

I. Introduction to the financial statements

1. General information

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

The Company was entered in the National Court Register, Entry No. KRS 0000021374 on 21 June 2001.

The Company was granted a tax identification number NIP 665-00-01-645 on 17 September 1993 and statistical number REGON: 310186795.

The Company has an unlimited period of operation.

Based on the Company's Articles of Association, the Company is controlled by the Elektrim Capital Group.

The Company is the parent company of the Zespół Elektrowni Pątnów-Adamów-Konin S.A. Capital Group.

According to the Company's Articles of Association, the main area of its business activities includes:

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

2. Identification and explanation of differences in the value of disclosed data and significant differences relating to adopted accounting principles (policy) between the financial statements with comparative data and financial statements with comparative data that would be prepared under IFRS/IAS

The Company is parent company to Capital Group that is required to prepare consolidated financial statements in accordance with IFRS endorsed by the EU ("IFRS"). The Company does not prepare its standalone financial statements in accordance with IFRS.

Values presented below represent potential differences between IFRS and PAS, prepared under an assumption of IFRS adoption based on IFRS 1 D16 guidelines and adoption of financial data resulting from consolidated financial statements of the ZE PAK Group. IFRS transition date for ZE PAK Group is 1 January 2009.

Had the Company prepared its financial statements in accordance with IFRS, main differences between accounting policy adopted for these financial statements and IFRS would refer to following areas:

1. Tangible assets
 - a) Valuation of tangible assets

According to IFRS 1, on the IFRS transition date the entity may revalue its fixed assets to fair value and applied this fair value as a deemed cost determined as at that date. The Company determined the deemed costs of selected items of property, plant and equipment by valuation to fair value as at 1 January 2009, i.e. assumed date of transition to IFRSs.

- b) Identification of overhaul components

IFRSs provide for the requirement to identify separate components within fixed assets provided the component economic useful life is different from that of the asset. Components are depreciated over

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their useful life period. In accordance with IFRSs, overhauls or periodic maintenance may be treated as separate components. Therefore the Company identified overhaul or periodic maintenance costs components and their amortization over the period to the next planned overhaul or maintenance. Recognition of this adjustment required calculation of deferred tax.

c) Land and perpetual usufruct valuation

According to PAS, perpetual usufruct of land is subject to calculating depreciation charges, which are recognized in the profit and loss account under 'cost of sales'.

For IFRS purposes, due to indefinite economic useful life of perpetual usufruct, the Company would have eliminated recognised depreciation charges.

d) Capitalization of borrowing costs

In accordance with PAS, all borrowing costs relating to servicing liabilities incurred to finance assets under construction, inclusive of FX differences, were capitalised in the cost of assets under construction.

For IFRS purposes, the Company would made an adjustment to capitalised FX differences on foreign currency liabilities which consisted in adjusting the value of FX differences to the value they represent interest cost adjustment.

Moreover, the Company would capitalize external financing costs resulting from liabilities of a general nature used for assets under construction financing purposes.

Given the above, in the IFRS financial statements, the Company would capitalize borrowing costs in the value not higher than the borrowing costs that would originate had the liabilities been denominated in the functional currency, i.e. PLN.

Described below areas of differences between PAS and IFRS were identified during the process of preparation of consolidated financial statements for the Group according to IFRS and do not contain potential IFRS adjustments relating to transactions with affiliates that were eliminated under the Group's consolidated financial statements.

Table below presents differences as at 31 December 2012

Adjustment as at 31 December 2012	Carrying value (PAS)	Carrying value (IFRS)	Adjustment
Tangible assets	1,522,504,580.28	2,117,083,708.55	594,579,128.27
Equity	2,594,020,734.68	3,071,942,908.48	477,922,173.80
Deferred tax provision	36,681,866.71	148,767,230.17	112,085,363.47

Summary of effects of identified differences in the net profit and equity

	31 December 2012
Net profit (PAS)	275,012,750.76
Tangible assets adjustment	(60,936,745.15)
Net profit (IFRS)	214,076,005.61

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	31 December 2012
Equity (PAS)	2,594,020,734.69
Tangible assets adjustment	477,922,173.80
Equity (IFRS)	3,071,942,908.48

2. Differences in presentation

Presentation of certain positions in financial statements according to PAS and IFRS may differ. Such differences will not have any effect on equity and net profit of the Company.

3. Scope of notes to financial statement

Components of the financial statements, as well as the range of the notes to the financial statements in accordance with Polish accounting principles and IFRS may differ significantly.

Identification of differences and its valuation requires judgments and assumptions that influence the disclosed amounts. Although the accepted assumptions and estimates are based on the best knowledge of the Company, the actual amounts may differ from the forecasted ones. This note identifies the main areas of difference between the Polish Accounting Standards and IFRS and was prepared in accordance with IFRS, which are applicable as at 31 December 2012 and assuming that the date of transition to IFRS is 1 January 2009. Due to the fact that current standards are amended and new ones are developed there is a possibility that standards according to which the Company will prepare its first financial statements in accordance with IFRS will differ from standards applicable to preparation of this note.

Assumption regarding date at which the value of assets and liabilities in Company's financial statements prepared in accordance with IFRS was determined results from the Management's opportunity to use exemption resulting from paragraph D16 of IFRS 1, according to which the Company may adopt values presented in consolidated financial statements prepared in accordance with IFRS of the parent company based on transition date for using IFRS of parent i.e. 1 January 2009 however Management of the Company may in every situation change this decision and may adopt its own date of IFRS transition.

Furthermore, according to IFRS, only a complete financial statements containing balance sheet, statement of comprehensive income and/or profit and loss account, statement of changes in equity, statement of cash flow with comparative data and notes to financial statements may present fairly the financial position, results and cash flows in accordance with IFRS.

3. Going concern assumption

Company's financial statements were prepared on a going concern basis for a foreseeable future i.e. for a period of minimum 12 months after the balance sheet date, i.e. 31 December 2012.

As at the day of signing these financial statements the Management of the Company is not aware of any facts or circumstances that could affect the Company's ability to continue as a going concern. Information about plans and activities of the Management to ensure liquidity of the Company are shown in Note II.8.i. of the notes to the financial statements.

4. Business combination

During the reporting period covered by these financial statements there were no business combinations with other legal entity in accordance with art. 492 § point 1 of the Commercial Code with other legal entity.

5. Adopted accounting principles (policy)

The Company is acting on the basis of following legal acts:

1. The Accounting Act dated 29 September 1994 (consolidated text 2009 Journal of Laws No.152, with subsequent amendments - "the Accounting Act"),
2. Corporate Income Tax Act dated 15 February 1992 (Journal of Laws No. 54/2000, item 654) with subsequent amendments,

the Company applied the following internal regulations related to the method of valuation of its assets and liabilities:

1. Regulation No. 35 of the President of ZE PAK S.A. in Konin dated 1 July 2003 concerning management of property, plant and equipment,
2. Regulation No. 34 of the President of ZE PAK S.A. in Konin dated 1 July 2003 concerning the Company's Chart of Accounts for ZE PAK S.A.

The financial statements were prepared under the historical cost convention, which has been modified in respect of:

- intangible assets (note 5 b)
- tangible fixed assets (note 5a)
- investments in subsidiaries and other long-term investments (note 5 d)
- other short term investments (excluding cash and financial assets) (note 5 e)
- financial instruments (note 5 f, 5 q and 5 cc)

In accordance with the above-mentioned internal regulations, the Company applies the following methods for measurement of assets and liabilities as well as results of its operations:

a) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or at cost of production, development or modernisation. The initial cost of property, plant and equipment is decreased by accumulated depreciation and impairment losses.

Pursuant to Article 17 Section 1 Item 1 of the Accounting Act, the following principles resulting from Regulation 35/2003 of the President of the Management Board, General Director of ZE PAK S.A. of 1 July 2003 concerning management of property, plant and equipment in ZE PAK S.A. are applied in the subsidiary ledgers:

- Assets with a value up to PLN 500 are classified as raw materials.
- Fixed assets with a cost of PLN 500 – PLN 3,500 are depreciated in full in the month in which they were made available for use, in accordance with Article 16f item 3 of the Corporate Income Tax Act.
- Fixed assets with an initial cost in excess of PLN 3,500 acquired before 1 January 1997 are depreciated using the straight-line method, and those acquired after 1 January 1997 – in accordance with the decision of the Management Board of ZE PAK S.A. – using the reducing balance method; the reducing balance method was binding until the end of 1999. Since 1 January 2000, the straight-line method is used with respect to all newly purchased fixed assets.

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- Assets are revalued in accordance with separate regulations. The effects of the revaluation are taken to the revaluation reserve. After the fixed asset is sold or liquidated, the amount remaining in the revaluation reserve is transferred to reserve capital. The last revaluation took place on 1 January 1995.
- As of 1 January 2000, for tax purposes, all newly acquired fixed assets are depreciated using the rates set forth in the Appendix to the Corporate Income Tax Act of 15 February 1992, with subsequent amendments. Fixed assets which had been acquired and entered in the books of account before 1 January 2000 are depreciated using the rates specified in the Decree of the Minister of Finance of 17 January 1997 concerning depreciation of tangible fixed assets and amortisation of intangible assets.
- An adjustment is made to fixed assets' depreciation charge where a fixed asset with an initial cost exceeding PLN 3,500 and the planned useful life of less than one year is used for a period longer than one year.
- Computers and computer systems are depreciated using the straight-line method with the possibility of applying an incremental factor, in accordance with Article 16i Section 2 Item 3 of the Corporate Income Tax Act.
- As of 1 January 2001 changes were made to the policy of depreciation of fixed assets that were subject to valuation at the time the Company was privatised. Since 1 January 2001, fixed assets are depreciated according to the straight-line method over their anticipated useful lives.
- Estimates relating to the economic useful lives and method of depreciation are reviewed at the end of each financial year to verify if the depreciation methods and periods applied are consistent with the projected timing of the economic benefits generated by the given asset.
- Assets under construction (construction in progress) are valued at least as at the balance sheet date in the amount of aggregate costs directly attributable to the acquisition or production of such assets, less any impairment losses. Assets under construction include raw materials purchased for construction. Assets under construction are not depreciated until completed and made available for use.
- Borrowing costs relating to the construction, adaptation, assembly or improvement of fixed or intangible assets are capitalised as part of the cost of the asset over the period of construction, adaptation, assembly or improvement, if the borrowings were taken out for this purpose. All other borrowing costs are recorded in the profit and loss account.
- In accordance with the provisions of the Accounting Act before amendments, the perpetual usufruct right to land was classified as an off-balance sheet item. Under the amended Accounting Act, the perpetual usufruct right to land is classified under fixed assets. Pursuant to Article 2 Item 1 of the Act of 29 September 1990 Amending the Act on Management of Land and Expropriation of Real Estate (Journal of Laws No. 79 Item 464), land owned by the State Treasury or by the municipality, which on 5 December 1990 was administered by state legal entities other than the State Treasury or by municipal legal entities, as of that date became, by virtue of law, the subject of perpetual usufruct. The perpetual usufruct of land acquired in that way was not recognised in the Company's books; instead, it was recorded as an off-balance sheet item.
- In accordance with the Accounting Act, a physical count of tangible fixed assets is carried out by the Company every four years. The last physical count of tangible fixed assets was carried out in 2010.
- An assessment is made at each balance sheet date to determine whether the carrying amounts of the assets exceed the anticipated future economic benefits. If there is any evidence indicating that this is the case, the assets are written down to their net realisable values. The resultant impairment write-downs are recorded under other operating expenses. Impairment losses related to assets

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revalued in accordance with separate regulations decrease the amounts taken to the revaluation reserve. Any surplus of impairments write-downs over the results of revaluation are recorded under other operating expenses.

b) Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company. Initially, intangible assets are recorded at acquisition cost or cost of production. Following the initial recognition, intangible assets are measured at acquisition cost or cost of production, less accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful lives. The expected useful lives are as follows:

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

Intangible assets with an initial cost of less than PLN 3,500 are amortised in full in the month in which they were made available for use.

Estimates relating to the economic useful lives and method of amortisation are reviewed at the end of each financial year to verify if the amortisation methods and periods applied comply with the projected timing of the economic benefits generated by the intangible assets.

An assessment is made at each balance sheet date to determine whether the carrying amounts of intangible assets exceed the anticipated future economic benefits. If there is any evidence indicating that this is the case, the assets are written down to their net realisable values. The resultant impairment write-downs are recorded under other operating expenses.

c) Long-term receivables

Long-term receivables include among others:

- receivables related to deposits (e.g. given under rental agreements);
- receivables from entities with which a bank settlement or an arrangement has been reached.

In accordance with Article 28 of the Accounting Act, as is the case with other receivables, long-term receivables are measured at nominal value during the year i.e. at the date of acquisition or origination, and at the balance sheet date – at the amount due, taking into account the prudence principle, less an allowance for any doubtful and uncollectible amounts.

d) Long-term investments

Long-term investments represent assets controlled by the entity which will bring economic benefits to it in the future. They may include non-financial assets such as:

- investment property,
- intangible assets,

or financial assets in the form of:

- shares,
- additional payments to capital of subsidiaries,
- other securities (long-term notes, treasury bonds etc.),
- long-term loans granted,
- other long-term assets (bills of exchange, cheques, deposits, commercial papers).

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At the balance sheet date, long-term investments are measured at acquisition cost less any impairment write-downs.

Investments in subsidiaries i.e. controlled entities, in jointly controlled entities and in associates, are measured at historical cost less any impairment losses.

Unlisted commercial papers are measured at the balance sheet date using the straight-line method i.e. at acquisition cost increased by the relevant portion of the discount for the period up to the balance sheet date, taking into account any impairment losses.

e) Short-term investments (excluding cash and financial instruments)

Short-term investments, excluding cash and financial instruments, are measured at market value, while short-term investments for which there is no active market are measured at fair value determined using alternative methods.

The effects of a net increase or a net decrease in the carrying amount of short-term investments measured at market value are recorded under finance revenue or costs, as appropriate.

f) Financial assets

Financial assets are initially valued at cost, being the fair value of the consideration given. Transaction costs are included in the initial cost. Financial assets are initially recognized at the transaction date.

After initial recognition, financial assets are classified into one of the following four categories and measured as follows:

Category	Method of measurement
1. Financial assets held to maturity	Measured at amortised cost calculated using the effective interest rate
2. Loans and receivables originated by the Company	Measured at amortised cost calculated using the effective interest rate. Short-term receivables for which no interest rate has been set are measured at the amount due.
3. Financial assets held for trading	Measured at fair value. Any unrealised gains/losses are recognised in the profit and loss account.
4. Financial assets available for sale	Measured at fair value, with unrealised gains/losses recognised in the profit and loss account until the investment is sold or impaired, at which time the cumulative gain/loss is taken to the profit and loss account.

The fair value of financial instruments traded on an active market is determined with reference to prices quoted on this market at the balance sheet date. Where no quoted market price is available, the fair value is estimated on the basis of the quoted market price of a similar instrument, or on the basis of the expected cash flows.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

Impairment losses recognised against individual financial assets or a group of similar financial assets are determined as follows:

- 1) for financial assets measured at amortised cost – as the difference between the value of an asset arising from the books of account at the date of measurement and its recoverable amount. The recoverable amount is the present value of the expected future cash flows discounted using the effective interest rate that has been applied by the entity to date to measure the restated financial asset or a group of similar financial assets,
- 2) for financial assets measured at fair value - as the difference between the cost of the asset and its fair value determined at the date of measurement (the fair value of debt instruments at the valuation date is the present value of the expected future cash flows discounted using the current market interest rate applied to similar financial instruments). The cumulative loss that had been recognised in the revaluation reserve shall be recognised as financial expense at an amount not less than the amount of the impairment loss, decreased by the portion that had been directly recognised as financial expense,
- 3) for other financial assets – as the difference between the value of an asset arising from the books of account and the present value of the expected future cash flows discounted using the current market interest rate applied to similar financial instruments.

g) Leases

The Company is party to lease agreements under which it uses third party tangible fixed assets or intangible assets over an agreed period of time, in return for payments.

In case of a finance lease agreement, which transfers substantially all of the risks and rewards of the ownership of an asset, the leased asset is capitalised, and a corresponding liability is recognised, at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the profit and loss account.

Assets leased under finance lease are depreciated using the methods used for the Company's own assets. However, when there is any uncertainty regarding the transfer of the ownership of the asset, such assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments made under lease agreements which do not meet the criteria for finance leases are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Where a sale and leaseback transaction represents a finance lease, then any sales revenue in excess of the amount shown in the balance sheet is deferred and recognised in profit and loss account during the lease term.

Where a sale and leaseback transaction represents an operating lease and if it is clear that the transaction was made using prices corresponding to fair values, any related gains and losses are recognised in the profit and loss account. If selling price is below fair value, then any related gains and losses are recognised in the profit and loss account, except where the loss is offset by future lease payments that are below the market price. In such cases, the loss is deferred and recognised in proportion to lease payments over the period of anticipated use of assets. If selling price exceeds fair value, then the excess amount is deferred and recognised as revenue over the period of anticipated use of assets.

h) Short- and long-term receivables

Trade receivables are stated at the amount due, less an allowance (a write-down) for any doubtful and uncollectable amounts.

The value of receivables is adjusted by appropriate write-downs reflecting their recoverability. Write-downs against receivables are recorded under other operating expenses or financial expenses, depending on the type of receivable.

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The amounts of forgiven, statute-barred or bad debts reduce the amount of the write-downs that were previously recognised against the account.

The amounts of forgiven, statute-barred or bad debts for which no write-downs or only partial write-downs were made are recorded under other operating expenses or financial expenses, as appropriate.

i) Inventories

Inventories are measured at the lower of acquisition cost or cost of production and net realisable value.

Individual items of inventories are measured in the following manner:

- production fuel – on the “weighted average” basis,
- spare parts and other materials – using the “identifying of the actual costs” method.

Net realisable value is the selling price estimated at the balance sheet date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

The Company recognises impairment write-downs against inventories. These write-downs are charged to other operating expenses.

The Company performs continuous stock-takes of its materials. As inventories are stored on a secured site and are recorded on a continuous basis in respect of their quantity and value, a physical count of each item is conducted at least every two years.

The last stock take of production fuel took place as at 31 December 2012.

Certificate of origin granted to the Company free of charge as a result of energy production from renewable sources, gas and co-generation are presented at fair value from the day when granting it became sure.

j) Internally generated assets

The cost of assets generated internally includes all costs directly related to a given asset and an appropriate proportion of indirect overheads.

Direct costs include:

- direct cost of materials,
- direct payroll costs,
- usage of special tools,
- other costs incurred to bring a given product to its condition and place at the date of valuation.

The appropriate proportion of indirect overheads as referred to above includes variable indirect production overheads which reflect the level of those costs based on normal production capacity. The normal level of utilisation of production capacity is the average volume of production for a given number of periods expected to be achieved in standard conditions and taking into account the planned repairs.

Cost of production used for valuation of assets does not include general and administrative expenses, selling expenses, other operating expenses and financial expenses. Costs of production of internally generated assets are capitalised and recorded under the ZE PAK S.A. assets no later than as at the balance sheet date.

k) Equity

The Company's equity consists of the following items, which are stated at nominal value:

1. Share capital,
2. Reserve capital,
3. Revaluation reserve, and
4. Other reserves.

The issued share capital is recorded at the amount stated in the Company's Articles of Association and registered in the National Court Register.

Reserve capital is created from appropriated profits, share premium, amounts transferred from the Employees' Fund and amounts transferred from revaluation reserve. Advance dividend payments made during the financial year are recorded in the books of account and in the balance sheet as appropriation of profit during the year.

l) Special funds

There are the following special funds in the Company:

1. Social Fund,
2. Employees' Fund.

The Social Fund Act dated 4 March 1994 (with subsequent amendments) requires enterprises that have at least 20 employees (counted on a full time basis) to establish and run a Social Fund. The Company operates such Funds and makes periodic contributions to it based on the amount agreed with labour unions. In accordance with the agreement signed with trade unions the Company manages the Intercompany Social Fund of the Company and subsidiaries. The Social Fund liability is made up of accumulated income of the Social Fund less non-refundable expenditure by the Fund.

