

**ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN S.A.**  
**FINANCIAL STATEMENT**  
**For the period ended 31 December 2016**  
**Together with independent auditor's report**

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

**Zespół Elektrowni Pątnów - Adamów – Konin SA**  
**Financial statement for the period ended 31 December 2016**  
**(in zloty thousand)**

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## I. Financial Statement

### 1. Balance sheet as of 31 December 2016

ASSETS	Note	As of 31 December 2016	As of 31 December 2015
<b>A. Non-current assets</b>		<b>2 219 586</b>	<b>2 184 042</b>
<b>I. Intangible assets</b>	<b>6d</b>	<b>368 132</b>	<b>289 858</b>
1. Development expenses		-	-
2. Goodwill		-	-
3. Other intangible assets		368 132	289 858
4. Prepayments for intangible assets		-	-
<b>II. Property, plant and equipment</b>		<b>662 844</b>	<b>684 220</b>
1. Tangible fixed assets	<b>6 a</b>	617 868	392 252
a) land (including perpetual usufruct)		1 290	1 248
b) buildings, premises and constructions		187 386	178 928
c) plant and machinery		426 981	209 074
d) motor vehicles		854	1 381
e) other		1 357	1 621
2. Construction in progress	<b>6 b</b>	41 067	287 639
3. Prepayments for construction in progress		3 909	4 329
<b>III. Long-term receivables</b>		-	-
1. From affiliates		-	-
2. From other entities of which entity has capital engagement		-	-
3. From others		-	-
<b>IV. Long-term investments</b>	<b>6f</b>	<b>1 187 862</b>	<b>1 205 340</b>
1. Property		-	-
2. Intangible assets		-	-
3. Long-term financial assets		1 187 862	1 205 340
a) in affiliates		1 187 711	1 205 189
- shares		1 139 747	1 143 453
- other securities		-	-
- loans granted	<b>6m</b>	47 964	61 736
- other long-term financial assets		-	-
b) in other entities of which entity has capital engagement		-	-
c) in other entities		151	151
- shares		151	151
- other securities		-	-
- loans granted		-	-
- other long-term financial assets		-	-
4. Other long-term investments		-	-
<b>V. Long-term prepayments and deferred costs</b>	<b>6p</b>	<b>748</b>	<b>4 624</b>

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1.	Deferred tax assets		-	-
2.	Other prepayments and deferred costs		748	4 624
<b>B.</b>	<b>Current assets</b>		<b>378 620</b>	<b>465 329</b>
<b>I.</b>	<b>Inventories</b>	<b>6 e</b>	<b>53 915</b>	<b>104 156</b>
1.	Raw materials		39 602	38 536
2.	Semi-finished goods and work-in-progress		-	-
3.	Finished goods		-	-
4.	Goods		13 959	64 816
5.	Inventory prepayments		354	804
<b>II.</b>	<b>Short-term receivables</b>	<b>6 o</b>	<b>137 373</b>	<b>153 828</b>
1.	Receivables from affiliates		64 297	51 572
	a) trade receivables, due in:		60 639	44 172
	- up to 12 months		60 639	44 172
	- over 12 months		-	-
	b) other		3 658	7 400
2.	Receivables from other entities of which entity has capital engagement		-	-
3.	Receivables from other entities		73 076	102 256
	a) trade receivables, due in:		53 785	78 610
	- up to 12 months		53 785	78 610
	- over 12 months		-	-
	b) taxation, subsidy, customs duty, social security, health insurance and other debtors		7 428	8 030
	c) other		11 863	15 616
	d) submitted to court		-	-
<b>III.</b>	<b>Short-term investments</b>	<b>6 g</b>	<b>186 022</b>	<b>206 163</b>
1.	Short-term financial assets		186 022	206 163
	a) in affiliates		16 125	23 174
	- shares		-	-
	- other securities		-	7 537
	- loans granted	<b>6 m</b>	16 125	15 637
	- other short-term financial assets		-	-
	b) in other entities		296	-
	- shares		-	-
	- other securities		-	-
	- loans granted		-	-
	- other short-term financial assets		296	-
	c) cash and other monetary assets		169 601	182 989
	- cash on hand and cash at bank		169 601	182 989
	- other cash and cash equivalents		-	-
	- other monetary assets		-	-
2.	Other short-term investments		-	-
<b>IV.</b>	<b>Short-term prepayments and deferred costs</b>	<b>6 p</b>	<b>1 310</b>	<b>1 182</b>
<b>C.</b>	<b>Unpaid share capital (basic)</b>		-	-
<b>D.</b>	<b>Own shares</b>		-	-
<b>Total assets</b>			<b>2 598 206</b>	<b>2 649 371</b>

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LIABILITIES AND EQUITY	Note	As of 31 December 2016	As of 31 December 2015
<b>A. Equity</b>	<b>6 i</b>	<b>1 491 837</b>	<b>1 360 431</b>
<b>I. Stated capital</b>	<b>6 h</b>	<b>101 647</b>	<b>101 647</b>
<b>II. Supplementary capital, including:</b>		<b>1 028 647</b>	<b>2 542 060</b>
- excess of the value of sales (issuance value) over the nominal value of shares		380 030	380 030
<b>III. Revaluation capital, including</b>		<b>227 498</b>	<b>227 531</b>
- revaluation of fair value		227 498	227 531
<b>IV. Other reserve capitals, including:</b>		<b>3 472</b>	<b>5 877</b>
- created in accordance with the articles of association		-	-
- on own (stocks) shares		-	-
<b>V. Profit/ (loss) from previous years</b>		<b>-834</b>	<b>-834</b>
<b>VI. Net profit/ (loss)</b>		<b>131 407</b>	<b>-1 515 850</b>
<b>VII. Write-offs from net profit during the financial year (negative value)</b>		<b>-</b>	<b>-</b>
<b>B. Liabilities and provisions for liabilities</b>		<b>1 106 369</b>	<b>1 288 940</b>
<b>I. Provisions for liabilities</b>	<b>6 j</b>	<b>347 396</b>	<b>374 770</b>
1. Deferred income tax provision		68 806	62 920
2. Pension benefits and similar provisions		9 922	11 598
- long-term		8 835	10 967
- short-term		1 087	631
3. Other provisions		268 668	300 252
- long-term		17 603	17 424
- short-term		251 065	282 828
<b>II. Long-term liabilities</b>	<b>6 k</b>	<b>344 005</b>	<b>536 213</b>
1. Towards related entities		254	254
2. Towards other entities in which the company has equity interests		-	-
3. Towards other entities		343 751	535 959
a) credits and loans	<b>6 l</b>	343 295	535 127
b) debt stocks liabilities		-	-
c) other financial liabilities	<b>6 n</b>	456	591
d) Bill of exchange liabilities		-	-
e) Other		-	241
<b>III. Short-term liabilities</b>	<b>6 k</b>	<b>387 209</b>	<b>343 449</b>
1. Towards related entities		32 405	85 016
a) deliveries and services of the maturity date:		31 922	75 293
- up to 12 months		31 922	75 293
- over 12 months		-	-
b) Other		483	9 723
2. Liabilities towards other entities in which the company has equity interests		-	-
3. Liabilities towards other entities		350 650	253 698

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a)	credits and loans	<b>6 l</b>	158 629	79 943
b)	debt stocks liabilities		-	-
c)	other financial liabilities	<b>6 n</b>	139	135
d)	deliveries and services of the maturity date:		53 247	15 635
	- up to 12 months		53 247	15 635
	- over 12 months		-	-
e)	received advances for supplies and services		50	124
f)	bill of exchange liabilities		-	-
g)	taxes, duties, social and health insurance and other arising out of public law		68 521	83 113
h)	remunerations		4 314	4 067
i)	Other		65 750	70 681
4.	Special funds		4 154	4 735
<b>IV.</b>	<b>Accruals and prepayments</b>	<b>6 p</b>	<b>27 759</b>	<b>34 508</b>
1.	Negative goodwill		-	-
2.	Other accruals and prepayments		27 759	34 508
	- long-term		14 097	15 234
	- short-term		13 662	19 274
<b>Total liabilities</b>			<b>2 598 206</b>	<b>2 649 371</b>

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**2. Profit and Loss Account for the period from 1 January 2016 to 31 December 2016**

Profit and loss account	Note	Year ended 31 December 2016	Year ended 31 December 2015
<b>A. Net sales of finished goods, goods for resale and raw materials, of which:</b>	<b>7 a</b>	<b>1 622 180</b>	<b>1 538 913</b>
-from affiliates		570 581	558 619
I. Net sales of finished goods		1 490 122	1 441 309
II. Net sales of goods for resale and raw materials		132 058	97 604
<b>B. Cost of finished goods, goods for resale and raw materials sold, of which:</b>	<b>7 i</b>	<b>1 509 522</b>	<b>1 555 598</b>
-to affiliates		566 042	594 784
Cost of finished goods sold		1 389 927	1 466 722
Cost of goods for resale and raw materials sold		119 595	88 876
<b>C. Gross profit (loss) on sales</b>		<b>112 658</b>	<b>-16 685</b>
<b>D. Selling expenses</b>	<b>7 i</b>	<b>3 100</b>	<b>3 552</b>
<b>E. Administrative expenses</b>	<b>7 i</b>	<b>30 194</b>	<b>35 863</b>
<b>F. Profit (loss) on sales</b>		<b>79 364</b>	<b>-56 100</b>
<b>G. Other operating income</b>	<b>7 c</b>	<b>6 993</b>	<b>1 679</b>
Gains on the sale of non-financial non-current assets		0	119
Grants		1 421	330
Revaluation of non-financial assets		-	-
Other		5 572	1 230
<b>H. Other operating expenses</b>	<b>7 d</b>	<b>12 671</b>	<b>1 519 160</b>
Loss on the sale of non-financial non-current assets		-	-
Impairment of non-financial assets		9 845	1 515 167
Other		2 826	3 993
<b>I. Operating profit (loss)</b>		<b>73 686</b>	<b>-1 573 581</b>
<b>J. Finance income</b>	<b>7 e</b>	<b>86 676</b>	<b>87 283</b>
Dividends and shares in profits, of which:		78 778	84 861
a) from affiliates, including:		78 722	84 811
- entities of which entity has capital engagement		78 722	84 811
b) from others, including:		56	50
- entities of which entity has capital engagement		-	-
Interest, of which:		4 039	2 395
- from affiliates		974	1 292
Gains on the sale of investments		-	-
Revaluation of investments		1 466	-
Other		2 393	27
<b>K. Finance costs</b>	<b>7 f</b>	<b>23 057</b>	<b>33 898</b>
Interest, of which:		18 820	2 877
- from affiliates		-	-
Loss on disposal of financial assets, including:		33	-



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- in affiliates		33	-
Revaluation of financial assets		-	29 266
Other		4 204	1 755
<b>L. Gross profit (loss) on ordinary activities</b>		<b>137 305</b>	<b>-1 520 196</b>
<b>M. Taxation</b>	<b>7 g</b>	<b>5 898</b>	<b>-4 346</b>
<b>N. Other mandatory reductions (increase in loss)</b>		<b>-</b>	<b>-</b>
<b>O. Net profit (loss)</b>		<b>131 407</b>	<b>-1 515 850</b>

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**3. Cash Flow Statement for the period from 1 January 2016 to 31 December 2016**

<b>Cash flow statement</b>	<i>Note</i>	<i>Year ended 31 December 2016</i>	<i>Year ended 31 December 2015</i>
<b>A. Cash flow from operating activities</b>			
<b>I. Net profit (loss)</b>		<b>131 407</b>	<b>-1 515 850</b>
<b>II. Adjustments, total</b>		<b>-35 158</b>	<b>1 626 618</b>
1. Depreciation		36 925	83 263
2. Foreign exchange gains (losses)		-2 936	183
3. Interest and shares in profits		-61 139	-83 276
4. Profit (loss) on investing activities	7 j	-263	1 531 702
5. Change in provisions	7 j	254 761	252 684
6. Change in inventories		50 241	76 363
7. Change in receivables	7 j	14 861	-2 940
8. Change in short-term liabilities, except for loans and borrowings	7 j	-24 231	-24 098
9. Change in prepayments, accruals and deferred income		-2 682	2 088
10. Other adjustments		-300 695	-209 351
<b>III. Net cash flow from operating activities (I±II)</b>		<b>96 249</b>	<b>110 768</b>
<b>B. Cash flow from investing activities</b>			
<b>I. Inflows</b>		<b>108 710</b>	<b>102 562</b>
1. Sale of intangible assets and tangible fixed assets		1 613	180
2. Sale of investments in property and intangible assets		-	-
3. From financial assets, of which:		107 097	102 382
a) in affiliates		107 041	102 332
b) in other entities		56	50
- sale of financial assets		-	-
- dividends and shares in profits		56	50
- repayment of long-term loans granted		-	-
- interest received		-	--
- other		-	-
4. Other investing inflows		-	-
<b>II. Outflows</b>		<b>85 608</b>	<b>388 751</b>
1. Purchase of intangible assets and tangible fixed assets		85 608	356 342
2. Investments in property and intangible assets		-	-
3. For financial assets, of which:		-	32 409
a) in affiliates		-	32 409
b) in other entities		-	-
- purchase of financial assets		-	-
- long-term loans granted		-	-
4. Other investing outflows		-	-
<b>III. Net cash flow from investing activities (I-II)</b>		<b>23 102</b>	<b>-286 189</b>
<b>C. Cash flow from financing activities</b>			
<b>I. Inflows</b>		<b>-</b>	<b>312 000</b>

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1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	-	-
2. Loans and credits	-	312 000
3. Issue of debt securities		
4. Other financial inflows	-	-
<b>II. Outflows</b>	<b>132 824</b>	<b>126 829</b>
1. Re-acquisition of own shares	-	-
2. Dividends and other payments to shareholders	-	60 988
3. Outflows due to appropriation of profit other than payments to shareholders	-	-
4. Repayment of loans and borrowings	111 877	48 319
5. Redemption of debt securities	-	-
6. Relating to other financial liabilities	-	-
7. Finance lease payments	130	109
8. Interest paid	20 757	17 148
9. Other financing outflows	60	265
<b>III. Net cash flow from financing activities (I-II)</b>	<b>-132 824</b>	<b>185 171</b>
<b>D. Total net cash flow (A.III±B.III±C.III)</b>	<b>7 j</b>	<b>-13 473</b>
<b>E. Balance sheet change in cash and cash equivalents, of which:</b>	<b>-13 388</b>	<b>9 207</b>
- change in cash and cash equivalents due to foreign exchange gains/losses	85	-543
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>182 989</b>	<b>173 239</b>
<b>G. Cash and cash equivalents at the end of the period (F±D), of which:</b>	<b>169 516</b>	<b>182 989</b>
- of restricted use	4 524	4 825

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#### 4. Changes in Equity Statement as of 31 December 2016

Changes in equity statement	Note	Year ended 31 December 2016	Year ended 31 December 2015
<b>I. Equity at the beginning of the period (OB)</b>		<b>1 360 431</b>	<b>2 995 960</b>
- changes in accountancy rules		-	-
- adjustments of fundamental errors		-	-
<b>I.a. Equity at the beginning of the period (OB), after adjustments</b>		<b>1 360 431</b>	<b>2 995 960</b>
<b>1. Share capital at the beginning of the period</b>		<b>101 647</b>	<b>101 647</b>
1.1. Changes in share capital		-	-
a) increases		-	-
b) decreases		-	-
<b>1.2. Share capital at the end of the period</b>		<b>101 647</b>	<b>101 647</b>
<b>2. Supplementary capital at the beginning of the period</b>		<b>2 542 060</b>	<b>2 398 399</b>
2.1. Changes in supplementary capital			
a) increase (due to)		33	143 661
- issue of shares above the face value		-	-
- division of profit (statutory)		-	-
- division of profit (above the statutory minimum value)		-	143 654
- disposal of fixed assets		33	7
b) decrease (due to)		1 513 446	-
- cover of loss		1 513 446	-
<b>2.2. Balance of the supplementary capital at the end of the period</b>		<b>1 028 647</b>	<b>2 542 060</b>
<b>3. Revaluation capital at the beginning of the period</b>		<b>227 531</b>	<b>286 229</b>
3.1. Changes in revaluation capital		-	-
a) increase (due to)		-	-
b) decrease (due to)		33	58 698
- disposal of fixed assets		33	7
- revaluation adjustment		-	58 691
<b>3.2. Revaluation capital at the end of the period</b>		<b>227 498</b>	<b>227 531</b>
<b>4. Other reserve capitals at the beginning of the period</b>		<b>5 877</b>	<b>5 877</b>
4.1. Changes in other reserve capitals		-	-
a) increase (due to)		-	-
b) decrease (due to)		2 405	-
- cover of loss		2 405	-
<b>4.2. Other reserve capitals at the end of the period</b>		<b>3 472</b>	<b>5 877</b>
<b>5. Profit/ (loss) from previous years at the beginning of the period</b>		<b>-1 516 684</b>	<b>204 642</b>
5.1. Profit from previous years at the beginning of the period		-	204 642
- changes in the accounting principles (policy)		-	-
- adjustments due to errors		-	-
5.2. Profit from previous years at the beginning of the period, after adjustments		-	204 642
a) increase (due to)		-	-
b) decrease (due to)		-	204 642

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- division of profit for the supplementary capital	-	143 654
- for payment of dividend	-	60 988
5.3. Profit from previous years at the end of the period	-	-
5.4. Loss from previous years at the beginning of the period	-1 516 684	-834
- changes in the accounting principles (policy)	-	-
- adjustments due to errors	-	-
5.5. Loss from previous years at the beginning of the period, after adjustments	-1 516 684	-834
a) increase (due to)	-	-
- transfer of losses from previous years to cover	-	-
b) decrease (due to)	-1 515 850	-
- cover of loss with supplementary and reserve capital	-1 515 850	-
5.6. Loss from previous years at the end of the period	-834	-834
<b>5.7. Profit/ (loss) from previous years at the end of the period</b>	<b>-834</b>	<b>-834</b>
6. Net result	<b>131 407</b>	<b>-1 515 850</b>
a) net profit	131 407	-
b) net loss	-	-1 515 850
c) write-offs from profit	-	-
<b>II. Equity at end of period (closing balance)</b>	<b>1 491 837</b>	<b>1 360 431</b>
<b>III. Equity after proposed profit division (loss coverage)</b>	<b>17</b>	<b>1 491 837</b>
		<b>1 360 431</b>

Konin, 21 March 2017

Prepared by

Zespół Elektrowni Pątnów-Adamów-Konin SA

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

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

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

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

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

The duration of the Company is indefinite.

