficient taxable income.

The table below presents the impact of the described adjustment on the items of the financial statements as at December 31, 2017 and June 30, 2017. At the same time, changes in comparative data were also presented in connection with the merger with PAK - HOLDCO sp. z o.o. and in connection with the change in the principles of presenting accruals. As part of the changes to the presentation rules, we have made the following retraining:

- we have transferred the provision for unused holidays and bonus to the *Provision for retirement and similar benefits,*
- we recognized the difference in the value of contributions in kind of property items transferred to the companies as a decrease in the value of *Long-term financial assets in related entities.*

(in thousand PLN)

	Published data	*Transformed data*	*Error adjustment*	*Merger with PAK-HOLDCO*	*Correction of the presentation due to the change of regulations*	*Published data*	*Transformed data*	*Adjustment*
	31 December 2017					*30 June 2017*		
Assets								
A. Fixed assets	2 021 250	2 015 659	8 053	(50)	(13 594)	1 981 651	1 989 704	8 053
]IV. Long-term investments	1 176 097	1 162 453	-	(50)	(13 594)	1 195 148	1 195 148	-
3. Long-term financial assets	1 176 097	1 162 453	-	(50)	(13 594)	1 195 148	1 195 148	-
a) In related entities	1 175 946	1 162 302	-	(50)	(13 594)	1 194 997	1 194 997	-
- shares	1 142 196	1 128 552	-	(50)	(13 594)	1 142 053	1 142 053	-
V. Long-term accruals	551	8 604	8 053	-	-	643	8 696	8 053
2. Other accruals	551	8 604	8 053	-	-	643	8 696	8 053
B. Current assets	346 620	371 855	-		-	334 598	1 989 704	8 053
II. Short-term receivables	138 406	138 444	-	38	-	122 498	122 498	-
3. Receivables from other entities	99 423	99 461	-	38	-	71 912	71 912	-
b) due to taxes, subsidies, customs, social and health insurance and other benefits	19 371	19 409	-	38	-	7 977	7 977	-
III. Short-term investments	166 063	191 260	-	25 197	-	162 558	162 558	-
1. Short-term financial assets	166 063	191 260	-	25 197	-	162 558	162 558	-
c) Cash and other monetary assets	147 349	172 546	-	25 197	-	146 806	146 806	-

(in thousand PLN)

	Published data	*Transformed data*	*Error adjustment*	*Merger with PAK-HOLDCO*	*Correction of the presentation due to the change of regulations*	*Published data*	*Transformed data*	*Adjustment*
	31 December 2017					*30 June 2017*		
Liabilities and equity								
A. Equity	1 516 912	1 488 863	(53 225)	25 176	-	1 460 667	1 407 442	(53 225)
II. Reserve capital	1 094 493	1 094 698	-	205	-			-
V. Profit from previous years	(834)	(54 059)	(53 225)	-	-	(834)	(54 059)	(53 225)
VI. Net profit (loss)	90 638	115 609	-	24 971	-			
B. Liabilities and provisions for liabilities	850 958	898 651	61 278		-	855 582	916 860	61 278
I. Provisions for liabilities	329 940	404 030	61 278	3	-	226 428	287 706	61 278
1. Provision for deferred tax liability	79 212	79 215	-	3	-	74 158	74 158	-
2. Provision for retirement benefits and similar obligations	10 398	23 207	-	-	12 809	9 764	9 764	-
- short-term	1 188	13 997	-	-	12 809	758	758	-
3. Other provisions	240 330	301 608	61 278	-	-	142 506	203 784	61 278
- long-term	17 132	78 410	61 278	-	-	17 114	78 392	61 278
IV. Accruals	27 897	1 500	-	6	(26 403)	34 890	34 890	-
1. Other accruals	14 051	1 500	-	6	(26 403)	34 890	34 890	-
- long-term	14 051	457	-	-	(13 594)	14 074	14 074	-
- short-term	13 846	1 043	-	6	(12 809)	20 816	20 816	-

(in thousand PLN)

5. Comparability of financial data for the previous period with the report for the current period

In the current period, the Company did not change the accounting principles, therefore it was not obliged to present numerical information that would ensure comparability of data for the financial statements for the preceding year with the statement for the current financial year.

6. Intangible assets

12 months period ended 31 December 2018

	Research and development costs	*Goodwill*	*Concessions, patents, licenses and similar values*	*Other intangible assets*	*Advances for intangible assets*	*Total*
Initial value						
Opening balance	-	-	21 123	193 507	-	214 630
Increases, including:	-	-	422	70 788	-	71 210
– Acquisition	-	-	-	70 788	-	70 788
– Other	-	-	-	-	-	-
– Transfers	-	-	422	-	-	422
Decreases, including:	-	-	10	222 055	-	222 065
– Redemption of CO2 emission rights	-	-	-	222 055	-	222 055
– Liquidation	-	-	10	-	-	10
Closing balance	**-**	**-**	**21 535**	**42 240**	**-**	**63 775**
Redemption						
Opening balance	-	-	16 472	3	-	16 475
Increase, including:	-	-	977	-	-	977
– Depreciation of a period	-	-	977	-	-	977
– Other	-	-	-	-	-	-
– Transfers	-	-	-	-	-	-
Decrease, including:	-	-	10	-	-	10
– Sale	-	-	-	-	-	-
– liquidation	-	-	10	-	-	10
Closing balance	**-**	**-**	**17 439**	**3**	**-**	**17 442**
Impairment write-downs						
Opening balance	-	-	**1 278**	**-**	**-**	**1 278**
Increases	-	-	-	-	-	-
Decreases, including:	-	-	-	-	-	-
– use	-	-	-	-	-	-
– impairment adjustment	-	-	-	-	-	-
Closing balance	**-**	**-**	**1 278**	**-**	**-**	**1 278**
Net value						
Opening balance	-	-	**3 373**	**193 504**	**-**	**196 877**
Closing balance	**-**	**-**	**2 818**	**42 237**	**-**	**45 055**

(in thousand PLN)

12 months period ended 31 December 2017

	Research and development costs	*Goodwill*	*Concessions, patents, licenses and similar values*	*Other intangible assets*	*Advances for intangible assets*	*Total*
Initial value						
Opening balance	-	-	20 790	364 694	-	385 484
Increases, including:	-	-	771	79 002	-	79 773
– Acquisition	-	-	-	79 002	-	79 002
– Other	-	-	-	-	-	-
– Transfers	-	-	771	-	-	771
Decreases, including:	-	-	438	250 189	-	250 627
– Redemption of CO2 emission rights	-	-	-	250 189	-	250 189
– Liquidation	-	-	438	-	-	438
Closing balance	**-**	**-**	**21 123**	**193 507**	**-**	**214 630**
Redemption						
Opening balance	-	-	16 071	3	-	16 074
Increase, including:	-	-	839	-	-	839
– Depreciation of a period	-	-	839	-	-	839
– Other	-	-	-	-	-	-
– Transfers	-	-	-	-	-	-
Decrease, including:	-	-	438	-	-	438
– Sale	-	-	-	-	-	-
– liquidation	-	-	438	-	-	438
Closing balance	**-**	**-**	**16 472**	**3**	**-**	**16 475**
Impairment write-downs						
Opening balance	-	-	1 278	-	-	1 278
Increases	-	-	-	-	-	-
Decreases, including:	-	-	-	-	-	-
– use	-	-	-	-	-	-
– impairment adjustment	-	-	-	-	-	-
Closing balance	**-**	**-**	**1 278**	**-**	**-**	**1 278**
Net value						
Opening balance	-	-	3 441	364 691	-	368 132
Closing balance	**-**	**-**	**3 373**	**193 504**	**-**	**196 877**

Ownership structure of intangible assets:

	31 December 2018	*31 December2017*
Own	45 055	196 877
Used on the basis of a rental, lease or other contract, including lease agreements	-	-
Total	**45 055**	**196 877**

The item *Other intangible assets* are purchased computer software licenses.