The Company presents the Fund's assets and liabilities separately in the balance sheet.

m) Assets and liabilities in foreign currencies

As at the 31 December 2012 assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the average NBP rate prevailing for the given currency at the year-end. Exchange differences resulting from translation are recorded under financial revenue or expenses, or – in cases defined in regulations – are capitalised in the cost of the assets.

The following exchange rates were used for valuation purposes:

	31 December 2012	31 December 2011
EUR	4.0882	4.4168
USD	3.0996	3.4174

The following positions of assets and liabilities and equity denominated in external currencies have been valued at other than the abovementioned exchange rates:

n) Foreign exchange differences

Foreign exchange differences relating to settlements in foreign currencies and arising as at the date of their valuation and upon payment of receivables and payables in foreign currencies, are posted to financial revenue or financial expenses, as appropriate, and, in justified cases, are capitalised in the cost of production of finished goods or in the acquisition cost of goods for resale, as well as the acquisition cost or cost of production of fixed assets, assets under construction or intangible assets. Foreign exchange differences are offset and presented at net value in the profit and loss account.

o) Cash at bank

Cash in Polish currency is stated at nominal value. Balances of cash held in bank accounts are reconciled using bank confirmation forms. Cash and cash equivalents shown in the cash flow statement comprise cash on hand and bank deposits with a maturity period of 3 months or less that were not included under investing activities.

p) Circularisation of debtors and creditors (confirmation of balances)

Year-end balances of receivables and loans granted are confirmed by way of circularisation of debtors' balances with all counterparties.

No written confirmation is required for balances specified in Article 26 Section 1 Item 3 of the Accounting Act, including, among others, the following items:

- disputed and doubtful debts;
- receivables from and liabilities to employees;
- balances concerning liabilities to and receivables from the state budget;
- small balances the amounts of which do not exceed postage costs.

According to the materiality concept under the provisions of the Accounting Act, if a counterparty a receivable from which does not exceed 2% of the amount providing the basis for classifying a new asset under fixed assets does not confirm the correctness of its balance in writing, it is assumed that such balance raises no doubts.

Similarly, where a given balance that does not exceed 2% of the amount providing the basis for classifying a new asset under fixed assets does not show any movement during a period of six months, it should be written off to other operating expenses in full.

q) Bank loans and borrowings

All loans and borrowings are initially recognised at cost, being the value of the funds received and including acquisition costs associated with the borrowing/loan. Following initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest rate method.

Detailed principles used for measurement of certain liabilities denominated in foreign currencies are stated in paragraph 4.m. of the Introduction to the financial statements.

Liabilities which are held for trading are stated at fair value. Any gain/loss from re-measurement to fair value is recognised in profit or loss for the period.

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r) Prepaid and accrued expenses

Loans received for financing environmental projects, and subsequently forgiven by way of granting a subsidy, are recognised as deferred income and amortised to the profit and loss account in subsequent periods, in proportion to depreciation of the fixed assets purchased or manufactured as part of the funded investment project.

Accruals are recognised for costs relating to the current reporting period. The Company recognises prepayments if the costs incurred relate to future reporting periods, e.g. insurance costs, subscriptions or discount of bills of exchange.

Prepayments also include a portion of the estimated reclamation costs relating to the cinder storage areas used by the Company. These costs are recognised at discounted amount and relate to expenditures which the Company will have to incur until the cinder storage area is filled in full.

Prepayments also include the unamortised portion of the provision for decommissioning of the Company's assets.

Accruals include the cost of certificates of energy generated using renewable sources and cogeneration, which the Company is required to surrender for cancellation due to sale of electricity to final users.

Provision for the obligation to surrender renewable energy certificates or high-efficiency cogeneration certificates for redemption is recorded as follows:

- in the part covered by origin certificates held at the reporting date – at the cost of held certificates,
- in that part not covered by origin certificates held at the reporting date – at the lower of market value of certificates earmarked for redemption at year-end and the amount of potential fine.

Deferred income includes contractual penalties, indemnities received from the insurance company, interest in excess of the principal amount of a receivable, negative goodwill and subsidies obtained for the manufacturing of fixed assets.

Accruals also include deferred income resulting from settlement of leaseback transactions.

s) Substitute evidence

Substitute evidence may be used as a basis for accounting entries. Among others, such substitute evidence specifies the circumstances (employee's statement) in which a business transaction may be confirmed by substitute evidence (Article 20 Section 4).

Substitute evidence should include the following:

- date of the business transaction, place and date of the issuance of such evidence;
- subject, quantity, price and value of purchase of goods or services; and
- details of the individual authorising the issuance of substitute evidence and the purpose of substitute evidence.

Substitute evidence should be approved by the manager requesting the purchase. Substitute evidence cannot be issued for purchases which are subject to VAT.

t) Physical count

Physical counts of the Company's assets are performed in accordance with Articles 26 and 27 of the Accounting Act. Plans of annual physical counts are prepared each year on the basis of Regulation of the President of the Management Board of ZE PAK S.A.

u) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recorded in the profit and loss account for the current period, except where they reverse a previous revaluation, where they are debited against the revaluation reserve and are subsequently taken to the profit and loss account for the period.

v) Revenue from sale of finished goods, goods for resale and services, interest revenue and dividends

Sales revenues comprise amounts receivable or received from sale of goods for resale and provision of services (decreased by returns, rebates and discounts). Sales revenues are stated at the net amount i.e. decreased by output VAT. Sales of purchased energy are recognised under sales of goods for resale. Revenue from sale of purchased energy is recognised using the average price achieved from bilateral contracts.

Revenues from sale of energy also comprise revenue from the sale of green and red certificates. At the moment of their production, certificates of origin that are held for sale are recorded under sales revenues, therefore, in order to prevent an overstatement of revenues at the moment of sale of energy certificates, the Company has adopted a rule that costs of certificates sold are recorded as an adjustment to sales revenue.

Interest income is recognised as the interest accrues (using the effective interest rate method), unless collectability is in doubt.

Dividends are recognised as financial revenue at the date on which a resolution is adopted on the appropriation of profit by the appropriate governing body of a given company, unless the resolution specifies a different date for the right to receive the dividend.

w) Operating expenses

The Company maintains a record of costs by nature and function and prepares a profit and loss account in the "by function" (cost of sales) format.

x) Production overheads

Production overheads are allocated statistically to units of electricity and heat sold and other activities and services, in proportion to direct payroll costs charged to energy sold, other activities and services.

y) Corporate income tax

Income tax is calculated on the basis of gross profit adjusted for permanent and timing differences between taxable profit and accounting profit/loss for the period. Taxable temporary differences give rise to deferred tax liabilities (recorded under provisions), while deductible temporary differences give rise to deferred tax assets (recorded under prepayments). At the balance sheet date, deferred tax liabilities and deferred tax assets are netted off.

z) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits is certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for the costs of decommissioning of assets are recognised at the present value of the expected costs of liquidation of such assets. Such provisions are recorded in correspondence with prepayments and are amortised over the remaining period of use of the asset (equipment) that is designated for liquidation. In the case of assets (equipment) excluded from use, provisions for costs of their liquidation are recognised against other operating expenses.

Provisions also include a provision for future costs of reclamation of the land used by the Company for waste storage.

aa) Deferred income tax

Deferred tax is calculated using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and does not have any impact on the accounting profit or taxable profit or loss at the time of the transaction.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised.

For deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax laws that have been enacted at the balance sheet date. Deferred tax liabilities and deferred tax assets are netted off for financial reporting purposes.

bb) Accruals for unused annual leave, provisions for jubilee bonuses, retirement and death benefits

In accordance with the provisions of the Labour Code, all employees of the Company are entitled to paid annual leave. The Company recognizes accruals for all vested annual leave days unused at the balance sheet date.

In accordance with the Company's Remuneration Regulations, employees are entitled to receive jubilee bonuses upon completion of a specified number of years at the Company and to retirement benefits upon retirement, and their families – to death benefits. In accordance with International Accounting Standard 19, provisions are created for future payments of jubilee bonuses and retirement benefits, on the basis of independent actuarial calculations.

Provisions for costs of energy allowances are recognised with respect to the Company's current and retired employees as well as other entitled groups. The amount of these provisions is determined based on actuarial calculations of the Company's future liabilities in respect of energy allowances. The amount of such costs is estimated each year separately for each entitled person. Provision for each employee is calculated based on the estimated cost that the Company is committed to incur in accordance with relevant regulations. The amount of the provision recognised for a prospective retired employee is equal to the portion of the benefit that has been earned by the employee.

In accordance with IAS 19, an appropriate provision will be recognised for the Company's current employees who will retire in the future over the average vesting period estimated for these employees, which is 20 years.

The estimated amount of costs incurred for a pensioner, widow, widower or orphan during a given year includes the total amount of the energy allowance and the estimated increase in its base, as well as the probability that the entitled person will retain his or her rights to this allowance. The resulting amounts are then discounted at the balance sheet date, and are subsequently summed up.

cc) CO2 emission allowances

In accordance with NAP II, the CO2 emission limit for Zespół Elektrowni Pątnów- Adamów- Konin S.A. for the period 2008-2012 is 11,685,526 tonnes per year.

CO2 emission allowances received free of charge under the National Allocation Plan are presented in the financial statements under intangible assets as rights designated for internal purposes, at nominal value equal to zero. Emission allowances and their equivalents purchased by the Company for internal purposes are presented as intangible assets and are recognised at acquisition cost.

The Company settles emission allowances with respect to the whole emission trading period (five years). A provision for liabilities due to deficits in CO2 emission allowances is recognised in the period in which the quantity of actual emission exceeds allocated allowances. The cost of the provision is recorded in the profit and loss account under the cost of goods sold.

The provision is recognised at the following amount:

- in the portion covered by the emission allowances held at the balance sheet date – at the value of the allowances held i.e. purchased – at carrying amount, received – at zero value,
- in the portion not covered by the emission allowances held at the balance sheet date – at the lower of the market value of the allowances required to fulfil the obligation at the balance sheet date and the amount of the potential penalty.

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The Company recognizes provision for redemption of certified emission reduction units CER, at the moment of transaction of the Exchange of CO2 emission rights for CERs in the value of the CERs that will be redeemed for the given year.

The Company first redeems CERs that were acquired as a result of exchange CO2 emission rights for EUAs, then emission allowances received under the National Allocation Plan and lastly emission rights that were purchased. At each balance sheet date the management of the Company decides how to allocate received emission reduction units CER to fulfil the obligation of redemption.

Details of the quantity and market value of emission allowances held by the Company are presented in the Additional Notes and Explanations to the financial statements.

The effect of the exchange of CO2 emission allowances for Certified Emission Reductions – “CERs” (the acceptable ceiling equals 10% of the obligation to surrender allowances for cancellation for a given emission trading period) is presented in the profit and loss account within the Company’s operating activity as sales revenue.

Gains realised on the sale of excess allowances acquired free of charge are presented in the profit and loss account under other operating income.

Transactions relating to the exchange of EUAs for CERs are presented in the cash flow statement under cash flows from operating activities.

dd) Changes in accounting policies made during the year

The financial statements for both the current and previous reporting period were prepared using the same accounting principles (policies) and data presentation methods.

ee) Comparability of prior year financial statements with current year financial statements

The financial statements for the current and previous reporting period were prepared using the same accounting policies and data presentation methods.

ff) Correction of fundamental error

During the reporting period covered by these financial statements, the Company did not make any changes to the Company’s accounting policies nor any adjustments were recorded, therefore was not required to present numerical information to ensure the comparability of the financial statements for the prior year with current year’s financial statements.

Konin, 15 March 2013

Prepared by:

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

Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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Entity's name and address	<u>BALANCE SHEET</u>				
ZESPÓŁ ELEKTROWNI PĄTNÓW-ADAMÓW- KONIN SPÓŁKA AKCYJNA Kazimierska 45 Street, 62-510 Konin	as at 31 December 2012				
ASSETS	As at 31 December 2012	As at 31 December 2011	LIABILITIES AND EQUITY	As at 31 December 2012	As at 31 December 2011
0	1	1	0	1	1
A. Non-current assets	2,781,452,754.19	2,414,448,540.20	A. Equity	2,594,020,734.68	2,350,287,863.97
I. Intangible assets	9,616,613.41	60,434,368.81	I. Share capital	104,052,000.00	104,052,000.00
1. Development expenses			II. Unpaid share capital (negative value)		
2. Goodwill			III. Treasury shares (negative value)	-31,279,880.05	
3. Other intangible assets	9,616,613.41	60,434,368.81	IV. Reserve capital	1,956,260,916.02	1,671,609,663.91
4. Prepayments for intangible assets			V. Revaluation reserve	287,337,282.46	288,242,390.48
II. Property, plant and equipment	1,526,383,580.28	1,380,716,413.39	VI. Other reserves	3,471,931.06	3,471,931.06
1. Tangible fixed assets	1,426,722,680.79	792,227,704.92	VII. Accumulated profits (losses) from previous years	-834,265.57	-834,265.57
a) land (including perpetual usufruct)	1,246,645.29	1,098,352.42	VIII. Net profit (loss) for the period	275,012,750.76	283,746,144.09
b) buildings, premises and constructions	654,858,773.78	505,194,075.7	IX. Deductions from net profit during the period (negative value)		
c) plant and machinery	768,039,264.43	283,773,055.32			
d) motor vehicles	1,049,162.10	813,741.63			
e) other	1,528,835.19	1,348,479.85			
2. Construction in progress	95,781,899.49	586,766,983.47			
3. Prepayments for construction in progress	3,879,000.00	1,721,725.00			
III. Long-term receivables					
I. From affiliates					
II. From other entities					
IV. Long-term investments	1,241,496,574.76	968,897,971.55			
1. Property					
2. Intangible assets					
3. Long-term financial assets	1,241,496,574.76	968,897,971.55			
a) in affiliates	1,241,345,373.75	968,746,770.54			
- shares	1,137,444,181.00	835,705,862.04			
- other securities					

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- loans granted	103,901,192.75	133,040,908.50			
- other long-term financial assets					
b) in other entities	151,201.01	151,201.01			
- shares	151,201.01	151,201.01			
- other securities					
- loans granted					
- other long-term financial assets					
4. Other long-term investments					
V. Long-term prepayments and deferred costs	3,955,985.74	4,399,786.45			
1. Deferred tax assets					
2. Other prepayments and deferred costs	3,955,985.74	4,399,786.45			
B. Current assets	363,777,619.05	621,696,413.66	B. Liabilities and provisions for liabilities	551,209,638.56	685,857,089.89
I. Inventories	151,428,873.64	144,966,065.16	I. Provisions for liabilities	157,089,497.21	192,219,556.90
1. Raw materials	43,808,385.03	27,432,841.94	1. Deferred tax liability	36,681,866.71	26,308,454.77
2. Semi-finished goods and work-in-progress			2. Provision for retirement benefits and similar obligations	87,870,604.00	75,223,654.60
3. Finished goods			- long-term	81,409,457.00	68,581,318.50
4. Energy origin certificates	107,620,488.61	117,501,723.22	- short-term	6,461,147.00	6,642,336.10
5. Inventory prepayments		31,500.00	3. Other provisions	32,537,026.50	90,687,447.53
II. Short-term receivables	148,476,390.22	162,459,029.51	- long-term	21,220,843.32	26,023,828.25
1. Receivables from affiliates	38,809,805.04	16,222,088.84	- short-term	11,316,183.18	64,663,619.28
a) trade receivables, due in:	35,341,786.04	14,654,764.79	II. Long-term liabilities	75,407,933.86	115,322,708.50
- up to 12 months	35,341,786.04	14,654,764.79	1. To affiliates		
- over 12 months			2. To other entities	75,407,933.86	115,322,708.50
b) other	3,468,019.00	1,567,324.05	a) loans	75,060,229.17	115,269,631.00
2. Receivables from other entities	109,666,585.18	146,236,940.67	b) debt securities issued		
a) trade receivables, due in:	87,543,878.55	108,882,854.88	c) other financial liabilities	50,204.69	48,707.31
- up to 12 months	87,543,878.55	108,882,854.88	d) other	297,500.00	4,370.19
- over 12 months			III. Short-term liabilities	284,538,237.23	342,920,997.44
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	17,944,700.88	31,541,058.97	1. To affiliates	108,162,787.12	86,658,782.84
c) other	4,178,005.75	5,813,026.82	a) trade creditors, payable in:	95,001,427.85	62,765,456.91
d) submitted to court			- up to 12 months	95,001,427.85	62,765,456.91
III. Short-term investments	63,132,675.26	312,649,042.6	- over 12 months		

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1. Short-term financial assets	63,132,675.26	312,649,042.60	b) other	13,161,359.27	23,893,325.93
a) in affiliates	15,281,465.75	16,893,875.68	2. To other entities	172,070,695.94	252,020,717.76
- shares			a) loans	47,913,273.03	65,172,296.20
- other securities			b) debt securities issued		
- loans granted	15,281,465.75	16,893,875.68	c) other financial liabilities	77,306.90	218,596.84
- other long-term financial assets			d) trade creditors, payable in:	43,504,295.02	82,029,988.33
b) in other entities		3,529,075.64	- up to 12 months	43,504,295.02	82,029,988.33
- shares		3,529,075.64	- over 12 months		
- other securities			e) advance payments received	30,266.14	334,631.90
- loans granted			f) bills of exchange payable		
- other long-term financial assets			g) taxation, customs duty and social security creditors	62,692,292.73	52,015,969.89
c) cash and other monetary assets	47,851,209.51	292,226,091.28	h) payroll	3,759,294.77	3,700,101.60
- cash on hand and cash at bank	47,851,209.51	267,140,455.16	i) other	14,093,967.35	48,549,133.00
- other cash and cash equivalents		25,085,636.12	3. Special funds	4,304,754.17	4,241,496.84
- other monetary assets			IV. Accruals and deferred income	34,173,970.26	35,393,827.05
2. Other short-term investments			1. Negative goodwill		
IV. Short-term prepayments and deferred costs	739,679.93	1,622,276.39	2. Other accruals and deferred income	34,173,970.26	35,393,827.05
1. Short-term deferred costs	739,679.93	1,622,276.39	- long-term	16,254,264.20	16,780,409.20
2. Short-term prepayments			- short-term	17,919,706.06	18,613,417.85
Total assets	3,145,230,373.24	3,036,144,953.86	Total liabilities and equity	3,145,230,373.24	3,036,144,953.86

Prepared by *Barbara Sompolińska*

Konin, 2013-03-15

Date

Head of the Entity's signature

Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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Entity's name and address	REGON Number		Profit and loss account for the period		
ZESPÓŁ ELEKTROWNI PĄTNÓW-ADAMÓW- KONIN SPÓŁKA AKCYJNA Kazimierska 45 Street, 62-510 Konin	310186795		from	01.01.2012	
			to	31.12.2012	
COSTS AND RESULTS	For the current fiscal year	For the prior fiscal year	REVENUES	For the current fiscal year	For the prior fiscal year
0	1	2	0	1	2
B. Cost of finished goods, goods for resale and raw materials sold, of which:	1,671,181,334.56	1,676,996,703.16	A. Net sales of finished goods, goods for resale and raw materials, of which:	2,016,187,968.40	2,084,678,514.37
- to affiliates	558,926,873.88	129,056,904.04	- from affiliates	600,842,866.75	164,240,531.51
I. Cost of finished goods sold	1,517,150,990.08	1,500,958,940.99	I. Net sales of finished goods	1,844,303,778.84	1,895,970,972.93
II. Cost of goods for resale and raw materials sold	154,030,344.48	176,037,762.17	II. Net sales of goods for resale and raw materials	171,884,189.56	188,707,541.44
C. Gross profit (loss) on sales (A - B)	345,006,633.84	407,681,811.21			
D. Selling expenses	2,724,716.07	18,975,225.12			
E. Administrative expenses	49,630,683.67	46,788,804.32			
F. Profit (loss) on sales (C-D-E)	292,651,234.10	341,917,781.77			
H. Other operating expenses	50,566,685.92	41,519,570.31	G. Other operating income	12,322,336.33	5,573,944.92
I. Loss on the sale of non-financial non-current assets			I. Gains on the sale of non-financial non-current assets	3,256,241.11	3,486,076.43
II. Impairment of non-financial assets	35,050,553.23	2,115,437.49	II. Grants	490,358.00	454,571.00
III. Other	15,516,132.69	39,404,132.82	III. Other	8,575,737.22	1,633,297.49
I. Operating profit (loss) (F+G-H)	254,406,884.51	305,972,156.38			
K. Finance costs	15,231,784.67	19,064,169.04	J. Finance income	88,557,384.86	63,785,486.33
I. Interest, of which:	10,912,514.83	17,786,854.08	I. Dividends and shares in profits, of which:	52,728,210.99	14,724,221.30
- from affiliates		4,927,944.33	- from affiliates	52,674,184.99	13,037,350.17
II. Loss on the sale of investments			II. Interest, of which:	14,682,515.39	20,027,031.59
III. Impairment of investments	1,590,079.83		- from affiliates	3,468,734.65	10,011,078.47
IV. Other	2,729,190.01	1,277,314.96	III. Gains on the sale of investments	20,648,924.36	
			IV. Revaluation of investments		9,522,219.53