The Company is the parent company of the Capital Group of Zespół Elektrowni Pątnów – Adamów – Konin. According to articles of association, the subject of the Company's activities is:

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

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

In the financial year of 2016, the Company's Management Board composition was as follows:

- Wojciech Piskorz – Member of the Supervisory Board delegated to temporarily act as the President of the Management Board,
- Aneta Lato-Żuchowska – Vice-President of the Management Board,
- Zygmunt Artwik – Vice-President of the Management Board,
- Adrian Kaźmierczak – Vice-President of the Management Board,
- Tomasz Zadroga – Vice-President of the Management Board.

At the meeting on 11 February 2016, the Supervisory Board of ZE PAK S.A. adopted a Resolution on the appointment of Mr. Aleksander Grad to the composition of the Company's Management Board on 18 February 2016 and entrusted him with the function of the President of the Management Board.

Since 18 February 2016, the Company's Management Board has operated in the following composition:

- Aleksander Grad – President of the Management Board,
- Aneta Lato-Żuchowska – Vice-President of the Management Board,
- Zygmunt Artwik – Vice-President of the Management Board,
- Adrian Kaźmierczak – Vice-President of the Management Board,
- Tomasz Zadroga – Vice-President of the Management Board.

At the meeting on 8 April 2016, the Supervisory Board of the Company adopted a resolution on the appointment of Mr. Adam Kłapszta to the composition of the Company's Management Board and entrusted him with the function of the Vice-President of the Management Board. The Resolution became effective upon its adoption.

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

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On 26 October 2016, Mr. Adrian Kaźmierczak resigned from the function of the Vice-President of the Company's Management Board. At the same time, at the meeting held on 26 October 2016, the Company's Supervisory Board appointed MS Katarzyna Sobierajska as the Vice-President of the Management Board. The resolution on the appointment became effective upon its adoption.

On 3 March 2017, by the resolution of the Supervisory Board of the Company, Mr. Adam Kłapszta, who previously held the position of the Vice-President of the Management Board acting as the President of the Management Board, was appointed as the President of the Company's Management Board. The resolution on the appointment of the function of the President of the Company's Management Board became effective upon its adoption.

At the same time, at the meeting of the Supervisory Board on 3 March 2017, MS Katarzyna Sobierajska and Mr. Tomasz Zadroga submitted resignations from the positions of the Vice-Presidents of the Company's Management Board as of 3 March 2017, the Company's Supervisory Board also appointed MS Elżbieta Niebisz to the position of the Vice-President of the Management Board. The resolution on the appointment became effective upon its adoption.

From 3 March 2017 to the date of publication of this statement, the Company's Management Board operated in the following composition:

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

### **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 PRS developed with the assumption of using the IFRS based on the IFRS 1 guidelines and adoption of the financial data resulting from the consolidated financial statement of the ZE PAK Group are presented below. The date of transition of the ZE PAK 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.

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

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

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

d) **Capitalisation of external financing costs**

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

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

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

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

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

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

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 2016:

<b>Adjustment as of 31 December 2015</b>	<b>Balance sheet value acc. to the PRS</b>	<b>Balance sheet value acc. to the IFRS</b>	<b>Value adjustment</b>
Tangible fixed assets	658 935	662 931	3 996
Equity	1 491 837	1 433 914	-57 923
Deferred tax provision	68 806	129 789	60 983
<b>Description of the effects of disclosed differences in net profit and equity</b>			
	<b>31-12-2016</b>		
PSR net profit	131 407		
Adjustment of the tangible fixed assets	- 6 769		
IAS 19 adjustment – Actuarial profits/losses	1 345		
	<b>31-12-2016</b>		
PSR capital	1 491 837		
Adjustment of the tangible fixed assets	-57 923		
IAS 19 adjustment – Actuarial profits/losses	1 345		



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

The financial statement was developed with the assumption of continuing business activity by the Company in the near future, at least 12 months after the balance sheet date, i.e. after 31 December 2016.

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

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

In the reporting period, for which the financial statements were developed, there was no merger with entity and no acquisition of organized part of the other company.

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

The Company operates on the basis of following legal acts:

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

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

1. The ordinance no 35 of the ZE PAK S.A. in Konin President of 01 July 2003 in case of the management of the physical assets of the fixed asset,
2. The ordinance no 34 of the ZE PAK S.A. in Konin President of 01 July 2003 in case of the Corporate Chart of Accounts for ZE PAK S.A.

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

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

In accordance with the above mentioned regulations, the Company applies the following methods of assets and liabilities quotation and financial result measurement:

##### **Tangible fixed assets**

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

During keeping accounts of auxiliary books (analytical accounts) of components of tangible fixed assets, in accordance with article 17 paragraph 1 point 1 of the Act, the rules arising from the Ordinance no. 35/2003 of the President of the Board, the Chief Executive Officer of the ZE PAK S.A. of 1 July 2003 on the management of the physical assets of the fixed asset should be applied, so:

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- 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 2010.

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- 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.

### **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..

### **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,

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- 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).

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:

<b>Category</b>	<b>Valuation method</b>
Financial assets maintained to the maturity date	According to the adjusted purchase price (depreciated cost) determined with the effective interest method
Granted loans and receivables	According to the adjusted purchase price (depreciated cost) determined with the effective interest method. Receivables of a short maturity date, for which no interest rate was determined, valued according to the required payment
Financial assets destined for trade	According to the fair value, and profits/losses due to revaluation are recognised in the income statement
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

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this moment, the total profit or loss due to revaluation is transferred to the  
income statement

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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.

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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. The impairment write-downs against inventories increase other operating costs.

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.

The last inventory of the production fuel took place according to the status as of 31 December 2015.

Certificates of origin of energy acquired free of charge due to the energy production from renewable energy sources, gas, and peak load co-generation are presented according to the fair value on the day, when their granting became certain.

#### **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:

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

### **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. The advances for dividends paid during the financial year are recognised in the books of accounts and in the balance sheet as a profit division made during the financial year.

### **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 states that the Company Social benefits fund is created by employers employing at least 20 full-time employees. The Company creates such a fund and makes periodic write-offs in the amount agreed with trade unions. In accordance with the agreement with trade unions, the Company administers the Inter-company Social Benefits Fund of the Company and its subsidiaries. The balance sheet balance of the Fund is the accumulated revenue of the Fund less non-recoverable expenses from the Fund. The Company presents separately in the balance sheet the balance of the Fund and the assets of the Fund.

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**Assets and liabilities denominated in foreign currencies**

As of 31 December 2016, the assets and liabilities denominated in currencies other than PLN are converted into PLN using the average exchange rate of the NBP of the balance sheet date. The foreign exchange rate differences arisen from the conversion are respectively recognised in the financial revenues (costs) item, or, in cases specified by the provisions, capitalised in the value of assets.

The following exchange rates were adopted for the purposes of the valuation:

	<b>31 -12- 2016</b>	<b>31 -12- 2015</b>
EUR	4,4240	4,2615
USD	4,1793	3,9111

**Exchange rate differences**

Exchange rate differences concerning settlements denominated in foreign currencies arising on the valuation day and at payment of receivables and liabilities in foreign currencies, are classified appropriately as incomes or costs, and, in duly justified cases, as the production costs of the products or the purchase price of the goods, as well as the purchase price or the production cost of fixed assets, capital work in progress or intangible assets. In the income statement, exchange rate differences are recognised after their compensation.

**Cash at bank**

Domestic cash are recognised at the nominal value. Cash at bank is confirmed on the basis of a confirmation of balances bank form. The cash item recognised in the cash flow statement consists of cash in hand and bank deposits with a maturity date no longer than 3 months, which were not treated as an investment activity.

**Confirmations of balances**

The confirmation of receivables and granted loans as of the balance sheet date takes place on the basis of sending written information about balances to all business partners and confirmation of these balances by them.

No written confirmation is required in case of balances referred to in art. 21, paragraph 1, point 3 of the Act, among others:

- disputed and doubtful receivables,
- receivables and liabilities towards employees,
- balances due to liabilities and public-law debts,
- small balances, of which amount does not exceed the posting cost.

Pursuant to the Act materiality principle, if business partners, whose receivable does not exceed 2% of the amount constituting the basis of classification of new assets components as the fixed assets, do not return the confirmation of balance in writing, it is assumed that the balance is satisfactory.

Pursuant to the Act materiality principle, if the receivables balance not exceeding 2% of the amount constituting the basis of classification of the new assets components as the fixed assets shows no change in the last half of the year, they should be credited in other operating costs.



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### **Bank credits and loans**

At the moment of initial recognition, bank credits and loans are recognised according to the cost constituting the value of received cash and covering the costs of obtaining the credit/loan. Then, all bank credits and loans, except for liabilities for trade, are valued according to the adjusted purchase price (depreciated cost), using the effective interest rate. Detailed rules for the valuation of certain liabilities denominated in foreign currencies are shown in the introduction to the financial statement.

Liabilities for trade are valued according to the fair value. The profit or loss due to re-evaluation to the fair value are recognised in the income statement of the current period.

### **Accrual**

Loans received for financing environmental investments and then redeemed with granting the grant are recognised as other accruals of incomes and settled in the income statement in subsequent periods, in proportion to the depreciation of the fixed assets purchased or produced within funded investments.

The Company makes accruals of costs aimed at assignment of costs concerning a given period to this period. Active accruals include costs related to periods later than the period, in which they were incurred, among others insurance costs, subscriptions, bills of charge discount.

Active accruals also include the part of the estimated costs of future reclamation of ash dumps used by the Company. These costs are recognised at a discounted value and refer to expenditures that the Company will have to incur until complete filling the ash dump.

Moreover, active accruals include the value of the provision created from liquidation of the Company's assets, remaining to the settlement.

Passive accruals include the value of certificates of origin of energy produced from renewable energy sources, in combination and co-generation using natural gas, which the entity is required to redeem in relation with supply of electricity to final recipients. The provision due to the obligation to present the redemption of certificates of origin of energy produced from renewable energy sources or in peak load co-generation is recognised:

- in a part covered with the certificates of origin held as of the balance sheet date – in the value of the held certificates,
- in a part uncovered with the certificates of origin as of the balance sheet date – at the lower value of the market value of the certificates necessary to fulfil the obligation as of the balance sheet date, and a possible penalty.

Accruals include contractual penalties, compensation from an insurance company, interest exceeding the main receivable, the company's negative value, and subsidies received for production of the fixed assets.

In the accruals item, the Company also presents incomes of the future periods related to the settlement of results on the sale-and-leasebacks.

### **Provisions**

Provisions are recognized when the Company has an existing legal or constructive obligation as a result of past events and when it is certain or highly probable that the obligation will be required to flow out and when a reliable estimate of the amount can be made. Provisions for decommissioning costs are included in the estimated costs of liquidation at the present value of those costs. These provisions are recognized on a reverse basis as accrued expenses and settled over time for the remaining life of equipment intended for liquidation. In the case of equipment off-reserve, the costs for their liquidation are charged to the remaining operating costs. Under the

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provisions, the Company recognizes a provision for future land reclamation costs at which the Company disposes of waste.

The provision for the commissioning of Adamów Power Plant assets is not created due to a lack of legal obligation. The integrated permit granted by the Adamów Power Plant does not include in its content the clause on the need to create a reserve for liquidation of assets.

### **Stocktaking**

The stocktaking of the Company's assets is conducted pursuant to art. 26 and art. 27 of the Act on accounting. Every year, pursuant to a separate ordinance of the President of ZE PAK S.A. an annual stocktaking plan is established.

### **Permanent loss in value of 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 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. The loss resulting from the loss in value is recognised in the income statement for the current period. In case of the previous re-estimation of assets, the loss reduces the amount of capitals from re-estimation, and then is transferred onto the income statement of the current period.

### **Revenues of goods, products and services sale, as well as interests and dividends**

Sales revenues include due or received amounts from the sale of goods and services (reduced by returns, rebates and discounts). Sales revenues are recognised in the net value, i.e. reduced by the due VAT. Purchased energy sales revenues are recognised as goods sale revenues. The value of purchased energy sale revenues is recognised according to the average price from bilateral agreements.

Sales revenues also include the sales revenues of green and red certificates. At the time of production, the certificates of origin intended for sale are included in the sales revenues, and therefore in order to avoid inflating revenues at the time of selling, the costs of selling certificates are recognised as an adjustment to sales revenues.

Interest revenues are recognised during their calculation (using the effective interest rate), if their receipt is unquestionable.

Due dividends are classified as financial revenues as of the day of the appropriate body of an appropriate company's passing a resolution the division of profit, unless the resolution specifies the other day of the right for the dividend.

### **Operating costs**

The Company keeps the costs accounting by function and by type and develops a by-function income statement.

### **General production costs**

General production costs are settled statistically on sold electricity and thermal energy, as well as other works and services in proportion to the direct payments burdening sold energy, other works, and services.

### **Corporate income tax**

The gross profit adjusted by permanent and temporary differences between the incomes determined for tax needs, and a balance sheet financial result is the basis for calculating the income tax. Temporary differences due to income tax are recognised in the balance sheet as provisions for a deferred income tax (a positive difference)

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or as active accruals (negative differences). Deferred tax assets and provisions for the deferred tax are compensated in the balance sheet.

#### **Deferred income tax**

Deferred income tax is determined using the balance liability method in relation to all temporary differences between the tax values of assets and liabilities and their balance sheet value recognised in the financial statement that occur on the balance sheet date. The provision for the deferred income tax is created in relation to all positive temporary differences, unless the provision for the deferred income tax is created as a result of the depreciation of the company's value or the initial recognition of an assets or liabilities component in a transaction, which is not a merger, and, at the time of its conclusion, it does not influence neither the gross financial result, nor the taxable profit, or the tax loss.

The assets component due to the deferred tax is recognised in relation to all negative temporary differences, as well as unused tax losses transferred to the next years, to the extent that it is probable that the taxable income, which will allow using the above mentioned differences and losses, will be achieved:

In case of negative temporary differences due to the shares in the subsidiaries or associated party entities and shares in co-subsidiaries, the assets' component due to the deferred income tax is recognised in the balance sheet only in the amount that it is probable that, in the predictable future, the above mentioned temporary differences will be reversed, and the taxable income enabling deduction of the negative temporary differences will be achieved.

The balance sheet value of the assets' component due to the deferred income tax is verified on every balance sheet date and reduced to the extent that it is no longer probable that the taxable income sufficient for a partial or complete realisation of the assets' component due to the deferred income tax will be achieved.

The deferred income tax assets and provisions for the deferred income tax are valued using tax rates that, according to the provisions passed by the balance sheet date, will apply in the period, when the assets' component is realised or the provision is redeemed. Deferred tax assets and provisions for the deferred tax are presented in the balance sheet according to the value after compensation.

#### **Uncertainty associated with tax settlements**

The regulations regarding the tax on goods and services, the corporate income tax and the burden loads associated with social insurance are subject to frequent changes. These frequent changes result in the lack of relevant benchmarks, incoherent interpretations and few established precedents, which could be applied. The applicable regulations also contain ambiguities, which create differences in the opinions, in terms of legal interpretation of tax legislation, both, between state authorities, as well as state authorities and enterprises.

The tax settlements and other areas of activity (for example customs or foreign currency issues) can be subject to inspection by the authorities, which are entitled to impose large penalties and fines, and all the additional tax liabilities, resulting from the inspection, must be paid together with high interest. Such conditions result in the higher tax risk in Poland than in the countries of a more developed tax system.

As a consequence, the amounts shown and disclosed in the financial statements may change in the future, as a result of the tax audit authority's ultimate decision.

The amendments to the Tax Code were introduced on 15 July 2016 in order to take into account the provisions of the General Anti-Abuse Regulation (GAAR). The GAAR is supposed to prevent the creation and use of artificial legal structures, formed in order to avoid paying taxes in Poland. The GAAR defines the tax evasion as an activity conducted mainly in order to obtain a tax benefit, contradictory in current circumstances to the subject matter and goal of the tax law regulations. According to the GAAR, such an activity does not result in obtaining a tax benefit, if the activity manner was artificial. All events of (i) unjustified division of operations, (ii) involvement of intermediaries, despite the lack of economic or business justification, (iii) elements mutually cancelling or compensating each other and (iv) other activities of a similar effect to the previously mentioned,

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can be treated as a prerequisite for the existence of artificial activities subject to the GAAR provisions. The new regulations will require a much wider judgement when assessing the tax effects of individual transactions.

The GAAR clause should be applied in relation to transactions made after it came into effect and to transaction, which were conducted prior to the GAAR clause entering into force, but for which the benefits were or are still achieved after the date of entry into force. The implementation of the above regulations will enable the Polish tax audit authorities to question the legal agreements and arrangements executed by the taxpayers, such as the group restructuring and reorganisation.

The Group recognizes and measures the assets or liabilities for the current and deferred income tax by applying the requirements of IAS 12. The income tax, on the basis of the profit (tax loss), taxation base, unreconciled tax losses, unused tax relieves and tax rates, taking into account the uncertainties associated with tax settlements.

In case of uncertainty whether a tax authority would accept, and to what extent, tax settlements of a transaction, the Group recognises these settlements taking into account the uncertainty assessment.

#### **Provisions for leaves, one-time retirement severance payments, and survival severance payments**

The employees of the Company are entitled to holiday leaves specified by the provisions of the Labour Code. The Company creates provisions for the cost of unused leaves, for which employees have been entitled until the balance sheet date.

According to the company remuneration system, the employees are entitled to the anniversary premiums after working a certain number of years and for one-time retirement severance payments at the moment of retirement, and survival severance payments. On the basis of independent actuarial calculations in accordance with the International Accounting Standard IAS 19, a provision for severance payments and premiums, which will be paid in the future.