(in thousand PLN)

7. Tangible fixed assets

12 months period ended 31 December 2018

	Lands (including the right to perpetual usufruct of land)	*Buildings, premises and objects engineering land and water*	*Machines and technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advances for fixed assets under construction*	*Total*
Initial value								
Opening balance	**1 408**	**1 377 301**	**4 004 290**	**3 649**	**11 592**	**136 271**	**698**	**5 535 209**
Increase, including:	-	4 139	16 803	553	212	(9 488)	-	12 219
– Acquisition	-	-	95	553	27	11 918	-	12 593
– Other	-	48	-	-	-	-	-	48
– Transfers for fixed assets	-	4 091	16 708	-	185	(21 406)	-	(422)
Decrease, including:	-	93	9 339	685	628	-	698	11 443
– Liquidation and sale	-	93	9 339	685	628	-	-	10 745
– Other	-	-	-	-	-	-	698	698
Closing balance	**1 408**	**1 381 347**	**4 011 754**	**3 517**	**11 176**	**126 783**	**-**	**5 535 985**
Redemption								
Opening balance	**122**	**765 574**	**2 548 854**	**2 607**	**9 738**	**-**	**-**	**3 326 895**
Increase, including:	5	10 889	26 351	282	345	-	-	37 872
– Depreciation of the period	5	10 841	26 351	282	345	-	-	37 824
– Other	-	48	-	-	-	-	-	48
Decrease, including:	-	90	9 339	547	628	-	-	10 604
– Liquidation and sale	-	90	9 339	547	628	-	-	10 604
– Other	-	-	-	-	-	-	-	-
Closing balance	**127**	**776 373**	**2 565 866**	**2 342**	**9 455**	**-**	**-**	**3 354 163**
Impairment write-downs								
Opening balance	-	433 924	1 053 772	327	597	71 969	-	1 560 589
Increase, including:	-	21	-	-	-	6 563	-	6 584
– Transfers for fixed assets	-	21	-	-	-	(21)	-	-
– Impairment write-down	-	-	-	-	--	6 584	-	6 584
Decrease	-	-	-	-	-	-	-	-
Closing balance	**-**	**433 945**	**1 053 772**	**327**	**597**	**78 532**	**-**	**1 567 173**
Net value								
Opening balance	**1 286**	**177 803**	**401 664**	**715**	**1 257**	**64 302**	**698**	**647 725**
Closing balance	**1 281**	**171 029**	**392 116**	**848**	**1 124**	**48 251**	**-**	**614 649**

(in thousand PLN)

12 months period ended 31 December 2017

	Lands (including the right to perpetual usufruct of land)	*Buildings, premises and objects engineering land and water*	*Machines and technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advances for fixed assets under construction*	*Total*
Initial value								
Opening balance	1 408	1 372 666	4 003 512	3 723	11 963	114 414	3 909	5 511 595
Increase, including:	-	4 642	1 325	285	296	21 857	-	28 405
– Acquisition	-	-	41	285	30	26 080	-	26 436
– Other	-	2 335	405	-	-	-	-	2 740
– Transfers for fixed assets	-	2 307	879	-	266	(4 223)	-	(771)
Decrease, including:	-	7	547	359	667	-	3 211	4 791
– Liquidation and sale	-	7	547	359	667	-	3 211	4 791
– Other	-	-	-	-	-	-	-	-
Closing balance	**1 408**	**1 377 301**	**4 004 290**	**3 649**	**11 592**	**136 271**	**698**	**5 535 209**
Redemption								
Opening balance	118	752 734	2 522 759	2 410	10 009	-	-	3 288 030
Increase, including:	4	12 847	26 641	347	396	-	-	40 235
– Depreciation of the period	4	10 512	26 236	347	396	-	-	37 495
– Other	-	2 335	405	-	-	-	-	2 740
Decrease, including:	-	7	546	150	667	-	-	1 370
– Liquidation and sale	-	7	546	150	667	-	-	1 370
– Other	-	-	-	-	-	-	-	-
Closing balance	**122**	**765 574**	**2 548 854**	**2 607**	**9 738**	**-**	**-**	**3 326 895**
Impairment write-downs								
Opening balance	-	432 546	1 053 772	459	597	73 347	-	1 560 721
Increase, including:	-	1 378	-	-	-	(1 378)	-	-
– Transfers for fixed assets	-	1 378	-	-	-	(1 378)	-	-
Decrease	-	-	-	132	-	-	-	132
Closing balance	**-**	**433 924**	**1 053 772**	**327**	**597**	**71 969**	**-**	**1 560 589**
Net value								
Opening balance	1 290	187 386	426 981	854	1 357	41 067	3 909	662 844
Closing balance	**1 286**	**177 803**	**401 664**	**715**	**1 257**	**64 302**	**698**	**647 725**

(in thousand PLN)

Ownership structure of tangible fixed assets:

	31 December 2018	*31 December 2017*
Own	**613 979**	**647 354**
Used on the basis of a rental, lease or other contract, including lease agreements	670	371
Total	**614 649**	**647 725**

The carrying value of perpetually usufruct land as at December 31, 2018 was PLN 399 thousand (as at December 31, 2017, this value was PLN 399 thousand).

Investment expenditures made by ZE PAK SA in 2018 amounted to PLN 11 918 thousand, (in 2017 PLN 26 080 thousand, respectively), including environmental protection PLN 110 thousand (in 2017 PLN 45 thousand, respectively).

Investment outlays planned for 2019 amount to PLN 26 400 thousand, including PLN 10 843 thousand for environmental protection.

Value impairment test of property fixed assets

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

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

The premises, which the Management Board took into account when assessing the need for the test, were those resulting from market conditions in the environment, in which the Company runs a business activity, out of which the most important are:

- A draft regulation of the European Parliament and of the Council concerning the internal energy market, which project for generating units not meeting specific CO2 emission criteria assumes the elimination of support in the form of payments from the capacity market mechanism after July 1, 2025.
- fluctuations in prices of CO2 emission allowances (caused by the aggravating climate policy of the European Union).

While distinguishing the units generating economic benefits within the Company's assets, it was primarily important to analyse the autonomy of generated economic benefits in terms of the Company functioning.

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

In carrying out the test for impairment of fixed assets, the Group based on a financial model reflecting the strategic assumptions of the parent company, ZE PAK SA.

In ZE PAK S.A., one unit generating economic benefits was determined, in which the following generation assets operate: elektrownia Pątnów I, elektrownia Konin-collector, elektrownia Konin biomass unit and elektrownia Adamów – which operated till 1 January 2018.

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

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

- Production of electricity from Pątnów I was established until 2030, production from biomass from Konin was established until 2047.
- Heat production was established until 2047 in connection with the exploitation of the biomass block until this year, from which heat is generated to the city of Konin.
- Production assumptions result from the adopted investment and renovation program.

(in thousand PLN)

- Receipts from the capacity market were adopted in the years 2021-2023 based on the results of the auction; in addition, participation in the 2024 auction was assumed.
- Electricity prices were adopted on the basis of forecasts broken down into BASE, PEAK and OFFPEAK prepared for ZE PAK SA by an independent external consultant, taking into account own estimates, based on the current market situation for the first years of the forecast.
- Heat sales prices were adopted on the basis of currently carried out deliveries together with the forecasted steady increase in subsequent years.
- Forecasts of prices of CO2 emission allowances, adopted on the basis of assumptions from the document of the Ministry of Energy - "National plan for energy and climate for 2021-2030" (Project - v. 3.1 of 4 January 2019), taking into account own estimates, based on current market situation for the first years of the forecast.
- The costs of lignite purchased for production were determined on the basis of the delivery schedule and prices agreed with the respective schedules included in the financial projections of mining companies.
- Biomass purchase costs were set at the level of contracted prices for 2019 together with the forecasted steady increase in subsequent years.
- The forecast of the margin on the biomass block was estimated assuming support mechanisms. It is assumed that the margin will fall at constant prices after 2027, with the price of biomass rising. Submitted for public consultation, the "State Energy Policy until 2040" and "National plan for energy and climate for 2021-2030" outline a clear direction for the further development of renewable energy, which is necessary to meet the indicators adopted by Poland that meet the renewable energy obligation. For this goal to be achieved, and in the following years at least maintained Poland as an EU member state must ensure the maintenance of existing renewable energy sources, including existing biomass units, which in the next few years will end their participation in the support system, and due to their good technical condition will be able to continue working. The factor giving today such powers to adopt the above thinking are the current provisions on statistical transfer, which on the one hand impose penalties on a Member State that fails to fulfil the obligation, and on the other hand the provisions already contained in the RES Act, which signal the organization of auctions by the ERO for units that after the end of the support period, they will be able to continue participating in the newly created mechanisms. They are authorized by the provisions of the applicable RES Act. The provisions of the Act also give the opportunity to extend the support of renewable energy installations for more than 15 years. It is also important that the Ministry of Energy withdrew from the proposal to change the rules for determining the substitution fee. The Ministry took into account the recommendations of the renewable energy industry and international chambers of commerce, banks and representatives of conventional energy, which alarmed about the harmful effects of these provisions for existing RES installations. According to TGPE, this would hamper the planning of biomass units, which would hit Polish producers. As a consequence, the gap in achieving the renewable energy target would widen. In the absence of a RES support scenario over 15 years, the Company assumes a fall in biomass prices in the alternative scenario.
- The company has assumed the use of free CO2 emission allowances in the amount resulting from art. 10a of Directive 2003/87 / EC of the European Parliament and of the Council of October 13, 2003.
- Effects of labour cost optimization resulting from the implemented statization policy were taken into account.
- The weighted average cost of capital after tax (WACC) was assumed to be 6.53% over the projection period.
- In terms of BAT conclusions, it was assumed that there would be deviations from the required emission limit values due to the assumed short lifetime of generating assets.