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			V. Other	497,734.12	19,512,013.91
L. Gross profit (loss) on ordinary activities (I+J-K)	327,732,484.70	350,693,473.67			
M. Result on extraordinary items (M.I.-M.II.)					
I. Extraordinary gains					
II. Extraordinary losses					
N. Gross profit (loss) (L±M)	327,732,484.70	350,693,473.67			
O. Corporate profits tax	52,719,733.94	66,947,329.58			
P. Other tax charges					
R. Net profit (loss) (N-O-P)	275,012,750.76	283,746,144.09			

Prepared by: Barbara Sompolńska

2013-03-15

Date

Head of the Entity's signature *

Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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I

STATEMENT OF CHANGES IN EQUITY		YEAR 2012	YEAR 2011
I.	Equity at the beginning of the period (OB) - adjustments of fundamental errors	2,350,287,863.97	2,066,541,719.88
I.a.	Equity at the beginning of the period (OB), after adjustments	2,350,287,863.97	2,066,541,719.88
1.	Share capital at the beginning of the period	104,052,000.00	104,052,000.00
1.1.	Changes in share capital	0.00	0.00
	a) increases		
	b) decreases		
1.2.	Share capital at the end of the period	104,052,000.00	104,052,000.00
2.	Unpaid share capital at the beginning of the period		
2.1	Changes to unpaid share capital		
	a) increases		
	b) decreases		
2.2.	Unpaid share capital at the end of the period		
3.	Treasury shares at the beginning of the period		
	a) increases	-31,279,880.05	
	b) decreases		
3.1.	Treasury shares at the end of the period	-31,279,880.05	
4.	Reserve capital at the beginning of the period	1,671,609,663.91	1,407,522,921.70
4.1.	Changes in reserve capital		
	a) increases (due to)	284,651,252.11	264,086,742.21
	- share premium		
	- statutory profit appropriation		
	- profit appropriation (in excess of statutory amounts)	283,746,144.09	261,478,208.05
	- tangible assets sales and liquidation	905,108.02	2,608,534.16
	b) decreases		
4.2.	Reserve capital at the end of the period	1,956,260,916.02	1,671,609,663.91
5.	Revaluation reserve at the beginning of the period	288,242,390.48	290,850,924.64
5.1.	Changes in revaluation reserve		
	a) increases		
	b) decreases (due to)	905,108.02	2,608,534.16
	- disposal of tangible fixed assets	905,108.02	2,608,534.16
	- revaluation adjustment		
5.2.	Revaluation reserve at the end of the period	287,337,282.46	288,242,390.48
6.	Other reserves at the beginning of the period	3,471,931.06	3,471,931.06
6.1.	Changes in other reserves	0.00	0.00
	a) increases		
	b) decreases		
6.2.	Other reserves at the end of the period	3,471,931.06	3,471,931.06

*Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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7.	Accumulated profits from previous years at the beginning of the period	283,746,144.09	260,643,942.48
7.1.	Accumulated profits from previous years at the beginning of the period - adjustments of fundamental errors	283,746,144.09	261,478,208.05
7.2.	Accumulated profits from previous years at the beginning of the period, after adjustments	283,746,144.09	261,478,208.05
	a) increases (due to)	0.00	0.00
	- appropriation of profit from previous years		
	b) decreases (due to)	283,746,144.09	261,478,208.05
	- transfer of profit to reserve capital	283,746,144.09	261,478,208.05
	- profit appropriation on Intercompany Social Fund		
7.3.	Accumulated profits from previous years at the end of the period	0.00	0.00
7.4	Accumulated losses from previous years at the beginning of the period	-834,265.57	-834,265.57
	- adjustments of fundamental errors		
7.5	Accumulated losses from previous years at the beginning of the period, after adjustments		
	a) increases (due to)		
	- transfer of prior year losses		
	b) decreases		
7.6	Accumulated losses from previous years at the end of the period	-834,265.57	-834,265.57
8.	Net result	275,012,750.76	283,746,144.09
	a) net profit	275,012,750.76	283,746,144.09
	b) net loss		
II.	Equity at the end of the period (CB)	2,594,020,734.68	2,350,287,863.97
III.	Equity, after proposed appropriation of profits (absorption of losses)	2,511,516,909.45	2,350,287,863.97

2013-03-15

Date
signature

Head of the Entity's

Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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Entity's name and address ZESPÓŁ ELEKTROWNI PĄTNÓW - ADAMÓW - KONIN SPÓŁKA AKCYJNA Kazimierska 45 Street 62 - 510 KONIN	REGON Number 3 1 0 1 8 6 7 9 5	CASH FLOW STATEMENT (indirect method)	From 01.01.2012 to 31.12.2012	From 01.01.2011 to 31.12.2011
A. Cash flow from operating activities				
I. Net profit (loss)			275,012,750.76	283,746,144.09
II. Adjustments, total			27,357,912.91	-23,468,489.17
1. Depreciation			74,773,225.14	56,578,781.60
2. Foreign exchange gains (losses)			10,192,703.40	-11,784,119.16
3. Interest and shares in profits			-45,287,553.27	-6,949,550.71
4. Profit (loss) on investing activities			-32,041,316.52	26,673,221.41
5. Change in provisions			15,209,491.41	-2,838,011.94
6. Change in inventories			-6,462,808.48	-52,611,562.87
7. Change in receivables			13,982,639.29	-28,327,848.99
8. Change in short-term liabilities, except for loans and borrowings			-3,115,008.44	-4,705,756.64
9. Change in prepayments, accruals and deferred income			106,540.38	496,358.13
10. Other adjustments				
III. Net cash flow from operating activities (I±II)			302,370,663.67	260,277,654.92
B. Cash flow from investing activities				
I. Inflows			108,034,517.05	584,734,977.70
1. Sale of intangible assets and tangible fixed assets			4,566,942.54	3,572,375.97
2. Sale of investments in property and intangible assets			0.00	
3. From financial assets, of which:			103,467,574.51	561,510,001.98
a) in affiliates			79,235,548.51	559,823,130.85
b) in other entities			24,232,026.00	1,686,871.13
- sale of financial assets			24,178,000.00	
- dividends and shares in profits			54,026.00	1,686,871.13
- repayment of long-term loans granted				
- interest received				
- other				
4. Other investing inflows				19,652,599.75
II. Outflows			554,454,213.65	385,760,818.99
1. Purchase of intangible assets and tangible fixed assets			258,694,718.65	369,259,209.47
2. Investments in property and intangible assets			0.00	
3. For financial assets, of which:			295,759,495.00	15,900,000.00
a) in affiliates			295,759,495.00	15,900,000.00
b) in other entities			0.00	0.00
- purchase of financial assets				
- long-term loans granted				
4. Other investing outflows				601,609.52
III. Net cash flow from investing activities (I-II)			-446,419,696.60	198,974,158.71
C. Cash flow from financing activities				
I. Inflows			0.00	0.00
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital				
2. Loans and credits				0.00

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3. Issue of debt securities		
4. Other financing inflows		
II. Outflows	99,889,323.29	456,596,876.53
1. Re-acquisition of own shares	31,279,880.05	
2. Dividends and other payments to shareholders		
3. Outflows due to appropriation of profit other than payments to shareholders		
4. Repayment of loans and borrowings	57,828,206.88	422,963,066.72
5. Redemption of debt securities		
6. Relating to other financial liabilities		
7. Finance lease payments	231,625.87	4,906,928.19
8. Interest paid	10,549,610.49	28,726,881.62
9. Other financing outflows		
III. Net cash flow from financing activities (I-II)	-99,889,323.29	-456,596,876.53
D. Total net cash flow (A.III±B.III±C.III)	-243,938,356.22	2,654,937.10
E. Balance sheet change in cash and cash equivalents, of which:	-244,374,881.77	2,111,234.61
- change in cash and cash equivalents due to foreign exchange gains/losses	-436,525.55	-543,702.49
F. Cash and cash equivalents at the beginning of the period	291,936,615.94	289,281,678.84
G. Cash and cash equivalents at the end of the period (F±D), of which:	47,998,259.72	291,936,615.94
- of restricted use	3,434,880.71	28,505,345.66

Prepared by: *Barbara Sompolińska*

.....
Head of the Entity's signature

Konin

2013-03-15

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City

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Date

II Additional Notes and Explanations

1. Current year events not included in the current year financial statements

During the reporting period and up to the date of these financial statements, i.e. 15 March 2013, there were no events that were not, but should have been, included in the books of account and in the financial statements for the year ended 31 December 2012.

2. Significant prior year events recognised in current year financial statements

Up to the date of these financial statements i.e. 15 March 2013, there were no prior year events that were not, but should have been, recognised in the financial statements for the current year

3. Significant current year events

a) Changes in the structure of the ZE PAK S.A. Capital Group

Management Board of ZE PAK S.A. with resolution no 13/V/2012 dated 10 January 2012 addressed to the Supervisory Board for opinion and to General Meeting of ZE PAK S.A. for consent for liquidation of the company. In April 2012 appropriate documentation and agreements were prepared based on which ZE PAK S.A. took over the rights and obligations arising from biomass purchase agreements signed by PAK Biopaliwa sp. z o.o. On 17 December 2012 Extraordinary Shareholders Meeting of PAK Biopaliwa sp. z o.o. approved the liquidation Statement and accepted performance of the Management Board and the Liquidator of the company. Process of liquidation ended on 23 January 2013 by making an entry in National Court Registry to withdraw the company from the register.

On 18 July 2012 ZE PAK S.A. acquired from State Treasury 85% shares of Kopalnia Węgla Brunatnego Konin S.A. and 85% shares of Kopalnia Węgla Brunatnego Adamów S.A. As a result of acquiring shares of Kopalnia Węgla Brunatnego Konin S.A. ZE PAK S.A. became an indirect owner of 5 subsidiaries i.e. Ochrona Osób i Mienia ASEKURACJA Sp. z o.o., KWE Sp. z o.o., Centrum Zdrowia i Relaksu VERANO Sp. z o.o., Aquakon Sp. z o.o., Eko-Surowce Sp. z o.o.

On 1 October 2012 ZE PAK S.A. purchased 100% shares of Elektrim-Volt S.A.

As a result of concluded in 2012 transactions ZE PAK S.A. Capital Group increased directly with 3 commercial companies and indirectly by 5 entities.

b) In Line with the adopted concept of commitment in third parties, on 24 February 2012 the sale of all TGE S.A. shares took place

4. Events after the balance sheet date not reflected in the financial statements

In the period from the balance sheet date to the date of these financial statements i.e. 15 March 2013, there were no events that were not, but should have been, included in the financial statements for the year under review.

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5. Structure of assets and liabilities

a) Tangible fixed assets

Table 1

Movements in the tangible fixed assets for the year ended 31 December 2012

Group	Items	Opening balance as at 1 January 2012	Increases, of which:					Decreases, of which:			Closing balance as at 31 December 2012	
			Total increases	Transferred from assets under construction	Transferred from leased assets	Direct purchases	Other increases	Total decreases	Liquidation	Other decreases		Disposals
0	Land,(including perpetual usufruct)	937,066.74	-	-	-	-	-	-	-	-	-	937,066.74
1	Buildings	601,706,583.08	92,319,401.16	92,319,401.16	-	-	-	338,940.00	338,940.00	-	-	693,687,044.24
2	Structures	502,367,912.74	91,389,689.72	91,389,689.72	-	-	-	2,320,785.23	2,317,355.23	-	3,430.00	591,436,817.23
3	Boilers and power machines	2,081,917,775.85	296,463,513.43	296,463,513.43	-	-	-	30,000,000.00	30,000,000.00	-	-	2,348,381,289.28
4	General purpose machinery equipment and apparatuses	170,315,060.88	43,452,419.18	43,428,719.62	-	23,699.56	-	891,427.89	319,613.92	570,059.81	1,754.16	212,876,052.17
5	Industry-specific machinery, equipment and apparatuses	15,247,693.69	7,501.52	-	-	5,137.18	2,364.34	1,430.35	-	-	1,430.35	15,253,764.86
6	Technical equipment	388,731,426.95	183,587,494.87	182,878,272.77	-	139,512.45	569,709.65	68,497.17	62,657.02	-	5,840.15	572,250,424.65
7	Motor vehicles	3,138,349.14	764,243.89	670,992.00	91,833.31	1,418.58	-	940,037.10	-	-	940,037.10	2,962,555.93
8	Tools ,devices, movables and fixtures and fittings	10,229,546.26	557,861.73	385,847.18	-	172,014.55	-	722,206.84	667,854.91	37,263.80	17,088.13	10,065,201.15
9	Purchase of perpetual usufruct	255,836.71	152,943.92	152,943.92	-	-	-	-	-	-	-	408,780.63
TOTAL		3,774,847,252.04	708,695,069.42	707,689,379.80	91,833.31	341,782.32	572,073.99	35,283,324.58	33,706,421.08	607,323.61	969,579.89	4,448,258,996.88

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Table 2

Movements in the cost of tangible fixed assets for the year ended 31 December 2011

Group	Items	Opening balance as at 1 January 2011	Increases, of which:					Decreases, of which:				Closing balance as at 31 December 2011
			Total increases	Transferred from assets under construction	Transferred from leased assets	Direct purchases	Other increases	Total decreases	Liquidation	Other decreases	Disposals	
0	Land,(including perpetual usufruct)	872,065.74	65,001.00	65,001.00	—	—	—	—	—	—	—	937,066.74
1	Buildings	597,771,801.37	5,034,497.97	5,034,497.97	—	—	—	1,099,716.26	1,099,716.26	—	—	601,706,583.08
2	Structures	457,389,084.38	45,008,181.70	45,008,181.70	—	—	—	29,353.34	—	—	29,353.34	502,367,912.74
3	Boilers and power machines	2,211,401,325.85	535,200.00	535,200.00	—	—	—	130,018,750.00	130,018,750.00	—	—	2,081,917,775.85
4	General purpose machinery, equipment and Apparatuses	168,457,645.20	2,785,334.30	2,758,330.84	—	27,003.46	—	927,918.62	927,918.62	—	—	170,315,060.88
5	Industry-specific machinery, equipment and apparatuses	15,244,813.98	2,879.71	—	—	2,879.71	—	—	—	—	—	15,247,693.69
6	Technical equipment	383,269,056.05	5,905,146.28	5,807,774.55	—	97,371.73	—	442,775.38	442,775.38	—	—	388,731,426.95
7	Motor vehicles	3,078,862.61	65,336.53	63,446.00	—	1,890.53	—	5,850.00	5,850.00	—	—	3,138,349.14
8	Tools, devices, movables and fixtures and fittings	9,460,141.48	832,202.57	645,171.04	—	187,031.53	—	62,797.79	42,280.40	—	20,517.39	10,229,546.26
9	Purchase of perpetual usufruct	255,836.71	—	—	—	—	—	—	—	—	—	255,836.71
TOTAL		3,847,200,633.37	60,233,780.06	59,917,603.10	—	316,176.96	—	132,587,161.39	132,537,290.66	—	49,870.73	3,774,847,252.04

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Table 3

Movements in accumulated depreciation of tangible fixed assets during the year ended 31 December 2012

Group	Items	Opening balance as at 1 January 2012	Depreciation			Decreases				Closing balance as at 31 December 2012
			TOTAL	Assets depreciated according to depreciation rates	Other	TOTAL	Other	Disposals	Liquidation	
0	Land (including perpetual usufruct)	88,269.56	-	-	-	-	-	-	-	88,269.56
1	Buildings	344,344,789.59	17,031,939.92	17,031,939.92	-	338,940.00	-	-	338,940.00	361,037,789.51
2	Structures	253,779,481.25	17,135,498.02	17,135,498.02	-	2,320,785.23	-	3,430.00	2,317,355.23	268,594,194.04
3	Boilers and power machines	2,032,313,132.59	12,801,997.95	12,801,997.95	-	30,000,000.00	-	-	30,000,000.00	2,015,115,130.54
4	General purpose machinery, equipment and apparatuses	69,067,926.67	9,392,770.42	9,369,070.86	23,699.56	368,085.76	57,005.96	1,754.16	309,325.64	78,092,611.33
5	Industry-specific machinery, equipment and apparatuses	13,745,924.70	258,342.23	253,205.05	5,137.18	1,430.35	-	1,430.35	-	14,002,836.58
6	Technical equipment	257,311,918.09	16,256,981.67	16,117,469.22	139,512.45	57,211.68	-	5,840.15	51,371.53	273,511,688.08
7	Motor vehicles	2,324,607.51	482,294.34	480,875.76	1,418.58	893,508.02	-	893,508.02	-	1,913,393.83
8	Tools, devices, movables and fixtures and fittings	8,881,066.41	377,682.76	205,668.21	172,014.55	722,383.21	37,440.17	17,088.13	667,854.91	8,536,365.96
9	Purchase of perpetual usufruct	6,281.47	4,651.05	4,651.05	-	-	-	-	-	10,932.52
TOTAL		2,981,863,397.84	73,742,158.36	73,400,376.04	341,782.32	34,702,344.25	94,446.13	923,050.81	33,684,847.31	3,020,903,211.95

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Table 4

Movements in accumulated depreciation of tangible fixed assets during the year ended 31 December 2011

Group	Items	Opening balance as at 1 January 2011	Depreciation			Decreases				Closing balance as at 31 December 2011
			TOTAL	Assets depreciated according to depreciation rates	Other	TOTAL	Other	Disposals	Liquidation	
0	Land (including perpetual usufruct)	88,269.56	—	—	—	—	—	—	—	88 269.56
1	Buildings	330,744,424.93	14,639,179.02	14,639,179.02	—	1,038,814.36	—	—	1,038,814.36	344 344 789.59
2	Structures	241,779,533.67	12,029,300.92	12,029,300.92	—	29,353.34	—	29,353.34	—	253 779 481.25
3	Boilers and power machines	2,154,174,541.20	8,143,599.20	8,143,599.20	—	130,005,007.81	—	—	130,005,007.81	2 032 313 132.59
4	General purpose machinery, equipment and apparatuses	62,047,723.32	7,948,121.97	7,921,118.51	27,003.46	927,918.62	—	—	927,918.62	69 067 926.67
5	Industry-specific machinery, equipment and apparatuses	13,491,920.92	254,003.78	251,124.07	2,879.71	—	—	—	—	13 745 924.70
6	Technical equipment	246,106,862.52	11,647,830.95	11,514,173.25	97,371.73	479,070.35	—	—	479,070.35	257 311 918.09
7	Motor vehicles	1,851,551.93	478,905.58	477,015.05	1,890.53	5,850.00	—	—	5,850.00	2 324 607.51
8	Tools, devices, movables and fixtures and fittings	8,559,670.32	372,538.43	185,506.90	187,031.53	51,142.34	—	8,861.94	42,280.40	8 881 066.41
9	Purchase of perpetual usufruct	1,630.42	4,651.05	4,651.05	—	—	—	—	—	6 281.47
	RAZEM	3,058,846,128.79	55,481,844.93	55,165,667.97	316,176.96	133,016,227.17	—	38,215.28	132,978,011.89	2,981,863,397.84

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As a result of the restructuring of its social assets, the Company has written down the value of these assets. The amount of these write-downs was as follows:

Table 5

Write-down against fixed assets

Group	Items	Amount written down as at 31 December 2012	Amount written down as at 31 December 2011
0	Land (including perpetual usufruct)	—	—
1	Buildings	481,609.77	587,213.59
2	Structures	151,494.37	168,935.69
3	Boilers and power machines	—	—
4	General purpose machinery, equipment and apparatuses	—	—
5	Industry-specific machinery, equipment and apparatuses	—	—
6	Technical equipment	—	—
7	Motor vehicles	—	—
8	Tools, devices, movables and fixtures and fittings	—	—
9	Purchase of perpetual usufruct	—	—
Total		633,104.14	756,149.28

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Table 6

Net book value of tangible fixed assets

Group	Items	As at 31 December 2012	As at 31 December 2011
0	Land (including perpetual usufruct)	848,797.18	848 797,18
1	Buildings	332,167,644.96	256 774 579,90
2	Structures	322,691,128.82	248 419 495,80
3	Boilers and power machines	333,266,158.74	49 604 643,26
4	General purpose machinery, equipment and apparatuses	134,783,440.84	101 247 134,21
5	Industry-specific machinery, equipment and apparatuses	1,250,928.28	1 501 768,99
6	Technical equipment	298,738,736.57	131 419 508,86
7	Motor vehicles	1,049,162.10	813 741,63
8	Tools, devices, movables and fixtures and fittings	1,528,835.19	1 348 479,85
9	Purchase of perpetual usufruct	397,848.11	249 555,24
TOTAL		1,426,722,680.79	792,227,704.92

As at 31 December 2012, the net book value of property, plant and equipment amounted to PLN 1,426,722,680.79, of which PLN 173,440.68 were tangible fixed assets used under finance lease agreements.