#### **CO2 allowances**

The obtained free CO2 allowances are presented in the financial statement at the nominal value as the allowances intended for own needs at the zero value within the intangible assets item. The emission allowances and their equivalents purchased by the Company for its own needs are recognised as intangible assets. These allowances are valued at the acquisition cost.

The Company creates the provision for liabilities associated with the CO2 allowances deficit in the period, when the actual emission exceeds allocated allowances. The cost of the created provision is presented in the income statement, in the cost of sales.

The provision is created in the amount of:

- in a part covered by the allowances held at the balance sheet date – in the value of the held allowances, i.e. purchased at the balance sheet value, received in the zero value.
- in a part uncovered by the allowances held at the balance sheet date – at the lower value of the market value of the allowances required to fulfil the obligation at the balance sheet date and a possible penalty.

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

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

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

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

**9. Error adjustment**

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

Konin, 21 March 2017

Prepared by:

Zespół Elektrowni Pątnów – Adamów-Konin SA

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

#### **1. Events of the accounting year not specified in the balance sheet and the income statement**

In the reporting period, until the date of development of this financial statement, i.e. until 21 March 2017, there were no events after the balance sheet date, which were not recognised, and should have been recognised, in the books of account and the financial statement for the period concluded on 31 December 2016.

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

Until the date of development of the financial statement for the period concluded on 30 December 2016, i.e. until 21 March 2017, there were no other significant events regarding the previous years, which should be recognised (but were not recognised) in the financial statement for the accounting year.

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

Until the date of development of the financial statement for the period concluded on 31 December 2016, i.e. until 21 March 2017, there were no other significant events regarding the current period, which would require additional disclosure in this financial statement.

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

##### **Discussions between the Management Board and the social party**

In the fourth quarter of 2015, the Management Board of the Company, having regard to the deteriorating external factors on the economic results of the energy generation segment, decided to temporarily suspend the financing of the employee pension fund ("EPF") in the Company as well as to reduce the statutory bonus attributable to the employed workers. At the same time, the Management Board offered the social party temporary suspension of the Corporate Collective Labour Agreement, as a whole or in part. The Management Board's proposals were not accepted by the social party.

The trade unions acting in ZE PAK S.A. reported, under the Act of 23 May 1991 on resolution of collective disputes, requests related to, among others, new components of the remuneration system, severance payments and work safety.

The Management Board refused to execute the trade unions' requests. The Management Board considered unacceptable the trade unions' requests on introducing the new components to the remuneration system, according to Article 4 paragraph 2 of the Act on resolution of collective disputes. The consequence of failure to take into account the requests includes the occurrence of a collective dispute between ZE PAK S.A., as an employer, and the trade unions, as the representation of employees, since 8 February 2016. So far, no agreement on the collective dispute related to the requests reported by the letter of the trade unions of 8 February 2016 has been concluded.

On 12 May 2016, the Company's Management Board decided to liquidate the EPF, which was one of the topics of the talks conducted with the social party. The fund will be liquidated with a 12-month notice. In relation to the termination of the EPF, the Company applied to the PFSA to delete the fund from the employee pension funds. Currently, the administrative proceedings on deleting the fund are in progress.

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

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by pointing to, among others, illegitimacy of the requests or the consequences of the regulation in the provisions of Article 4 of the Act on resolution of collective disputes concerning the inadmissibility of conducting a collective dispute. Currently, the talks between the Company's Management Board and the trade unions in relation to the requests applied by the letter of 18 January 2017 are in progress..

**The decision of the Regional Director of Environmental Protection concerning Ościsłowo lignite deposit**

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director of Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017 refusing to determine the environmental conditions for the project titled: "Extraction of brown coal and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. The decision may be appealed against to the Chief Director of Environmental Protection via the RDOŚ in Poznań within 14 days after the date of delivery. PAK KWB Konin SA will appeal against the issued decision in an appropriate manner. According to the assessment of the Company's Management Board, there are real premises to expect that the PAK KWB Konin SA's appeal will be considered positively. According to the Company, the issued decision is devoid of substantive arguments and has not been supported by expert's reports confirming the negative impact on the environment in the case of application of the solutions proposed by PAK KWB Konin SA.

As of the date of preparing this statement, in the Company's Management Board opinion, the risk of not meeting the construction schedule and the commencement of exploitation of the Ościsłowo open pit is negligible; If, however, that risk materialises, the changes concerning the production plans of the Group in future years would be relevant, including a situation, in which they would have an effect on estimates of future expected cash flows generated by the generation assets of the Group..

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

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

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**6. Balance sheet**

**a) Fixed assets**

CHANGE IN TANGIBLE FIXED ASSETS (BY TYPE GROUPS)						
Period ended 31 December 2016	- land (including perpetual usufruct)	- buildings, premises and constructions	- plant and machinery	- motor vehicles	- other	Total
a) <b>Gross value of tangible fixed assets at the beginning of the period</b>	<b>1 361</b>	<b>1 304 521</b>	<b>3 154 992</b>	<b>3 737</b>	<b>11 836</b>	<b>4 476 447</b>
b) Increase by:	47	68 145	848 621	2	205	917 020
- Purchase	47	-	56	2	19	124
- Transfers from construction in progress	-	68 145	848 565	-	186	916 896
c) Decrease by:	-	-	101	16	78	195
- Sale and liquidation	-	-	101	16	78	195
d) <b>Gross value of tangible fixed assets at the end of the period</b>	<b>1 408</b>	<b>1 372 666</b>	<b>4 003 512</b>	<b>3 723</b>	<b>11 963</b>	<b>5 393 272</b>
e) Cumulated amortisation (depreciation) at the beginning of the period	<b>113</b>	<b>742 300</b>	<b>2 498 215</b>	<b>1 897</b>	<b>9 618</b>	<b>3 252 143</b>
f) Increase by:	5	10 434	24 544	513	391	35 887
- Amortisation of the period	5	10 434	24 645	529	469	36 082
- Liquidation and sale	-	-	101	16	78	195
g) <b>Cumulated amortisation (depreciation) at the end of the period</b>	<b>118</b>	<b>752 734</b>	<b>2 522 759</b>	<b>2 410</b>	<b>10 009</b>	<b>3 288 030</b>
h) Value loss impairment at the beginning of the period	-	383 293	447 703	459	597	832 052
- Increase by	-	49 253	606 069	-	-	655 322
- Transfer from construction in progress	-	49 253	606 069	-	-	655 322
- Decrease	-	-	-	-	-	-
i) <b>Value loss impairment at the end of the period</b>	<b>-</b>	<b>432 546</b>	<b>1 053 772</b>	<b>459</b>	<b>597</b>	<b>1 487 374</b>
j) <b>Net value of tangible fixed assets at the end of the period</b>	<b>1 290</b>	<b>187 386</b>	<b>426 981</b>	<b>854</b>	<b>1 357</b>	<b>617 868</b>



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CHANGE IN TANGIBLE FIXED ASSETS (BY TYPE GROUPS)							
	Period ended 31 December 2015	- land (including perpetual usufruct)	- buildings, premises and constructions	- plant and machinery	- motor vehicles	- other	Total
a)	<b>Gross value of tangible fixed assets at the beginning of the period</b>	1 361	1 293 822	3 148 322	3 849	11 528	4 458 882
b)	Increase by:	-	10 925	8 412	732	643	20 712
	Purchase	-	-	127	4	56	187
	Relocation from investment	-	-	-	-	-	-
	Transfers	-	10 925	8 285	148	587	19 945
	Other	-	-	-	580	-	580
c)	Decrease by:	-	226	1 742	844	335	3 147
	Sale and liquidation	-	226	1 742	844	335	3 147
	Other	-	-	-	-	-	-
d)	<b>Gross value of tangible fixed assets at the end of the period</b>	1 361	1 304 521	3 154 992	3 737	11 836	4 476 447
e)	Cumulated amortisation (depreciation) at the beginning of the period	109	704 444	2 457 114	2 059	9 246	3 172 972
f)	Increase by:	4	38 082	42 835	628	707	82 256
	Amortisation of the period	4	38 082	42 835	628	707	82 256
	Transfers	-	-	-	-	-	-
g)	Decrease by:	-	226	1 734	790	335	3 085
	Sale and liquidation	-	226	1 734	790	335	3 085
h)	<b>Cumulated amortisation (depreciation) at the end of the period</b>	113	742 300	2 498 215	1 897	9 618	3 252 143
i)	Value loss impairment at the beginning of the period	-	-	-	-	-	-
-	Increase	-	383 293	447 703	459	597	832 052
-	Decrease	-	-	-	-	-	-
j)	Value loss impairment at the end of the period	-	383 293	447 703	459	597	832 052
k)	<b>Net value of tangible fixed assets at the end of the period</b>	1 248	178 928	209 074	1 381	1 621	392 252

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<b>BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) proprietary	2 104 934	1 223 618
b) used under a rental, demise or other agreement, including a lease agreement, including:	308	686
- financial lease agreements	308	686
- operating lease, rental, and demise agreements,	–	–
c) impairment write-downs	1 487 374	832 052
<b>Total balance sheet fixed assets</b>	<b>617 868</b>	<b>392 252</b>

<b>FIXED ASSETS RECOGNISED OFF-BALANCE SHEET</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
used under a rental, demise or other agreement, including a lease agreement	73	87
<b>Total fixed assets recognised off-balance sheet</b>	<b>73</b>	<b>87</b>

<b>TANGIBLE FIXED ASSETS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) tangible assets, including:	617 868	392 252
- land (including the perpetual usufruct of land)	1 290	1 248
- buildings, premises, and civil engineering works	187 386	178 928
- technical equipment and machinery	426 981	209 074
- transport equipment	854	1 381
- other fixed assets	1 357	1 621
b) capital work in progress	41 067	287 639
c) Advance payments for capital work in progress	3 909	4 329
<b>Total tangible fixed assets</b>	<b>662 844</b>	<b>684 220</b>

**b) Fixed assets under construction**

Specification	31-12-2016		31-12-2015	
	Construction in progress	Prepayments for construction in progress	Construction in progress	Prepayments for construction in progress
<b>Initial value</b>				
<b>Opening balance</b>	<b>1 017 586</b>	<b>4329</b>	<b>693 396</b>	<b>20 662</b>
Increase, including	15 221	–	346 716	–
Purchase	15 221	–	346 716	–
Decrease, including	918 393	420	22 526	16 333
Liquidation	918 374	420	20 932	16 333
Sale	19	–	1 594	–
<b>Closing balance</b>	<b>114 414</b>	<b>3 909</b>	<b>1 017 586</b>	<b>4 329</b>
<b>Depreciation</b>				
Opening balance	–	–	–	–
<b>Closing balance</b>	–	–	–	–
<b>Impairments OB.</b>	729 947	–	–	–
<b>Impairments CB BZ</b>	73 347	–	729 947	–
<b>Net value</b>				
Opening balance	693 396	–	693 396	20 662
<b>Closing balance</b>	<b>41 067</b>	<b>3 909</b>	<b>287 639</b>	<b>4 329</b>

The investments made by ZE PAK S.A. in the current financial year of 2016 were PLN 15,221 thousand (in 2015, respectively, PLN 346,716 thousand) and did not include expenses on environmental protection (in 2015,

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respectively, PLN 23,602 thousand). The investments planned for 2017 amount to PLN 54,000 thousand (including PLN 1,000 thousand for environmental protection).

### **c) ZE PAK S.A. value impairment test**

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:

- sustained low electricity prices (due to, among others, wind generation, a change in the rules for the provision of operational power reserve services);
- decreasing prices of energy certificates of origin generated in renewable energy sources (“green certificates”) due to the oversupply of property rights of renewable energy;
- 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.

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

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

- Pątnów I power plant – operation time until 31 December 2030
- Adamów power plant – operation time until 1 January 2018
- Konin-header power plant – operation time until 30 June 2020
- Konin biomass unit power plant – operation time until 31 December 2047

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

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

- the forecast of the electricity prices with the division into BASE, PEAK and OFFPEAK was adopted on the basis of the Report on the energy market in Poland, prepared for ZE PAK S.A. by an independent external consultant,
- production assumptions result from the adopted investment and renovation programme of ZE PAK S.A., The reduction of electricity generation from lignite and maintenance of generation for the biomass-fired boiler are assumed,
- in the structure of total revenues in 2016-2017, on average, 85% are revenues from own and purchased electricity. Since 2018, due to the exclusion of production in the Adamów Power Plant, the total revenue has decreased by 40% in relation to 2017. In 2021, another decrease will take place when the units 5 and 6 in the Pątnów Power Plant as well as the boiler part in the Konin Power Plant do not operate,

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- the Company assumed the use of free CO2 emission allowances in the amount resulting from Article 10a of Directive 2003/87/EC of the European Parliament and the Council of 13 October 2003,
- the costs of lignite purchased for generation were specified on the basis of the delivery schedule and prices agreed with the appropriate schedules included in the financial projections of subsidiaries,
- the effects of restructuring costs for the withdrawal of the old units in the Konin and Adamów Power Plants were taken into account,
- new mechanisms of model changes in the Polish market including the introduction of the capacity market (electricity and power) and/or mechanisms guaranteeing a return on investments (contracts of differences) were not taken into account,
- the weighted average cost of capital after taxation (WACC) in the projection period at the level of 7.37% (7.22% in 2015) was adopted.

The test was conducted on 31 December 2016.

On the basis of the conducted tests, no necessity of recognition of impairment write-downs against tangible fixed assets was stated.

Status as of 31 December 2016	Tested value	Identified value impairment	Value after the conducted test
ZE PAK S.A.	1,491,837	0	1,491,837
In total	1,491,837	0	1,491,837

#### Sensitivity analysis

The changes of financial parameters underlying the evaluation of the recoverable amount would change the present value of the discounted cash flows with the amounts presented below.

<b>Zespół Elektrowni Pątnów-Adamów-Konin S.A.</b>	(+ an increase of 1.0 percentage points	(-) a decrease of 1.0 percentage points
weighted average cost of capital	(22 million)	23 million
	(+ an increase of 1%	(-) a decrease of 1%
changes in the revenues from sales (electricity price)	68 million	(68 million)
	(+ an increase of 5%	(-) a decrease of 5%
change in the cost of sales (price of 1 EUA)	(52 million)	52 million

In relation to the information in section 4 of additional information and explanations, the sensitivity analysis of the value impairment tests of tangible fixed assets was conducted assuming that the lack of postponements in the planned schedules of construction and exploitation of coal from the Ościsłowo open pit.

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**d) Intangible assets**

CHANGE IN INTANGIBLE ASSETS (BY TYPE GROUPS)							
Period ended 31 December 2016	a	b	c		d	e	Total
	Development expenses	Goodwill	concessions, patents, licenses and similar values, including:	- software	Other intangible assets	Prepayments for intangible assets	
<b>a) Gross value of intangible assets at the beginning of the period</b>	-	-	18 859	39	286 230	-	305 089
b) Increase by	-	-	1 931	-	360 599	-	362 530
- Purchase	-	-	-	-	360 599	-	360 599
- Other	-	-	-	-	-	-	-
- Transfers	-	-	1 931	-	-	-	1 931
c) Decrease by	-	-	-	-	282 135	-	282 135
- Redemption of CO2 emission allowances	-	-	-	-	282 135	-	282 135
- Other	-	-	-	-	-	-	-
<b>d) Gross value of intangible assets at the end of the period</b>	-	-	20 790	39	364 694	-	385 484
e) <b>Cumulated amortisation (depreciation) at the beginning of the period</b>	-	-	15 228	39	3	-	15 231
f) Amortisation of the period	-	-	843	-	-	-	843
- Amortisation	-	-	843	-	-	-	843
- Liquidation	-	-	-	-	-	-	-
<b>g) Cumulated amortisation (depreciation) at the end of the period</b>	-	-	16 071	39	3	-	16 074
h) <b>Impairments at the beginning of the period</b>	-	-	-	-	-	-	-
- Increase	-	-	1 278	-	-	-	1 278
- Decrease	-	-	-	-	-	-	-
i) <b>Impairments at the end of the period</b>	-	-	1 278	-	-	-	1 278
<b>j) Net value of intangible assets at the end of the period</b>	-	-	3 441	-	364 691	-	368 132

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CHANGE IN INTANGIBLE ASSETS (BY TYPE GROUPS)								
Period ended 31 December 2015		a	b	c		d	e	Total
		Development expenses	Goodwill	concessions, patents, licenses and similar values, including:		Other intangible assets	Prepayments for intangible assets	
					- software			
a)	Gross value of intangible assets at the beginning of the period	-	-	18 027	194	196 220	-	214 247
b)	Increase by	-	-	987	-	209 354	-	210 341
	Purchase	-	-	-	-	209 354	-	209 354
	Other	-	-	-	-	-	-	-
	Transfers	-	-	987	-	-	-	987
c)	Decrease by	-	-	155	155	119 344	-	119 499
	Liquidation	-	-	155	155	119 344	-	119 499
	Other	-	-	-	-	-	-	-
d)	Gross value of intangible assets at the end of the period	-	-	18 859	39	286 230	-	305 089
e)	Cumulated amortisation (depreciation) at the beginning of the period	-	-	14 380	194		-	14 380
f)	Increase by	-	-	1 003	-	3	-	1 006
	Amortisation of the period	-	-	1 003	-	3	-	1 006
	Other	-	-	-	-	-	-	-
g)	Decrease by	-	-	155	155	-	-	155
	Liquidation	-	-	155	155	-	-	155
	Other	-	-	-	-	-	-	-
h)	Cumulated amortisation (depreciation) at the end of the period	-	-	15 228	39	3	-	15 231
i)	Impairments at the beginning of the period	-	-	-	-	-	-	-
-	Increase	-	-	-	-	-	-	-
-	Decrease	-	-	-	-	-	-	-
J)	Impairments at the end of the period	-	-	-	-	-	-	-
k)	Net value of intangible assets at the end of the period	-	-	3 631	-	286 227	-	289 858

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**INTANGIBLE ASSETS (PROPERTY STRUCTURE)**

	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Own	368 132	289 858
b) used under rental, lease or other agreement, including leasing agreement	-	-
-		
<b>Total</b>	<b>368 132</b>	<b>289 858</b>

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**INTANGIBLE ASSETS**

	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Development expenses	-	-
b) Goodwill	-	-
c) concessions, patents, licenses and similar values, including:	3 441	3 631
- Software	-	-
d) Other intangible assets	364 691	286 227
e) Prepayments for intangible assets	-	-
<b>Total</b>	<b>368 132</b>	<b>289 858</b>

**e) Inventory**

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<b>INVENTORY</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Materials	39 602	38 536
b) Semi-finished products and work in progress	-	-
c) Finished products	-	-
d) Goods	13 959	64 816
e) Advance payments for deliveries	354	804
<b>Total</b>	<b>53 915</b>	<b>104 156</b>

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<b>Specification</b>	<b>31-12- 2016</b>	<b>31-12-2015</b>
<b>1. Materials</b>	<b>39 602</b>	<b>38 536</b>
· Production fuel	8 140	12 915
· Auxiliary materials	35 142	29 397
· Write-down	-3 680	-3 776
<b>2. Goods</b>	<b>13 959</b>	<b>64 816</b>
· Green certificates	23 038	77 347
· Red certificates	572	687
· Write-down	194	-
<b>3. Advance payments for deliveries</b>	<b>-9 845</b>	<b>-13 218</b>
<b>Total:</b>	<b>354</b>	<b>804</b>
<b>Specification</b>	<b>53 915</b>	<b>104 156</b>

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

As of 31 December 2016, the Group held, according to the records, the total of 353,874.513 MWh of property rights of green certificates and the generated green energy that is not yet verified by ERO, including 134,408.902 MWh which constitutes the already obtained property rights, while 186,300.887 MWh are the green power generation in July – November 2016 awaiting for confirmation in the ERO, and 33,164.724 MWh are the generation of December 2016 awaiting for submission of an application by the Company. In 2016, the Group received the outstanding certificates for 2015 in the number of 115,301.589 MWh for generation in the fourth quarter of 2015, and 174,206.391 MWh for generation in the first half of 2016. During the current reporting period, the Group performed generation from renewable sources and presented the green certificates, at prices current at the end of each month, in the balance sheet.