The recoverable amount was estimated based on value in use by using the discounted cash flow method based on prepared financial projections.

The test was performed as at December 31, 2018.

Based on the test, no need was recognized for impairment losses on property, plant and equipment.

Sensitivity analysis

The results of the sensitivity analysis showed that the issue of including support for the biomass block after 2027 has a significant impact on the value in use of the assets tested. In the pessimistic scenario, in the absence of a support mechanism after 2027, the biomass price would have to be 17.15% lower in the period considered, with the remaining assumptions unchanged to cover loss of revenue.

Zespół Elektrowni Pątnów – Adamów – Konin SA	(+) increase by 1.0 p.p.	(-) decrease by 1.0 p.p.
Weighted average cost of capital	(PLN 54 m)	PLN 64 m
	(+) increase by 1%	(-) decrease by 1%.

(in thousand PLN)

Changes in the revenues from sales (electricity price)	PLN 78 m	(PLN 78 m)
	(+) increase by 5%	(-) decrease by 5%.
Change in the cost of sales (price of 1 EUA)	(PLN 109 m)	PLN 109 m
	(+) increase by 5%	(-) decrease by 5%
Change of biomass prices (PLN/GJ)	(PLN 138 m)	PLN 138 m

8. Investment projects

8.1. Long-term investments

12 months period ended 31 December 2018

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Other assets in other entities*	*Total*
Opening balance, including:	1 128 552	30 250	3 500	151	-	**1 162 453**
Gross value	1 170 346	30 250	3 500	200	-	1 204 296
Impairment write-downs	(41 794)	-	-	(49)	-	(41 843)
Increase, including:	188	291	1500	1	-	1 980
– Acquisition	188	-	-	-	-	188
– Values update	-	291	-	1	-	292
– other (change between long- and short-term classification)	-	-	1500	-	-	1 500
Decrease, including:	79 359	7 193	-	-	-	86 552
– Repayment	-	-	-	-	-	-
– Sale	-	-	-	-	-	-
– Values update	79 359	-	-	-	-	79 359
– other (reclassification into short-term part)	-	7 193	-	-	-	7 193
Closing balance, including	**1 049 381**	**23 348**	**5 000**	**152**	**-**	**1 077 881**
Gross value	1 170 534	23 348	5 000	200	-	1 199 082
Impairment write-downs	(121 153)	-	-	(48)	-	(121 201)

In the item Other assets in related entities, a repayable payment of PLN 7,000 thousand is presented for the related entity PAK Górnictwo sp.z o.o. Pursuant to the EGM Resolution No. 104/2017 of 13 March 2017, the additional payment was made on 23 March 2017. On July 31, 2018, Resolution No. 155/2018 of the EGM changed the schedule of repayment of the surcharge. The amount of PLN 2 000 thousand will be repaid by April 30, 2019, the repayment date of the remaining PLN 5 000 thousand will be determined upon repayment of the first part of the surcharge.

The Management Board of the Company identified premises for the impairment of shares held in PAK - VOLT SA and PAK KWB Adamów SA, and therefore tests for impairment of investments in subsidiaries were carried out on the basis of discounted cash flows, on the basis of which write-downs of these assets were made in the amount of 79 359 thousand PLN (applies to shares of PAK KWB Adamów SA).

12 months period ended 31 December 2017

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Other assets in other entities*	*Total*
Opening balance, including:	1 126 153	47 964	-	151	-	1 174 268
Gross value	1 167 947	47 964	-	200	-	1 216 111
Impairment write-downs	(41 794)	-	-	(49)	-	(41 843)
Increase, including:	2 449	-	3 500	-	-	5 949
– Acquisition	2 449	-	-	-	-	2 449
– Values update	-	-	-	-	-	-
– Other	-	-	3 500	-	-	3 500
Decrease, including:	50	17 714	-	-	-	17 764

(in thousand PLN)

– Repayment	-	14 387	-	-	-	14 387
– Sale	-	-	-	-	-	-
– Values update	-	3 327	-	-	-	3 327
– Other	50	-	-	-	-	50
Closing balance, including	**1 128 552**	**30 250**	**3 500**	**151**	**-**	**1 162 453**
Gross value	1 170 346	30 250	3 500	200	-	1 204 296
Impairment write-downs	(41 794)	-	-	(49)	-	(41 843)

8.2. Short-term investments

12 months period ended 31 December 2018

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Other assets in other entities*	*Total*
Opening balance, including:	-	15 214	3 500	-	-	18 714
Gross value	-	15 214	3 500	-	-	18 714
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	8 666	-	-	19	8 685
– Acquisition	-	-	-	-	-	-
– Values update	-	1 473	-	-	19	1 492
– other (reclassification from long-term part)	-	7 193	-	-	-	7 193
Decrease, including:	-	442	1 500	-	-	1 942
– Repayment	-	442	-	-	-	442
– Sale	-	-	-	-	-	-
– Values update	-	-	-	-	-	-
– other (reclassification into short-term part)	-	-	1 500	-	-	1 500
Closing balance, including	**-**	**23 438**	**2 000**	**-**	**19**	**25 457**
Gross value	-	23 438	2 000	-	19	25 457
Impairment write-downs	-	-	-	-	-	-

12 months period ended 31 December 2017

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Other assets in other entities*	*Total*
Opening balance, including:	-	16 125	-	-	296	16 421
Gross value	-	16 125	-	-	296	16 421
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	574	3 500	-	-	4 074
– Acquisition	-	574	-	-	-	574
– Values update	-	-	-	-	-	-
– Other	-	-	3 500	-	-	3 500
Decrease, including:	-	1 485	-	-	296	1 781
– Repayment	-	621	-	-	-	621
– Sale	-	-	-	-	-	-
– Values update	-	864	-	-	-	864
– Other	-	-	-	-	296	296
Closing balance, including	**-**	**15 214**	**3 500**	**-**	**-**	**18 714**
Gross value	-	15 214	3 500	-	-	18 714
Impairment write-downs	-	-	-	-	-	-

9. Short-term receivables

	Year ended 31 December 2018	*Year ended 31 December 2017*
Trade receivables, including:	98 196	97 525
– From related entities	53 986	36 626
– From other entities	44 210	60 899
Receivables from taxes, subsidies, customs, social and health insurance and other public law titles	6 189	19 409
Other, including:	71 008	21 510

(in thousand PLN)

– Dividend receivables	10 000	-
– deposits and security deposits	55 868	12 930
– Receivables from loans and other benefits of the Company Social Benefits Fund	3 217	3 126
– other	1 923	5 454
Total short-term receivables	**175 393**	**138 444**

10. Prepaid expenses

	31 December 2018	*31 December 2017*
Long-term prepaid expenses		
Assets due to deferred income tax	-	-
Other, including:	7 804	8 604
– the costs of implementing the license	330	539
– ash storage facility	7 469	8 053
– other	5	12
Total (after deduction)	**7 804**	**8 604**
Short-term prepaid expenses		
Subscription	9	9
PPE participation fee	-	145
The costs of implementing the license	209	209
Fee for supporting IT systems	-	44
Other	106	127
Total	**324**	**534**