As at 31 December 2011, the net book value of tangible fixed assets used under finance lease agreements amounted to PLN 253,166.74

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b) Intangible assets

Table 7

Movements in intangible assets in the year ended 31 December 2012

No.	Items	Cost as at 1 January 2012	Increases in 2012	Decreases in 2012	Cost as at 31 December 2012	Accumulated amortisation as at 1 January 2012	Change in Accumulated amortization (depreciation/CER redemption/decreases of accumulated depreciation)	Accumulated amortisation as at 31 December 2012	Net book value as at 31 December 2012
1	Licenses	26,951,108.47	612,058.99	308,673.88	27,254,493.58	23,862,473.94	781,589.41	24,644,063.35	2,610,430.23
2	Computer software	230,158.76	-	35,739.55	194,419.21	230,158.76	(35,739.55)	194,419.21	0.00
3	Certified Emission Reductions (CERs)	199,462,104.49	19,072,972.73	-	218,535,077.22	142,116,370.21	69,412,523.83	211,528,894.04	7,006,183.18
TOTAL		226,643,371.72	19,685,031.72	344,413.43	245,983,990.01	166,209,002.91	70,158,373.69	236,367,376.60	9,616,613.41

Table 8

Movements in intangible assets in the year ended 31 December 2011

No.	Items	Cost as at 1 January 2011	Increases in 2011	Decreases in 2011	Cost as at 31 December 2011	Accumulated amortisation as at 1 January 2011	Change in Accumulated amortization (depreciation/CER redemption/decreases of accumulated depreciation)	Accumulated amortisation as at 31 December 2011	Net book value as at 31 December 2011
1	Licenses	26,727,553.60	223,554.87	-	26,951,108.47	22,801,305.25	1,061,168.69	23,862,473.94	3,088,634.53
2	Computer software	230,158.76	-	-	230,158.76	230,158.76	-	230,158.76	-
3	Certified Emission Reductions (CERs)	139,636,680.43	59,825,424.06	-	199,462,104.49	-	142,116,370.21	142,116,370.21	57,345,734.28
TOTAL		166,594,392.79	60,048,978.93	-	226,643,371.72	23,031,464.01	143,177,538.90	166,209,002.91	60,434,368.81

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c) Assets under construction (AUC)

Table 9

Movements in AUC in the year ended 31 December 2012

No.	Project no.	Project description	As at 1 January 2012	Capital expenditures incurred in the period 1 Jan 2012 – 31 Dec 2012	Made available for use in the period 1 Jan 2012 – 31 Dec 2012	Sold in the period 1 Jan 2012 – 31 Dec 2012	Discontinued in the period 1 Jan 2012 – 31 Dec 2012	As at 31 December 2012
1	I-01-08	Modernisation of Pątnów I - turbogenerators and transformers	30,673,934.29	621,833.00	0.00	0.00	0.00	31,295,767.29
2	I-09-02	Construction of a boiler for combustion of biomass in the Pątnów - Konin Power Plants [K]	260,090,206.97	54,453,215.21	314,543,422.18	0.00	0.00	0.00
3	I-09-04	Construction of a biomass storage site in the Pątnów - Konin Power Plants [K]	135,738,623.86	21,617,747.87	156,113,773.15	1,242,598.58	0.00	0.00
4	I-09-08	Modernisation of administrative building "C" in the Pątnów - Konin Power Plants [P]	62,399.09	0.00	0.00	0.00	62,399.09	0.00
5	I-10-05	Modernisation of administrative buildings "A", "B" and cafeteria in the Pątnów - Konin Power Plants [P]	65,000.00	0.00	0.00	0.00	0.00	65,000.00
6	I-10-06	Telecom network passportisation (inventory management) system in ZE PAK S.A.	305,000.00	291,000.00	596,000.00	0.00	0.00	0.00
7	I-10-07	Replacement of external HCl storage tanks in the Pątnów – Konin Power Plants [P]	871,365.54	193,763.36	1,065,128.90	0.00	0.00	0.00
8	I-10-10	Modernisation of the “Kielbaska” pumping station in the Adamów Power Plant	1,378,676.27	792,755.43	2,171,431.70	0.00	0.00	0.00
9	I-10-11	Modernisation of the electrofilter of the K1 boiler in the Adamów Power Plant – reduction of dust emission	2,657,150.00	146,850.00	2,804,000.00	0.00	0.00	0.00
10	I-10-15	Modernisation of HCl and NaOH tanks station in the Adamów Power Plant	480,789.48	1,052,788.93	1,533,578.41	0.00	0.00	0.00
11	I-10-18	Reconstruction of the engine room and cooling water system in the Pątnów-Konin Power Plant [K]	62,629,419.27	38,357,493.36	100,986,912.63	0.00	0.00	0.00
12	I-10-20	Modernisation of underground networks in the Pątnów – Konin Power Plants [K]	9,299,100.00	122,200.00	9,421,300.00	0.00	0.00	0.00
13	I-10-21	Sites, roads on the premises of the Pątnów - Konin Power Plants [K]	1,061,500.00	5,041,816.25	6,103,316.25	0.00	0.00	0.00
14	I-10-22	Laboratory building with equipment in the Pątnów – Konin Power Plants [K]	2,544,359.80	4,264,553.75	6,808,913.55	0.00	0.00	0.00
15	I-10-23	Oil management system in the Pątnów- Konin Power Plants[K]	10,020,826.00	1,951,867.10	11,972,693.10	0.00	0.00	0.00
16	I-10-25	Furnace waste management in the Pątnów – Konin Power Plants [K]	0.00	532,000.00	532,000.00			0.00
17	I-11-01	Purchases of Ready-made Capital Goods	890,440.00	652,240.00	1,414,680.00	0.00	0.00	128,000.00
18	I-11-02	Construction of installation reducing NOx emission on the K-5 boiler in the Pątnów - Konin Power Plant [P]	30,535,969.38	25,268,281.11	48,166,500.48	0.00	0.00	7,637,750.01
19	I-11-03	Development of central de-dusting installation in the Adamów Power Plant	673,000.00	1,048,017.00	1,721,017.00	0.00	0.00	0.00
20	I-11-04	Construction of a mist and dust removal system for carburisation equipment in the Pątnów – Konin Power Plants [P]	245,784.00	3,525,000.00	3,770,784.00	0.00	0.00	0.00

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21	I-11-05	Construction of a mist and dust removal system for carburisation equipment in the Pątnów – Konin Power Plants [K]	309,117.00	3,987,583.00	4,296,700.00	0.00	0.00	0.00
22	I-11-07	Mapping of 0.4 kV reception from stand-by power supply bridges “A”, “B” in the Pątnów – Konin Power Plants [P]	195,800.00	145,170.00	340,970.00	0.00	0.00	0.00
23	I-11-08	Construction of extinguishing system in the Adamów Power Plant	0.00	1,106,322.53	1,106,322.53	0.00	0.00	0.00
24	I-11-12	Modernisation of fire protection water pumping station in the Pątnów – Konin Power Plants [P]	640,525.70	1,990,024.00	0.00	0.00	0.00	2,630,549.70
25	I-11-16	Installation for emergency ash removal from units 1-4 in the Pątnów - Konin Power Plants [P]	429,738.80	6,194,913.66	6,624,652.46	0.00	0.00	0.00
26	I-12-01	Purchases of Ready-made Capital Goods	0.00	6,489,233.49	6,369,233.49	0.00	0.00	120,000.00
27	I-12-02	Replacing special measurements of TG-4 turbine in El.Adamów	0.00	273,000.00	273,000.00	0.00	0.00	0.00
28	I-12-03	Modernization of boiler K3 electrofilter in El. Adamów	0.00	2,914,880.00	2,914,880.00	0.00	0.00	0.00
29	I-12-04	The construction of coal handling unit No. 9 in El.Pątnów	0.00	1,393,317.50	0.00	0.00	0.00	1,393,317.50
30	I-12-05	Modernization of pumping station Ostrów Warcki	0.00	137,288.79	137,288.79	0.00	0.00	0.00
31	I-12-07	WDPF system migration of block no. 1 for OVATION system in El. Pątnów - Konin [P]	0.00	1,350,000.00	1,350,000.00	0.00	0.00	0.00
32	I-12-08	WDPF system migration of block no. 2 for OVATION system in El. Pątnów - Konin [P]	0.00	420,000.00	420,000.00	0.00	0.00	0.00
33	I-12-09	Construction of system for multinetworking function and LCF in blocks 1-6 in El. Pątnów - Konin [P]	0.00	423,000.00	0.00	0.00	0.00	423,000.00
34	I-12-10	Modernization of automatic system of ash installation in El. Pątnów - Konin [P]	0.00	342,000.00	342,000.00	0.00	0.00	0.00
35	I-12-11	Modernization of heating stations in El. Pątnów - Konin [P]	0.00	378,587.00	0.00	0.00	0.00	378,587.00
36	I-12-17	Modernization of ventilation in central locker room building in El. Adamów	0.00	269,323.20	269,323.20	0.00	0.00	0.00
37	I-12-19	Modernization of turbogenerator TG 1 in El.Pątnów	0.00	2,202,939.78	0.00	0.00	0.00	2,202,939.78
38	I-12-20	Modernization of turbogenerator TG 2 in El.Pątnów	0.00	2,100,000.00	0.00	0.00	0.00	2,100,000.00
39	I-12-21	Modernization of gas channels in El.Pątnów	0.00	3,759,767.00	3,759,767.00	0.00	0.00	0.00
40	I-12-22	Modernization of the access road to the landfill north of El.Pątnów	0.00	3,750,000.00	3,750,000.00	0.00	0.00	0.00
41	I-12-23	Modernization of K-2 (OPP) in El.Pątnów	0.00	3,300,000.00	3,300,000.00	0.00	0.00	0.00
42	I-12-24	Modernization of K-4 (OPP) in El.Pątnów	0.00	3,300,000.00	3,300,000.00	0.00	0.00	0.00
		TOTAL:	551,798,725.45	206,160,772.32	708,279,588.82	1,242,598.58	62,399.09	48,374,911.28
43	I-00-90	Documentation for future investment projects	34,968,258.02	12,438,730.19	0.00	0.00	0.00	47,406,988.21
		TOTAL:	586,766,983.47	218,599,502.51	708,279,588.82	1,242,598.58	62,399.09	95,781,899.49

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Table 10

Movements in AUC in the year ended 31 December 2011

No.	Project no.	Project description	As at 1 January 2011	Capital expenditures incurred in the period 1 Jan 2011 – 31 Dec 2011	Made available for use in the period 1 Jan 2011 – 31 Dec 2011	Discontinued in the period 1 Jan 2011 – 31 Dec 2011	As at 31 December 2011
1	I-01-08	Modernisation of Pątnów I - turbogenerators and transformers	30,673,934.29	0.00	0.00	0.00	30,673,934.29
2	I-03-03	Water supply (drinking water, fire protection, raw water, central heating) and sewage systems in the Pątnów Power Plant	3,169,316.00	4,432,162.50	7,601,478.50	0.00	0.00
3	I-07-04	Reconstruction of central pumping station no. 1 and 2 in the Pątnów Power Plant	20,892,826.08	1,769,692.00	22,662,518.08	0.00	0.00
4	I-08-07	Installation of a hydrogen storage tank in the Pątnów - Konin Power Plant [P]	788,155.56	182,060.00	970,215.56	0.00	0.00
5	I-08-10	Installation of an oil catcher in the cooling water discharge channel at Goslawskie lake	152,758.70	560,321.80	713,080.50	0.00	0.00
6	I-08-13	Wheel transport monitoring system in the Pątnów – Konin Power Plants [P]	1,211,600.00	427,800.00	1,639,400.00	0.00	0.00
7	I-09-02	Construction of a boiler for combustion of biomass in the Pątnów - Konin Power Plants [K]	134,580,614.87	125,509,592.10	0.00	0.00	260,090,206.97
8	I-09-03	Modernisation of the K83 boiler in the Pątnów – Konin Power Plants [K]	0.00	0.00	0.00	0.00	0.00
9	I-09-04	Construction of a biomass storage site in the Pątnów - Konin Power Plants [K]	11,723,893.63	125,756,473.23	1,741,743.00	0.00	135,738,623.86
10	I-09-08	Modernisation of administrative building "C" in the Pątnów - Konin Power Plants [P]	62,399.09	0.00	0.00	0.00	62,399.09
11	I-09-11	Modernisation of a coal and biomass storage site in the Pątnów- Konin Power Plants [P]	374,313.26	936,030.87	1,310,344.13	0.00	0.00
12	I-09-19	Modernisation of electrofilter in the K2 boiler in the Adamów Power Plant – reduction of dust emission	2,516,481.90	136,461.60	2,652,943.50	0.00	0.00
13	I-10-02	Purchase of Ready-made Capital Goods [ZGDI]	9,097.00	0.00	9,097.00	0.00	0.00
14	I-10-04	Sites and roads nearby administrative buildings "A", "B", "C" in the Pątnów – Konin Power Plants [P]	0.00	0.00	0.00	0.00	0.00
15	I-10-05	Modernisation of administrative buildings "A", "B" and cafeteria in the Pątnów - Konin Power Plants [P]	65,000.00	0.00	0.00	0.00	65,000.00
16	I-10-06	Telecom network passportisation (inventory management) system in ZE PAK S.A.	0.00	305,000.00	0.00	0.00	305,000.00
17	I-10-07	Replacement of external HCl storage tanks in the Pątnów – Konin Power Plants [P]	276,211.60	595,153.94	0.00	0.00	871,365.54
18	I-10-09	Modernisation of cooling tower no. 5 in the Adamów Power Plant	1,030,549.65	9,472,049.96	10,502,599.61	0.00	0.00
19	I-10-10	Modernisation of the "Kielbaska" pumping station in the Adamów Power Plant	488,200.00	890,476.27	0.00	0.00	1,378,676.27
20	I-10-11	Modernisation of the electrofilter of the K1 boiler in the Adamów Power Plant – reduction of dust emission	0.00	2,657,150.00	0.00	0.00	2,657,150.00
21	I-10-13	"Agro" biomass management in the Adamów Power Plant	1,228,400.00	290,803.60	0.00	1,519,203.60	0.00
22	I-10-15	Modernisation of HCl and NaOH tanks station in the Adamów Power Plant	272,500.00	208,289.48	0.00	0.00	480,789.48
23	I-10-18	Reconstruction of the engine room and cooling water system in the Pątnów- Konin Power Plant [K]	907,100.00	61,722,319.27	0.00	0.00	62,629,419.27
24	I-10-20	Modernisation of underground networks in the Pątnów – Konin Power Plants [K]	5,867,000.00	3,432,100.00	0.00	0.00	9,299,100.00
25	I-10-21	Sites, roads on the premises of the Pątnów - Konin Power Plants [K]	0.00	1,061,500.00	0.00	0.00	1,061,500.00
26	I-10-22	Laboratory building with equipment in the Pątnów – Konin Power Plants [K]	588,386.00	1,955,973.80	0.00	0.00	2,544,359.80
27	I-10-23	Oil management system in the Pątnów- Konin Power Plants [K]	1,826.00	10,019,000.00	0.00	0.00	10,020,826.00
28	I-10-24	Construction of workshop and warehouse facilities in the Pątnów – Konin Power Plants [K]	143.00	6,991,945.34	6,992,088.34	0.00	0.00

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29	I-10-25	Furnace waste management in the Pątnów – Konin Power Plants [K]	0.00	0.00	0.00	0.00	0.00
30	I-10-26	Construction of administrative building “D” in the Pątnów - Konin Power Plant [P]	0.00	0.00	0.00	0.00	0.00
31	I-11-01	Purchases of Ready-made Capital Goods	0.00	3,115,458.22	2,225,018.22	0.00	890,440.00
32	I-11-02	Construction of installation reducing NOx emission on the K-5 boiler in the Pątnów - Konin Power Plant [P]	0.00	30,535,969.38	0.00	0.00	30,535,969.38
33	I-11-03	Development of central de-dusting installation in the Adamów Power Plant	0.00	673,000.00	0.00	0.00	673,000.00
34	I-11-04	Construction of a mist and dust removal system for carburisation equipment in the Pątnów – Konin Power Plants [P]	0.00	245,784.00	0.00	0.00	245,784.00
35	I-11-05	Construction of a mist and dust removal system for carburisation equipment in the Pątnów – Konin Power Plants [K]	0.00	309,117.00	0.00	0.00	309,117.00
36	I-11-06	Modernisation of K1 - K5 boilers in the Adamów Power Plant - shock wave generator	0.00	0.00	0.00	0.00	0.00
37	I-11-07	Mapping of 0.4 kV reception from stand-by power supply bridges “A”, “B” in the Pątnów – Konin Power Plants [P]	0.00	195,800.00	0.00	0.00	195,800.00
38	I-11-08	Construction of extinguishing system in the Adamów Power Plant	0.00	0.00	0.00	0.00	0.00
39	I-11-09	NOx measuring system for unit 3 in the Adamów Power Plant	0.00	192,922.56	192,922.56	0.00	0.00
40	I-11-10	NOx measuring system for unit 4 in the Adamów Power Plant	0.00	185,758.22	185,758.22	0.00	0.00
41	I-11-11	NOx measuring system for unit 5 in the Adamów Power Plant	0.00	185,216.82	185,216.82	0.00	0.00
42	I-11-12	Modernisation of fire protection water pumping station in the Pątnów – Konin Power Plants [P]	0.00	640,525.70	0.00	0.00	640,525.70
43	I-11-13	Modernisation of the K5 boiler in the Pątnów – Konin Power Plants [K]	0.00	118,600.00	118,600.00	0.00	0.00
44	I-11-14	Modernisation of the K6 boiler in the Pątnów – Konin Power Plants [K]	0.00	118,600.00	118,600.00	0.00	0.00
45	I-11-15	Modernisation of the TGI turbine regulator in the Adamów Power Plant	0.00	298,000.00	298,000.00	0.00	0.00
46	I-11-16	Installation for emergency ash removal from units 1-4 in the Pątnów - Konin Power Plants [P]	0.00	429,738.80	0.00	0.00	429,738.80
		SUB-TOTAL:	216,880,706.63	396,556,846.46	60,119,624.04	1,519,203.60	551,798,725.45
47	I-00-90	Documentation for future investment projects	62,560,219.64	1,175,809.28	0.00	28,767,770.90	34,968,258.02
		TOTAL:	279,440,926.27	397,732,655.74	60,119,624.04	30,286,974.50	586,766,983.47

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d) Prepayments for assets under construction