The impairment write-down against the inventory value as of 31 December 2016, in the amount of PLN 9,845 thousand, concerns revaluation of allowances held by the Company on 31 December 2016 to the unit price in the amount of 37.76 PLN/MWh.

**f) Long-term investments**

LONG TERM FINANCIAL ASSETS	31-12-2016	31-12-2015
a) In subsidiaries, including:	1 187 711	1 205 189
- Shares	1 139 747	1 143 453
- Granted loans	47 964	61 736
b) In other entities of which entity is engaged in capital, including:	-	-
c) In other entities, including:	151	151
- Shares	151	151
<b>Total</b>	<b>1 187 862</b>	<b>1 205 340</b>

Full name of the entity, headquarters	01-01- 2016	Increase	Decrease	31-12-2016	% of possessed equity
“PAK SERWIS” sp. z o.o. Konin	9 985	-	-	9 985	100%
“EL PAK” sp. z o.o. Konin	1 857	-	-	1 857	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60 392	-	-	60 392	100%
„PAK HOLDCO” sp. z o.o. Konin	750 550	-	-	750 550	100%
PAK Górnictwo sp. z o.o.	28 200	-	-	28 200	100%
PAK Kopalnia Węgla Brunatnego Konin SA	123 553	-	3 706	119 847	93,34%
PAK Kopalnia Węgla Brunatnego Adamów SA	78 616	-	-	78 616	98,41%
Elektrim-Volt SA	118 500	-	-	118 500	100%
<b>Total</b>	<b>1 171 653</b>	<b>-</b>	<b>3 706</b>	<b>1 167 947</b>	<b>-</b>
Impairments on fixed financial assets	-28 200			-28 200	-
<b>BALANCE VALUE</b>	<b>1 143 453</b>	<b>-</b>	<b>3 706</b>	<b>1 139 747</b>	<b>-</b>



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Full name of the entity, headquarters	01-01- 2015	Increase	Decrease	31-12- 2015	% of possessed equity
„PAK SERWIS” sp. z o.o. Konin	9 985	-	-	9 985	100%
„EL PAK” sp. z o.o. Konin	1 857	-	-	1 857	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60 392	-	-	60 392	100%
„PAK HOLDCO” sp. z o.o. Konin	750 550	-	-	750 550	100%
PAK Górnictwo sp. z o.o.	28 200	-	-	28 200	100%
PAK Kopalnia Węgla Brunatnego Konin SA	109 264	14 289	-	123 553	96,23%
PAK Kopalnia Węgla Brunatnego Adamów SA	67 995	10 621	-	78 616	98,41%
Elektrim-Volt SA	118 500	-	-	118 500	100%
<b>Total</b>	<b>1 147 443</b>	<b>24 910</b>	<b>700</b>	<b>1 171 653</b>	<b>-</b>
Impairments on fixed financial assets		-28 200	-	-28 200	-
<b>BALANCE VALUE</b>	<b>1 147 443</b>	<b>-3 290</b>	<b>700</b>	<b>1 143 453</b>	<b>-</b>

**Period ended 31-12- 2016**

Full name of entity	31-12- 2016	31-12- 2015
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	200	200
<b>Impairment</b>		
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	-49	-49
<b>Total</b>	<b>151</b>	<b>151</b>

**SECURITIES< SHARES AND OTHER LONG TERM FINANCIAL ASSETS (BY CURRENCY)**

	31-12-2016	31-12-2015
a) In PLN	1 139 898	1 143 604
b) In other currencies (by currency after calculating into PLN)		
<b>Total</b>	<b>1 139 898</b>	<b>1 143 604</b>

**CHANGE IN LONG TERM FINANCIAL ASSETS (BY TYPE GROUPS)**

	31-12-2016	31-12-2015
a) As of the beginning of the period	1 205 340	1 224 779
- Shares	1 143 604	1 147 595
- Granted loans	61 736	77 184
b) Increase by	-	24 909
- Shares	-	24 909
- Granted loans	-	-
c) Decrease by	17 478	44 348
- Shares	3 706	28 900
- Granted loans (repayment)	13 772	15 448
d) As of the end of the period	1 187 862	1 205 340
- Shares	1 139 898	1 143 604
- Granted loans	47 964	61 736

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<b>SECURITIES, SHARES AND OTHER LONG TERM FINANCIAL ASSETS (BY NEGOTIABILITY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
A. full negotiability, publicly traded (balance value)	-	-
B. full negotiability, otc traded (balance value)	-	-
C. full negotiability, not listed on market (balance value)	-	-
D. limited negotiability (balance value)	1 139 898	1 143 604
a. shares (balance value):	1 139 898	1 143 604
- revaluation adjustments (for the period)	-	28 200
- sale	3 706	
- value at the beginning of the period	1 143 604	1 171 804
- value by purchase price		
Value at the beginning of the period, total	1 139 898	1 171 804
Revaluation adjustments (for the period), total	-	28 200
Sale	3 706	-
Balance value, total	1 139 898	1 143 604

<b>GRANTED LONG TERM LOANS (BY CURRENCY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In PLN	47 964	61 736
b) In other currencies (by currency and after calculation to PLN)	-	-
<b>Total</b>	<b>47 964</b>	<b>61 736</b>

**g) Short-term Investments**

<b>SHORT TERM FINANCIAL ASSETS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In subsidiaries	16 125	23 174
- Shares	-	-
- Dividends and other shares in profits	-	-
- Debt securities	-	-
- Other securities (by type)	-	7 537
Debentures	-	7 537
- Granted loans	16 125	15 637
b) In jointly-controlled entities	-	-
c) In associates	-	-
d) In significant shareholder	-	-
e) In shareholder of jointly-controlled entity	-	-
f) In parent entity	-	-
g) In other entities	296	-
- Shares	-	-
- Dividends and other shares in profits	-	-
- Debt securities	-	-
- Other securities (by type)	-	-

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- Granted loans	-	-
- Other short term financial assets (by type)	296	-
- valuation of forward transaction	296	-
h) Cash and other cash equivalents	169 601	182 989
- Cash in hand and on account	169 601	182 989
- Other cash	-	-
- Cash equivalents	-	-
<b>Total</b>	<b>186 022</b>	<b>206 163</b>

<b>SECURITIES SHARES AND OTHER SHORT TERM FINANCIAL ASSETS (BY CURRENCY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In PLN	-	7 537
b) In other currencies (by currency and after calculation into PLN)	-	-
<b>Total</b>	<b>-</b>	<b>7 537</b>

<b>SECURITIES SHARES AND OTHER SHORT TERM FINANCIAL ASSETS (BY NEGOTIABILITY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
A. full negotiability, publicly traded (balance value)	-	-
B. full negotiability, otc traded (balance value)	-	-
C. full negotiability, not listed on market (balance value)	-	-
D. limited negotiability (balance value)	-	7 537
a. Shares (balance value)	-	-
- Fair value	-	-
- Market value	-	-
- value by purchase price	-	-
b. securities (balance value):	-	7 537
- Fair value	-	7 537
- Market value	-	-
- value by purchase price	-	7 500
Value by purchase price, total	-	7 500
Value at the beginning of the period, total	-	-
Revaluation adjustments (for the period), total	-	37
<b>Total</b>	<b>-</b>	<b>7 537</b>

<b>GRANTED SHORT TERM LOANS (BY CURRENCY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In PLN	16 125	15 637
b) In other currencies (by currency and after calculation into PLN)	-	-
<b>Total</b>	<b>16 125</b>	<b>15 637</b>

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**h) Share capital**

**As of 31-12-2016**

Presentation of shareholders	Number of shares	The value of one share in PLN	Percentage share in the share capital	Number of votes	Percentage share in the number of votes
Zygmunt Solorz (indirectly) through: Elektrim SA , Embud Sp. z o.o., Trigon XIX Fundusz Inwestycyjny Zamknięty, Argumenol Investment Company Limited	26 200 867	2,00	51,55%	26 200 867	51,55%
<b>Nationale Nederlanden OFE</b>	5 068 410	2,00	9,97%	5 068 410	9,97%
<b>Towarzystwo Funduszy Inwestycyjnych PZU SA</b>	3 081 567	2,00	6,06%	3 081 567	6,06%
<b>OFE PZU "Złota Jesień"</b>	2 664 378	2,00	5,24%	2 664 378	5,24%
<b>Other</b>	13 808 325	2,00	27,18%	13 808 325	27,18%
<b>Total</b>	<b>50 823 547</b>		<b>100,0%</b>	<b>50 823 547</b>	<b>100%</b>

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

**As of 31-12-2015**

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

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

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**i) Equity**

Specification	1 January 2016	Disposal of re-estimated fixed assets	Creation of the reserve capital	Profit division for 2015	Impairment on fixed assets previously revalued	Result for the current year	31 December 2016
1. Issued capital	101 647	-	-	-	-	-	101 647
2. Own shares	-	-	-	-	-	-	-
3. Supplementary capital	2 542 060	33	-	-1 513 446	-	-	1 028 647
4. Capital from revaluation	227 531	-33	-	-	-	-	227 498
5. Other reserve capitals	5 877	-	-	-2 405	-	-	3 472
6. Profit from previous years	-834	-	-	-	-	-	-834
7. Net profit	-1 515 850	-	-	1 515 850	-	131 407	131 407
<b>TOTAL</b>	<b>1 360 431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131 407</b>	<b>1 491 837</b>

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

<b>RESERVE CAPITAL</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) From sale of shares above nominal value	380 030	380 030
b) Created statutorily	-	-
c) Created according to articles of association / agreement, above statutorily (minimum) value	521 904	2 035 350
d) Supplements of shareholders	-	-
e) other (by type)	126 713	126 680
- Acquisition of PAK Odsiarczania	65 921	65 921
- Liquidation of fixed assets	60 792	60 759
<b>Total</b>	<b>1 028 647</b>	<b>2 542 060</b>

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<b>REVALUATION RESERVE</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) From revaluation of fair value	-	-
b) profits / losses from valuation of financial instruments, including	-	-
- Valuation of hedging instruments	-	-
c) Differed tax	-	-
d) Exchange gains/losses from abroad entities	-	-
e) other (by type)		
- From revaluation of fixed assets	227 498	227 531
<b>Total</b>	<b>227 498</b>	<b>227 531</b>

<b>OTHER RESERVE CAPITAL (BY DESTINATION)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
- Privatisation fund	3 472	3 472
- Covering the loss	-	2 405
<b>Total</b>	<b>3 472</b>	<b>5 877</b>

**j) Provisions for liabilities**

<b>CHANGE IN DEFERRED TAX LIABILITIES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
1. As of the beginning of the period, including:	62 920	71 878
a) Charged to financial result	62 920	71 878
b) Charged to equity	-	-
c) Charged to goodwill or badwill	-	-
2. Increase	5 886	-
a) Charged to financial result of the period from transferred gains	5 886	-
b) Charged to equity in connection with transferred gains	-	-
3. decrease	-	8 958
a) Charged to financial result of the period from transferred gains	-	8 958
b) Charged to equity in connection with transferred gains	-	-
c) Charged to goodwill or badwill in connection with transferred gains	-	-
4. As of the end of the period, total	68 806	62 920
a) Charged to financial result	68 806	62 920
b) Charged to equity	-	-
c) Charged to goodwill or badwill	-	-

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<b>CHANGE IN PROVISION FOR RETIREMENT AND SIMILAR OBLIGATIONS (BY TYPE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) As of the beginning of the period	10 967	10 969
- jubilee benefits	-	-
- provision for retirement bonuses	8 833	8 416
- provision for posthumous remunerations	2 134	2 553
b) Increase by	-	417
- provision for retirement bonuses	-	417
- provision for posthumous remunerations	-	-
c) Utilization	-	-
d) Reversal by	2 132	419
- provision for retirement bonuses	1 688	-
- provision for posthumous remunerations	444	419
e) As of the end of the period	8 835	10 967
- provision for retirement bonuses	7 145	8 833
- provision for posthumous remunerations	1 690	2 134

<b>CHANGE IN SHORT TERM PROVISION FOR RETIREMENT AND SIMILAR OBLIGATIONS (BY TYPE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) As of the beginning of the period	631	16 356
- jubilee benefits	-	15 826
- provision for retirement bonuses	631	530
- provision for posthumous remunerations	-	-
b) Increase by	456	101
- jubilee benefits	-	-
- provision for retirement bonuses	456	101
- provision for posthumous remunerations	-	-
c) Utilization	0	15 383
- jubilee benefits	-	15 383
- provision for retirement bonuses	-	-
- provision for posthumous remunerations	-	-
d) Reversal by	-	443
- jubilee benefits	-	443
- provision for retirement bonuses	-	-
- provision for posthumous remunerations	-	-
e) As of the end of the period	1 087	631
- jubilee benefits	-	-
- provision for retirement bonuses	1 087	631
- provision for posthumous remunerations	-	-

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<b>CHANGE IN OTHER LONG TERM PROVISION (BY TYPE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) As of the beginning of the period	17 424	17 141
- Reclamation provision	1 005	2 470
- Liquidation provision	16 419	14 671
b) Increase by	429	1 748
- Reclamation provision	-	-
- Liquidation provision	429	1 748
c) Utilization by	250	-
- Reclamation provision	250	-
- Liquidation provision	-	-
d) Reversal by	-	1 465
- Reclamation provision	-	1 465
- Liquidation provision	-	-
e) As of the end of the period	17 603	17 424
- Reclamation provision	755	1 005
- Liquidation provision	16 848	16 419

<b>CHANGE IN OTHER SHORT TERM PROVISION (BY TYPE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) As of the beginning of the period	282 828	125 085
- Provision for CO2 emission allowances	282 135	122 030
- Provision for URE penalty	-	1 500
- Reclamation provision	693	1 555
- Liquidation provision	-	-
b) Increase by	251 065	279 449
- Provision for CO2 emission allowances	250 189	279 449
- Provision for URE penalty	-	-
- Reclamation provision	250	-
- Provision for fees	626	-
c) Utilization by	282 828	121 482
- Provision for CO2 emission allowances	282 135	119 344
- Provision for URE penalty	-	1 500
- Reclamation provision	693	638
- Provision for fees	-	-
d) Reversal by	-	224
- Provision for CO2 emission allowances	-	-
- Provision for URE penalty	-	-
- Reclamation provision	-	-
- Provision for fees	-	-
e) As of the end of the period	251 065	282 828
- Provision for CO2 emission allowances	250 189	282 135
- Provision for URE penalty	-	-
- Reclamation provision	250	693
- Provision for fees	626	-



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

<b>SHORT-TERM LIABILITIES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Related entities, including:	32 405	85 016
a) subsidiaries	32 405	85 016
- Trade liabilities:	31 922	75 293
- Other	483	9 723
b) parent company	-	-
b) Other entities of which entity has capital engagement, including:	-	-
c) Other entities, including:	350 650	253 698
a) partner of a co-dependent entity	-	-
b) relevant shareholder	-	-
c) other entities	350 650	253 698
- credits and loans, including:	158 629	79 943
of a long-term repayment period	158 629	79 943
- Debt stocks liabilities	-	-
- Dividends	-	-
- Other financial liabilities, including:	-	-
- Trade liabilities:	53 247	15 635
- up to 12 months	53 247	15 635
- above 12 months	-	-
- advance payments received for deliveries	50	124
- Bills of exchange	-	-
- Taxes, duties, insurances and other provisions	68 521	83 113
- Remunerations	4 314	4 067
- Other (by type)	65 889	70 816
- lease agreement	139	135
- construction in progress	1 817	65 876
- purchase of CO2 emission allowances	59 951	-
- PFRON	115	113
- deposits	108.	<b>328.</b>
- security deposits	3 037	3 519
- the Intercompany Social Insurance Fund (MFSS) liabilities	693	823
- deductions from the pay roll	29	22
d) special funds (by title)	4 154	4 735
the Company Social Fund	4 099	4 680
the Staff Fund	55	55
<b>Total</b>	<b>387 209</b>	<b>343 449</b>

<b>LONG TERM LIABILITIES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Related entities, including:	254	254
a) subsidiaries	254	254
- Other	254	254
b) parent company	-	-
b) Other entities of which entity has capital engagement, including:	-	-
c) Other entities, including:	343 751	535 959
a) partner of a co-dependent entity	-	-