11. Share capital

31 December 2018

Shareholders	*pcs* *Number of shares*	*PLN* *Value per one share*	*%* *Share in the share capital*	*pcs* *Number of votes*	*%* *Share total number of votes*
Zygmunt Solorz (indirectly) through: Elektrim SA, Embud 2 sp. z o.o. S.K.A., Trigon XIX FIZ, Argumenol Investment Company Limited	26 200 867	2,00	51,55	26 200 867	51,55
Nationale-Nederlanden OFE	5 068 410	2,00	9,97	5 068 410	9,97
OFE PZU „Złota Jesień”	2 664 378	2,00	5,24	2 664 378	5,24
Others	16 889 892	2,00	33,24	16 889 892	33,24
Total	**50 823 547**		**100,00**	**50 823 547**	**100,00**

** According to information possessed by the Company based on the delivered notices of purchase / sale of shares.*

31 December 2017

Shareholders	*pcs* *Number of shares*	*PLN* *Value per one share*	*%* *Share in the share capital*	*pcs* *Number of votes*	*%* *Share total number of votes*
Zygmunt Solorz (indirectly) through: Elektrim SA, Embud sp. z o.o., Trigon XIX FIZ, Argumenol Investment Company Limited	26 200 867	2,00	51,55	26 200 867	51,55
Nationale-Nederlanden OFE	5 068 410	2,00	9,97	5 068 410	9,97
Towarzystwo Funduszy Inwestycyjnych PZU SA	3 081 567	2,00	6,06	3 081 567	6,06
OFE PZU „Złota Jesień”	2 664 378	2,00	5,24	2 664 378	5,24
Others	13 808 325	2,00	27,18	13 808 325	27,18
Total	**50 823 547**		**100,00**	**50 823 547**	**100,00**

** According to information possessed by the Company based on the delivered notices of purchase / sale of shares.*

(in thousand PLN)

12. Interest-bearing bank credits and loans and other financial liabilities

	31 December 2018	*31 December 2017*
Long-term		
Liabilities due to financial leasing and lease agreements with a purchase option	492	489
Obligation	-	-
Loans in total, including:	58 900	201 035
– Revolving loans	-	-
– Investment loans	58 900	201 035
Other liabilities	2 000	2 000
Total	**61 392**	**203 524**
Short-term		
Liabilities due to financial leasing and lease agreements with a purchase option	364	961
Obligation	-	-
Loans in total, including:	148 773	153 684
Current account loans	-	-
Other loans:	148 773	153 684
– Revolving loans	-	-
– Investment loans	148 773	153 684
Total	**149 137**	**154 645**

The balance of investment loan A granted by the Consortium of banks mBank SA with its registered office in Warsaw, BGK with its registered office in Warsaw, Bank Millennium SA with its registered office in Warsaw, PEKAO SA with its registered office in Warsaw and PKO BP SA with its registered office in Warsaw as at 31 December 2018 is 156 013 thousand zlotys. The repayment deadline is March 20, 2020. Interest rate according to WIBOR 3M rate plus bank margin.

The balance of investment loan B granted by the Consortium of banks mBank SA with its registered office in Warsaw, BGK with its registered office in Warsaw, Bank Millennium SA with its registered office in Warsaw, PEKAO SA with its registered office in Warsaw and PKO BP SA with its registered office in Warsaw as at 31 December 2018 is PLN 51 659 thousand. The repayment deadline is March 20, 2020. Interest rate according to WIBOR 3M rate plus bank margin.

Information on collateral for liabilities incurred is presented in note 19.

13. Profit sharing

13.1 Profit sharing for the previous year

The General Meeting which was held on 22 June 2018, adopted a resolution to allocate a net profit of PLN 115 609 thousand to:

- Pay the dividend in the amount of PLN 85 960 thousand,
- Increase in the supplementary capital in the amount of PLN 29 649 thousand.

13.2 Profit sharing for current year

The net profit for 2018 financial year amounted to PLN 64 516 thousand. As of the day of preparing this financial statement the Management Board of ZE PAK SA did not make any decision as to the proposal of covering the loss.

(in thousand PLN)

14. Reserves

In the reporting periods covered by the financial statements, the following changes occurred in the state of reserves:

12 months period ended 31 December 2018

	Deferred income tax	*Provision for retirement benefits and similar*	*Provision for CO_2 emission allowances*	*Reserve for the return of CO_2 emission allowances*	*Reclamation provision*	*Liquidation provision*	*Other reserves*	*Total*
As of 1 January 2018	79 215	23 207	221 792	-	62 033	16 593	1 190	404 030
Increase	-	7 593	334 782	30 640	1 838	798	-	375 651
Use	(41 692)	(10 945)	(221 792)	-	(215)	-	-	(274 644)
Termination	-	-	-	-	-	-	-	-
As of 31 December 2018, including:	**37 523**	**19 855**	**334 782**	**30 640**	**63 656**	**17 391**	**1 190**	**505 037**
Long-term	37 523	7 905	-	30 640	63 440	17 391	-	156 899
Short-term	-	11 950	334 782	-	216	-	1 190	348 138

12 months period ended 31 December 2017

	Deferred income tax	*Provision for retirement benefits and similar*	*Provision for CO_2 emission allowances*	*Reclamation provision*	*Liquidation provision*	*Other reserves*	*Total*
As of 1 January 2017	68 806	22 440	250 189	1 005	16 848	626	359 914
Impact of error adjustment	-	-	-	61 278	-	-	61 278
Increase	10 409	11 089	221 792	-	-	1 190	244 480
Use	-	(10 322)	(250 189)	(250)	-	(535)	(261 296)
Termination	-	-	-	-	(255)	(91)	(346)
As of 31 December 2017, including:	**79 215**	**23 207**	**221 792**	**62 033**	**16 593**	**1 190**	**404 030**
Long-term	79 215	9 210	-	61 817	16 593	-	166 835
Short-term	-	13 997	221 792	216	-	1 190	237 195

(in thousand PLN)

Due to the suspension of investments in blocks 3 and 4 and the gas and steam block, the Management Board of the Company estimated the potential risk of returning free CO2 emission rights in the amount of approximately EUR 6.5 million with interest which constitutes the amount of PLN 30 640 thousand.

In connection with the submission to the European Commission of a revised National Investment Plan for 2013-2020, the Company asked the Minister of the Environment for the possibility of replacing suspended investment tasks with new tasks. In response, the Minister of the Environment asked for a list of tasks whose deadline for completion indicated in the plan is endangered.

On February 28, 2018, the Company filed a letter to the Minister of the Environment, in which it expressed a desire to balance the value of issued CO2 emission rights for investments related to blocks 3 and 4, the costs of planned investments that were to be replaced. By the date of this report, the Company did not receive a response from the Minister of the Environment.

As at the day of preparing this report, the Company diagnosed the risk of a potential return of free CO2 emission allowances received related to the above investment tasks, therefore the contingent liability was reclassified to other provisions in the report.

15. Impairment write-downs on receivables

	Year ended 31 December 2018	*Year ended 31 December 2017*
As of 1 January	35 223	35 434
Increase	9	-
Use	56	2
Termination	56	209
As of 31 December	**35 120**	**35 223**

16. Long-term liabilities

The structure of the maturity of long-term liabilities:

31 December 2018

	1-3 years	*3-5 years*	*Over 5 years*	*Total*
Long-term liabilities to affiliates	-	-	-	-
Long-term liabilities to other entities, including:	61 392	-	-	61 392
− Bank credits and loans	58 900	-	-	58 900
− Other credits and loans	-	-	-	-
− due to issue of debt securities	-	-	-	-
− due to finance lease	492	-	-	492
− other	2 000	-	-	2 000
Long-term liabilities in total as of 31 December 2018	**61 392**	**-**	**-**	**61 392**

31 December 2017

	1-3 years	*3-5 years*	*Over 5 years*	*Total*
Long-term liabilities to affiliates	-	-	-	-
Long-term liabilities to other entities, including:	203 524	-	-	203 524
− Bank credits and loans	201 035	-	-	201 035
− Other credits and loans	-	-	-	-
− due to issue of debt securities	-	-	-	-
− due to finance lease	489	-	-	489
− other	2 000	-	-	2 000
Long-term liabilities in total as of 31 December 2017	**203 524**	**-**	**-**	**203 524**

(in thousand PLN)