Table 11

Year ended 31 December 2012

Counterparty	As at 1 January 2012	Increases	Decreases	As at 31 December 2012
STER RADOM	-	9,000.00	-	9,000.00
TURBO CARE WROCLAW	1,537,725.00	3,870,000.00	1,537,725.00	3,870,000.00
CHEMAR KIELCE	184,000.00	-	184,000.00	-
TOTAL	1,721,725.00	3,879,000.00	1,721,725.00	3,879,000.00

Table 12

Year ended 31 December 2011

Counterparty	As at 1 January 2011	Increases	Decreases	As at 31 December 2011
FOSTER WHEELER ENERGIA POLSKA	13,103,765.64	-	13,103,765.64	-
TURBO CARE WROCLAW	-	1,537,725.00	-	1,537,725.00
CHEMAR KIELCE	-	184,000.00	-	184,000.00
TOTAL	13,103,765.64	1,721,725.00	13,103,765.64	1,721,725.00

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e) **Long-term investments**

Entities outside the Capital Group

Table 13

Year ended 31 December 2012

Full name of entity, registered office	Cost as at 1 January 2012	Increases	Decreases	Transfer to short-term portion	Cost as at 31 December 2012	% shareholding
1. Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	199,962.00	-	-	-	199,962.00	2.81%
TOTAL	199,962.00			-	199,962.00	-
Impairment write-downs	-	-	-		-	-
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	48,760.99	-	-	-	48,760.99	-
TOTAL	48,760.99	-	-	-	48,760.99	-
CARRYING AMOUNT	151,201.01	-	-	-	151,201.01	-

Table 14

Year ended 31 December 2011

Full name of entity, registered office	Cost as at 1 January 2011	Increases	Decreases	Transfer to short-term portion	Cost as at 31 December 2011	% shareholding
1. Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	199,962.00	-	-		199,962.00	2.81%
2. Giełda Energii S.A., Warszawa	3,529,075.64			3,529,075.64	0.00	0%
TOTAL	3,729,037.64			3,529,075.64	199,962.00	-
Impairment write-downs	-	-	-		-	-
Zakłady Pomiarowo-Badawcze Energetyki "Energopomiar" sp. z o.o., Gliwice	48,760.99	-	-		48,760.99	-
TOTAL	48,760.99	-	-		48,760.99	-
CARRYING AMOUNT	3,680,276.65	-	-	3,529,075.64	151,201.01	-

*Zespół Elektrowni Pątnów-Adamów-Konin S.A.
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Entities from the Capital Group

Table 15

Year ended 31 December 2012

Full name of entity, registered office	Cost as at 1 January 2011	Movements		Cost as at 31 December 2011	% shareholding
		Increase	Decrease		
„PAK SERWIS” sp. z o.o. Konin	9,985,386.00	-	-	9,985,386.00	100%
„EL PAK” sp. z o.o. Konin	1,856,900.00	-	-	1,856,900.00	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60,392,400.00	-	-	60,392,400.00	100%
„PAK HOLDCO” sp. z o.o. Konin *	751,196,681.04	-	646,681.04	750,550,000.00	100%
Centrum Usług Informatycznych sp. z o.o.	100,000.00	-	-	100,000.00	100%
PAK Centrum Badań Jakości sp. z o.o.	600,000.00	-	-	600,000.00	100%
PAK Górnictwo sp. z o.o.	18,200,000.00	-	-	18,200,000.00	91%
PAK Biopaliwa sp. z o.o. **	1,000,000.00	-	1,000,000.00	-	-
PAK Kopalnia Węgla Brunatnego Konin S.A***.	-	109,264,361.00	-	109,264,361.00	85%
PAK Kopalnia Węgla Brunatnego Adamów S.A****.	-	67,995,134.00	-	67,995,134.00	85%
Elektrim-Volt S.A. *****	-	118,500,000.00	-	118,500,000.00	100%
TOTAL	843,331,367.04	295,759,495.00	1,646,681.04	1,137,444,181.00	-
Impairment write-downs	7,625,505.00	7,625,505.00	-	-	-
CARRYING AMOUNT	835,705,862.04	303,385,000.00	1,646,681.04	1,137,444,181.00	-

*On 10 October 2012 Pak Holdco sp. z.o.o. returned the remaining part of the sur charge to ZEPAK S.A.

** On 21 December 2012 PAK Biopaliwa sp. z o.o. was liquidated

*** On 18 July 2012 shares of KWB Konin S.A. were purchased

**** On 18 July 2012 shares of KWB Adamów S.A. were purchased

***** On 1 October 2012 shares of Elektrim-Volt S.A were purchased

Table 16

Year ended 31 December 2011

Full name of entity, registered office	Cost as at 1 January 2011	Movements		Cost as at 31 December 2011	% shareholding
		Increase	Decrease		
„PAK SERWIS” sp. z o.o. Konin	9,985,386.00	-	-	9,985,386.00	100%
„EL PAK” sp. z o.o. Konin	1,856,900.00	-	-	1,856,900.00	100%
„PAK INFRASTRUKTURA” sp. z o.o. Konin	60,392,400.00	-	-	60,392,400.00	100%
„PAK HOLDCO” sp. z o.o. Konin	777,696,681.04	-	26,500,000.00	751,196,681.04	100%
Centrum Usług Informatycznych sp. z o.o.	100,000.00	-	-	100,000.00	100%
PAK Centrum Badań Jakości sp. z o.o.	600,000.00	-	-	600,000.00	100%
PAK Górnictwo sp. z o.o.	2,300,000.00	15,900,000.00	-	18,200,000.00	91%
PAK Biopaliwa sp. z o.o.	1,000,000.00	-	-	1,000,000.00	100,%
TOTAL	853,931,367.04	15,900,000.00	26,500,000.00	843,331,367.04	-
Impairment write-downs	7,625,505.00	-	-	7,625,505.00	-
CARRYING AMOUNT	846,305,862.04	15,900,000.00	26,500,000.00	835,705,862.04	-

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In 2011, the share capital of PAK Górnictwo sp. z o.o. was increased by PLN 15,900,000.00, as a result of which ZE PAK S.A.'s stake in the company's share capital increased to 91%. Furthermore, the additional payment to the capital of PAK Holdco sp. z o.o. amounting to PLN 26,500,000.00 was refunded.

f) Perpetual usufruct of land

Table 17

Year ended 31 December 2012

	Opening balance as at 1 January 2012	Movements		Closing balance as at 31 December 2012
		Increases	Decreases	
Area (m ²)	12,870,863	13,445	-	12,884,308
Value (PLN)	24,890,937.49	973,996.49	2,288.12	25,862,645.86

Table 18

Year ended 31 December 2011

	Opening balance as at 1 January 2011	Movements		Closing balance as at 31 December 2011
		Increases	Decreases	
Area (m ²)	12,856,181	15,203	521	12,870,863
Value (PLN)	24,646,040.39	247,349.33	2,452.23	24,890,937.49

The value of perpetual usufruct of land results from administrative decisions providing the basis for perpetual usufruct fees paid by the Company.

The value of perpetual usufruct of land is an off-balance sheet item. This land was acquired by the Company free of charge.

g) Tangible fixed assets used under rental, lease or other agreements

In 2012 and 2011, the Company did not have any tangible fixed assets that were used under rental, lease or other agreements.

h) Liabilities towards the State Treasury or municipality in respect of acquisition of ownership rights to buildings and structures

As at 31 December 2012 and 31 December 2011, the Company did not have any liabilities towards the State Treasury or municipality in respect of acquisition of ownership rights to buildings or structures.

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i) Movements in share capital

Table 19

Shareholders holding directly or indirectly, significant blocks of shares according to the state as at 31 December 2012

Shareholders	Number of shares	Value of one share (PLN)	% of share capital	Number of votes	% in Total number of votes
Zygmunt Solorz Żak* (directly and indirectly) through: Elektrim S.A., Embud Sp. z o.o., Polsat Media B.V., ZE PAK S.A.	27,403,320	2.00	52.67%	27,403,320	52.67%
ING Otwarty Fundusz Emerytalny**	5,600,000	2.00	10.76%	5,600,000	10.76%
Others	19,022,680	2.00	36.57%	19,022,680	36.57%
Total	52,026,000		100%	52,026,000	100%

* According to the notification dated 6 December 2012.

** According to the notification dated 2 November 2012.

At the same time, the Company, to its best knowledge, announces that at the Extraordinary General Meeting of Shareholders held on February 21, 2013, ING OFE reported to have 6,000,000 shares representing 11.53% of the share capital and the same percentage of the total number of votes. According to the state at Extraordinary General Meeting number of shares controlled by Mr. Zygmunt Solorz Żak has not changed.

The Company acquired treasury shares on 4 December 2012 from Credit Suisse Securities (Europe) Limited ("Stabilising Manager") based on authorization contained in resolution no. 6 from Extraordinary General Meeting of Shareholders that took place on 20 August 2012 on the authorization of the Management Board to acquire treasury shares in connection with stabilizing action in relation to Company's share price and as an exercise of stabilizing option granted to "Stabilising Manager" under the terms of the stability agreement between the Company and the "Stabilising Manager" on 22 October 2012.

Treasury shares were purchased at PLN 25.99 each, i.e. with total remuneration amounting to PLN 31,251,753.47.

Based on resolution no. 5 of Extraordinary General Shareholder's Meeting dated 21 February 2012 the Company redeemed voluntarily 1,202,453 ordinary shares registered with a nominal value of PLN 2 each, which stand for 2.31% of issued Capital, and which give 1,202,453 votes on a General Shareholders Meeting which represent 2.31% of total number of votes. The shares are dematerialized and identified by the National Depository for Securities, securities code ISIN PLZEPAK00012. The resolution came into force upon adoption, provided that legal consequence of redemption will take place at the moment of registration of the decrease in issued capital of the Company in National Court Register.

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Table 20

Year ended 31 December 2011

Shareholders	Number of shares	Value of one share (PLN)	% of share capital	Number of votes	% in Total number of votes
State Treasury	4,335,500	12.00	50%	8,671,000	50%
ELEKTRIM S.A. Warszawa	163,763	12.00	1.8886%	163,763	1.8886%
ELEKTRIM VOLT SA	654,292	12.00	7.5458%	654,292	7.5458%
EMBUD sp. z o.o.	40,325	12.00	0.4651%	40,325	0.4651%
Polsat Media B.V.	3,365,715	12.00	38.8157%	3,365,715	38.8157%
PAI MEDIA S.A.	131	12.00	0.0015%	131	0.0015%
Komisja Międzyzakładowa KNSZZ-Solidarność 80 ZE PAK S.A.	10	12.00	0.0001%	10	0.0001%
ZEPAK S.A. employees	111,264	12.00	1.2832%	111,264	1.2832%
Total	8,671,000		100%	8,671,000	100%

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j) Movements in share capital

Table 21

Year ended 31 December 2012

Item	As at 1 January 2012	Increases	Appropriation of profit for 2011	Decreases	As at 31 December 2012
1. Share capital	104,052,000.00	-	-	-	104,052,000.00
2. Treasury shares	-	-	-	31,279,880.05	(31,279,880.05)
3. Reserve capital	1,671,609,663.91	905,108.02	283,746,144.09		1,956,260,916.02
4. Revaluation reserve	288,242,390.48	-		905,108.02	287,337,282.46
5. Other reserves (privatisation fund)	3,471,931.06	-	-	-	3,471,931.06
6. Accumulated profits from previous year	(834,265.57)	-		-	(834,265.57)
7. Net profit	283,746,144.09	275,012,750.76	(283,746,144.09)	-	275,012,750.76
TOTAL	2,350,287,863.97	275,917,858.78	-	32,184,988.07	2,594,020,734.68

Table 22

Year ended 31 December 2011

Item	As at 1 January 2011	Increases	Appropriation of profit for 2010	Decreases	As at 31 December 2011
1. Share capital	104,052,000.00	-	-	-	104,052,000.00
2. Reserve capital	1,407,522,921.70	2,608,534.16	261,478,208.05		1,671,609,663.91
3. Revaluation reserve	290,850,924.64			2,608,534.16	288,242,390.48
4. Other reserves (privatisation fund)	3,471,931.06	-	-	-	3,471,931.06
5. Accumulated profits from previous year	260,643,942.48	-	(261,478,208.05)	-	(834,265.57)
6. Net profit	-	283,746,144.09	-	-	283,746,144.09
TOTAL	2,066,541,719.88	286,354,678.25	-	2,608,534.16	2,350,287,863.97

k) Appropriation of profit for current and previous year

These financial statements for the year ended 31 December 2012 were prepared prior to the appropriation of profit for the current year. The Management Board proposed to transfer 30% of net profit for the year 2012 for Dividend payment and to transfer the remaining 70% to reserve capital.

Based on Resolution No. 4 of the Ordinary General Meeting dated 29 June 2012 on the appropriation of profit for 2011, the General Meeting decided to allocate the whole net profit of PLN 283,746,144.09 to the reserve capital.

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l) Provisions and allowances (write-downs)

Table 23

Year ended 31 December 2012

Item	Opening balance	Increases	Transfers	Utilisation	Reversals	Closing balance
Deferred tax liability	26,308,454.77	10,373,411.94	-	-	-	36,681,866.71
Provision for jubilee bonuses	25,752,684.10	5,563,053.90	-	-	-	31,315,738.00
Provision for retirement benefits	6,328,299.31	1,181,813.69	-	-	-	7,510,113.00
Provision for death benefits	1,166,771.19	1,126,114.81	-	-	-	2,292,886.00
Provision for energy allowances to employees	41,975,900.00	4,775,967.00	-	-	-	46,751,867.00
Provision for CO ₂ emission allowances	57,345,734.28	7,006,183.18	-	57,345,734.28	-	7,006,183.18
Provision for liquidation of fixed assets	21,709,804.91	1,237,815.07	-	3,400,800.00	-	19,546,819.98
Provision for land reclamation	6,114,023.34	-	-	1,630,000.00	-	4,484,023.34
Other provisions	5,517,885.00	-	-	-	4,017,885.00	1,500,000.00
Provisions, total	192,219,556.90	31,264,359.59	-	62,376,534.28	4,017,885.00	157,089,497.21
Write-downs against inventories	3,732,960.51	35,050,553.23	-	2,087,029.52	-	36,696,484.22
of which:	-	-	-	-	-	-
<i>a) raw materials</i>	1,645,930.99	603,629.81	-	-	-	2,249,560.80
<i>b) prepayments for inventories</i>	-	-	-	-	-	-
<i>c) green certificates</i>	-	33,837,532.73	-	-	-	33,837,532.73
<i>d) red certificates</i>	2,087,029.52	609,390.69	-	2,087,029.52	-	609,390.69
Remeasurement of shares	7,674,265.99	-	-	-	7,625,505.00	48,760.99
of which:	-	-	-	-	-	-
<i>a) long-term</i>	7,674,265.99	-	-	-	7,625,505.00	48,760.99
<i>b) short-term</i>	-	-	-	-	-	-
Remeasurement of additional payments to capital	450,000.00	-	-	-	450,000.00	-
of which:	-	-	-	-	-	-
<i>a) long-term</i>	450,000.00	-	-	-	450,000.00	-
<i>b) short-term</i>	-	-	-	-	-	-
Allowances for doubtful debts,	35,167,916.00	63,095.29	-	49,591.65	2,601.95	35,178,817.69
of which:	-	-	-	-	-	-
<i>a) trade receivables</i>	32,402,316.80	63,095.29	-	49,591.65	573.33	32,415,247.11
<i>b) other receivables</i>	2,765,599.20	-	-	-	2,028.62	2,763,570.58
Total allowances (write-downs) decreasing the value of assets	47,025,142.50	35,113,648.52	-	2,136,621.17	8,078,106.95	71,924,062.90

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Table 24

Year ended 31 December 2011

Item	Opening balance	Increases	Transfers	Utilisation	Reversals	Closing balance
Deferred tax liability	35,383,563.19	-	-	9,075,108.42	-	26,308,454.77
Provision for jubilee bonuses	26,461,000.00	-	-	-	708,315.90	25,752,684.10
Provision for retirement benefits	5,819,300.00	508,999.31	-	-	-	6,328,299.31
Provision for death benefits	578,300.00	588,471.19	-	-	-	1,166,771.19
Provision for energy allowances to employees	42,824,700.00	-	-	-	848,800.00	41,975,900.00
Provision for CO ₂ emission allowances	139,636,680.43	57,345,734.28	-	139,636,680.43	-	57,345,734.28
Provision for liquidation of fixed assets	19,030,948.03	2,678,856.88	-	-	-	21,709,804.91
Provision for land reclamation	6,114,023.34	-	-	-	-	6,114,023.34
Other provisions	1,500,000.00	4,017,885.00	-	-	-	5,517,885.00
Provisions, total	277,348,514.99	65,139,946.66	-	148,711,788.85	1,557,115.90	192,219,556.90
Write-downs against inventories	1,617,523.02	2,115,437.49	-	-	-	3,732,960.51
of which:	-	-	-	-	-	-
<i>a) raw materials</i>	1,617,523.02	28,407.97	-	-	-	1,645,930.99
<i>b) prepayments for inventories</i>	-	-	-	-	-	-
<i>c) red certificates</i>	-	2,087,029.52	-	-	-	2,087,029.52
Remeasurement of shares	7,674,265.99	-	-	-	-	7,674,265.99
of which:	-	-	-	-	-	-
<i>a) long-term</i>	7,674,265.99	-	-	-	-	7,674,265.99
<i>b) short-term</i>	-	-	-	-	-	-
Remeasurement of additional payments to capital	450,000.00	-	-	-	-	450,000.00
of which:	-	-	-	-	-	-
<i>a) long-term</i>	450,000.00	-	-	-	-	450,000.00
<i>b) short-term</i>	-	-	-	-	-	-
Allowances for doubtful debts,	39,368,731.81	71,873.79	-	4,188,571.28	84,118.32	35,167,916.00
of which:	-	-	-	-	-	-
<i>a) trade receivables</i>	36,537,626.19	71,873.79	-	4,123,064.86	84,118.32	32,402,316.80
<i>b) other receivables</i>	2,831,105.62	-	-	65,506.42	-	2,765,599.20
Total allowances (write-downs) decreasing the value of assets	49,110,520.82	2,187,311.28	-	4,188,571.28	84,118.32	47,025,142.50

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m) Maturity analysis of liabilities

Table 25

Year ended 31 December 2012

Items	Payable in:				TOTAL	
	less than 1 year		1-5 years		Opening balance	Closing balance
	Opening balance	Closing balance	Opening balance	Closing balance		
1. Long-term liabilities			115,322,708.50	75,407,933.86	115,322,708.50	
1.1. To affiliates			-	-	-	
1.2. To other entities			115,322,708.50	75,407,933.86	115,322,708.50	
a) loans			115,269,631.00	75,060,229.17	115,269,631.00	
b) other financial liabilities			48,707.31	50,204.69	48,707.31	
c) other			4,370.19	297,500.-	4,370.19	
2. Short-term liabilities	342,920,997.44	284,538,237.23			342,920,997.44	
2.1. To affiliates	86,658,782.84	108,162,787.12			86,658,782.84	
a) trade payables	62,765,456.91	95,001,427.85			62,765,456.91	
b) other	23,893,325.93	13,161,359.27			23,893,325.93	
2.2. To other entities	252,020,717.76	172,070,695.94			252,020,717.76	
a) loans	65,172,296.20	47,913,273.03			65,172,296.20	
b) other financial liabilities	218,596.84	77,306.90			218,596.84	
c) trade payables	82,029,988.33	43,504,295.02			82,029,988.33	
d) taxes and social security liabilities	52,015,969.89	62,692,292.73			52,015,969.89	
e) payroll liabilities	3,700,101.60	3,759,294.77			3,700,101.60	
f) other	48,549,133.00	14,093,967.35			48,549,133.00	
g) prepayments for deliveries	334,631.90	30,266.14			334,631.90	
3. Special Funds	4,241,496.84	4,304,754.17			4,241,496.84	
Total liabilities	342,920,997.44	284,538,237.23	115,322,708.50	75,407,933.86	458,243,705.94	359,946,...