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b) relevant shareholder	-	-
c) other entities	343 751	535 959
- Credit and loans	343 295	535 127
- Debt stocks liabilities	-	-
- Other financial liabilities	-	-
- Financial lease	456	591
- Bills of exchange	-	-
- Other	-	241
<b>Total</b>	<b>344 005</b>	<b>536 213</b>

<b>LONG-TERM LIABILITIES WITH A REPAYMENT PERIOD REMAINING FROM THE BALANCE SHEET DATE</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) over 1 year to 3 years	288 207	180 761
b) over 3 years to 5 years	55 798	161 756
c) over 5 years	-	193 696
<b>Total</b>	<b>344 005</b>	<b>536 213</b>

<b>LONG TERM LIABILITIES (BY CURRENCY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In PLN	344 005	536 213
b) In other currencies (by currency and after calculation into PLN)	-	-
<b>Total</b>	<b>344 005</b>	<b>536 213</b>

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**1) Overdraft facilities and investment loans**

**Overdraft facilities as of 31.12.2016**

From	Item	Object of credit	Creditor	(Agreement no. ) of	Credit currency	Credit amount	Indebtedness as of 31.12.2016			Repayment date
							Total	long-term	short-term	
<b>Other entities</b>	1.	Overdraft facility	Bank Pekao SA	(88/2005) z 20.12.2005	PLN	40 000	-	-	-	30-11-2017
	2.	Overdraft facility	PKO Bank Polski SA	(270- 1/10/RB/2006) z 25.08.2006	PLN	90 000	-	-	-	25-11-2017
	<b>Total</b>						<b>130 000</b>	-	-	-

**Overdraft facilities as of 31.12.2015**

From	Item	Object of credit	Creditor	(Agreement no. ) of	Credit currency	Credit amount	Indebtedness as of 31.12.2015			Repayment date
							Total	long-term	short-term	
<b>Other entities</b>	1.	Overdraft facility	Bank Pekao SA	(88/2005) z 20.12.2005	PLN	80 000	-	-	-	30-09-2016
	2.	Overdraft facility	PKO Bank Polski SA	(270- 1/10/RB/2006) z 25.08.2006	PLN	90 000	-	-	-	25-11-2016
	3.	Overdraft facility	ING Bank Śląski SA	z 28.03.2007	PLN thousand	30 000	-	-	-	28-03-2016
	<b>Total</b>						<b>200 000</b>	-	-	-

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**Investment loans as of 31.12.2016**

Other entities	Item	Object of credit	Creditor	(Agreement no. ) of	Credit currency PLN thousand	Indebtedness as of 31.12.2016			Repayment date
						Total	long-term	short-term	
Loan A	Modernization of Units 1-4 in Pątnów I	Consortium of banks mBank, BGK, Millennium, PEKAO SA i PKO BP	13.03.2014r.	PLN	429 305	283 045	146 260	20.03.2020	
Loan B	Refinancing of full payment of IOS credit facility	Consortium of banks: mBank, BGK, Millennium, PEKAO SA i PKO BP	13.03.2014r.	PLN	72 619	60 250	12 369	20.03.2020	
<b>Total</b>						<b>501 924</b>	<b>343 295</b>	<b>158 629</b>	

**Investment loans as of 31.12.2015**

Other entities	Item	Object of credit	Creditor	(Agreement no. ) of	Credit currency PLN thousand	Indebtedness as of 31.12.2015			Repayment date
						Total	long-term	short-term	
Loan B	Refinancing of full payment of IOS credit facility	Consortium of banks: mBank, BGK, Millennium, PEKAO SA i PKO BP	13.03.2014r.	PLN	82 027	69 727	12 300	20-12-2023	
Loan A	Modernization of Units 1-4 in Pątnów I	Consortium of banks mBank, BGK, Millennium, PEKAO SA i PKO BP	13.03.2014 r.	PLN	533 043	465 400	67 643	20-12-2023	
<b>Total</b>						<b>615 070</b>	<b>535 127</b>	<b>79 943</b>	

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**m) Granted loans**

**As of 31.12.2016**

	Item.	Object of loan	Loan granted to	Agreement dated	Currency	Loan amount	Assets as of	including:		Repayment date
							31.12.2016	Long-term	Short-term	
Affiliates	1.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12-11-2002	Amount in PLN equal to EUR	34 099	13 640	10 230	3 410	15.10.2020
						136 164 <sup>1</sup>	60 455 <sup>2</sup>	45 256 <sup>2</sup>	15 199 <sup>2</sup>	
	2.	Construction of 460 MW unit in Pątnów II)	Elektrownia Pątnów II Sp. z o.o.	13-03-2006	PLN thousand	11 065	3 634	2 708	926	15.10.2020
<b>Total</b>							<b>64 089</b>	<b>47 964</b>	<b>16 125</b>	

<sup>1/</sup> Loan value acc. to the exchange rates of the date of granting its instalments and capitalisation .

<sup>2/</sup> Average EUR/PLN exchange rate according to the table of the National Bank of Poland of 31.12.2016 r., amounting to 4,4240.

	Item.	Object of loan	Loan granted to	Agreement dated	Currency	Loan amount	Assets as of	including:		Repayment date
							31-12-2015	Long-term	Short-term	
Affiliates	1.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12-11-2002	Amount in PLN equal to EUR	34 099	17 091	13 640	3 410 --	15-10-2020
								-	41	
			=	3 451						
						136 164 72 830	72 830 <sup>3</sup>	58 125 <sup>3</sup>	14 531	
								-	174 <sup>3</sup>	
								=	14 705 <sup>3</sup>	
								58 125 <sup>3</sup>		
	2.	Construction of 460 MW unit in Pątnów II	Elektrownia Pątnów II Sp. z o.o.	13-03-2006	PLN	11 065	4 542	3 611	903 --	15-10-2020
								-	29	
								=	931	
								3 611		
<b>Total</b>							<b>77 373</b>	61 736	15 434	
								0 PLN	203	
								<b>61 736</b>	<b>15 637</b>	

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

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

<sup>3/</sup> Average EUR/PLN exchange rate according to the table of the National Bank of Poland of 31 December 2015, amounting to 4.2615.

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**n) Concluded lease agreements**  
**As of 31.12.2016**

	Item.	Object of lease	Financing party	Agreement of:	Lease currency	Indebtedness as of 31.12.2016			Repayment date
						total	long-term	short-term	
Other entities	1.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	20 July 2015 r.	PLN thousand	94	76	18	19.07.2019
	2.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	13 March 2015 r.	PLN thousand	303	240	63	18.03.2019
	3.	AUDI A6	Polkomtel Sp. z o.o.	17 October 2014 r.	PLN thousand	146	101	45	02.11.2018
	4.	VOLKSWAGEN GOLF	Polkomtel Sp. z o.o.	13 March 2015 r.	PLN thousand	48	39	9	18.03.2019
<b>Total</b>						<b>591</b>	<b>456</b>	<b>135</b>	

**As of 31.12.2015**

	Item.	Object of lease	Financing party	Agreement of:	Lease currency	Indebtedness as of 31.12.2015			Repayment date
						total	long-term	short-term	
Other entities	1.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	20 July 2015 r.	PLN thousand	111	94	17	19-07-2019
	2.	VOLKSWAGEN PASSAT	Polkomtel Sp. z o.o.	13 March 2015 r.	PLN thousand	363	303	60	18-03-2019
	3.	AUDI A6	Polkomtel Sp. z o.o.	17 September 2014 r.	PLN thousand	189	146	43	02-11-2018
	4.	VOLKSWAGEN GOLF	Polkomtel Sp. z o.o.	13 March 2015 r.	PLN thousand	57	48	9	18-03-2019
<b>Total</b>						<b>720</b>	<b>591</b>	<b>129</b>	

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**o) Structure of deliveries, works and services receivables acc. to the date of their formation**

<b>SHORT-TERM RECEIVABLES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) from related entities	64 297	51 572
- deliveries and services of the repayment period:	60 639	44 172
up to 12 months	60 639	44 172
over 12 months	-	-
- claimed at court	-	-
- other	3 658	7 400
b) from other entities of which entity has capital engagement	-	-
- deliveries and services of the repayment period:	-	-
up to 12 months	-	-
over 12 months	-	-
- claimed at court	-	-
- other	-	-
c) From other entities	73 076	102 256
- deliveries and services of the repayment period:	53 785	78 610
up to 12 months	53 785	78 610
over 12 months	-	-
- taxes, grants, duties, social and health insurances and other benefits	7 428	8 030
- claimed at court	-	-
- other	11 863	15 616
<b>Total net short-term receivables</b>	<b>137 373</b>	<b>153 828</b>
<b>d) receivables impairment write-downs</b>	<b>35 434</b>	<b>35 636</b>
<b>Total gross short-term receivables</b>	<b>172 807</b>	<b>189 464</b>

<b>(GROSS) DELIVERIES AND SERVICES RECEIVABLES – OF A REPAYMENT PERIOD REMAINING FROM THE BALANCE SHEET DATE:</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) up to 1 month	100 910	120 889
b) over 1 month to 3 months	13 193	796
c) over 3 months to 6 months	-	-
d) over 6 months to 1 year	-	-
e) over 1 year	-	-
f) overdue receivables	32 781	33 461
<b>Total (net) deliveries and services receivables</b>	<b>146 884</b>	<b>155 146</b>
<b>g) Impairment write-downs against the deliveries and services receivables value</b>	<b>32 460</b>	<b>32 364</b>
<b>Total (gross) deliveries and services receivables</b>	<b>114 424</b>	<b>122 782</b>

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<b>SHORT TERM RECEIVABLES FROM AFFILIATES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Trade receivables, including:	60 639	44 172
- From subsidiaries	60 639	44 172
- From parent company	-	-
b) Other, including:	3 658	7 400
- From subsidiaries	3 658	7 400
- From parent company	-	-
c) Claimed at court, including:	-	-
- From subsidiaries	-	-
- From parent company	-	-
<b>Total net receivables from affiliates</b>	<b>64 297</b>	<b>51 572</b>
<b>d) Impairment on receivables from affiliates</b>	<b>210</b>	<b>508</b>
<b>Total gross receivables from affiliates</b>	<b>64 507</b>	<b>52 080</b>

<b>CHANGE IN WRITE-DOWNS ON SHORT-TERM RECEIVABLES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
As of the beginning of the period	35 636	35 125
a) Increase by	113	516
- Write down calculation	113	516
b) Decrease by	315	5
- Repayment	315	5
- Reversal	-	-
<b>At the end of the period</b>	<b>35 434</b>	<b>35 636</b>

<b>GROSS SHORT TERM RECEIVABLES (BY CURRENCY)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In PLN	172 807	189 464
b) In other currencies (by currency and after calculation into PLN)	-	-
<b>Total</b>	<b>172 807</b>	<b>189 464</b>

<b>(GROSS) OVERDUE DELIVERIES AND SERVICES RECEIVABLES – DIVIDED INTO RECEIVABLES NOT REPAYED IN THE PERIOD:</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) up to 1 month	237	1 096
b) over 1 month to 3 months	119	3
c) over 3 months to 6 months	76	-
d) over 6 months to 1 year	-	-
e) over 1 year	32 349	32 362
<b>Total (gross) overdue deliveries and services receivables</b>	<b>32 781</b>	<b>33 461</b>
<b>f) overdue impairment write-downs against the deliveries and services receivables value</b>	<b>32 349</b>	<b>32 362</b>
<b>Total (net) overdue deliveries and services receivables</b>	<b>432</b>	<b>1 099</b>



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

<b>SHORT TERM PREPAYMENTS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Prepaid expenses, including	1 310	1 182
- The difference between the value of the financial assets received and the obligation to pay it	-	-
- Subscription	15	11
- Liquidation of assets	886	886
- Payment for participation in TGE in 2016	149	45
- Payment for protection of trade mark	4	5
- Payments for support of IT	37	44
- Costs of licenses incorporation	209	191
- Write off for ZFŚS	-	-
- other	10	-
<b>Total</b>	<b>1 310</b>	<b>1 182</b>

<b>OTHER LONG TERM PREPAYMENTS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Prepaid expenses, including	748	1 664
- The difference between the value of the financial assets received and the obligation to pay it	-	-
- Reclamation	-	-
- Liquidation of assets	-	886
- Costs of licenses incorporation	748	778
b) Other, including:	-	2 960
- Financing costs, settled in time	-	2 960
<b>Total</b>	<b>748</b>	<b>4 624</b>

<b>OTHER ACCRUALS AND DEFERRED INCOME</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) Accruals	13 592	18 895
- Long term	-	-
- Short term	13 592	18 895
-Annual bonus provision	10 357	15 808
-Provision for unused holidays	2 161	1 732
-Provision for current year	143	147
-Charge for commercial use of environment	-	-
-The obligation to redeem the Property Rights - "green certificates"	178	575
-The obligation to redeem the Property Rights - "red certificates"	103	95
-The obligation to redeem the Property Rights - "violet certificates"	38	31
-The obligation to redeem the Property Rights - "white certificates"	274	282
-The obligation to redeem the Property Rights - "yellow certificates"	307	225
-The obligation to redeem the Property Rights - "blue certificates"	31	-
b) Deferred income	14 167	15 613
- Long term (by type)	14 097	15 234
-Donation settled in time	503	1 640

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-The difference between the value specified in the contract net provided in the form of contributions in kind of tangible assets, and their price evidential	13 594	13 594
- Short term (by type)	70	379
-Donation settled in time	46	330
-Compensations from insurance company	16	41
-Other	8	8
<b>Total</b>	<b>27 759</b>	<b>34 508</b>

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

Item	Secured assets	Status as of 31 December 2016				Status as of 31 December 2015			
		credit/loan amount	security amount	currency	security amount expressed in % of assets	credit/loan amount	security amount	currency	security amount expressed in % of assets
<b>1.</b>	<b>Registered and financial pledge</b>	<b>667,000</b>	<b>2,040,000</b>	<b>PLN thousand</b>	<b>78.52%</b>	<b>1,200.00</b>	<b>2,040,000</b>	<b>PLN thousand</b>	<b>48.12%</b>
1.1	The registered pledge on a set of ZE PAK's assets (power units No. 1-4 in the Pątnów Power Plant) for mBANK in relation to the credit of PLN 667 million as of 13 March 2014 <sup>5</sup>	667,000	2,040,000	PLN thousand	78.52%	1,200.00	2,040,000	PLN thousand	48.12%
1.2	The registered pledge on ZE PAK's bank accounts established for mBank in relation to the credit of PLN 667 million as of 13 March 2014 <sup>5</sup>	667,000	2,040,000	PLN thousand	78.52%	1,200.00	2,040,000	PLN thousand	48.12%
1.3	The financial pledge on cash on ZE PAK's bank accounts in the following banks: mBank, BGK, PEKAO SA, PKO BP, and Millennium, in relation to the credit of PLN 667 million as of 13 March 2014 <sup>5</sup>	667,000	2,040,000	PLN thousand	78.52%	1,200.00	2,040,000	PLN thousand	48.12%
<b>2.</b>	<b>Registered and financial pledge on shares in subsidiaries</b>	<b>87,569</b>	<b>400,000</b>	<b>EUR thousand</b>	<b>81.18%</b> <sup>4</sup>	<b>117,534</b>	<b>400,000</b>	<b>EUR thousand</b>	<b>48.22%</b> <sup>4</sup>
		<b>0.00</b>	<b>339,750</b>	<b>PLN thousand</b>		<b>0.00</b>	<b>339,750</b>	<b>PLN thousand</b>	
2.1	The registered and financial pledges on ZE PAK S.A. shares in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. for BRE Bank S.A. (ZE PAK as a guarantor of "Pątnów II" project) <sup>1</sup>	87,569	400,000	EUR thousand	68.11%	117,534	400,000	EUR thousand	40.21%
		0.00	339,750	PLN thousand	13.07%	0.00	339,750	PLN thousand	8.01%
<b>3.</b>	<b>Mortgage</b>	<b>-</b>	<b>-</b>	<b>PLN thousand</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>PLN thousand</b>	<b>-</b>
3.1	The contractual joint mortgage established on real estates in Konin, which consist of lots Nos. 89/20, 89/53, 89/57, 89/55, 89/56 and 89/21, as well as on real estates in the Kazimierz Biskupi Commune, which consist of lots Nos. 148/26, 148,28 and 148/34, for which the District Court in Konin keeps the land registry of the following numbers: KN1N/00072269/2, KN1N1/00072270/2, KN1N/00073272/3, KN1N/00073273/0, KN1N/00091529/2 for mBank in relation to the credit of PLN 667 million as of 13 March 2014r. <sup>5</sup>	667,000	2,040,000	PLN thousand	78.52%	1,200,000	2,040,000	PLN thousand	48.12%

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

2/ Percentage share in the conversion of EUR 400,00 million into PLN according to the average EUR/PLN exchange rate of 31 December 2016, amounting to 4.4240

3/ Percentage share in the conversion of EUR 400,00 million into PLN according to the average EUR/PLN exchange rate of 31 December 2015, amounting to 4.2615

4/ Total share of the security amounts of EUR 400.00 million and PLN 339.75 million

7/ Securities of the syndicated loan of PLN 667 million for ZE PAK S.A. granted by mBank, Bank Millennium, BGK, PEKAO S.A. and PKO BP, of 13 March 2014

6/ The amounts of these securities cannot be aggregated, as they relate to a single credit, the maximum security amount of which is PLN 2.04 billion.