17. Short-term liabilities

	Year ended 31 December 2018	*Year ended 31 December 2017*
Trade liabilities, including:	45 856	48 273
– From related entities	10 743	26 687
– From other entities	35 113	21 586
Loans and advances from other entities	148 773	153 684
Other financial liabilities	364	961
Liabilities due to taxes, customs, social and health insurance and other public law titles	38 141	60 402
Payroll liabilities	3 299	5 644
Other, including:	4 845	16 431
– liability under the Company Social Benefits Fund	1 971	2 508
– payroll deduction	555	583
– investment commitments	1 022	10 036
– other	1 297	3 304
Special funds	4 134	4 202
Total	**245 412**	**289 597**

18. Passive accruals

	31 December 2018	*31 December 2017*
1. Negative goodwill	-	-
2a. Other long-term passive accruals in total	410	457
Accruals of revenues, including:	410	457
– Grant settled in time	410	457
Other, including :	-	-
2b. Other short-term accruals in total	1 359	1 043
Accruals of revenues, including	93	54
– grant settled in time	46	46
– financial compensation	39	-
– other	8	8
Other, including:	1 266	989
– Other reserves	450	185
– Remission of property rights „green certificates”	485	213
– Remission of property rights „white energy”	36	82
– Remission of property rights „red certificates”	44	88
– Remission of property rights „blue certificates”	31	62
– Remission of property rights gas payment „yellow”	193	320
– Remission of property rights gas payment „purple”	27	39
Accruals – total	**1 769**	**1 500**

19. Liabilities secured on the assets of the unit

The company had the following types of liabilities secured on its assets:

Agreement	*Kind of security*	*31 December 2017* *Amount of security*	*Currency*	*31 December 2016* *Amount of security*	*currency*
Syndicated loan agreement of 13 March 2014 for PLN 667 million for ZE PAK SA	Registered pledge on a collection of items Registered pledge on bank accounts Joint contractual mortgage established on real estate	Up to 2 040 000	PLN	Up to 2 040 000	PLN

(in thousand PLN)

20. Contingent liabilities

	31 December 2018	*31 December 2017*
Due to guarantees and sureties granted to:	126 700	50 000
– Affiliated companies, including:	126 700	50 000
– For subsidiaries	126 700	50 000
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities	-	-
From other titles for:	4 100 808	4 049 055
– Affiliated companies, including:	-	-
– For subsidiaries	-	-
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities, including:	4 099 750	4 049 055
– for a partner of a subsidiary	-	-
– for a significant investor	-	-
– for other entities	4 099 750	4 048 110
– for employees	1 058	945
Total contingent liabilities	**4 227 508**	**4 099 055**

The amount of PLN 4 099 750 thousand relates to collateral of the syndicated loan of March 13, 2014 for the amount of PLN 667 million. The main security items include: registered and financial pledge on shares of ZE PAK SA in PAK Infrastructure, assignment from electricity sales contracts and assignment from the insurance policy of Pątnów Power Plant.

Contingent liability for decommissioning of power plants in the light of the integrated permits held

The obligation to carry out liquidation and land reclamation results from integrated permits for operating fuel combustion installations at Pątnów and Konin and Adamów power plants belonging to ZE PAK SA. In the event of termination of activities, the abovementioned entities are obliged to carry out the liquidation of all facilities and equipment of the installation in accordance with the requirements arising from the provisions of the construction law. The area of installations after their liquidation should be managed according to the arrangements made with the local government body. In particular, a project for decommissioning facilities and equipment should be prepared taking into account environmental protection requirements, mainly in relation to waste management.

Therefore, in order to reliably estimate the costs of decommissioning facilities and equipment, it is necessary to draw up a project that takes into account a number of requirements (e.g. construction, health and safety, environmental). These requirements will be fully dependent on the arrangements made with the local government body, because it is with him that the method of land development should be determined. At present, we do not know the date of termination of activity, we do not know the arrangements that will have to be worked out with the local government regarding the way of land development, thus it is not possible to reliably estimate the costs of decommissioning.

21. Other contracts not included in the balance sheet

As at December 31, 2018 and as at December 31, 2017, the Company did not have any significant contracts not included in the balance sheet.

(in thousand PLN)

22. Material and territorial structure of sales

The material structure of sales revenues in 2018 and 2017 was as follows:

	Year ended 31 December 2018	*Year ended 31 December2017*
Revenues from electricity sale, including:	816 727	1 099 668
– Affiliated companies	291 878	324 063
– Other entities	524 849	775 605
Revenues from certificates of origins, including:	45 983	684
– Affiliated companies	-	-
– Other entities	45 983	684
Revenues from sale of heat, including:	36 774	57 204
– Affiliated companies	29	30
– Other entities	36 745	57 174
Revenues from sale of services, including:	89 346	102 816
– Affiliated companies	86 698	100 928
– Other entities	2 648	1 888
Revenues from electricity from resale, including:	229 434	214 211
– Affiliated companies	-	-
– Other entities	229 434	214 211
Revenues from other sales, including:	2 536	2 472
– Affiliated companies	1 617	1 439
– Other entities	919	1 033
Total net revenues	**1 220 800**	**1 477 055**

Structure of revenues from the sale:

	31 December2018	*31 December 2017*
Revenues achieved in domestic turnover	1 220 713	1 477 055
Revenue generated in foreign trade	87	-
Total	**1 220 800**	**1 477 055**

23. Impairment write-downs of fixed assets

In the current reporting period the Company made the impairment write-downs of fixed assets in the amount of PLN 6 584 thousand. Having analysed, the Management Board of the Company supposes the some of the begun investments will not be completed.

24. Interest and exchange differences, which increased the purchase price of goods or the cost of manufacturing products in the financial year

Both in the financial year ended on December 31, 2018 and in the previous year, the Company did not increase the purchase price of goods or the cost of producing products with interest or exchange rate differences.

25. Inventories

	31 December2018	*31 December 2017*
Materials	35 094	39 601
Semi-finished products and products in progress	-	-
Products	-	-
Goods, including:	20 989	1 985
– Green certificates	20 291	1 342
– Red certificates	489	510
– Yellow certificates	135	59
– White certificates	34	74
– Purple certificates	20	-

(in thousand PLN)

– Blue certificates	20	-
Advances for deliveries	1	31
Total inventories	**56 084**	**41 617**
Total impairment write-downs for inventories, including:	11 233	2 521
– Materials	9 518	2 521
– goods	1 715	-

26. Information on revenues, costs and results of discontinued operations in the financial year or to be discontinued in the following year

In the financial year, the Company did not discontinue and in the next year it does not plan to discontinue any type of activity.

27. Income tax

Reconciliation of the gross profit to the tax base is as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Gross profit (loss)	**(106 192)**	128 490
Revenues of the current year not included in the taxable income	(170 040)	(67 609)
– Valuation of the loan granted to EPII (capital)	(3 534)	(2 213)
– Revenue from certificates' production	(37 031)	(1 599)
– Depreciation write-down	(46)	(46)
– Accrued interest on loans granted	(90)	(89)
– reimbursement of the penalty paid to the Energy Regulatory Office for not maintaining fuel reserves	(1 500)	-
– Account and settlement valuation	(5)	(4)
– Accrued interest on bank accounts	(29)	(201)
– Valuation of forward contracts	(19)	-
– Termination of impairment write-downs on materials	-	(1 159)
– Termination of impairment write-downs on receivables	-	-
– Termination of impairment write-downs on certificates	-	(13)
– Revenues from leasing contracts	(12)	-
– received dividends	(127 774)	(62 285)
Revenues of the current year not included in the net result of the fiscal year	510	271
– start-up costs	201	-
– Interest paid on loans granted	90	137
– Received interest on bank accounts	219	134
The costs of the current year permanently not recognized as tax deductible costs	2 751	3 249
– Trade union costs	119	118
– Car depreciation of value above EUR 20 000	232	170
– Depreciation of granted fixed assets	71	73
– depreciation of assets for the ash landfill	584	-
– Payment on PFRON	915	1 340
– Budget interest	18	3
– Restructuring costs	81	-
– Costs of representation	573	101
– Costs of Supervisory Board	4	6
– Donation	150	243
– other	4	1 195
The costs of the current year transitionally not recognized as tax deductible costs	492 034	251 602
– social security contributions	1 984	2 503
– unpaid salaries (civil contracts)	86	86
– creating a reserve for an annual bonus	7 910	9 011
– creating a reserve for audit costs	105	169
– creation of a provision for employee benefits costs	-	689
– creation of a provision for CO_2 refund	30 640	-
– creating revaluation write-offs for materials	6 997	-
– creation of revaluation write-offs for fixed assets under construction	6 584	-
– creation of write-offs revaluating financial assets	79 359	-