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n) **Bank loans**

Table 26

Year ended 31 December 2012

From	No.	Purpose of the loan	Lender	Number and date of agreement	Currency	Loan principal	Balance outstanding as at 31 December 2012			Due date
							total	long-term portion	short-term portion	
Other entities	1.	Current account overdraft	Bank Zachodni WBK S.A.	(1199/108/01), 10.08.2001	PLN	5,000,000.00	-	-	-	30-11-2013
	2.	Current account overdraft	Bank Pekao SA	(88/2005), 20.12.2005	PLN	80,000,000.00	-	-	-	30-09-2013
	3.	Current account overdraft	PKO Bank Polski SA	(270- 1/10/RB/2006), 25.08.2006	PLN	90,000,000.00	-	-	-	25-10-2013
	4.	Current account overdraft	ING Bank Śląski SA	28.03.2007	PLN	30,000,000.00	-	-	-	28-03-2013
Total loans						205,000,000,00	-	-	-	

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o) Investment loans taken out by ZE PAK S.A.

Table 27

Year ended 31 December 2012

From	No.	Purpose of the loan	Bank	Number and date of agreement	Currency	Balance outstanding as at 31 December 2012			Due date
						total	long-term portion	short-term portion	
Other entities	1.	Development of slag management in the Pątnów Power Plant	Bank Pocztowy S.A.	22.05.2007 no. 05/KG/27777777/07-1	PLN	1,500,000.00 PLN	-	1,500,000.00 PLN	28-06-2013
	3.	Supply of energy and water to gypsum plant in the Pątnów Power Plant	Bank Pekao S.A.	9.10.2008 no. 2008/357/DDF	PLN	2,084,270.64 PLN	-	2,084,270.64 PLN	30-12-2013
	4.	"Turn-key" construction of two desulphurising installations for units 1-4 in the Pątnów Power Plant	Consortium of banks Banku Pekao S.A. and PKO BP S.A.	30.05.2006	PLN	119,389,231.56 PLN	75,060,229.17 PLN	44,329,002.39 PLN	31-12-2015
TOTAL						122,973,502.20 PLN	75,060,229.17 PLN	47,913,273.03 PLN	

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p) Loans granted

Table 28

Year ended 31 December 2012

To	No.	Purpose of a loan	Borrower	Agreement date	Currency	Loan principal	Balance outstanding as at	of which:		Repayment date			
							31-12-2012	Long-term portion	Short-term portion				
Affiliates	1.	Construction of a 460 MW power unit at Pątnów II	Elektrownia Pątnów II Sp. z o.o.	12-11-2002	Equivalent in PLN of EUR amount	34,098,858.79 EUR	27,361,377.21 EUR	+ ¹	23,869,201.15 EUR	+ ¹	3,409,885.88 EUR	15-10-2020	
						=	-	+ ¹	82,290.18 EUR				
	136,163,822.18 PLN ²	111,858,782.31 PLN ³	+ ¹	97,582,068.14 PLN ³	+ ¹	336,418.71 PLN ³							
							=	- ³	+ ¹	14,276,714.17 PLN ³			
	2.	Construction of a 460 MW power unit at Pątnów II (repairs)	Elektrownia Pątnów II Sp. z o.o.	13-03-2006	PLN	11,064,960.00 PLN	7,313,724.54 PLN	+ ¹	6,319,124.61 PLN	+ ¹	902,731.98 PLN		15-10-2020
									=	-	+ ¹		
6,319,124.61 PLN	=	994,599.93 PLN											
			3.	Day-to-day business operations. Payment of liabilities to the Pątnów II Power Plant.	Elektrim Megadex SA	19-10-2005	Equivalent in PLN of EUR amount	16,000,000.00 EUR	-	+ ¹	-	+ ¹	-
=	-	+ ¹						-					
61,617,600.00 PLN ²	10,151.65 PLN ³	+ ¹	-	+ ¹	10,151.65 PLN								
						=	-	+ ¹	10,151.65 PLN				
Total loans	119,182,658.50 PLN	103,901,192.75 PLN	0.00 PLN	+ ¹	438,438.31 PLN								
						=	103,901,192.75 PLN	=	15,281,465.74 PLN				

¹/ Interest accrued as at 31.12.2012

²/ Value of the loan at exchange rates from dates of its subsequent tranches and its capitalization.

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^{3/} Average exchange EUR/PLN rate according to NBP table dated 31.12.2012 amounting to 4.0882.

q) Leases

Table 29

Year ended 31 December 2012

from	No	Leased items	Lessor	Date and number of agreement	Currency	Liability as at 31 Decemebtr 2012			Due date
						Total	Long-term portion	Short-term portion	
Other entities	1.	VOLKSWAGEN PASSAT (3x) + VOLKSWAGEN GOLF (5x)	Energo-Utech SA	13 November 2008 no. 61/O/ENUT/2008	PLN	48,716.55 PLN	-	48,716.55 PLN	20-03-2013
	2.	VOLKSWAGEN PASSAT	Energo-Utech SA	5 May 2012 no. 15/O/ENUT/2012	PLN	42,024.33 PLN	25,768.77 PLN	16,255.56 PLN	20-04-2015
	3.	VOLKSWAGEN PASSAT	Energo-Utech SA	15 October 2012 no. 37/O/ENUT/2012	PLN	36,770.71 PLN	24,435.92 PLN	12,334.79 PLN	20-09-2015
TOTAL						127,511.59 PLN	50,204.69 PLN	77,306.90 PLN	

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r) Social assets and liabilities

The Social Fund Act dated 4 March 1994 (with subsequent amendments) requires enterprises that have 20 employees or more to establish and run a Social Fund. The Company operates such Fund and makes periodic contributions to these Funds based on the minimum required amount. Additionally the Company contributes certain social non-current assets to the Fund.

The Fund's purpose is to finance the Company's social activities, loans granted to employees and other social expenditures. The Social Fund liability is made up of accumulated payments made to the Social Fund less non-refundable expenditure by the Fund.

On the basis of the agreement dated 28 December 1999, ZE PAK S.A. together with the companies established as a result of ZE PAK S.A.'s restructuring decided to jointly conduct social activities and formed an Intercompany Social Fund. The agreement expired on 31 December 2009 and on 1 January 2010 the companies signed a new agreement under which the parties agreed that the interests of all employers will be represented by ZE PAK S.A., which will also be the administrator of the Intercompany Social Fund.

The structure and types of assets, liabilities and costs related to the Social Fund are presented in the table below.

Assets and liabilities, proceeds to and expenditures from the Social Fund

Table 30

	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents - Social Fund	115.94	4.74
Intercompany Social Fund - cash deposits	3,071,537.07	3,417,903.75
Intercompany Social Fund receivables	3,684,488.14	4,568,352.78
Social Fund - liabilities	4,304,754.17	4,241,496.84
Intercompany Social Fund - liabilities	2,451,386.98	3,744,764.43
	Year ended 31 December 2012	Year ended 31 December 2011
Contributions made to the Social Fund during the period:	-	-
- obligatory charges	2,787,857.72	2,789,662.67
- appropriation of profit		-
Non-refundable expenditures from the Social Fund	3,073,142.17	2,530,296.14

s) Ageing analysis of trade receivables

Table 31

Trade receivables	As at 31 December 2012	As at 31 December 2011
Up to 1 month	122,885,898.21	122,513,594.36
1-3 months	15,325.05	82,084.53
3-6 months	0.00	993,290.59
6-12 months	4,914.86	18,944.63
Over 1 year	32,394,773.58	32,332,022.36
Total receivables, gross	155,300,911.70	155,939,936.47
Allowance for doubtful debts	(32,415,247.11)	(32,402,316.80)
Receivables net of allowance, of which:	122,885,664.59	123,537,619.67
- from affiliates	35,341,786.04	14,654,764.79
- from other entities	87,543,878.55	108,882,854.88

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t) Prepayments, accrued expenses and deferred income

Table 32

No.	Items	As at 31 December 2012	As at 31 December 2011
I.	<i>Prepayments and deferred costs</i>	<i>4,695,665.67</i>	<i>6,022,062.84</i>
1.1	Subscriptions	16,956.65	9,419.80
1.2.	Property insurance	-	976,855.29
1.3.	Other	107,118.00	50,000.00
1.4.	Capitalised costs of reclamation of cinder storage areas	1,394,127.10	1,394,127.10
1.6.	Liquidation of fixed assets	3,177,463.92	3,591,660.65
II	<i>Accrued expenses and deferred income</i>	<i>34,173,970.26</i>	<i>35,393,827.05</i>
1.	Accrued expenses	17,093,499.44	17,946,610.97
1.1	Accruals for annual bonus and 3 rd pillar	14,450,558.09	15,184,849.89
1.2	Accrual for unused annual leave	1,429,909.62	1,043,218.40
1.3	Accrual for current year expenses	255,000.00	215,000.00
1.4	Obligation to submit certificates for redemption – “green certificates”	746,589.44	1,210,716.29
1.5	Obligation to submit certificates for redemption – “red certificates”	19,651.81	73,512.20
1.6	Obligation to submit certificates for redemption – “purple” gas fee	14,183.40	45,635.30
1.7	Obligation to submit certificates for redemption – “yellow” gas fee	177,607.08	173,678.89
2.	Deferred income	17,080,470.82	17,447,216.08
2.1.	Compensations from the insurers	327,626.72	204,013.98
2.2	Difference between the net value of assets transferred as contribution in kind, as specified in the agreement, and their carrying amount	13,594,457.35	13,594,457.35
2.3	Subsidies deferred	3,150,164.85	3,640,522.85
2.4	Other	8,221.90	8,221.90

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u) Liabilities secured on the Company's assets

Table 33

No.	Assets pledged as security	As at 31 December 2012				As at 31 December 2011			
		Amount of loan	Value of collateral	Currency	Value of collateral as % of assets	Amount of loan	Value of collateral	Currency	Value of collateral as % of assets
1.	Civil and registered pledge	119,389,231.56	460,000,000.00	PLN	14.63%	170,586,206.88	240,000,000.00	PLN	15.14%
1.1	Registered pledge on power unit No. 3 in the Pątnów Power Plant ¹	119,389,231.56	460,000,000.00	PLN	14.63%	170,586,206.88	240,000,000.00	PLN	15.14%
1.2	Registered pledge on power unit No. 4 in the Pątnów Power Plant ¹								
1.3	Financial and registered pledge on rights and Cash in ZE PAK S.A.'s bank accounts A and B in PEKA S.A. and PKO BP S.A.								
1.4	Civil and registered pledge on the rights and cash from a bank account agreements IOS ZE PAK in PKO BP	119,389,231.56	240,000,000.00	PLN	7.63%	-	-	-	-
1.5	Registered pledge on a group of movables being part of the Desulphurising Installation in the Pątnów Power Plant ¹	119,389,231.56	240,000,000.00	PLN	7.63%	170,586,206.88	240,000,000.00	PLN	15.14%
2.	Civil and registered pledge on shares in subsidiaries	197,448,239.34	400,000,000.00	EUR	62.79% ⁶	222,144,959.26	400,000,000.00	EUR	69.34% ⁶
		75,000,000.00	339,750,000.00	PLN		105,000,000.00	339,750,000.00	PLN	
2.1	Civil and registered pledge on the shares of ZE PAK S.A. in PAK Infrastruktura Sp. z o.o. and PAK HOLDCO Sp. z o.o. for the benefit of BRE Bank S.A. (ZE PAK as the guarantor of the "Pątnów II" project) ²	197,448,239.34	400,000,000.00	EUR	51.99%	222,144,959.26	400,000,000.00	EUR	58.16%
		75,000,000.00	339,750,000.00	PLN	10.80%	105,000,000.00	339,750,000.00	PLN	11.18%
3.	Mortgage	-	-	PLN	-	-	-	PLN	-
3.1	Joint and ceiling mortgage on plots no. 72269 and no. 72270 in Konini Pątnów and apartment house of gen. Kazimierz Biskupi in favour of PEKAO S.A. and PKO BP S.A. ¹	119,389,231.56	437,000,000.00	PLN	13.89%	170,586,206.88	240,000,000.00	PLN	15.14%

1/ Collateral for a syndicated loan of PLN 306 million taken out by PAK Odsiarczanie sp. z o.o., set up for the benefit of PKO BP S.A. and PEKAO S.A. On 30 November 2011, this loan was taken over by ZE PAK SA as a result of its merger with PAK Odsiarczanie Sp. z o.o.

2/ Collateral for a syndicated loan of EUR 240 million granted to Elektrownia Pątnów II sp. z o.o. by PEKAO S.A., BRE Bank S.A. and EBRD. Pledge on the shares of ZE PAK S.A. in PAK Infrastruktura sp. z o.o. and in PAK Holdco sp. z o.o. for the benefit of BRE Bank S.A.

3/ Percentage of the amount resulting from translation of EUR 400,000,000.00 into PLN using the EUR/PLN exchange rate prevailing on 31 December 2012 i.e. 4.0882

4 Percentage of the amount resulting from translation of EUR 400,000,000.00 into PLN using the EUR/PLN exchange rate prevailing on 31 December 2011 i.e. 4.4168

5/ These collaterals cannot be totalled as they relate to the same credit facility for which the maximum amount of collateral is PLN 460 million. The amount of this collateral has already been disclosed and totalled in item 1 (Registered pledge).

6/ Total share of collaterals amounting to EUR 400,000,000.00 and PLN 339,750,000.00.

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v) Contingent liabilities, including guarantees issued under civil law and other guarantees

Table 34

No.	Type of contingent liability or guarantee	As at 31 December 2012			As at 31 December 2011				
		Amount		% of assets	Amount		% of assets		
		PLN	EUR	%	PLN	EUR	%		
		1	2	3	4	5	2	3	4
1.	Total contingent liabilities, of which:	1,500,000.00	-	0.05%	191,042,870.24	2,725,200.00	6.30%		
2.	Guarantees issued under civil law:	1,000,000.00	-	0.03%	-	-	-		
2.1	Guarantee for Elektrim-Volt S.A. issued to Alpiq Energy SE	1,000,000.00	-	0.03%	-	-	-		
3.	Bank guarantees	-	-	-	19,956,663.36	2,725,200.00	0.66%		
3.1	Bank guarantee no. DDF/4869/2010 issued by PEKAO S.A. to Condix S.A.	-	-	-	7,920,000.00	-	0.26%		
3.2	Bank guarantee no. DDF/4870/2010 issued by PEKAO S.A. to Condix S.A.	-	-	-	12,036,663.36	2,725,200.00	0.40%		
4.	Liabilities to employees	500,000.00	-	0.02%	500,000.00	-	0.02%		

1/ Translated using the average NBP rate of EUR/PLN = 4.4168 prevailing as of 31.12.2011.

Administrative proceedings related to the non-compliance with the “energy exchange obligation” requirement”

The provisions of the Energy act, in particular Article 49a, par. 1 obligate the Companies from ZE PAK S.A. Capital Group to sell not less than 15% of energy produced in the period starting 9 August 2010 to 31 December 2010 on TGE or on a regulated market and the remaining part in a manner that ensures public access to this energy by means of open tender, sale on online trading platform on a regulated market. On 20 January 2012 and on 16 February 2012 President of Energy Regulatory Office notified the Group Companies (the parent ZE PAK S.A. and Elektrownia Pątnów II sp. z o.o., respectively) about initiating administrative procedure to impose a fine in connection with discovery of irregularities connected with failure to fulfil the abovementioned obligation. On 16 August 2012 the President of ERO issued a decision in which he punished ZE PAK S.A. with a fee amounting to PLN 6,000 as a result of failure to fulfil obligations specified in Article 49a, par. 1 and 2 of Energy Law. The Company did not appeal.

Proceedings related to the non-compliance with the obligation to maintain stocks of fuel

On 17 September 2008 and 29 May 2009, the President of URE commenced proceedings to impose a financial penalty on the Company due to the Company’s failure to satisfy the obligation to maintain stocks of fuel ensuring continuity of supply of electricity and heat as at 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.

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On the basis of decision dated 28 December 2010, President of URE imposed a cash penalty on ZE PAK S.A.

due to the Company's failure to satisfy the obligation to maintain stocks of fuel ensuring continuity of supply of electricity and heat for the years 2008 and 2009 in the amount of PLN 1,500 thousand.

In 2010 the Company recognised a provision for the full cost of the penalty. On 17 January 2011, the Company appealed against that decision to the Regional Court in Warsaw - Court of Competition and Consumer Protection.

Due to the fact, that the precedent was not yet settled the Company did not reverse the provision that was recognized and has in its books as at 31 December 2012 provision for the penalty in full amount of PLN 1,500 thousand.

Demand for payment of penalty for non-compliance with availability parameters of desulfurization installation in Elektrownia Pątnów I

On 28 October 2005, the agreement between PAK Odsiarczanie (whose legal successor is ZE PAK S.A.) and RAFAKO S.A. was signed for the design and turnkey construction of two desulfurization installations for power units no. 1-4 in Elektrownia Pątnów I. On 12 August 2008 the parties signed a protocol of early acceptance of work of two desulfurization installations and on 29 December 2009 a fan failure occurred in one of those installations and as a result ZE PAK S.A. suffered losses because of interruption of work of broken installations. On 2 September 2011 parties have prepared final protocol from the meeting of the committee for emergency stops and calculation of the availability parameter. The calculations included in the protocol indicate that ZE PAK S.A., according to the provisions of the abovementioned agreement, can claim a penalty payment from RAFAKO S.A. in the total amount of PLN 21,700 thousand. On 3 August 2012 ZE PAK S.A. called RAFAKO to voluntarily pay the penalty for non-compliance with availability parameters of desulfurization installation provided by RAFAKO S.A. and on 10 August 2012 filed a summons to compromise with RAFAKO SA to District Court in Racibórz. Due to changes in composition of the Management Board of RAFAKO S.A. in November and December 2012 i.e. at the time when District Court in Racibórz analysed ZE PAK S.A.'s summons to compromise, RAFAKO S.A. did not agree to any settlement. Therefore, on 21 December 2012, at the hearing, the District Court in Racibórz stated that the settlement did not occur and closed the proceeding. As at the date of preparation of these financial statements the Company cannot predict if RAFAKO S.A. will pay the claimed amount, and as a consequence if litigation will take place and what will be the final ruling. However the Company believes that it should be noted the parties do not renounce to negotiate extrajudicial settlement of the dispute. Both ZE PAK S.A. and RAFAKO S.A. have a lot of arguments to sustain their positions which may indicate that none of the parties can be certain of any decision in court. Therefore it seems that the most reasonable decision is to agree to a settlement, which according to ZE PAK S.A. would cover substantial part of ZE PAK S.A.'s claims in the amount of ca. PLN 21m and thus as a consequence it would result in lack of the need to return bank guarantee collected by ZE PAK S.A.

w) Contingent assets, including guarantees issued under civil law and other guarantees

Table 36

	Counterparty	Type of guarantee	Date of issue	Issuer	Binding period	Amount	Comments
1	AGTOS sp. o.o.	Promissory note with an attached promissory note agreement	19-06-2006	AGTOS sp. o.o.	term of the contract	blank, not higher than 25,000,000 PLN	
2	Vattenfall Trading Services GmbH	Parent guaranty no. 2005-46	15-12-2005	Vattenfall AB	term of the contract	5,000,000.00	EUR
			12-11-2008			10,000,000.00	EUR

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3	ARCELOR sp. z o.o.	Promissory note with an attached promissory note agreement	16-06-2008	ARCELOR sp. z o.o.	term of the contract	Blank	Amount corresponding to overdue payment
4	MIRANDA sp. z o.o.	Promissory note with an attached promissory note agreement guaranteed by MIIRANDA S.A.	18-03-2009	MIRANDA sp. z o.o.	Until the expiry of agreement no. 41/Miranda Sp.z o.o./PAK/2009	Blank, not more than 2.500.000 PLN	Amount corresponding to debt resulting from the heat energy received
5	Elektrim Volt S.A.	Payment guarantee no. 02532KPA11	16-12-2011	BRE Bank S.A.	25.01.2013	974,738.80	Amount securing electricity supplies made during the period of 34 days
6	Foster Wheeler Energia Polska Sp. z o.o.	Proper Performance Guarantee PLN	19-06-2012	ING Bank Śląski SA	15.06.2015	12,668,581.00	
7	Foster Wheeler Energia Polska Sp. z o.o.	Proper Performance Guarantee EUR	19-06-2012	ING Bank Śląski SA	15.06.2015	1,053,000.00	EUR
8	Balcke-Durr Polska Sp. z o.o.	Proper Performance Guarantee	16-08-2011	Deutsche Bank Polska SA	13.12.2013	139,850.00	
9	Balcke-Durr Polska Sp. z o.o.	Proper Performance Guarantee	14-08-2012	Deutsche Bank Polska SA	08-08-2014	141,500.00	
10	Turbo Care Sp. z o.o.	Proper Performance Guarantee	21-01-2011	Siemens Financial Services GmbH	07.02.2013	6,150,900.00	
11	Foster Wheeler Energia Polska Sp. z o.o.	Parent's guarantee	19-08-2009	Foster Wheeler Energia OY	Until the expiry of Foster Weeler Polska S.A.'s liabilities under Contract No. 1/2009 of 30.07.2009	211,143,010.00	
						17,550,000.00	EUR
12	Turbo Care Sp. z o.o.	Proper Contract Performance Guarantee	09-08-2012	PEKAO SA	14.11.2014	3,960,000.00	
13	Turbo Care Sp. z o.o.	Proper Contract Performance Guarantee	09-08-2012	PEKAO SA	14.02.2015	3,780,000.00	
14	Turbo Care Sp. z o.o.	Guarantee for advance repayment	09-08-2012	PEKAO SA	30.06.2014	2,706,000.00	
15	Turbo Care Sp. z o.o.	Guarantee for advance repayment	09-08-2012	PEKAO SA	30.09.2014	2,583,000.00	
16	CONDIX	Promissory note with an attached promissory note agreement	20-12-2012	CONDIX	Until the expiry of Condix's liabilities under Construction Guqrantee and signing final Collection of Object Protocol	Not higher than 908,400.00 EUR	EUR
17	Chemar Rurociagi Sp. z o.o.	Proper Contract Performance Guarantee	03-01-2011	PKO BP	15-04-2015	460,000.00	

aa) Proceedings related to excise tax overpayment refund

According to regulations being in force in the European Union, in particular Article 21 Section 5 of the Energy Directive in conjunction with Article 6 Section 1 of the Horizontal Directive, since 1 January 2006 the sale of energy at the final stage of trading i.e. sale by the distributor to the final recipient (consumer) is subject to excise. The sale of energy at earlier stages of trading, e.g. from electricity producer to the distributor, is not subject to excise. In this case the tax obligation arises at the moment of supply of electricity to the consumer.