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

CONTINGENT LIABILITIES (FOR)	31-12-2016	31-12-2015
a) granted guarantees and sureties	141,500	175,339
- for affiliates, including:	141,500	175,339
- for subsidiaries	141,500	175,339
- for the parent company		
- for other entities, in which the issuer has equity interests	-	-
b) other (for)	4,676,208	4,521,245
- for affiliates	-	-
- for other entities, in which the issuer has equity interests	-	-
- for other entities, including:	4,676,208	4,521,245
- for a shareholder of the joint subsidiary	-	-
- for a significant investor	-	-
- for other entities	4,675,000	4,520,000
- for employees	1,208	1,245
<b>Contingent liabilities, in total</b>	<b>4,817,708</b>	<b>4,696,584</b>

**s) Contingent receivables, including guarantees and sureties obtained by the entity**

CONTINGENT RECEIVABLES (FOR)	31-12-2016	31-12-2015
a) obtained guarantees and sureties	51,438	345,974
- from affiliates, including:	-	3,080
- from subsidiaries	-	3,080
- from the parent company	-	-
- from other entities, in which the issuer has equity interests, including:	-	-
- from joint subsidiaries	-	-
- from associates	-	-
- from other entities	-	-
- from other entities, including:	51,438	342,894
- from a shareholder of the joint subsidiary	-	-
- from a significant investor	-	-
- from other entities	51,438	342,894
-		
b) other (for)	4,133	29,048
- from affiliates, including:	-	-
- from subsidiaries	-	-
- from the parent company	-	-
- from other entities, in which the issuer has equity interests, including:	4,133	-
- from joint subsidiaries	-	-
- from associates	-	-
- from other entities	4,133	-
- from other entities, including:	-	29,048
- from a shareholder of the joint subsidiary	-	-
- from a significant investor	-	-
- from other entities	-	29,048
-		
<b>Contingent receivables, in total</b>	<b>55,571</b>	<b>375,022</b>

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**t) Court proceedings**

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

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

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

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

On 13 May 2015, the Court of Appeal in Warsaw dismissed the Company's appeal against the judgement of the Court for Protection of Competition and Consumers of 30 January 2014, which resulted in upholding the decision of the ERO President. On 11 December 2015, the Company submitted a cassation appeal from the judgement of the Court of Appeal of Warsaw of 13 May 2015 before the Supreme Court.

The proceedings are not completed

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

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

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

In relation to the decisions of the Administrative Courts in the cases of other energy companies in the subject of the overpaid excise tax, ZE PAK SA, in cooperation with a tax advisor, analysed the resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011, where the Supreme Administrative Court recognised that the pass-through of the tax load to the price excludes the possibility of refunding the overpayment. The justification of the resolution allows for the assumption of the risk that tax authorities will dismiss any claims regarding the refunding of overpayments indicating that the tax proceeding is not appropriate for such type of claims. In such case, it is possible to seek them under civil law, as a result of which expiration (on the grounds of civil law this term is 3 years) becomes a significant issue. In relation to the above fact, on 10 February 2012, ZE PAK SA submitted to the District Court of Warszawa Śródmieście a summons for the State Treasury for a conciliatory hearing for the amount of approx. zloty 626 406 thousand and thus stopped the statute of limitation. A conciliatory settlement was not reached since during the hearing of 16 April 2012, the representatives of the Treasury did not agree to settle. Simultaneously, the Company, waiting for the results of the tax proceedings regarding the previously submitted application for overpayment, submitted in writing, on 14 September 2012, in the Customs Chamber in Poznań, additional explanations in the form of results of a detailed economic analysis, the purpose of which was to demonstrate whether the Company suffered loss related to the payment of excise tax to which it was not obliged. The Company's opinion is that the submitted document also applies to other overpayment applications from the entire period embraced by the proceedings, i.e. between January 2006 and February 2009. Ultimately, all applications were included in the cause lists of the Provincial Administrative Court (WSA) and the Supreme Administrative Court (NSA). As of the date of development of this statement, the status of the proceeding is as follows:

- Twenty-two cases for the period of January 2006 – November 2007 (excluding November 2006) were conducted again from the start by the Head of the Customs Office, after the cases returned from the Supreme

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Administrative Court. The Company included monthly economic analyses of suffering the prejudice. After the negative decisions of the Head of the Customs Office and then of the Head of Customs Chamber, complaints were submitted to the Provincial Administrative Court in Poznań, Hearings before the Provincial Administrative Court in Poznań took place on 4 and 18 November 2015. In all cases, negative judgements for the Company were issued. In February 2016, the Company submitted cassation appeals to the Supreme Administrative Court.

- 14 proceedings for the period of December 2007 – February 2009 (excluding July 2008) on 26 January 2017, hearings took place before the Provincial Administrative Court in Poznań. In all the cases, the Company's appeals against the Customs Chamber in Poznań were dismissed. The Company submitted applications for a written justification of the judgement, which were obtained on 7 March 2017, to the Provincial Administrative Court. Currently, the Company analyses justifications and prepares the applications of cassation appeals to the Supreme Administrative Court.
- the proceeding for November 2006 was concluded with a negative judgement of the Supreme Administrative Court of 8 December 2011.
- the proceeding for July 2008 reached the recognition of our cassation appeal by the Supreme Administrative Court. On the hearing on 29 April 2015, the Supreme Administrative Court dismissed the Company's cassation appeal and pointed out that it fully agrees with the Provincial Administrative Court in Poznań in the judgement, against which the cassation appeal was submitted

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

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

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

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

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

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

<b>NET PRODUCT SALES REVENUES (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
Electricity	1 277 384	1 228 075
- from related entities	419 052	438 379
- from others	858 332	789 696
Certificates of electricity origin	812	33 547
- from others	812	33 547
Heat	60 575	60 907
- from related entities	34	33
- from others	60 541	60 874
Services	151 351	118 780
- from related entities	149 738	117 044
- from others	1 613	1 736
Total product sale revenues	1 490 122	1 441 309
- from related entities	568 824	555 456
- from others	921 298	885 853

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<b>NET PRODUCT SALES REVENUES (TERRITORIAL STRUCTURE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In country	1 490 122	1 441 309
- from related entities	568 824	555 456
- from others	921 298	885 853
b) export	-	-
Total product sale revenues	1 490 122	1 441 309
- from related entities	568 824	555 456
- from others	921 298	885 853

<b>NET GOODS AND MATERIALS SALES REVENUES (MATERIAL STRUCTURE- TYPES OF ACTIVITIES)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
Electricity trade	129 630	93 873
- from related entities	-	-
- from others	129 630	93 873
Other materials	2 428	3 731
- from related entities	1 757	3 163
- from others	671	568
Total goods and materialssales revenues	132 058	97 604
- from related entities	1 757	3 163
- from others	130 301	94 441

<b>NET GOODS AND MATERIALS SALES REVENUES (TERRITORIAL STRUCTURE)</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) In country	132 058	97 604
- from related entities	1 757	3 163
- from others	130 301	94 441
b) export	-	-
Total goods and materialssales revenues	<b>132 058</b>	<b>97 604</b>
- from related entities	1 757	3 163
- from others	130 301	94 441

**b) Information on discontinued operations in accounting year or expected to discontinue in the next period**

Zespół Elektrowni Pątnów Adamów Konin S.A. has not discontinued any operations during the accounting year concluded on 31 December 2016.

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**c) Other operating revenues**

OTHER OPERATING REVENUES	31-12-2016	31-12-2015
<b>Profit on sale of non-financial fixed assets</b>	-	119
<b>Donations</b>	<b>1 421</b>	<b>330</b>
<b>Other, including:</b>	<b>5 572</b>	<b>1 230</b>
- Release of revaluation write-downs on receivables	14	2
- Release of provision	96	351
- Due to inventory differences	510	-
- Compensation and contractual penalties	26	40
- Profits from actuarial reserve revaluation	1 661	-
- other	3 265	837
<b>Total</b>	<b>6 993</b>	<b>1 679</b>

**d) Other operating costs**

OTHER OPERATING COSTS	31-12-2016	31-12-2015
<b>Loss on sale of non-financial fixed assets</b>		
<b>Revaluation of non-financial assets, including:</b>	<b>9 845</b>	<b>1 515 167</b>
- revaluation of tangible fixed assets	-	1 503 309
- revaluation on inventory	9 845	11 858
<b>Other, including:</b>	<b>2 826</b>	<b>3 993</b>
- creation of provision for liquidation of assets	886	886
- donations	162	206
- costs of litigation	324	652
- cost of inventory liquidation	98	614
- damage from equipment failure	218	272
- established provisions for probable costs and losses	527	-
- revaluation allowance for receivables	1	6
- paid penalties and charges	50	1 054
- paid allowance for electricity for pensioners	-	2
- other	560	301
<b>Total</b>	<b>12 671</b>	<b>1 519 160</b>

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**e) Financial revenues**

<b>FINANCIAL REVENUES FROM DIVIDENDS AND SHARES IN PROFITS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) From related entities, including:	78 722	84 811
- from subsidiaries	78 722	84 811
- from parent company	-	-
b) From others, including:	56	50
- from a shareholder of the co-subsiary	-	-
- from a significant investor	-	-
- from other	56	50
<b>Total</b>	<b>78 778</b>	<b>84 861</b>

<b>FINANCIAL REVENUES FROM INTEREST</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) From granted loans	851	1 144
- From related entities, including:	851	1 144
from subsidiaries	851	1 144
from parent company	-	-
b) other	3 188	1 251
- From related entities, including:	123	148
from subsidiaries	123	148
from parent company	-	-
- From other, including:	3 065	1 103
from a shareholder of the co-subsiary	-	-
from a significant investor	-	-
from other	3 065	1 103
<b>Total</b>	<b>4 039</b>	<b>2 395</b>

<b>OTHER FINANCIAL REVENUES</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
<b>1. Adjustment of investment value</b>	<b>1 466</b>	<b>-</b>
<b>2. Other</b>	<b>2 393</b>	<b>-</b>
a) Exchange gains	1 335	-
- realised	1 335	-
- unrealised	-	-
b) Reversal of provision	-	-
c) Other, including:	1 058	27
- Gain on forward transaction	1 058	-
- Other	-	27
<b>Total</b>	<b>3 859</b>	<b>27</b>



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**f) Financial costs**

<b>FINANCIAL COSTS DUE TO INTEREST</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) From credits and loans	16 796	2 851
- For related entities, including:	-	-
for subsidiaries	-	-
for parent company	-	-
- For others, including:	16 796	2 851
for shareholder of the co-subsiary	-	-
for significant investor	-	-
for other	16 796	2 851
b) other	2 024	26
- For related entities:	-	-
- other, including:	2 024	26
for shareholder of the co-subsiary	-	-
for significant investor	-	-
for other	2 024	26
<b>Total</b>	<b>18 820</b>	<b>2 877</b>

<b>OTHER FINANCIAL COSTS</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
<b>1. Loss on investment disposal</b>	<b>33</b>	<b>-</b>
<b>2. Adjustment of investment value</b>	<b>-</b>	<b>29 266</b>
- adjustment of shares	-	28 200
- adjustment of granted loan	-	1 066
<b>3. Other</b>	<b>4 204</b>	<b>1 755</b>
a) Exchange losses, including:	-	722
- realised	-	179
- unrealised	-	543
b) Creation of provision (by type)	429	416
- discount for liquidation of assets	429	416
c) Other, including:	3 775	617
- write off on receivables	112	2
- adjustment on investment value	-	-
- other	3 663	615
<b>Total</b>	<b>4 204</b>	<b>1 755</b>

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**g) Corporate income tax**

CURRENT INCOME TAX	31-12-2016	31-12-2015
<b>1. Gross profit (loss)</b>	<b>137,305</b>	<b>-1,520,196</b>
<b>2. Consolidation adjustments</b>		
<b>3. Differences between the gross profit (loss) and the income tax basis (by title)</b>	<b>-270,535</b>	<b>1,544,466</b>
- <b>Costs permanently not recognised by the tax laws for the acquisition costs</b>	<b>2,577</b>	<b>2,422</b>
(+)		
- donations	162	206
- depreciation of fixed assets from subsidies	86	87
- benefits for the Trade Unions	63	63
- employees assigned to trade unions	103	188
- depreciation write-downs for the use of a car with the value exceeding EUR 20,000	170	169
- OC and AC premiums of the value of a car more than EUR 20,000	-	-
- paid compensation	-	11
- representation costs	83	290
- budget interest	305	-
- payments for the State Fund for Rehabilitation of Disabled Persons (PFRON)	1,389	1,400
- costs of the Supervisory Board	6	4
- written off receivables + VAT	-	1
- ERO penalty	-	3
- other	210	-
- <b>Costs temporarily not recognised by the tax laws as the acquisition costs (+)</b>	<b>211,490</b>	<b>1,922,631</b>
- accrued interest on credits and loans	-442	78
- receivables impairment write-downs	-	5
- provision for the annual bonus	4,818	12,886
- provision for receivables	1	-
- difference between tax and balance sheet depreciation	-128,827	-23,613
- accrued costs of the audit	118	147
- provision for leaves, anniversary premiums	429	99
- update of green certificates	9,845	-
- unpaid remuneration related to the contract of mandate	76	66
- social security contributions (ZUS) from salaries of November and December this year	2,621	2,517
- RMB green certificates	178	575
- RMB red certificates	103	95
- RMB yellow certificates	307	226
- RMB purple certificates	39	31
- RMB white energy	274	282
- RMB blue certificates	32	-
- provision for CO2 emission allowances	250,189	279,448
- sales cost of green and red certificates	69,795	116,978
- provision for liquidation of assets	1,315	1,302
- other provisions	527	-
- revaluation of tangible fixed assets	-	1,503,309
- revaluation of shares	-	28,200
- valuation of cash and account in foreign currencies	82	-
- costs related to the future sale of assets	10	-
- <b>Tax costs unrecognised as a result of the financial year (-)</b>	<b>-</b>	<b>7</b>

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- paid commission on the credit settled in time	-	7
<b>- Revenues not included in the tax base (-)</b>	<b>116,516</b>	<b>137,671</b>
- income from green and red certificates	29,260	46,993
- income in the amount of the depreciation write-down	1,421	330
- accrued interest on granted loans	137	239
- valuation of the account and settlements	86	-
- the received dividend	78,778	84,812
- valuation of the loan for Pątnów II - capital	6,404	5,234
- valuation of the forward contract	296	-
- accrued interest on the account	134	63
<b>- Tax revenues unrecognised as a result of the financial year (+)</b>	<b>1,034</b>	<b>16,158</b>
- the sale of test production	732	15,891
- paid interest on the granted loans accrued in the previous years	203	267
- interest received on the account, on bonds and other accrued in the previous year	99	-
<b>- Other changes in the tax base provided in the tax regulations</b>	<b>-369,290</b>	<b>-234,654</b>
- paid salaries and social security contributions (ZUS) for the previous year	-2,583	-2,801
- redemption of the provision for receivables	-14	-2
- paid annual bonus and anniversary premium	-10,269	-26,386
- received accrued compensation in the previous year	-	1,200
- the reversal of valuation of the loan granted to Pątnów II (interest)	5,234	2
- the reversal of valuation of the loan granted to Pątnów II (capital)	-	6,297
- the reversal of valuation of cash and settlements	-	543
- interest received on the account, accrued in the previous year	-	173
- payment for the audit	-123	-120
- the redeemed provision for employee benefits	-1,676	-443
- paid interest on the credits and loans accrued in the previous years	2,198	-
- liquidation of fixed assets (tax value and balance sheet value)	-	8
- yellow certificates purchased to cover the obligation for the previous year	-251	-422
- redeemed provision for charges for colored certificates	-288	-10
- incurred costs of reclamation – the used provision	-693	-638
- redeemed provision for reclamation	-	-295
- paid charge for the operating lease	-130	-119
- purchase of EUAs, CERs, ERUs	-360,599	-209,351
- redemption of the impairment write-down for materials	-96	-56
- redeemed provision for leaves	-	-22
- cancelled MEGADEx contractual penalty	-	-2,212
<b>- Deducted losses from previous years</b>		<b>24,413</b>
4. Income tax base	-133,400	24,270
5. Income tax at the rate of 19%	-	4,611
6. Tax increases, waiver, exemptions, deductions and reductions	12	
7. Current income tax recognised (stated) in the tax return for a given period, including:	12	4,611
- showed in the income statement	12	4,611
<b>Change in the provision/deferred tax asset state</b>	<b>5,886</b>	<b>-8,957</b>
<b>Income tax within the income statement</b>	<b>5,898</b>	<b>-4,346</b>

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**h) Asset and deferred tax provision**

**Status as of 31 December 2016**

Title	Asset	Provision
<b>Costs and losses, which will reduce or increase the tax base in the future, including:</b>		
annual bonus	1,968	-
provision for audit costs	27	-
provision for anniversary premiums, the energy equivalent, retirement severance benefits, death benefits	1,885	-
provision for leaves	411	-
accrued interest on credits and loans	-	45
provision for materials	699	-
RMB green certificates	34	-
RMB red certificates	20	-
RMB white energy	52	-
RMB purple certificates	7	-
RMB yellow certificates	58	-
RMB blue certificates	6	-
provision for liquidation of assets	3,033	-
incurred costs of the liquidation of SMT El. Pątnów	-	-
provision for financial assets	2,220	-
provision for receivables	367	-
tax and balance sheet depreciation of fixed assets	-	84,745
impairment write-down of fixed assets -	-	-
valuation of the cash and foreign currency account, settlements	16	-
social security contributions (ZUS) from salaries	498	-
unpaid salaries – contracts of mandate	14	-
costs related to the future sale of assets	5	-
provision for reclamation	191	-
tax and balance sheet subsidies of fixed assets in the leaseback	100	-
Accrued write-off for the Intercompany Social Insurance Fund (MFŚS)	-	-
provision for charges	100	-
provision for CO2 emission allowances	47,536	-
purchased EUAs, CERs, ERUs	-	69,291
tax loss for 2013	67	-
tax loss for 2014	4,571	-
tax loss for this year	25,346	-
<b>revenues, which will increase the tax base in the future</b>		
accrued interest on the granted loan, deposits	-	52
loan valuation	-	1,217
green and red certificates in stock	-	2,615
valuation of the forward contract	-	56
valuation of the cash and foreign currency account, settlements	-	16
<b>IN TOTAL:</b>	<b>89,231</b>	<b>158,037</b>
<b>Presented amount, deferred income tax</b>		<b>68,806</b>

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**Status as of 31 December 2015**