(in thousand PLN)

– revaluation of green certificates	1 702	-
– revaluation of red certificates	13	-
– creation of a reserve for CO2 emission allowances	335 045	221 792
– creation of a provision for liquidation of property assets	799	746
– accrued interest for late payment	-	114
– discount on the reserve for the ash landfill	1 838	-
– valuation of forward contract	-	1 101
– accrued interest on loans and borrowings	1 499	1 339
– costs of sale of green and red certificates	16 087	13 244
– RMB green certificates	485	213
– RMB red certificates	43	88
– RMB yellow certificates	193	320
– RMB purple certificates	27	39
– RMB white Energy	36	82
– RMB blue certificates	31	62
– RMB environmental fees	345	-
– valuation of cash at hand and on accounts in foreign currencies	4	4
– other	222	-
The costs of the previous year recognized as tax-deductible expenses in the current year	(11 907)	(12 205)
– social security contribution and remuneration	(2 589)	(2 696)
– an annual bonus paid out	(9 318)	(8 932)
– liquidation of fixed assets	-	(139)
– tax paid for previous years	-	(438)
The costs of the current year recognized as tax deductible expenses not recognized in profit / loss account	(118 952)	(124 518)
– tax depreciation	(118 952)	(124 518)
Other differences	(72 393)	(73 836)
– purchase of CO2 emission allowances	(70 788)	(79 001)
– termination of reclamation reserve	(216)	(250)
– termination of provision for employee benefits	(1703)	-
– termination of provisions for holidays	(240)	-
– termination of provision for audit	(185)	(132)
– termination of provision for certificates payment	(39)	(39)
– termination of the reserve for liquidation	-	(116)
– termination of the reserve for payments	-	(89)
– certificates purchased to cover the obligation for the previous year	(464)	(612)
– operational lease (fee)	(193)	(147)
– interest on loans and advances paid	-	350
– reversal of the valuation of the loan granted (interest + capital)	2 213	6 404
– liquidation of fixed assets (tax difference and balance sheet difference)	141	-
– reversal of the forward contract valuation	(805)	-
– other	(114)	(204)
Tax income (loss)	**15 811**	**105 444**
– Use of income loss	(15 801)	(91 114)
– Donations to deduct	(10)	(112)
Tax basis income	**0**	**14 218**
Tax rate	**19%**	**19%**
Income tax (current)	**0**	**2 701**
Income tax refund from previous years	-	(273)
Income tax on dividends	16	38
Change in the provision / asset of differed income tax	(41 692)	10 415
Total income tax	**(41 676)**	**12 881**

Regulations regarding value added tax, corporate income tax and social security burdens are subject to frequent changes. These frequent changes result in the lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applicable. The binding provisions also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities as well as state authorities and enterprises.

Tax settlements and other areas of activity (for example, customs or currency issues) may be subject to control by authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from control must be paid together with high interest. These conditions mean that the tax risk in Poland is higher than in countries with a more mature tax system.

As a consequence, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax control authority.

As of 15 July 2016, amendments to the Tax Code were introduced to take into account the provisions of the General Anti-Abuse Regulation (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an act performed primarily to obtain a tax advantage that is contrary to the circumstances under consideration with the subject and purpose of the tax act. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Any occurrence of (i) unjustified dividing of operations, (ii) involving intermediary entities in the absence of economic or financial justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for the existence of artificial activities subject to the GAAR provisions. The new regulations will require much greater judgment in assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out prior to the entry into force of the GAAR clause, but for which, after the date of entry into force, the benefits were or are still being achieved. The implementation of the aforementioned provisions will enable the Polish tax inspection authorities to question the legal arrangements and arrangements made by legal taxpayers, such as the restructuring and reorganizing of the group.

The Company recognizes and measures assets and liabilities due to current and deferred income tax when applying AoA requirements. Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, including uncertainty assessments related to tax settlements.

When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of the transaction, the Company recognizes these settlements taking into account the uncertainty assessment.

(in thousand PLN)

Deferred income tax provisions / assets consist of differences from the following titles:

	Balance sheet		*Profit and loss account for the period ended*	
	31 December 2018	*31 December 2017*	*31 December2018*	*31 December 2017*
Deferred income tax reserve				
Accelerated tax depreciation	130 967	108 430	22 537	23 685
Purchased EUA	8 025	36 766	(28 741)	(32 525)
Loan valuation	671	421	250	(796)
Certificates on stock	3 948	352	3 596	(2 263)
Other	27	59	(32)	(104)
Deferred income tax reserve	**143 638**	**146 028**	**(2 390)**	**(12 003)**
Deferred income tax assets				
Provisions for employee benefits	3 772	4 410	638	(146)
Other reserves	86	34	(52)	93
Reserves for property liquidation	3 304	3 153	(151)	(120)
Reserves for reclamation	103	144	41	47
Reserve for the return of CO_2 allowances	5 822	-	(5 822)	-
Provision for CO2 allowances	63 609	42 140	(21 469)	5 396
Unpaid social security contributions XI-XII	377	476	99	22
Impairment loss on fixed assets under construction	1 251	-	(1 251)	-
Impairment write-down on inventory	1 808	479	(1 329)	220
Impairment write-down on certificates	155	153	(2)	24
Impairment write-down on receivables	367	367	-	-
Impairment write-down on financial property	15 690	2 220	(13 470)	-
Leaseback	84	92	8	8
Tax loss asset	9 671	12 673	3 002	17 311
Other	16	472	456	(437)
Deferred income tax assets	**106 115**	**66 813**	**(39 302)**	**22 418**
Net provision of deferred income tax	**37 523**	**79 215**	**(41 692)**	**10 415**

(in thousand PLN)

28. Costs by type

	Year ended 31 December 2018	*Year ended 31 December 2017*
Depreciation	38 801	38 334
Usage of materials and energy	462 304	617 823
External service	133 780	152 381
Tax and fees	381 916	288 532
Remuneration	76 313	91 163
Social security contribution and other benefits, including retirement	18 337	24 991
Other costs by type	7 208	7 163
Total costs by type	**1 118 659**	**1 220 387**
Change in products	(2 775)	177
The cost of manufacturing products for the entity's own needs (negative value)	(56)	(55)
Costs of sale (negative value)	(1 846)	(2 944)
Administrative costs (negative value)	(50 112)	(35 805)
Costs of manufacturing products sold	(1 063 870)	(1 181 760)

29. Other operating revenues

	Year ended 31 December 2018	*Year ended 31 December 2017*
Profit from disposal of non-financial fixed assets, including:	63	9
– Profit from disposal of tangible and intangible fixed assets	63	9
– Net value of fixed assets and liquidation costs	-	-
Grants	46	46
Other operating revenues, including:	2 993	3 205
– Termination of reclamation	-	205
– Inventory differences	-	-
– Reduction of impairment write-downs on inventory	-	1 172
– Reduction of impairment write-downs on receivables	1	1
– Received compensations and contractual penalties	2 246	354
– Actuarial gains	-	-
– other	746	1 473
Total other operating revenues	**3 102**	**3 260**

30. Other operating costs

	Year ended 31 December 2018	*Year ended 31 December 2017*
Revaluation of non-financial assets, including:	15 296	-
– Impairment write-downs on receivables	-	-
– Impairment write-downs on inventories	6 997	-
– Impairment write-downs on fixed assets under construction	6 584	-
– Impairment write-down on certificates	1 715	-
Other operating costs, including:	32 272	3 305
– costs of contentious and enforcement proceedings	200	203
– provision for the return of CO_2 allowances	30 640	-
– other reserves	-	1 190
– material and financial donations transferred	150	243
– Damage costs due to equipment failures	597	470
– Costs of inventory liquidation	16	15
– Paid compensations and penalties	33	33
– Actuarial losses	486	1 092
– Other operating costs	150	59
Total other operating costs	**47 568**	**3 305**

(in thousand PLN)