Therefore, ZE PAK SA, based on Article 75 § 1, in conjunction with Article 75 § 2 of the Act dated 29 August 1997 Tax Code (Journal of Laws of 1997 No. 137, item 926, as amended) applied for a declaration of overpayment of excise for the years 2006, 2007, 2008 and for January and February 2009, in the total amount of appx. PLN 626m, arguing that according to the regulations existing in the European Union and the Provincial Administrative Courts case law, transactions executed by ZE PAK SA are not subject to excise. The individual applications are considered at the levels of: Customs Office in Kalisz, Customs Chamber in Poznań, the Provincial Administrative Court in Poznań and the Supreme Administrative Court.

In connection with judgments of Administrative Courts in the matter of excise tax overpaid by other energy companies, ZE PAK S.A., together with its tax advisor analyzed Resolution I GPS 1/11 of the Supreme Administrative Court of 22 June 2011, in which the Supreme Administrative Court concluded that the transfer of the tax burden in the price excludes the possibility of the refund of an overpayment. Based on the rationale for this resolution it can be expected that there is a risk that the tax authorities will refuse to refund overpayments on the grounds that tax proceedings are not appropriate for claims of this type. Such claims could then be asserted under civil law, as a result of which a significant issue will arise due to the statute of limitations (under civil law, it is 3 years). Therefore, on 10 February 2012 ZE PAK S.A. filed a petition with the District Court Warszawa Śródmieście for sending a summons to the State Treasury to enter into a settlement in respect of the Company's claim amounting to PLN 626,405,829.00 and thus interrupted the running of the period of limitations.

No settlement was made, as during the hearing held on 16 April 2012 file VI Co 311/12 the representatives of the State Treasury did not agree to enter into a settlement. At the same time, on 14 September 2012, the Company, while waiting for the outcome of tax proceedings relating to its previous requests for declaration of overpayment, provided the Customs Chamber in Poznań with additional explanations in the form of the results of a detailed economic analysis aiming to prove that the Company incurred a loss due to the payment of excise that it was not liable to pay. The proceedings that are currently at the stage of the Customs Chamber in Poznań relate to the period of December 2006 – September 2008. However, the Company is of the opinion that the document submitted also applies to other requests for overpayment from the whole period of January 2006 – February 2009.

As of 1 March 2009, the Excise Act of 6 December 2008 came into force, according to which the sale of electricity to an entity which is not a final user is not subject to excise.

bb) Other off-balance sheet agreements

As at 31 December 2012 and as at 31 December 2011 the Company did not have other off-balance sheet agreements.

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6. Sales, costs and corporate income tax

a) Sales of finished goods, goods for resale and services by type of business and geographical area.

Table 37

Sales by type net of VAT	Year ended 31 December 2012		Year ended 31 December 2011	
1. Products	1,737,651,462.18	86.19%	1,766,021,333.78	84.71%
1.1. Electricity	1,534,363,426.52	76.10%	1,572,923,041.33	75.45%
1.2. Heat	54,255,096.70	2.69%	49,818,042.44	2.39%
1.3. Property rights arising from energy certificates	129,895,557.49	6.45%	121,407,213.25	5.82%
1.4. Exchange of EUAs for CERs	19,137,381.47	0.95%	21,873,036.76	1.05%
2. Goods for resale and raw materials	171,884,189.56	8.52%	188,707,541.44	9.05%
3. Services	106,652,316.66	5.29%	129,949,639.15	6.23%
Total:	2,016,187,968.40	100%	2,084,678,514.37	100%

b) Unplanned depreciation/amortisation charges

There were no unplanned depreciation (amortisation) charges.

c) Other operating income

Table 38

OTHER OPERATING INCOME	Year ended 31 December 2012	Year ended 31 December 2011
Gains on the sale of non-financial non-current assets	3,256,241.11	3,486,076.43
Grants	490,358.00	454,571.00
Other operating income, of which:	8,575,737.22	1,633,297.49
- reversal of provision for costs and losses	4,183,604.64	976,476.66
- decrease of allowances for doubtful debts	1,857.53	103,134.45
- compensations received from the insurer	672,405.25	391,781.89
- penalties	3,628,812.00	-
- other	89,057.80	161,904.49
Other operating income, total	12,322,336.33	5,573,944.92

d) Other operating expenses

Table 39

OTHER OPERATING EXPENSES	Year ended 31 December 2012	Year ended 31 December 2011
Loss on the sale of non-financial non-current assets, of which:	-	-
Impairment of non-financial assets, of which:	35,050,553.23	2,115,437.49
- write-downs against inventories	35,050,553.23	2,115,437.49
Other operating expenses, of which:	15,516,132.69	39,404,132.82
- provisions recognised for probable costs and losses	5,361,968.28	2,036,001.28
- costs of liquidation of fixed assets	565,000.00	3,047,000.00
- energy-related damages	762,760.06	319,204.43
- provisions for employees retired due to old age or disability	2,975,613.00	2,795,114.00
- damages and contractual penalties paid	3,084,572.82	-
- discontinued assets under construction	62,399.09	30,286,974.50
- other	2,703,819.44	919,838.61
Other operating expenses, total	50,566,685.92	41,519,570.31

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e) Finance income

Table 40

FINANCE INCOME	Year ended 31 December 2012	Year ended 31 December 2011
Gains from investments in other entities, of which:	52,728,210.99	14,724,221.30
- gains from investments in affiliates	52,674,184.99	13,037,350.17
- gains from investments in other entities	54,026.00	1,686,871.13
Interest, of which:	14,682,515.39	20,027,031.59
- interest on loans to affiliates	3,468,734.65	10,011,078.47
- interest on bank deposits	11,184,808.13	9,963,886.32
- other interest	28,972.61	52,066.80
Sale of investments	20,648,924.36	
Remeasurement of investments	-	9,522,219.53
Other, of which:	497,734.12	19,512,013.91
- foreign exchange differences*	-	19,497,968.80
- other finance revenue	497,734.12	14,045.11
Finance income, total	88,557,384.86	63,785,486.33

* The "foreign exchange differences" item of finance income includes the excess of foreign exchange gains over losses

f) Finance expenses

Table 41

FINANCE EXPENSES	Year ended 31 December 2012	Year ended 31 December 2011
Interest, of which:	10,912,514.83	17,786,854.08
- interest on loans	-	4,927,944.33
- interest on bank loans	10,891,798.14	12,765,796.25
- interest due to the state budget	3,114.00	58.65
- other interest	17,602.69	93,054.85
Remeasurement of investments, of which:	1,590,079.83	-
- valuation of loans granted	9,215,584.83	-
- valuation of shares	(7,625,505.00)	
Other, of which:	2,729,190.01	1,277,314.96
- discount on provision for liquidation (decommissioning) of fixed assets	1,066,010.52	1,228,856.88
- allowances for interest receivable	20,971.49	47,438.84
- foreign exchange differences*	1,584,423.91	-
- other	57,784.09	1,019.24
Finance expenses, total	15,231,784.67	19,064,169.04

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g) Raw materials impairment write-downs

As at 31 December 2012, the balance of inventories was as follows:

Table 42

Item	As at 31 December 2012	As at 31 December 2011
1. Raw materials	43,808,385.03	27,432,841.94
• Production fuel	16,817,016.10	8,540,703.34
• Miscellaneous materials	29,240,929.73	20,538,069.59
• Impairment write-downs	(2,249,560.80)	(1,645,930.99)
2. Goods for resale	107,620,488.61	117,501,723.22
• Green certificates	141,240,827.12	116,352,662.34
• Impairment write-downs against green certificates	(33,837,532.73)	-
• Red certificates	826,584.91	3,236,090.40
• Impairment write-downs against red certificates	(609,390.69)	(2,087,029.52)
3. Prepayments for deliveries		31,500.00
TOTAL:	151,428,873.64	144,966,065.16

h) Revenues, costs and results of activities discontinued during the year or to be discontinued in the next year

Zespół Elektrowni Pątnów Adamów Konin S.A. did not discontinue any activity during the financial year ended 31 December 2012.

Corporate income tax - reconciliation

Table 43

	Year ended 31 December 2012	Year ended 31 December 2011
1) Profit before taxation	327,732,484.70	350,693,473.67
2) Non-tax deductible expenses and losses, including permanent items:	3,864,159.92	3,066,335.32
- non-tax deductible donations	500,000.00	20,000.00
- other donations	277,224.00	216,311.00
- depreciation of subsidised fixed assets	100,365.25	100,461.00
- allowances to trade unions	61,287.00	58,760.64
- costs of employees delegated to trade unions	193,123.20	189,934.91
- depreciation of cars in excess of EUR 20,000	390,646.85	406,154.61
- OC and "AC" insurance for cars in excess of EUR 20,000	8,544.32	13,288.23
- compensation paid	94,823.55	-
- representation costs	975,999.59	821,117.72
- interest due to the state budget	3,114.00	58.65
- amounts transferred to PFRON	1,245,083.00	1,197,210.00
- Supervisory Board's costs	3,034.85	14,582.52
- receivables written-off + VAT	8,889.98	4,406.30
- death benefit	-	11,923.86
- VAT paid in EUR to domestic suppliers	2,024.33	-
- non-refundable VAT	-	12,125.88
3) Non-tax deductible expenses and losses, including temporary items (+) :	137,903,046.15	143,449,584.28
of which:		
- accrued interest on loans	447,400.08	492,379.48

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	- exchange of EUAs for CERs to be utilised in the following period	7,006,183.18	57,345,734.28
	- allowance for doubtful debts	-	20,028.65
	- accrual for annual bonus	14,283,406.01	14,763,474.71
	- allowance for doubtful debts	31,545.37	-
	- difference between tax and accounting depreciation	(14,755,058.18)	(13,630,153.29)
	- accrued audit fees	255,000.00	215,000.00
	- accrual for annual leave, provision for jubilee bonuses	13,033,640.62	401,770.62
	- impairment of raw materials	603,629.81	28,407.97
	- unpaid salaries under mandate contracts	32,088.21	35,471.30
	- Social Security (ZUS) surcharges on November and December salaries	2,557,165.43	2,208,327.07
	- accruals for green certificates	746,589.44	1,210,716.29
	- accruals for red certificates	19,651.81	73,512.20
	- accruals for yellow certificates	177,607.08	173,678.89
	- accruals for purple certificates	14,183.40	39,180.07
	- cost of green certificates sold	111,628,942.05	76,806,479.65
	- provision for liquidation of fixed assets	1,652,011.80	3,264,858.16
	- valuation of cash on hand and at bank in foreign currencies	147,050.21	718.23
	- paid Intercompany Social Fund	22,009.83	-
4)	Non-taxable revenue (-)	153,063,134.41	147,917,536.37
	of which:		
	- revenue from sale of green and red certificates	95,738,271.05	117,491,322.69
	- revenue at the amount of depreciation charge	490,358.00	454,571.00
	- interest receivable on loans granted	429,558.32	1,154,333.65
	- valuation of cash at bank, debtors/creditors		290,578.68
	- dividend received	52,728,210.99	14,724,221.30
	- valuation of loan to Pątnów II - capital	3,646,657.41	12,860,970.59
	- valuation of loan to Pątnów II - interest	(1,271.65)	-
	- accrued interest on bank account	31,350.29	941,538.46
5)	Tax revenue not recognised in the accounting profit (+)	10,464,550.48	164,510,525.19
	- contractual penalty paid to KWB Konin		4,017,885.00
	- interest paid on granted loans accrued in previous years	2,240,221.19	146,659,040.19
	- exchange differences on the EMBUD-ELEKTRIM loan		13,833,600.00
	- sale of trial production	8,224,329.29	-
6)	Other changes to taxable profit/ tax loss	(95,391,467.31)	(113,686,956.61)
	- salaries and Social Security contributions paid for the previous year	(2,243,798.37)	(2,636,454.96)
	- reversal of allowance for doubtful debts	(1,857.53)	(103,134.45)
	- cost related to disposal of land incurred in previous years		(868.50)
	- annual bonus paid	(15,017,697.81)	(14,754,632.38)
	-cost of trial production (dedicated boiler)	(16,840,043.35)	
	- reversal of valuation of loan granted to Pątnów II		4,006,328.32
	- reversal of valuation of loan granted to Pątnów II (interest)	(6,725.77)	454,534.68
	- reversal of valuation of loan granted to Pątnów II (principal)	12,867,696.36	(1,122,111.94)
	- reversal of valuation of loan from Elektrim		2,850,537.85
	- reversal of valuation of loan from PAI MEDIA		(5,288,085.86)
	- reversal of valuation of cash in foreign currencies, foreign currency debtors/creditors	289,860.45	833,699.97
	- reversal of provision for social assets	(123,045.14)	(127,676.66)

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	- bank interest received, accrued in previous year	941,538.46	502,481.08
	- audit fee paid	(215,000.00)	(131,000.00)
	- reversal of provision for electricity allowances to employees		(848,800.00)
	- loan interest paid, accrued in previous years	(87,618.20)	(11,864,924.65)
	- liquidation of fixed assets (tax vs. accounting depreciation)	(31,601.07)	(56,936.36)
	- yellow certificates purchased to cover obligation for previous years	(172,825.83)	(143,364.06)
	- payment for purple certificates for previous year	(2,960.80)	
	- reversal of provision for payments for certificates	(43,527.56)	
	- costs of liquidation of non-current assets – release of provision	(3,400,800.00)	
	- reclamation costs incurred – reversal of the provision	(1,630,000.00)	
	- fee paid for operating lease	(231,625.87)	(349,028.54)
	- costs of cancellation (retirement) of CERs	(57,345,734.28)	(84,883,237.21)
	- reversal of accrual for unused annual leave		(24,282.94)
	- reversal of write-down against shares	(7,625,505.00)	
	- repayment of capital surcharge	(450,000.00)	
	- reversal of provision for KWB Konin penalty	(4,017,885.00)	
	- reimbursement of costs previously recognized as non-deductible	(2,311.00)	
	TOTAL: result	231,509,639.53	400,115,425.48
7)	Taxable profit (rounded up to full zlotys)	231,509,640.00	400,115,425.00
	Donations	500,000.00	20,000.00
	Taxable profit (rounded up to full zlotys)	231,009,640.00	400,095,425.00
	Income tax as per CIT-8 return	43,891,832.00	76,018,131.00
	Correction of previous years	(1,555,775.00)	
	Dividend tax	10,265.00	4,307.00
8)	Total income tax – current expense	42,346,322.00	76,022,438.00
9)	Change in deferred tax	10,373,411.94	(9,075,108.42)
10)	Income tax in the profit and loss account	52,719,733.94	66,947,329.58

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Polish tax regulations are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection within a 5-year period by tax authorities authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

i) Costs by type

Table 44

Costs	31 December 2012	31 December 2011
Depreciation	74,773,225.14	56,578,781.60
Materials and energy	1,017,603,650.18	1,008,926,629.01
External services	251,864,477.52	266,491,675.51
Taxes and charges	75,342,912.08	74,205,765.22
Payroll	96,324,505.36	100,882,743.19
Social security and other allowances	29,048,391.52	27,812,135.41
Other	15,549,090.15	30,461,292.97
TOTAL COSTS BY TYPE	1,560,506,251.95	1,565,359,022.91
- selling expenses	2,724,716.07	18,975,225.12
- administrative expenses	49,630,683.67	46,788,804.32
- change in the stocks of finished goods	(9,429,800.13)	(1,785,664.95)
- cost of goods produced for internal use	429,662.26	422,717.43
COST OF FINISHED GOODS SOLD	1,517,150,990.08	1,500,958,940.99

Taxes and charges include excise tax, which in 2012 amounted to PLN 787,473.00 and in 2011 to PLN 761,384.00. Since 2nd January 2012 excise tax on coal-related products was introduced. ZE PAK S.A. paid in 2012 excise tax on coal in the amount of PLN 515,446.00. The amount of excise tax on coal comprises excise on coal losses and on sale of lignite to individuals.

j) Internal costs capitalised

In the current and previous financial year, the Company did not incur any costs relating to assets under construction, or fixed assets produced for its own use, or development work carried out for internal purposes.

k) Extraordinary gains and losses

There were no extraordinary gains or losses during the year.