Item	Title	Asset	Provision
<b>1)</b>	<b>costs and losses, which will reduce or increase the tax base in the future, including:</b>		
	annual bonus	3,003	-
	provision for audit costs	28	-
	provision for anniversary premiums, the energy equivalent, retirement severance benefits, death benefits	2,204	-
	provision for leaves	329	-
	accrued interest on credits and loans	39	-
	provision for materials	718	-
	RMB green certificates	109	-
	RMB red certificates	18	-
	RMB white energy	54	-
	RMB purple certificates	6	-
	RMB yellow certificates	43	-
	provision for liquidation of assets	2,783	-
	provision for financial assets	2,220	-
	provision for receivables	369	-
	tax and balance sheet depreciation of fixed assets	-	55,658
	social security contributions (ZUS) from salaries	478	-
	unpaid salaries – contracts of mandate	13	-
	costs related to the future sale of assets	3	-
	provision for reclamation	323	-
	tax and balance sheet subsidies of fixed assets in the leaseback	215	-
	provision for CO2 emission allowances	47,621	-
	purchased EUAs, CERs, ERUs	-	54,383
<b>2)</b>	<b>revenues, which will increase the tax base in the future</b>		
	accrued interest on the granted loan, deposits	-	57
	loan valuation	-	995
	green and red certificates in stock	-	12,315
	paid commission on the credit settled in time	-	88
	<b>IN TOTAL:</b>	<b>60,576</b>	<b>123,496</b>
	<b>Presented amount, deferred income tax</b>		<b>62,920</b>

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**i) Cost data by type**

<b>COSTS BY TYPE</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a) depreciation	36,925	83,263
b) materials and energy consumption	758,536	780,702
c) external services	182,899	182,972
d) taxes and charges	323,851	322,541
e) remuneration	92,777	111,674
f) social security and other benefits, including retirement benefits	24,287	26,889
g) other costs by type (for)	8,570	11,542
<b>Costs by type, in total</b>	<b>1,427,845</b>	<b>1,519,583</b>
Change in inventories, products and prepayments	-4,521	-13,258
The cost of manufacturing products for the own needs (negative value)	-103	-188
Costs of sales (negative value)	-3,100	-3,552
Overheads (negative value)	-30,194	-35,863
Cost of manufacturing the sold products	1,389,927	1,466,722

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

<b>Receivables</b>	<b>31-12- 2016</b>	<b>31 -12-2015</b>
Change in Balance sheet receivables	16 455	-4 534
Change in receivables due to sale of fixed assets	-1 594	1 594
<b>Change in receivables in cash flow</b>	<b>14 861</b>	<b>-2 940</b>

<b>Liabilities</b>	<b>31-12-2016</b>	<b>31-12-2016</b>
The balance sheet change in long-term and short-term liabilities	-148 448	199 508
Change in credits as well as long-term and short-term loans	113 146	-261 436
Change in lease liabilities	130	38 302
Liabilities due to purchase of CO2 emission allowances	-59 951	-
Change in liabilities due to the construction of fixed assets	70 892	-472
<b>Change in liabilities in the cash flows statement</b>	<b>-24 231</b>	<b>-24 098</b>

<b>Provisions</b>	<b>31-12- 2016</b>	<b>31-12- 2015</b>
The balance sheet change in provisions	-27 374	133 341
Provision due to the redemption of EUA	282 135	119 343
<b>Change in provisions in the cash flows statement</b>	<b>254 761</b>	<b>252 684</b>

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<b>Investment activity</b>	<b>31-12- 2016</b>	<b>31-12- 2015</b>
Profit/loss on disposal of non-financial fixed assets	-	-119
Profit/loss on disposal of investments	33	312
Investment abandonment	-	-
Disclosure of fixed assets	-	-
Revaluation of fixed assets	-	1 503 309
Revaluation of shares	-	28 200
Valuation of forward transaction	-296	-
<b>Profit (loss) on investment activities in the cash flow statement</b>	<b>-263</b>	<b>1 531 702</b>

<b>Other adjustments of operational activity</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
Purchase of CO2 emission allowances	300 648	209 351
Acquisition of land by presbyopia	47	-
<b>Total</b>	<b>300 695</b>	<b>209 351</b>

	<b>Cash - the balance sheet</b>	<b>Cash - CF (cash flow)</b>	<b>The value of foreign exchange differences</b>
31.12.2015	182 989	182 989	-
31.12.2016	169 601	169 516	85
<b>Change of the status</b>	<b>13 388</b>	<b>13 473</b>	<b>-85</b>

<b>CASH AND CASH EQUIVALENTS (BY CURRENCY)</b>		<b>entity</b>	<b>currency</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
a)	In PLN		PLN	132 608	182 986
b)	In other currencies (by currency and after calculation into PLN)		EUR	36 993	3
b1.	In currency		EUR	8 362	1
	After calculation into PLN			36 993	3
	-				
	Other currencies in PLN				
<b>Total</b>				<b>169 601</b>	<b>182 989</b>

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## 8. Information about the average employment in the occupational groups

Specification	31-12-2016	31-12-2015
<b>1. Employees in positions directly related to production</b>	<b>934,27</b>	<b>961,26</b>
· Operation employees	934,27	961,26
<b>2. Service employees</b>	<b>296,57</b>	<b>314,89</b>
· Material management employees	25,00	27,53
· Other employees	271,57	287,36
<b>3. Management employees</b>	<b>72,02</b>	<b>73,95</b>
· Management Board	5,08	3,16
· Management (Proxies)	20,52	21,33
· Managers	46,42	49,46
<b>4. Other employees</b>	<b>0,00</b>	<b>0,00</b>
<b>Total</b>	<b>1 302,86</b>	<b>1 350,10</b>

## 9. Information about the remuneration of the statutory auditor or the entity entitled to audit financial statements

Specification	31 -12-2016	31-12- 2015
1. Mandatory auditing	212	215
2. Other services	104	102
<b>Total:</b>	<b>316</b>	<b>317</b>

## 10. Remuneration, including the remuneration from profits, paid to the members of the Management Board and supervisory bodies of the Company (the Supervisory Board)

Specification	31-12-2016	31-12-2016
1. Remuneration of the Management Board members	2 825	3 838
2. Remuneration of the Supervisory Board members	1 029	970
<b>Total</b>	<b>3 854</b>	<b>4 808</b>

## 11. Loans granted to members of the Management Board and supervisory bodies of the Company (the Supervisory Board)

In the financial year and the previous year, any loans were granted to members of the Management Board and supervisory bodies of the Company.



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## **12. Transactions with members of the Management Board and supervisory bodies of the Company**

In the financial year, the Company did not conduct any significant transactions with members of the Management Board and supervisory bodies as well as their spouses, relatives or relatives by affinity in direct line up to the second degree or persons, who, due to adoption, custody or guardianship, are connected with the managing person, or the one being in the supervisory bodies of the entity, or the companies, in which they are major shareholders (shareholders or partners).

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

**Year ended 31 December 2016**

<b>Entity</b>	<b>Sale</b>	<b>Purchase</b>	<b>Receivables</b>	<b>Liabilities</b>
Megadex Serwis Sp. z o.o.	1	47 182	210	5 432
Laris Investments sp. z o.o.	-	210	-	21
<b>Total</b>	<b>1</b>	<b>47 392</b>	<b>210</b>	<b>5 453</b>

**Year ended 31 December 2015**

<b>Entity</b>	<b>Sale</b>	<b>Purchase</b>	<b>Receivables</b>	<b>Liabilities</b>
Megadex Serwis Sp. z o.o.	13	118 668	509	7 859
Verano sp. z o.o.	10	-	-	-
Laris Investments sp. z o.o.	-	202	-	-
<b>Total</b>	<b>23</b>	<b>118 870</b>	<b>509</b>	<b>7 859</b>

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

31 December 2016	PAK Serwis sp. z o.o.	EL PAK sp. z o.o.	PAK Infrastruktura sp. z o.o.	PAK-Holdco sp. z o.o.	Elektrownia Pątnów II sp. z o.o.	PAK Centrum Usług Informatycznych sp. z o.o.	PAK Centrum Badań Jakości sp. z o.o.	PAK Górnictwo sp. z o.o.	Energoinwest Serwis sp. z o.o.	PAK KWB Konin SA	PAK KWB Adamów SA	PAK Volt SA	EKO-Surowce sp. z o.o.	EL PAK Serwis sp. z o.o.	Aquakon sp. z o.o.	Total
Purchase	77 593	27 468	11 039	-	155	-	-	-	3 772	396 169	214 225	5	3 742	-	918	<b>735 086</b>
Sale	4 312	2 582	10 824	10	125 443	-	-	24	799	4 471	1 719	418 542	1 368	631	169	<b>570 894</b>
Interest - financial costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest - financial income	-	-	-	-	851	-	-	-	-	123	-	-	-	-	-	<b>974</b>
Received dividends and shares in profits	21 284	7 129	2 815	41 994	-	-	-	-	-	-	-	5 500	-	-	-	<b>78 722</b>
Foreign exchange rate differences - costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange rate differences - income	-	-	-	-	2 851	-	-	-	-	-	-	-	-	-	-	<b>2 851</b>
Receivables due to deliveries, works and services	604	243	1 113	-	24 373	-	-	2	72	4 615	270	28 802	149	366	29	<b>60 638</b>
Liabilities due to deliveries, works and services	9 014	5 728	1 131	-	72	-	-	-	664	-	9 170	200	374	-	116	<b>26 469</b>
Granted loans	-	-	-	-	64 089	-	-	-	-	-	-	-	-	-	-	<b>64 089</b>
Received loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	3 658	-	-	-	-	-	-	-	-	-	-	<b>3 658</b>
Granted advance payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	432	305	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>737</b>

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

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## 15. CO2 emission allowances

Since 1 January 2013, the next reporting period of 2013 – 2020 concerning CO2 emission allowances has been applicable. This period's assumption is to grant free EUA allowances, resulting from the production of heat, to the Company. Although, power engineering was additionally covered by the opportunity of derogation. Derogation resulting from Article 10c of the ETS Directive is based on granting additional free allowances, provided that declared investment expenses for investments reported in the National Investment Plan are paid.

On 26 September 2013, the Ministry of Economy, in consultation with the Ministry of Environment, submitted a list of installations producing electricity, which are covered by the EU ETS system with free allowances for carbon dioxide emission in the reporting period 2013-2020. The presented list is consistent with the Polish Application on the transitional allocation of free allowances for the modernisation of electricity generation based on Article 10c paragraph 5 of Directive 2003/87/EC of the European Parliament and of the Council (the so-called derogation application) that meets the requirements of the Commission Decision of 13 July 2012 C (2012) 4609.

The following table shows the obtainable quantities of free CO2 emission allowances for the installation of the Company generating electricity resulting from Article 10 c of the ETS Directive:

Operator	Installation code according to KPRU III	2013	2014	2015	2016	2017	2018	2019	2020*
		(in tonnes)	(in tonnes)	(in tonnes)	(in tonnes)	(in tonnes)	(in tonnes)	(in tonnes)	(in tonnes)
Pątnów I Power Plant	PL-0021-05	3 624 320	3 350 223	2 912 158	2 216 534	1 677 877	1 337 214	994 681	2 445
Adamów Power Plant	PL-0023-05	2 176 736	2 010 426	1 748 088	1 334 657	1 014 045	810 985	607 774	22 270
Konin Power Plant	PL-0022-05	1 300 056	1 194 104	1 035 587	793 852	604 769	482 922	363 442	30 999
<b>Total</b>		<b>7 101 112</b>	<b>6 554 753</b>	<b>5 695 833</b>	<b>4 345 043</b>	<b>3 296 691</b>	<b>2 631 121</b>	<b>1 965 897</b>	<b>55 714</b>

\*In 2020, the complete liquidation of free allocation of CO2 emission allowances, granted under the derogation for electricity generators, will take place. As a result, in 2020, the Group will be entitled only to significantly lower limits of free allowances granted in connection with the heat generation.

In December 2013, the Ministry of Environment issued a sample of the material and financial statement, which is annually sent by the Company to the Ministry of Environment in the scope of incurred investment expenses for the investment tasks reported to the National Investment Plan in order to use derogation for power engineering within Article 10c of the ETS Directive. For the incurred investment expenses in the period from 1 July 2014 to 30 June 2015, ZE PAK S.A. submitted a material and financial statement and obtained 329,417 free EUAs, which were received by the Company in April 2016, and which were used for the emission redemption for 2015.

Since 2015, there has been a change in the way of the publication of information on free CO2 emission allowances. According to the new Act of 12 June 2015 on the trading scheme of CO2 emission allowances, the Minister competent for the environment issues, after the European Commission's approval of a list of systems generating electricity with the number of emission allowances planned to be granted to these systems in a given year of a settlement period, publishes information on the number of emission allowances, which in a given year of the settlement period will be issued to the systems generating electricity in the Public Information Bulletin. Therefore, in 2016, the information that ZE PAK would receive 329,417 EUAs for 2015, according to Article 10c (derogation), and 101,259 EUAs for 2016 according to Article 10a, for heat generation appeared.

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

On 25 February 2016, 101,259 EUAs under Article 10a of the Directive were transferred to the Company's account, and then, 329,417 EUAs under Article 10c of the ETS Directive were transferred to the Company's account in April. In addition, since January 2016, the Company has been purchasing EUAs for its production needs on a regular basis. Thus, in April 2016, the Company had the total of 15,295,749 EUAs for the purposes of redemption of 2015. Then, at the end of April 2015, the redemption of emission for 2015 in the number of

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9,907,506 EUAs was made. After the redemption, there were 5,388,243 EUAs, which will be used for the emission redemption for 2016, in the Company.

It should be noted that in 2014, the purchase of ERUs under the current settlement period, which were then used by the Company for emission redemption for 2014, and at the same time, the Company used the opportunity to purchase 11% EUAs in order to exchange them for cheaper CERs or ERUs (10% from the period of 2008 – 2012, and 1% from the period of 2013 – 2020), and at the same time, it finished the exchange of EUAs to CERs or ERUs in the period of 2013 – 2020.

On 30 September 2016, the Company submitted a material and financial statement to the Ministry of Environment regarding free EUAs under Article 10c for the incurred investment expenses in the period from 1 July 2015 to 30 June 2016. However, due to the uncertainty in terms of the creation of a dual-commodity market of electricity, including the power market, which will directly affect the modernisation of units Nos. 3 and 4 in the Pątnów Power Plant, the Company did not apply for free allowances.

In the fourth quarter of 2016, the Company continued to purchase units for production needs of 2016 and for the needs of contracted electricity sales for 2017, and as an effect on 31 December 2016, the Company had 12,900,660 EUAs in the EU ETS registry.

In the below tables, the carbon dioxide emission allowances, granted within the framework of the National Allocation Plan, purchased on the secondary market including the division into the part used for the own purposes, and the one sold in the periods concluded on 31 December 2016, and 31 December 2015, were presented.

<b>In tonnes thousand</b>		<b>31-12-2016</b>
	O.B.	9 690
	Purchased	12 688
	Free received	431
EUA	Redemption	-9 908
	Sale	-
	Exchange	-
<b>Balance as of 31.12.2016</b>		<b>12 901</b>

<b>In tonnes thousand</b>		<b>31-12-2015</b>
	O.B.	10 697
	Purchased	6 715
	Free received	2 363
EUA	Redemption	-10 086
	Sale	-
	Exchange	-
<b>Balance as of 31.12.2015</b>		<b>9 689</b>

The Company hedges cash flows associated with the purchase of CO<sub>2</sub> emission allowances within the forward futures contracts.

Due to the fact that contracts for the purchase of non-financial assets are concluded in order to secure the own needs, they are not subject to valuation as of the balance sheet date.

## **16. Information on fulfilment of the reporting requirements of Article 44 of the Energy Law**

Starting from the financial statements for the year concluded on 31 December 2014, new reporting requirements related to energy companies have been in force.

Article 44 of the Energy Law Act, which obliges energy companies (referring to the Accounting Act) to draw up and disclose the financial statements that comprise the balance sheet and income statement by conducted activities, was amended.

With a view to the purpose aspect of the provisions of the Act, i.e. striving to ensure the equal treatment of customers and the elimination of cross-subsidisation and information obligations with respect to the market regulator, the Company's activity was divided into three following segments: "Electricity", "Heat", "Other activities".

### Income statement:

The Company draws up the Income Statement in accordance with the Accounting Act provisions and it keeps a register of expenses based on their nature.

The revenues from the sale of electricity, revenues from the sale of property rights and revenues from the system services were presented in the income statement in the activity of "Electricity". The revenues from the heat sale was shown in the activity of "Heat". The revenues from sales of other services were presented as "Other activities"

The ZE PAK S.A. company keeps a register of prime costs by their nature and recognises the costs incurred during the reporting period and of this period within the framework of the costs of the conducted business activity. The prime costs are divided into variable costs and fixed costs.

The variable costs depend on the extent of electricity and heat generation, and these are the costs of the consumption of coal, biomass, auxiliary liquid fuels, such as heavy oil or heating oil and limestone flour, the costs of consumption of chemicals for technological purposes, charges for the economic use of the environment in terms of water, post-production waste and volatile pollutant emission into the air, and the costs of CO<sub>2</sub> emission allowances. The costs depended on the extent of production also include the costs related to the sale of energy: excise tax, statutory charges related to certification and participation in open energy markets.

The other costs are fixed costs.

The costs are recorded at the Cost Centre (the place where a cost is created).

The distribution keys, on the basis of which the prime costs, at the expense of own generation of electricity and heat and the remaining service activity called "Works and services", are a basis for the settlement of costs for each activity.

The variable costs are settled using "the physical cost sharing method" in the combined economy based on the efficiency of boilers and heat exchangers. By using this method, the distribution of chemical energy from fuels to generate heat and electricity is made. The allocation of the fuel costs for electricity generating units is made by the ECT method used in the energy sector. Other variable costs of generation, which depend on the production extent, are allocated with the use of a key of "chemical energy from fuels", however, the costs related to the energy sale are divided using the amount of the sold electricity of a given generating unit.

The fixed costs are settled by a key of the total capacity of electricity and heat. The distribution key calculation of fixed costs was based on "Industry cost statement for energy sector".

The costs of electricity used to generate heat are settled using the unit cost of the first degree electricity generation, both from the group of variable and fixed costs.

The separation of costs for "Works and services" is conducted with a contribution key of individual organisational units in the service and provision of services for recipients.

The condensed statement of results for individual activities for 2016 and 2015 is presented below.