31. Financial revenues

	Year ended 31 December 2018	*Year ended 31 December 2017*
Profits from dividends and share in profits, including:	127 774	62 285
– profits from participation in affiliates, including:	127 692	62 085
• Elektrownia Pątnów II sp. z o.o.	90 000	-
• PAK – HOLDCO sp. z o.o.	24 972	50 000
• PAK Serwis sp. z o.o.	5 215	5 646
• PAK – VOLT SA	4 000	3 300
• PAK Infrastruktura sp. z o.o..	3 505	3 139
– profits from participation in other entities	82	200
Interest, including:	2 569	2 811
– interest on loans granted to affiliates	428	574
• Elektrownia Pątnów II sp. z o.o.	428	574
– remaining interest from affiliates	-	-
– interest on other contractors	-	-
– bank interest	1 737	2 030
– interest on the refunded URE penalty	387	-
– other interests	17	207
Profit from disposal of investments, including:	-	-
– revenues from the sale of shares	-	-
– net value of the shares	-	-
Revaluation of investment, including:	2 146	-
– impairment write-down on financial assets	2 146	-
Other, including:	487	1 499
– realized positive exchange rates	174	1 415
– profit from realized forward contract	-	-
– other	313	84
Total financial revenues	**132 976**	**66 595**

32. Financial costs

	Year ended 31 December 2018	*Year ended 31 December 2017*
Loss on disposal of investment	-	-
Interest, including:	11 738	16 944
– Interest for affiliates	-	-
– Interest for other entities	13	116
– Budget interest	18	3
– Bank interest	11 624	16 526
– Other interest (including those from lease liabilities)	83	299
Revaluation of financial assets, including:	79 359	5 292
– write-down of shares in PAK KWB Adamów SA	79 359	-
– revaluation of financial assets held for resale	-	1 101
– valuation of the loan	-	4 191
Other, including:	3 426	1 865
– exchange rates	-	-
– other financial costs	789	1 119
– discount of the reserves	2 637	746
Total financial costs	**94 523**	**24 101**

(in thousand PLN)

33. The cost of producing fixed assets under construction

	Year ended 31 December 2018	*Year ended 31 December 2017*
The cost of producing fixed assets under construction, including:	11 918	26 080
– interest on liabilities (taken out to finance the production of fixed assets)	-	-
– exchange rates on liabilities (taken out to finance the production of fixed assets)	-	-

34. Income and costs of extraordinary value or which occurred incidentally

Until the date of preparation of the financial statements for the period ended December 31, 2018, i.e. until April 30, 2019, there were no other significant events concerning prior years that have not been and should have been included in the financial statements for the financial year.

35. The structure of cash received in the cash flow statement

	Year ended 31 December 2018	*Year ended 31 December 2017*
Cash at bank accounts, including:	149 331	147 331
– Cash on VAT accounts	147	-
Cash on hand	19	17
Other cash	-	25 188
Total cash	**149 350**	**172 536**
Cash in PLN currency	73 669	172 545
Cash in foreign currency (after conversion)	75 681	1
Cash in EUR currency	17 600	-
Exchange differences	5	(10)
Cash in the Cash Flow Statement	**149 345**	**172 546**

36. The reasons for differences between changes in the balance of certain items in the balance sheet and changes in the same items reported in the cash flow statement

	Year ended 31 December 2018	*Year ended 31 December 2017*
Receivables		
Balance sheet change in long-term and short-term net receivables	(36 949)	(960)
– Receivables due to dividends	10 000	-
– change in the balance of investment receivables	-	-
Change in the balance of investment in cash flow statement	**(26 949)**	**(960)**

	Year ended 31 December 2018	*Year ended 31 December 2017*
Liabilities		
Balance sheet change in short-term and long-term liabilities and loans	(186 317)	(238 093)
– change in liabilities due to loans	147 046	147 205
– change in liabilities due to purchase of CO2 emission allowances	-	59 951
– change in leasing liabilities	(211)	(850)
– change in investment liabilities	11 379	(12 532)
– other	805	-
Change in liabilities in the cash flow statement	**(27 298)**	**(44 319)**

	Year ended 31 December 2018	*Year ended 31 December 2017*
Reserves		
Balance sheet change in provisions	101 007	(17 453)
– change in the EUA redemption reserve	222 055	250 189
Change in provisions in the cash flow statement	**323 062**	**232 736**

(in thousand PLN)

	Year ended 31 December 2018	*Year ended 31 December 2017*
Investment activity		
– profit (loss) on disposal of investments	(63)	(9)
– valuation of forward contract	(825)	1 101
Profit (loss) on investing activities in the cash flow statement	**(888)**	**1 092**

	Year ended 31 December 2018	*Year ended 31 December 2017*
Other adjustments		
Balance change in the status of other adjustments	-	-
– purchase of CO_2 emission allowances	(70 788)	(138 953)
– acquisition of land by acquisitive prescription	-	-
– assignment of a car leasing contract	(12)	(65)
– impairment loss on financial assets	79 359	-
– impairment loss on fixed assets under construction	6 584	-
Change in other adjustments in the cash flow statement	**15 143**	**(139 018)**

37. Information on average employment divided into professional groups

	Year ended 31 December 2018	*Year ended 31 December 2017*
Group of employed		
Management	4	4
Administration	36	40
Sales department	18	10
Production department	671	916
Others	211	259
Total employment	**940**	**1 229**

38. Information on the remuneration of an audit firm

The table below presents the remuneration of the entity authorized to audit financial statements paid or due for the year ended 31 December 2018 and 31 December 2017, divided into types of services:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Audit of an annual financial statements	437	194
Other certified services	-	-
Tax advisory services	-	-
Other services	13	23
Total, including:	**450**	**217**
– Due at the balance sheet day	**105**	**204**
– Paid out at the balance sheet day	345	13

39. Information on remuneration, including remuneration from profits and pensions paid or due to persons who are members of management and supervisory bodies

The remuneration of persons who are members of the managing and supervising or administering bodies of the Company amounted to:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Remuneration		
Management Board	2 314	2 400
Supervisory Board	1 020	993
Total remuneration	**3 334**	**3 393**

40. Information on loans and benefits of a similar nature granted to persons who are members of the managing and supervising bodies

In both the financial year ended December 31, 2018 and the previous year, the Company did not grant any loans and benefits of a similar nature to persons who are members of the management and supervisory bodies.

41. Information on joint ventures that are not consolidated

The company did not undertake joint ventures that are not consolidated.

42. Information on joint ventures that are not consolidated

42.1. Capital Group

a) The company operates within the Elektrim SA Capital Group.

The consolidated financial statements at the highest level of the capital group, which includes the Company as a subsidiary, is prepared by Elektrim SA with its registered office in Warsaw. The duration of the parent company and entities belonging to the Capital Group is indefinite. This report is available at the Company's headquarters in Warsaw at 77/79 Pańska Street.

a) The company is a parent company and prepares consolidated financial statements. The Capital Group of Zespół Elektrowni Pątnów - Adamów - Konin SA ("Group", "Capital Group", "ZE PAK SA Group") consists of Pątnów - Adamów - Konin SA Power Plant (" parent Company"," Company "," ZE PAK SA ") and its subsidiaries. The consolidated financial statements of the Group cover the year ended on December 31, 2018 and contain comparative data for the year ended December 31, 2017. The consolidated financial statements are available at the Company's headquarters in Konin at 45 Kazimierska str.

The duration of the parent company and entities comprising the Capital Group is indefinite.

The basic subject of the Group's operations is:
1) Generation and sale of electricity,
2) Production and sale of heat (water steam and hot water),
3) Lignite mining.

(in thousand PLN)

The consolidated financial statements include the Reports of the following Companies:

Entity	*Registered office*	*Scope of operations*	*Group's share in the capital in %* *31 December 2018*	*31 December 2017*
„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 Kopalnia Węgla Brunatnego Konin SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	97,68%*	97,58%*
PAK Kopalnia Węgla Brunatnego Adamów SA	62-700 Turek Warenka 23	Lignite extraction	99,35%	99,26%
Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%	100,00%
„PAK GÓRNICTWO" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Exploration and recognition of lignite	100,00%	100,00%
PAK – Volt SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
„PAK – HOLDCO" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	-	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 Adamów sp. z o.o	62-510 Konin Ul. Kazimierska 45	Buying and selling real estate	100,00%	100,00%
„Aquakon" sp. z o.o. in liquidation	62-610 Sompolno Police	Mechanical services, repairs, reclamation of land, production and trade of mineral water	96,2%*	96,2%*
Eko-Surowce sp. z o.o. in liquidation	62-540 Kleczew ul. 600-lecia 9	Vulcanization services, sales of lignite	-	100,00%*
Energoinwest Serwis sp. z o.o. in liquidation	62-510 Konin ul. Spółdzielców 3	Repair-construction service	-	100,00%*
EL PAK Serwis sp. z o.o. in liquidation	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of electric equipment, repair and maintenance of machines	-	100,00%*

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

As at 31 December 2018, the share in the total number of votes held by the Group in subsidiaries is equal to the Group's share in the capital of these entities.