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l) Deferred tax

Table 45

Year ended 31 December 2012

No.	Item	Tax base	Tax rate	Deferred tax asset	Deferred tax liability
1)	Costs and losses which will decrease or increase the tax base in subsequent years				
	of which:				
	annual bonus	14,450,558.09	19%	2,745,606.04	
	accrual for audit fees	255,000.00	19%	48,450.00	
	provision for jubilee bonuses, energy allowance, retirement benefits and death benefits	87,870,604.00	19%	16,695,414.76	
	accrual for unused annual leave	1,429,909.62	19%	271,682.83	
	accrued interest on loans	2,069,735.17	19%	393,249.68	
	provision for raw materials	2,249,560.80	19%	427,416.55	
	accruals for green certificates	746,589.44	19%	141,851.99	
	accruals for red certificates	19,651.81	19%	3,733.84	
	accruals for yellow certificates	177,607.08	19%	33,745.35	
	accruals for purple certificates	14,183.40	19%	2,694.85	
	provision for liquidation of fixed assets	16,369,356.06	19%	3,110,177.65	
	costs of decommissioning SMT El. Pątnów	1,096,000.00	19%	208,240.00	
	provision for financial assets	11,686,145.24	19%	2,220,367.60	
	allowance for doubtful debts	26,090,426.41	19%	4,957,181.02	
	tax vs. accounting depreciation of fixed assets	(260,960,603.85)	19%		49,582,514.73
	impairment of non-current assets	633,104.14	19%	120,289.79	
	valuation of cash on hand and at bank in foreign currencies, foreign currency debtors/creditors	147,050.21	19%	27,939.54	
	Social Security (ZUS) surcharges on November and December salaries	2,557,165.43	19%	485,861.43	
	unpaid salaries under mandate contracts	32,088.21	19%	6,096.76	
	costs of future disposal of assets	17,629.00	19%	3,349.51	
	provision for reclamation	3,089,896.24	19%	587,080.29	
	tax vs. accounting donation for fixed assets used under lease-back agreements	1,604,628.78	19%	304,879.47	
	Purchased CERs to be utilised in 2012	7,006,183.18	19%	1,331,174.80	
	Accrued payment to MFŚS	22,009.83	19%	4,181.87	
2)	Revenue which will increase the tax base in subsequent years				
	of which:				
a)	interest receivable on granted loan, deposits	(469,788.61)	19%		89,259.84
b)	valuation of loan	(3,646,657.41)	19%		692,864.91
c)	green and red certificates on stock	(107,620,488.61)	19%		20,447,892.84
	TOTAL:			34,130,665.62	70,812,532.32
	Amount presented as deferred tax				36,681,866.70

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Table 46

Year ended 31 December 2011

No.	Item	Tax base	Tax rate	Deferred tax asset	Deferred tax liability
1)	Costs and losses which will decrease or increase the tax base in subsequent years				
	of which:				
	annual bonus	15,184,849.89	19%	2,885,121.48	
	accrual for audit fees	215,000.00	19%	40,850.00	
	provision for jubilee bonuses, retirement benefits and death benefits	33,247,754.60	19%	6,317,073.36	
	accrual for unused annual leave	1,043,218.40	19%	198,211.49	
	provision for electricity allowances to employees	41,975,900.00	19%	7,975,421.00	
	decapitalisation of interest on loan received from Embud-Elektrim	8,188,287.62	19%	1,555,774.65	
	accrued interest on loans	1,709,953.29	19%	324,891.14	
	provision for contractual penalty from KWB Konin	4,017,885.00	19%	763,398.15	
	provision for raw materials	1,645,930.99	19%	312,726.88	
	accruals for green certificates	1,210,716.29	19%	230,036.10	
	accruals for red certificates	73,512.20	19%	13,967.32	
	accruals for yellow certificates	173,678.89	19%	32,998.99	
	accruals for purple certificates	45,635.30	19%	8,670.70	
	provision for liquidation of fixed assets	18,118,144.26	19%	3,442,447.41	
	costs of decommissioning SMT El. Pątnów	1,096,000.00	19%	208,240.00	
	provision for financial assets	19,311,650.24	19%	3,669,213.55	
	allowance for doubtful debts	26,060,406.88	19%	4,951,477.30	
	tax vs. accounting depreciation of fixed assets	-244,851,895.32	19%		46,521,860.11
	impairment of non-current assets	756,149.28	19%	143,668.36	
	valuation of cash on hand and at bank in foreign currencies, foreign currency debtors/creditors	718.23		136.46	
	Social Security (ZUS) surcharges on November and December salaries	2,208,327.07	19%	419,582.14	
	unpaid salaries under mandate contracts	35,471.30	19%	6,739.31	
	costs of future disposal of assets	17,629.00	19%	3,349.52	
	provision for reclamation	4,719,896.24	19%	896,780.29	
	tax vs. accounting donation for fixed assets used under lease-back agreements	1,829,079.78	19%	347,525.15	
	Purchased CERs to be utilised in 2012	57,345,734.28	19%	10,895,689.51	
2)	Revenue which will increase the tax base in subsequent years				
	of which:				
a)	interest receivable on granted loan, deposits	-3,185,185.52	19%		605,185.25
b)	valuation of loan	-12,867,696.36	19%		2,444,862.31
c)	green and red certificates on stock	-117,501,723.22	19%		22,325,327.41
d)	valuation of cash on hand and at bank in foreign currencies, foreign currency debtors/creditors	-290,578.68	19%		55,209.95
	TOTAL:			45,643,990.25	71,952,445.02
	Amount presented as deferred tax				26,308,454.77

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7. Structure of cash and cash equivalents included in the cash flow statement

a) Cash and cash equivalents

The balance of cash on hand and cash at bank in ZE PAK S.A. as at 31 December 2012 was as follows:

Table 47

As at 31 December 2012

Item	Amount
Cash on hand	95,439.92
1. El. Pątnów	31,415.17
2. El. Adamów	63,648.86
3. Foreign cash (GBP)	375.89
Cash at bank	47,755,769.59
1) Bank Handlowy o/Konin	316.72
2) Bank Zachodni WBK S.A.o/Konin	2,912.42
3) Bank Zachodni WBK S.A.o/Turek	57,637.09
4) PEKAO SA O/KONIN	468,524.08
5) Invest Bank S.A.	8,312.15
6) Bank Pocztowy KONIN	1,952.88
7) Bank PKO BP	11,952.94
8) Bank BOŚ S.A. Warszawa	31.84
9) Bank BOŚ S.A. Warszawa	979.41
10) Social Fund account	115.93
11) Intercompany Social Fund account	0.01
12) ING BANK ŚLĄSKI S.A O/ Poznań	12,819.42
13) Nordea Bank Polska o)Bełchatów	180.00
14) Nordea Bank Polska o)Bełchatów	628,923.49
15) PKO S.A. deposit	15,000,000.00
16) BRE deposit	1,011,031.49
17) BRE deposit EUR	27,115,314.95
18) BOŚ deposit	363,227.70
19)PKO BP MFSS – deposit	3,071,537.07
TOTAL	47,851,209.51

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Table 48

As at 31 December 2011

Item	Amount
Cash on hand	37,090.28
1. El. Pątnów	24,738.74
2. El. Adamów	11,426.85
3. Foreign cash (CHF)	218.00
4. Foreign cash (EUR)	706.69
Cash at bank	267,103,364.88
1) Bank Handlowy o/Konin	1,076.66
2) Bank Zachodni WBK S.A.o/Konin	92,671.84
3) Bank Zachodni WBK S.A.o/Turek	91,817.09
4) PEKAO SA O/KONIN	589,860.05
5) Invest Bank S.A.	845.97
6) Bank Pocztowy KONIN	1,582.27
7) Bank PKO BP	6,942.61
8) Bank BOŚ S.A. Warszawa	143,838.82
9) Social Fund account	4.74
10) Social Fund account (PAKO)	1,801.05
11) Intercompany Social Fund account	0.02
12) ING BANK ŚLĄSKI S.A O/ Poznań	4,521.43
13) Nordea Bank Polska o)Bełchatów	280,375.64
14) BOŚ S.A. WARSZAWA	1,547,265.51
15)PEKAO S.A. PAKO	120.00
16)PEKAO S.A. PAKO	2,781.72
17)PEKAO S.A. PAKO	60.00
18)PEKAO S.A. PAKO	120.00
19)PEKAO S.A. PAKO	6,874.06
20)PEKAO S.A. PAKO	40.48
21) Bank PKO BP PAKO	22,261.54
22)BZ WBK – deposit	6,700,000.00
23) PKO BP. – deposit	200,000.00
24) BISE – deposit	19,200,000.00
25) PKO S.A. deposit	50,847,000.00
26) AIG deposit	14,000,000.00
27) Invest Bank deposit	35,090,000.00
28) BRE deposit	80,979,463.35
29)PEKAO deposit EUR	18,845,242.58
30)PBP deposit	35,028,890.41
31)PKO BP MFŚS – deposit	3,417,903.73
32)PEKAO EUR	3.31
Other cash and cash equivalents	25,085,636.12
1) PEKAO S.A. deposit DSRA PAKO	12,542,818.06
2) PKO BP S.A. deposit DSRA PAKO	12,542,818.06
TOTAL	292,226,091.28

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b) Notes to the cash flow statement

Table 49

Liabilities	Year ended 31 December 2012	Year ended 31 December 2011
Balance sheet change in long- and short-term liabilities	(98,297,534.85)	(417,057,816.01)
Change in long- and short-term loans	57,468,425.00	35,872,983.21
Change in long- and short-term loans from affiliates (ELEKTRIM, PAI MEDIA)		389,000,746.49
Change in lease liabilities	139,792.56	4,906,928.19
Change in investment liabilities	37,574,308.85	(17,428,598.52)
Change in liabilities in the cash flow statement	(3,115,008.44)	(4,705,756.64)

Table 50

Investing activities	Year ended 31 December 2012	Year ended 31 December 2011
Gains/losses from the disposal of non-financial long-term assets	(3,256,241.11)	(3,486,076.43)
Gains/losses from the disposal of investments	(20,648,924.36)	
Discontinued investments	62,399.09	30,286,974.50
Impairment of tangible fixed assets	(123,045.14)	(127,676.66)
Revaluation of shares	(7,625,505.00)	
Repayment of capital surcharge	(450,000.00)	
Gains/ losses from investing activities	(32,041,316.52)	26,673,221.41

Table 51

Provisions	Year ended 31 December 2012	Year ended 31 December 2011
Balance sheet change in provisions	(35,130,059.69)	-85,128,958.09
Provision for redemption of CERs in the next year	50,339,551.10	82,290,946.15
Change in provisions in the cash flow statement	15,209,491.41	-2,838,011.94

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8. Additional information on the Company's business activities

a) Average employment

Table 52

Employees	2012		2011	
	Total	of which: women	Total	of which: women
Total employment (1+2+3+4)	1,266.50	131.5	1,183.75	126.75
1) Blue-collar employees (direct production)	944.50	7.5	891.25	7
a) control division	944.50	7.5	891.25	7
2) Service	257	114.25	230	110.5
a) inventories management division	12	7	11.5	7
b) other	245	107.25	218.5	103.5
3) Management	64	8.75	61.5	8
a) Management Board	4.25	2	6.5	2
b) Directors (authorised representatives)	16.75	1	16	1
c) Managers	43	5.75	39	5
4) Others	1	1	1	1

b) Fees of statutory auditor or other entity entitled to audit financial statements

On 9 January 2013 ZE PAK S.A. signed an agreement with Ernst & Young Audit sp. z o.o. for audit of:

- statutory financial statements for the year ended 31 December 2012 prepared in accordance with PAR,
- consolidated financial statements of ZE PAK S.A. Capital Group for the year ended 31 December 2012 prepared in accordance with IFRS.

The remuneration of the auditor for services rendered to the Company in the table below.

Table 53

	2012	2011
• audit of statutory and consolidated financial statements	210,000.00	215,000.00
• IPO related services	2,896,200.00	-
• other services (including trainings)	153,000.00	-
Total	3,259,200.00	215,000.00

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c) Remuneration, including profit-based payments, paid or payable to members of Management and Supervisory Board)

Table 54

Items	2012	2011
Total remuneration in PLN:	4,318,512.89	10,762,510.23
1. paid to members of Management Board	3,802,217.74	10,262,122.32
2. paid to members of Supervisory Board	516,295.15	500,387.91

d) Loans granted to members of Management and Supervisory Boards

During the current and previous financial year, no loans were granted to members of the Company's Management or Supervisory Board.

e) Transactions with members of Management and Supervisory Boards

The Company did not enter into any significant transactions during the financial year with members of the Management Board or supervisory bodies or their spouses, direct relatives or persons related by marriage in a straight line up to the second degree or who are in a guardianship, adoption or wardship relationship with a person who is a member of executive or supervisory bodies of the Company or with companies in which such persons are significant shareholders.

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f) Transactions with related entities which are not included in consolidated financial statements

Table 55

2012	Elektrim S.A.	PAI Media S.A.	Elektrim Megadex S.A.	Elektrim VOLT S.A.	Megadex Serwis Sp. z o.o	Energia-Nova S.A.	TOTAL
Purchases	-	-	-	-	44,774,162.94	-	44,774,162.94
Sales	-	-	-	367,789,532.91	-	-	367,789,532.91
<i>Sales revenue</i>	-	-	-	367,741,492.50	-	-	367,741,492.50
<i>Other operating income</i>	-	-	-	48,040.41	-	-	48,040.41
Interest – finance costs	-	-	-	-	-	-	-
Interest – finance revenue	-	-	-	-	-	-	-
Dividends and shares of profits received	-	-	-	-	-	-	-
<i>Revaluation of investments - finance costs</i>	-	-	-	-	-	-	-
<i>Foreign exchange losses</i>	-	-	-	-	-	-	-
<i>Foreign exchange gains</i>	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-
Trade payables	-	-	-	-	5,812,195.19	-	5,812,195.19
Loans granted	-	-	10,151.65	-	-	-	10,151.65
Loans received	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
<i>Prepayments for assets under construction</i>	-	-	-	-	-	-	-
<i>Advance payments received</i>	-	-	-	-	-	-	-

Transactions with related entities were made on an arm's length basis.

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g) Transactions with related entities which are included in consolidated financial statements

Table 56

2012	PAK Serwis sp. z o.o.	EI PAK sp. z o.o.	Infrastuktura 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.	PAK Biopaliwa sp. z o.o.	Energoinwest Serwis sp. z o.o.	PAK KWB Konin S.A.	PAK KWB Adamów S.A.	Elektrim Volt S.A.	RAZEM
Purchases	163,461,831.74	44,731,061.84	10,296,816.00	-	118,403.11	4,875,649.25	9,987,975.00	-	49,508,084.11	1,274,764.00	214,240,541.56	129,169,699.41	-	627,664,826.02
Sales	7,446,711.73	810,077.83	12,782,158.29	42,143.19	88,478,177.72	758,889.46	433,653.13	69,934.97	54,471.85	55,488.79	28,303.65	9,008.72	123,374,953.50	234,343,972.83
<i>Sales revenue</i>	6,204,113.15	810,077.83	12,782,158.29	42,143.19	88,478,177.72	758,889.46	433,653.13	69,934.97	54,471.85	55,488.79	28,303.65	9,008.72	123,374,953.50	233,101,374.25
<i>Other operating income</i>	1,242,598.58	-	-	-	-	-	-	-	-	-	-	-	-	1,242,598.58
Interest – finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest – finance revenue	-	-	-	-	3,273,457.78	-	-	-	-	-	-	-	-	3,273,457.78
Dividends and shares of profits received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Revaluation of investments - finance costs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Foreign exchange losses</i>	-	-	-	-	9,756,177.58	-	-	-	-	-	-	-	-	9,756,177.58
<i>Foreign exchange gains</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade receivables	203,441.04	32,353.49	1,304,710.26	459.99	8,751,215.38	141,995.54	47,814.98	6,388.85	-	5,966.23	12,493.59	3,521.03	24,831,425.67	35,341,786.05
Trade payables	25,263,257.74	10,006,791.22	1,055,423.64	-	8,825.68	2,199,061.56	2,748,053.17	-	-	232,942.32	32,469,126.91	19,403,233.53	199,763.20	93,586,478.97
Loans granted	-	-	-	-	119,172,506.84	-	-	-	-	-	-	-	-	119,172,506.84
Loans received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	3,468,019.00	-	-	-	-	-	-	-	-	3,468,019.00
Other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Prepayments for assets under construction</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Advance payments received</i>	-	-	-	-	-	-	-	-	-	-	-	-	8,764,112.96	8,764,112.96

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h) CO2 emission allowances

In accordance with NAP II, the CO2 emission limit for Zespół Elektrowni Pątnów- Adamów- Konin S.A. for the period 2008-2012 is 11,685,526 tonnes per year. On 1 July 2008, the Council of Ministers enacted the National Allocation Plan for carbon dioxide emission for the years 2008-2012 ("NAP II") and on 14 November 2008 the decree of the Council of Ministers dated 1 July 2008 regarding the adoption of the National Allocation Plan for carbon dioxide emission for the years 2008-2012 for the community system of trading in emission allowances was published in the Journal of Laws (Dz.U. No. 202, item 1248).

Table 57

Name of installation	Number of allowances granted for 2008-2012 Mg	Utilised in 2012 Mg
Elektrownia Pątnów	6,100,579	5,903,008
Elektrownia Adamów	3,526,553	3,326,817
Elektrownia Konin	2,058,394	629,323
TOTAL	11,685,526	9,859,148

In accordance with the law, the quantity of emissions in each year is subject to an audit performed by an independent institution. The annual CO2 emission reports for 2012 were verified on 28-30 January 2013 by Bureau Veritas S.Krakowiak with satisfactory results. For the end of settlement period 2008-2012 ZE PAK S.A. has surplus of emission rights in the amount of 3,523,132 CO₂ tons.

i) Company's liquidity

The Company's net profit amounted to PLN 275.0m, close to budgeted amount. In comparison with net profit for the previous year the net profit was slightly, i.e. 2.8%, lower, which was the effect of different external conditions. The main factor which led to a decrease in profit is a decline in price of green certificates.

High levels of financial ratios confirm the Company's good financial standing. The Company fulfilled all of its obligations under the financial and investment agreements signed on an ongoing basis. In the past year all investment loans and leasing liabilities were repaid in accordance with schedule.

The current liquidity ratio, which shows the extent to which current liabilities are covered by current assets, was 1.28 at the 2012 year-end. The quick liquidity ratio was 0.75 at the 2012 year-end. Despite the lower level of ratios in comparison with 2011 the Company did not have any problems with regulating its liabilities on a day-to-day basis. Lower levels of liquidity ratios in 2012 were mainly the effect of large investment expenditures. The Company has purchased 85% shares of lignite mines KWB Konin and KWB Adamów in the past year. Another significant expenditures were acquisition of Elektrim-Volt – the energy trading company and financing the construction of biomass boiler in Elektrownia Konin from own funds, completed in 2012.

Good financial standing and financial surpluses achieved in past few years enabled the Company to successfully complete all the above mentioned investments.

The deadlines for the repayment of all overdrafts which ended in 2012 have been extended to subsequent periods and credit limits in PEKAO S.A. and PKO BP banks have been increased by PLN 30m each.

Improvement of liquidity in the Company was also caused by received in 2012 dividends from the following subsidiaries:

- PAK Infrastruktura PLN 2.9 m,
- PR PAK Serwis PLN 37.7 m,
- EL PAK PLN 5.0 m,
- PAK CUI PLN 2.0 m,

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- PAK CBJ PLN 0.9 m,
- PAK Biopaliwa PLN 2.9 m.

Additional cash inflows for the Company in 2012 were the sale of TGE S.A. shares, for which the Company has received PLN 24.2m, repayment of loans granted to PAK Holdco in the amount of PLN 5.5m and repayment of loans by Elektrownia Pątnów II in the amount of PLN 18.9m.

The activities taken by the Management Board of ZE PAK SA in the area of finance have increased the safety of the Company's operations in the changing market environment, improved its competitive position and provided a basis for further development of the Company.

j) Consolidated financial statements

The ZE PAK S.A. Capital Group, with ZE PAK S.A. as the parent company, will prepare consolidated financial statements for the year ended 31 December 2012, which will include financial statements of the following entities:

Table 58

No.	Company name	Registered office	Type of activity	% shareholding
1.	PAK SERWIS sp. z o.o.	Konin	Repair and construction services	100% of shares
2.	EL PAK sp. z o.o.	Konin	repair services relating to electric and automatic equipment	100% of shares
3.	PAK GÓRNICTWO sp. z o.o.	Konin	mining	100% of shares, of which 9% held indirectly through PAK Centrum Badań Jakości
4.	„Elektrownia Pątnów II” sp. z o.o.	Konin	construction of a power unit with an output power of 464 megawatts	100% of shares, held indirectly through PAK HOLDCO
5.	PAK HOLDCO sp. z o.o.	Konin	exercising rights from shares held in Elektrownia Pątnów II	100% of shares
6.	PAK INFRASTRUKTURA sp. z o.o.	Konin	energy systems management services	100% of shares
7.	ENERGOINWEST SERWIS sp. z o.o.	Konin	Repair and construction services	99% of shares through PAK SERWIS
8.	CENTRUM USŁUG INFORMATYCZNYCH sp. z o.o.	Konin	comprehensive IT services	100% of shares
9.	PAK Centrum Badań Jakości sp. z o.o.	Konin	research, measurements and chemical analyses	100% of shares
10.	PAK Biopaliwa sp. z o.o.	Konin	purchase, storage and supply of biomass	100% of shares
11.	PAK KWB KONIN S.A.	Konin	mining	85% of shares
12.	PAK KWB ADAMÓW	Adamów	mining	85% of shares
13.	ELEKTRIM VOLT S.A.	Warszawa	sale of electricity	100% of shares

Konin, 15 March 2013

Prepared by:

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