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(in zloty thousand)

<b>Year ended 31 December 2016</b>	<b>Total</b>	<b>Electricity</b>	<b>Heat</b>	<b>Other activities</b>	<b>Unassigned items</b>
<b>Sales revenues</b>	<b>1 622 180</b>	<b>1 406 098</b>	<b>62 303</b>	<b>153 779</b>	-
<b>Costs of sold goods and materials</b>	<b>1 509 522</b>	<b>1 339 346</b>	<b>46 674</b>	<b>123 502</b>	-
Selling costs	3 100	3 030	-	70	-
Administrative costs	30 194	-	-	-	30 194
Other operating revenues	6 993	-	-	-	6 993
Other operating costs	12 671	-	-	-	12 671
<b>Operating profit</b>	<b>73 686</b>	<b>63 722</b>	<b>15 629</b>	<b>30 207</b>	<b>-35 872</b>
Financial revenues	86 676	-	-	-	86 676
including dividends	78 778	-	-	-	78 778
Financial costs	23 057	-	-	-	23 057
<b>Gross profit</b>	<b>137 305</b>	<b>63 722</b>	<b>15 629</b>	<b>30 207</b>	<b>27 747</b>
Income tax	5 898	-	-	-	5 898
<b>Net profit</b>	<b>131 407</b>	<b>63 722</b>	<b>15 629</b>	<b>30 207</b>	<b>21 849</b>

<b>Year ended 31 December 2015</b>	<b>Total</b>	<b>Electricity</b>	<b>Heat</b>	<b>Other activities</b>	<b>Unassigned items</b>
<b>Sales revenues</b>	<b>1 538 913</b>	<b>1 353 698</b>	<b>62 704</b>	<b>122 511</b>	-
<b>Costs of sold goods and materials</b>	<b>1 555 598</b>	<b>1 409 592</b>	<b>56 367</b>	<b>89 639</b>	-
Selling costs	3 552	3 479	-	73	-
Administrative costs	35 863	-	-	-	35 863
Other operating revenues	1 679	-	-	-	1 679
Other operating costs	1 519 160	-	-	-	1 519 160
<b>Operating profit</b>	<b>-1 573 581</b>	<b>-59 373</b>	<b>6 337</b>	<b>32 799</b>	<b>-1 553 344</b>
Financial revenues	87 283	-	-	-	87 283
including dividends	84 861	-	-	-	84 861
Financial costs	33 898	-	-	-	33 898
<b>Gross profit</b>	<b>-1 520 196</b>	<b>-59 373</b>	<b>6 337</b>	<b>32 799</b>	<b>-1 499 959</b>
Income tax	-4 346	-	-	-	-4 346
<b>Net profit</b>	<b>-1 515 850</b>	<b>-59 373</b>	<b>6 337</b>	<b>32 799</b>	<b>-1 495 613</b>

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Balance sheet:

In the balance sheet, the selected items, for which figures can be reliably presented, were shown.

Intangible assets were divided on the basis of a detailed analysis of the economic content of entries in the book of accounts of individual accounts included in a given item of the balance sheet in order to establish a direct relationship with a specific separate activity of the Company.

Tangible fixed assets were divided according to the depreciation key evidenced on individual cost items including the division into electricity, heat and other activities.

CO2 emission allowances – were separated according to the key resulting from accrued costs on the individual cost items including the division into electricity and heat.

The capital work in progress as well as advance payments for capital work in progress were separated on the basis of a detailed analysis of the economic content of individual entries in the book of accounts and balances of individual accounts being part of a given item of the balance sheet.

The inventories were separated on the basis of the following distribution keys:

Materials – production fuel, according to a contribution key of the cost of fuel consumption registered on the cost items including the division into electricity and heat.

Other materials were divided on the basis of the structure of revenues by the type of activities.

Certificates of origin of the Renewable Energy Sources (RES) – are assigned as follows:

- green certificates – in their entirety to electricity
- red certificates – in their entirety to heat.

Short-term receivables represent only receivables for supplies and services, and were divided on the basis of the revenues registered on the analytic accounts, which are appropriate for given types of activities.

Short-term liabilities include only liabilities for supplies and services, and they were separated by the cost key in relation to the costs registered on the individual items relevant to a particular segment of activity.

The item of provisions and prepayments is limited to the provision for the cost of purchasing emission allowances, and it was separated on the basis of the key resulting from registered costs on different cost items including the division into electricity and heat.

The selected items of the balance sheet in the division into the activity types:



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ASSETS	31-12-2016	Type of activity		
		Electricity	Heat	Other
<b>OTHER INTANGIBLE ASSETS</b>	<b>368 132</b>	<b>357 320</b>	<b>8 394</b>	<b>2 418</b>
a) Intangible assets - CO2 allowances	364 691	356 297	8 394	-
b) other	3 441	1 023	-	2 418
<b>TANGIBLE FIXED ASSETS</b>	<b>662 844</b>	<b>611 559</b>	<b>16 683</b>	<b>34 602</b>
<b>1. Fixed assets</b>	<b>617 868</b>	<b>566 584</b>	<b>16 683</b>	<b>34 601</b>
a) Lands (including the perpetual usufruct of land)	1 290	1 183	35	72
b) Buildings, premises, as well as civil engineering facilities	187 386	171 833	5 059	10 494
c) Technical equipment and machinery	426 981	391 541	11 529	23 911
d) Transport equipment	854	783	23	48
e) Other fixed assets	1 357	1 244	37	76
<b>2. Capital work in progress</b>	<b>41 067</b>	<b>41 066</b>	-	<b>1</b>
<b>3. Advance payments for fixed assets construction in progress</b>	<b>3 909</b>	<b>3 909</b>	-	-
<b>INVENTORIES</b>	<b>53 915</b>	<b>48 582</b>	<b>1 990</b>	<b>3 343</b>
<b>1. Materials</b>	<b>39 602</b>	<b>35 195</b>	<b>1 418</b>	<b>2 989</b>
a) production fuel without biomass	7 452	7 229	223	-
b) biomass	688	688	-	-
c) other	31 462	27 278	1 196	2 989
<b>2. Property rights</b>	<b>13 959</b>	<b>13 387</b>	<b>572</b>	-
a) green certificates	13 193	13 193	-	-
b) red certificates	572	-	572	-
c) white certificates	194	194	-	-
<b>3. Advanced payments for deliveries</b>	<b>354</b>	-	-	<b>354</b>
<b>TRADE RECEIVABLES</b>	<b>114 424</b>	<b>73 927</b>	<b>8 583</b>	<b>31 914</b>
<b>EQUITY AND LIABILITIES</b>				
<b>PROVISIONS FOR LIABILITIES - CO2 EMISSION</b>	<b>250 189</b>	<b>244 458</b>	<b>5 731</b>	-
<b>SHORT-TERM TRADE RECEIVABLES</b>	<b>85 169</b>	<b>75 686</b>	<b>2 661</b>	<b>6 822</b>
<b>PREPAYMENTS RECEIVED FOR DELIVERIES</b>	<b>50</b>	<b>50</b>	-	-

ASSETS	31-12-2015	Type of activity		
		Electricity	Heat	Other
<b>OTHER INTANGIBLE ASSETS</b>	<b>289 858</b>	<b>279 043</b>	<b>8 361</b>	<b>2 454</b>
a) Intangible assets - CO2 allowances	286 227	277 866	8 361	-
b) other	3 631	1 177	-	2 454
<b>TANGIBLE FIXED ASSETS</b>	<b>684 220</b>	<b>670 701</b>	<b>911</b>	<b>12 608</b>
<b>1. Fixed assets</b>	<b>392 252</b>	<b>380 074</b>	<b>911</b>	<b>11 267</b>
a) Lands (including the perpetual usufruct of land)	1 248	1 190	9	49
b) Buildings, premises, as well as civil engineering facilities	178 928	172 110	613	6 205
c) Technical equipment and machinery	209 074	203 898	278	4 898
d) Transport equipment	1 381	1 321	7	53
e) Other fixed assets	1 621	1 555	4	62
<b>2. Capital work in progress</b>	<b>287 639</b>	<b>286 298</b>	-	<b>1 341</b>
<b>3. Advance payments for fixed assets construction in progress</b>	<b>4 329</b>	<b>4 329</b>	-	-
<b>INVENTORIES</b>	<b>104 156</b>	<b>99 346</b>	<b>1 966</b>	<b>2 039</b>
<b>1. Materials</b>	<b>38 536</b>	<b>35 217</b>	<b>1 279</b>	<b>2 039</b>
a) production fuel without biomass	7 384	7 148	236	-
b) biomass	5 531	5 531	-	-
c) other	25 621	22 539	1 043	2 039
<b>2. Property rights</b>	<b>64 816</b>	<b>64 129</b>	<b>687</b>	-
a) green certificates	64 129	64 129	-	-

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b) red certificates	687	-	687	-
<b>3. Advanced payments for deliveries</b>	<b>804</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRADE RECEIVABLES</b>	<b>122 782</b>	<b>100 637</b>	<b>8 714</b>	<b>13 431</b>
<b>EQUITY AND LIABILITIES</b>				
<b>PROVISIONS FOR LIABILITIES - CO2 EMISSION</b>	<b>282 135</b>	<b>273 909</b>	<b>8 226</b>	<b>-</b>
<b>SHORT-TERM TRADE RECEIVABLES</b>	<b>90 928</b>	<b>82 399</b>	<b>3 292</b>	<b>5 237</b>
<b>PREPAYMENTS RECEIVED FOR DELIVERIES</b>	<b>124</b>	<b>124</b>	<b>-</b>	<b>-</b>

## 17. Disbursement of profit, loss coverage

On 28 June 2016, the ZE PAK S.A. Ordinary General Meeting adopted the Resolution No. 5 on covering the Company's loss for the financial year of 2015 in the amount of PLN 1,515,850 thousand as follows:

- a) covering of the net loss with the Company's reserve capital in the amount of PLN 2,404 thousand,
- a) covering of the net loss with the Company's supplementary capital in the amount of PLN 1,513,446 thousand.

Net profit for the financial year of 2016 was PLN 131,407 thousand. The Management Board of ZE PAK S.A. did not decide on the proposal of the profit distribution as of the date of the statement development.

## 18. Consolidated financial statement

The ZE PAK SA Capital Group, where the Company is the parent company, will draw up the consolidated financial statement for 31 December 2016, including statements of the following companies::

	Name	Registered office	Activity profile	Commitment
1.	PAK SERWIS sp. z o.o.	Konin	construction and installation services and repair	100% of shares
2.	EL PAK sp. z o.o.	Konin	repair services of electrical devices and automation	100% of shares
3.	PAK GÓRNICtwo sp. z o.o.	Konin	coal extraction	100% of shares
4.	„Elektrownia Pątnów II” sp. z o.o.	Konin	electricity production	100% of shares the indirect share through PAK
5.	PAK HOLDCO sp. z o.o.	Konin	holding activities	100% of shares
6.	PAK INFRASTRUKTURA sp. z o.o.	Konin	services of the energy installations management	100% of shares
7.	ENERGOINWEST SERWIS sp. z o.o.	Konin	construction and installation services and repair	100% of shares through PAK SERWIS
8.	CENTRUM USŁUG INFORMATYCZNYCH sp. z o.o. w likwidacji	Konin	IT services	100 % of shares liquidated in I half of 2015.
9	PAK Centrum Badań Jakości sp. z o.o. w likwidacji	Konin	tests, measurement and chemical analyses	100 % of shares liquidated in I half of 2015.
10.	PAK KWB KONIN SA	Kleczew	coal extraction	93,34% of shares
11.	PAK KWB ADAMÓW	Adamów	coal extraction	98,41 % of shares
12.	PAK VOLT SA	Warszawa	electricity sales	100% of shares
13.	Aquakon sp. z o.o.	Sompolno	production and sale of mineral	92,57 % of shares through PAK KWB Konin
14.	EKO-Surowce sp. z o.o.	Kleczew	repair services of electrical devices	96,23 % of shares through PAK KWB Konin
15.	EL PAK Serwis sp. z o.o.	Konin	rail transport of coal, vulcanisation services, the sale of coal	100 % of shares through EL PAK

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SHARES IN SUBSIDIARIES												
	2016											
	a	b	c	d	e	f	g	h	i	j	k	l
Name of the company and legal form	headquarter	Scope of activity	type of relationship (subsidiary, jointly controlled entity, associate, with details of direct and indirect)	Consolidation method / equity method or indication that the entity is not subject to consolidation / equity method i	the date of acquisition of control / joint control / significant influence	Value of shares by purchase price	Value adjustments (total)	Balance sheet value of shares	Percent of possessed equity	Share in overall number of votes at general meeting	indication, other than that referred to in subparagraph j) or k) basis for control / joint control / significant influence	
1	Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin, Przemysłowa 158	construction and installation services and repair	subsidiary	full method	26.11.1999	9 985	-	9 985	100	100	
2	Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych "EL Pak" sp. z o.o.	62-510 Konin, Przemysłowa 158	repair services of electrical devices and automation	subsidiary	full method	26.11.1999	1 857	-	1 857	100	100	
3	"Elektrownia Pątnów II" sp. z o.o.	62-510 Konin, Kazimierska 45	electricity production	subsidiary	full method	13.02.2001	750 500	-	750 500	100	100	indirectly
4	"PAK HOLDCO" sp. z o.o.	62-510 Konin, Kazimierska 45	holding activities	subsidiary	full method	11.07.2005	750 550	-	750 550	100	100	
5	"PAK Infrastruktura" sp. z o.o.	62-510 Konin, Kazimierska 45	services of the energy installations management	subsidiary	full method	11.07.2005	60 392	-	60 392	100	100	
6	"PAK Górnictwo" sp. z o.o.	62-510 Konin, Kazimierska 45	lignite extraction	subsidiary	full method	30.10.2008	28 200	-28 200	0	100	100	
7	"Energoinvest Serwis" sp. z o.o.	62-510 Konin, Spółdzielców 3	construction and installation services and repair	subsidiary	full method	27.01.2003	1 050	-	1 050	100	100	indirectly
8	"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew, 600 lecia 9	lignite extraction	subsidiary	full method	18.07.2012	119 879	-	119 879	93,34	93,34	
9	"PAK Kopalnia Węgla Brunatnego Adamów" SA	62-700 Turek, Uniejowska 9	lignite extraction	subsidiary	full method	18.07.2012	78 616	-	78 616	98,41	98,41	
10	"Aquakon" sp. z o.o.	62-610 Sompolno, Police	production and sale of mineral	subsidiary	full method	18.07.2012	506	24	530	92,57	92,57	indirectly
11	"Eko-Surowce" sp. z o.o.	62-540 Kleczew, 600 lecia 9	rail transport of coal, vulcanisation services, the sale of coal	subsidiary	full method	18.07.2012	100	-	100	96,23	96,23	indirectly
12	"Elektrim-Volt" SA	00-834 Warszawa, Pańska 77/79	sale of electricity	subsidiary	full method	01.10.2012	118 500	-	118 500	100	100	
13	EL PAK Serwis sp. z o.o.	62-510 Konin, Przemysłowa 158	repair services of electrical devices and automation	subsidiary	full method	26.03.2014	500	-	500	100	100	indirectly

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SHARES IN SUBSIDIARIES												
2015												
	a	b	c	d	e	f	g	h	i	j	k	l
	Name of the company and legal form	headquarter	Scope of activity	type of relationship (subsidiary, jointly controlled entity, associate, with details of direct and indirect)	Consolidation method / equity method or indication that the entity is not subject to consolidation / equity method i	the date of acquisition of control / joint control / significant influence	Value of shares by purchase price	Value adjustments (total)	Balance sheet value of shares	Percent of possessed equity	Share in overall number of votes at general meeting	indication, other than that referred to in subparagraph j) or k) basis for control / joint control / significant influence
1	Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin, Przemysłowa 158	construction and installation services and repair	subsidiary	full method	26.11.1999	9 985	-	9 985	100	100	
2	Przedsiębiorstwo Serwisu Automatyki i Urządzeń Elektrycznych "EL Pak" sp. z o.o.	62-510 Konin, Przemysłowa 158	repair services of electrical devices and automation	subsidiary	full method	26.11.1999	1 857	-	1 857	100	100	
3	"Elektrownia Pątnów II" sp. z o.o.	62-510 Konin, Kazimierska 45	Electricity production	subsidiary	full method	13.02.2001	750 500	-	750 500	100	100	indirectly
4	"PAK HOLDCO" sp. z o.o.	62-510 Konin, Kazimierska 45	holding activities	subsidiary	full method	11.07.2005	750 550	-	750 550	100	100	
5	"PAK Infrastruktura" sp. z o.o.	62-510 Konin, Kazimierska 45	services of the energy installations management	subsidiary	full method	11.07.2005	60 392	-	60 392	100	100	
6	"PAK Górnictwo" sp. z o.o.	62-510 Konin, Kazimierska 45	lignite extraction	subsidiary	full method	30.10.2008	28 200	-28 200	0	100	100	
7	"Energoinvest Serwis" sp. z o.o.	62-510 Konin, Spółdzielców 3	construction and installation services and repair	subsidiary	full method	27.01.2003	1 050	-	1 050	100	100	indirectly
8	"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew, 600 lecia 9	lignite extraction	subsidiary	full method	18.07.2012	123 553	-	123 553	96,23	96,23	
9	"PAK Kopalnia Węgla Brunatnego Adamów" SA	62-700 Turek, Uniejowska 9	lignite extraction	subsidiary	full method	18.07.2012	78 616	-	78 616	98,41	98,41	
10	"Aquakon" sp. z o.o.	62-610 Sompolno, Police	Production and sale of mineral	subsidiary	full method	18.07.2012	506	24	530	92,57	92,57	indirectly

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11	"Eko-Surowce" sp. z o.o.	62-540 Kleczew, 600 lecia 9	Rail transport of coal, vulcanisation services, the sale of coal	subsidiary	full method	18.07.2012	100	-	100	96,23	96,23	indirectly
12	"Elektrim-Volt" SA	00-834 Warszawa, Pańska 77/79	Sale of electricity	subsidiary	full method	01.10.2012	118 500	-	118 500	100	100	
13	EL PAK Serwis sp. z o.o.	62-510 Konin, Przemysłowa 158	repair services of electrical devices and automation	subsidiary	full method	26.03.2014	500	-	500	100	100	indirectly

Konin, 21 March 2017

Prepared by:

Zespół Elektrowni Pątnów – Adamów-Konin SA