42.2. Transactions with affiliated entities

The volume of transactions with entities under the control of the parent company amounted to:

Elektrownia Pątnów II sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	140	106
Sale	63 633	78 075
Exchange rates – financial costs	1 335	2 734
Interest – financial revenues	428	574
Received dividends and share in profit	90 000	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	3 010	8 080
Liabilities for deliveries, works and services	19	63
Loans granted	46 786	45 464
Loans received	-	-
Other receivables	11 847	2 357
Other liabilities	-	-

(in thousand PLN)

PAK Infrastruktura sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	9 921	10 582
Sale	11 100	9 986
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	3 505	3 139

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	1 139	1 019
Liabilities for deliveries, works and services	1 017	1 085
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK - HOLDCO sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	-
Sale	-	6
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	24 972	25 000

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK Kopalnia Węgla Brunatnego Konin SA

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	345 983	386 557
Sale	4 000	4 440
Other operational revenues	554	295
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	12 062	7 803
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

PAK Kopalnia Węgla Brunatnego Adamów SA

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	148	176 351
Sale	1 588	1 663
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	267	305
Liabilities for deliveries, works and services	16	11 835
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	76 184	88 300
Sale	5 682	6 162
Other operational revenues	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	5 215	5 646

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	1 036	920
Liabilities for deliveries, works and services	7 858	12 037
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	685	3 049

EL PAK Serwis sp. z o.o. in liquidation

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	-
Sale	-	369
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	-	3
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

Energoinwest Serwis sp. z o.o. in liquidation

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	2 216
Sale	-	462
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	-	4
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK Górnictwo sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	7 185	3 659
Sale	2 604	1 230
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	333	624
Liabilities for deliveries, works and services	1 633	1 467
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK – VOLT SA

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	4	5
Sale	291 549	323 608
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	4 000	3 300

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	36 138	17 860
Liabilities for deliveries, works and services	200	200
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

PAK Adamów sp. z o.o.

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	-
Sale	6	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

Aquakon sp. z o.o. in liquidation

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	266
Sale	10	137
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	1	3
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

Eko – Surowce sp. z o.o. in liquidation

	Year ended 31 December 2018	*Year ended 31 December 2017*
Purchase	-	1 868
Sale	-	617
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2018	*31 December 2017*
Receivables due to deliveries, works and services	-	5
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

43. List of companies in which the Company has a capital interest or 20% in the total number of votes in the company's governing body

As at 31 December 2018

	Name of entity	*Seat*	*Number of shares*	*Balance value of shares***	*Share in equity (%)*	*Net profit (loss) for the year ended on December 31 2018**	*Equity capitals as at December 31 2018 **
1.	Elektrownia Pątnów II sp. z o.o.	Konin	200	750 500	100,00	(3 276)	1 357 778
2.	PAK KWB Konin SA	Kleczew	23 906 202	125 244	97,68	(134 564)	158 403
3.	PAK KWB Adamów SA	Turek	11 921 833	-	99,35	(120 865)	(64 444)
4.	Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 655	100,00	(802)	24 380
5.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	5 369	16 750
6.	PAK – VOLT SA	Warszawa	2 950 000	118 500	100,00	(14 241)	25 173
7.	PAK Infrastruktura sp. z o.o.	Konin	200	48 885	100,00	1 830	62 222
8.	PAK Adamów sp. z o.o.	Konin	1 000	50	100,00	(9)	41
9.	Aquakon sp. z o.o. in liquidation	Police	5 060	1 536	96,20	10	3 479

** Companies' data is not final*
*** The balance sheet value of shares results from direct and indirect involvement in capital.*

As at 31 December 2017

	Name of entity	*Seat*	*Number of shares*	*Balance value of shares**	*Share in equity (%)*	*Net profit (loss) for the year ended on December 31 2017*	*Equity capitals as at December 31 2017*
1.	Elektrownia Pątnów II sp. z o.o.	Konin	200	750 500	100,00	145 614	1 448 836
2.	PAK KWB Konin SA	Kleczew	23 882 993	125 244	97,58	8 707	293 003
3.	PAK KWB Adamów SA	Turek	11 911 565	79 291	99,26	(41 143)	56 422
4.	Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 655	100,00	3 715	30 397
5.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	454	11 291
6.	PAK – VOLT SA	Warszawa	2 950 000	118 500	100,00	3 286	43 500
7.	PAK – HOLDCO sp. z o.o.	Konin	200	750 550	100,00	49 972	775 726
8.	PAK Infrastruktura sp. z o.o.	Konin	200	48 885	100,00	3 505	63 898
9.	PAK Adamów sp. z o.o.	Konin	1 000	50	100,00	(1)	49
10.	Aquakon sp. z o.o. in liquidation	Police	5 060	1 536	96,20	143	3 498
11.	Eko – Surowce sp. z o.o. in liquidation	Kleczew	100	102	100,00	(51)	(6 728)
12.	EL PAK Serwis sp. z o.o. in liquidation	Konin	5 000	507	100,00	2 036	(446)
13.	Energoinwest Serwis sp. z o.o. in liquidation	Konin	1 050	3 061	100,00	6 509	9 850

** The balance sheet value of shares results from direct and indirect involvement in capital*

All shares in subsidiaries as at December 31, 2018 and as at December 31, 2017 were not preferential.

44. Information on meeting the requirements of art. 44 of the Energy Law

Article 44 paragraph 1 of the Energy Law Act, in order to ensure equal treatment of recipients and eliminate cross-subsidies, obliges energy companies to keep accounting records in a way that allows separate calculation of costs and revenues, profits and losses for business operations in the supply of gaseous fuels or energy, including costs fixed, variable costs and revenues, separately for the production, transmission, distribution and trade in gaseous fuels or energy, storage of gaseous fuels and liquefied natural gas or regasification of liquefied natural gas, as well as for groups of customers defined in the tariff and not related to mentioned above.

In order to meet the aforementioned requirement, the Company keeps an accounting register enabling the separate calculation of costs and revenues, profits and losses for particular types of activities listed in art. 44 item 1 of the Energy Law. In terms of revenues, revenues related to the sale of electricity, heat energy, property rights and system services were separated. In terms of costs, the Company keeps records ensuring the division of costs into variable and permanent. Variable costs depend on the volume of electricity and heat production; these are costs of coal, biomass, auxiliary liquid fuels like mazout or heating oil and limestone flour, costs of chemicals consumption for technological purposes, fees for economic use of the environment in the field of water, post-production waste and emissions of volatile pollutants into the air, costs of purchasing allowances for CO_2 emissions. Costs dependent on the production volume also include costs related to the sale of energy: excise duty, statutory fees related to certification and participation in open energy markets. Other costs are fixed costs. The basis for the settlement of costs for individual activities are distribution keys based on which the type costs are accounted for at the own cost of generating electricity and heat and other activities.

Article 44 paragraph 2 of the Energy Law Act, in order to meet the requirements to ensure equal treatment of recipients and eliminating cross-subsidies between activities, obliges energy enterprises as part of disclosures in the additional information of the annual financial statements to present relevant balance sheet items and profit and loss account separately for individual types of business activity in the scope of transmission or distribution of electricity, transmission, distribution or storage of gaseous fuels, trade in gaseous fuels, liquefaction of natural gas or regasification of liquefied natural gas, as well as indication of the principles of allocation of assets and liabilities and costs and revenues for each of these activities.

As part of its operations, the company has not identified the activities listed in art. 44 item 2 of the Energy Law.

45. Events after the balance sheet date

In the period after the balance sheet date, there were changes in the Supervisory Board and the Company's Management Board. A description of these changes is provided in section 2 of this report 'Introduction to the financial statements'.

Konin, 30 April 2019

Henryk Sobierajski *Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board*	*Zygmunt Artwik* *Vice President of the Board*	*Paweł Markowski* *Vice President of the Board*	*Aneta Desecka* *Chief Accountant*