Polish Energy Partners S.A. Capital Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

WITH THE INDEPENDENT AUDITOR'S OPINION

Zbigniew Prokopowicz – President	*Anna Kwarcińska – Vice-president*
Michał Kozłowski – Vice-president	*Agnieszka Grzeszczak – Head of Accounting Department*

Warsaw, 26 February 2013

(in thousand zlotys)

Consolidated Balance Sheet
as at 31 December 2012

Assets

	Notes	31.12.2012	31.12.2011
I. Non-current assets (long-term)		**481 799**	**781 126**
1. Property, plant and equipment	10	477 848	495 631
2. Intangible assets	8	823	870
3. Goodwill	9	903	881
4. Financial assets	12	792	496
5. Long-term receivables	11	-	282 038
6. Deferred tax asset		1 433	1 140
7. Prepayments	13	-	70
II. Current assets (short-term)		**542 071**	**382 426**
1. Inventories	14	137 479	59 748
2. Trade receivables	15	118 740	125 711
3. Income tax receivables	15	8 636	11
4. Other short-term receivables	15	11 158	62 174
5. Prepayments	16	2 819	2 989
6. Cash and cash equivalents	17	263 239	131 793
Total assets		**1 023 870**	**1 163 552**

(in thousand zlotys)

Equity and liabilities

	Notes	31.12.2012	31.12.2011
I. Equity		**511 630**	**423 141**
1. Issued capital	18.1	42 628	42 628
2. Share premium		78 521	78 521
3. Share based payments	42	13 207	17 270
4. Other capital reserves	18.3	238 443	172 625
5. Accumulated profits from previous years		44 351	41 289
6. Net profit for the period		93 350	69 633
7. Non-controlling interests	18.5	1 130	1 175
II. Non-current liabilities		**325 427**	**504 386**
1. Interest-bearing loans and borrowings	21	242 864	463 243
2. Deferred tax liability		9 843	10 221
3. Provisions	20	631	961
4. Accruals and deferred income	24	71 557	29 541
5. Other liabilities		532	420
III. Current liabilities		**186 813**	**236 025**
1. Interest-bearing loans and borrowings	22,23	109 299	147 326
2. Trade payables	22	61 825	19 899
3. Income tax payable	22	-	13 882
4. Other liabilities	22	2 860	18 345
5. Provisions		1 210	986
6. Accruals and deferred income	24	11 619	35 587
Total equity and liabilities		**1 023 870**	**1 163 552**

(in thousand zlotys)

Consolidated income statement

for the year ended 31 December 2012

	Notes	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
CONTINUING OPERATIONS					
I. Sale of goods and rendering of services	26	93 054	137 942	33 967	95 458
II. Income from certified rights	26	38 714	9 518	8 797	2 946
Sales revenue		**131 768**	**147 460**	**42 764**	**98 404**
Cost of sales	27	(97 405)	(81 992)	(31 631)	(42 889)
Gross profit		**34 363**	**65 468**	**11 133**	**55 515**
Other operating income	28	5 532	4 771	1 273	145
Administrative expenses	27	(21 580)	(18 722)	(4 729)	(5 820)
of which, share-based payments	27	(1 805)	(2 405)	-	(601)
Other operating expenses	29	(1 176)	(2 146)	(484)	(1 501)
Finance income	30	27 692	4 346	8 241	1 181
of which, dividend of subsidiary company		4 354	17	4 354	17
Finance costs	31	(29 642)	(18 002)	(7 554)	(8 491)
Profit before tax		**15 189**	**35 715**	**7 880**	**41 029**
Income tax expense	19	1 987	(7 855)	2 603	(8 220)
Net profit for the year from continuing operations		**17 176**	**27 860**	**10 483**	**32 809**
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations		23 586	51 887	-	9 644
Income tax on profits from discontinued operations charged to the parent company		(4 468)	(9 974)	-	(1 899)
Gains on disposal of discontinued operations		59 719	-	-	-
Income tax on gains on disposal of discontinued operations		(2 598)	-	-	-
Total profit for the period from discontinued operations		**76 239**	**41 913**	**-**	**7 745**
Net profit for the year		**93 415**	**69 773**	**10 483**	**40 554**
Net profit attributable to:		**93 415**	**69 773**	**10 483**	**40 554**
Equity holders of the parent company		93 350	69 633	10 482	40 543
Non-controlling interests		65	140	1	11
Earnings per share:					
- basic, profit for the period attributable to ordinary equity holders of the parent company		4,38	3,35	0,49	1,95
- basic, profit from continuing operations attributable to ordinary equity holders of the parent company		0,81	1,34	0,49	1,58
- diluted, profit for the year attributable to ordinary equity holders of the parent company		4,38	3,35	0,49	1,95
- diluted, profit from continuing operations attributable to ordinary equity holders of the parent company		0,81	1,34	0,49	1,58

*) restated data

(in thousand zlotys)

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Net profit (loss) attributable to equity holders of the parent company from continuing operations	17 111	27 720	10 482	32 798
Unrealised foreign exchange differences from continuing operations	4 504	(6 743)	269	11
Income tax effect from continuing operations	(856)	1 281	(51)	(2)
Net profit (loss) attributable to equity holders of the parent company from continuing operations adjusted by foreign exchange differences	**13 463**	**33 182**	**10 264**	**32 789**

*) restated data

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Net profit from discontinued operations attributable to equity holders of the parent company:	76 239	41 913	-	7 745
Unrealised FX gains (losses) from discontinued operations	-	7 508	-	1 244
Income tax on FX differences from discontinued operations	-	(1 427)	-	(237)
Net profit from discontinued operations attributable to equity holders of the parent company, adjusted by FX differences:	**76 239**	**35 832**	**-**	**6 738**

*) restated data

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Basic financial-economic data relating to continued operations	**Developer and implementation business, and sale of wind farms**	**Developer and implementation business, and sale of wind farms**	**Developer and implementation business, and sale of wind farms**	**Developer and implementation business, and sale of wind farms**
Sales income	5 573	78 600	5 573	78 600
EBITDA	4 185	51 801	4 185	51 801
Adjusted EBITDA, incl. minority interest in the profits of wind farms	4 185	51 801	4 185	51 801
Discount	4 647	(7 139)	774	(7 328)
Net profit	**7 154**	**36 176**	**4 017**	**36 023**
Net profit, after elimination of the effect of FX differences from balance sheet valuation	**7 154**	**36 176**	**4 017**	**36 023**

*) restated data

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Basic financial-economic data relating to continued operations	**Without developer and implementation business, or sale of wind farms**	**Without developer and implementation business, or sale of wind farms**	**Without developer and implementation business, or sale of wind farms**	**Without developer and implementation business, or sale of wind farms**
Sales income	126 195	68 860	37 191	19 804
EBITDA	41 564	7 984	10 392	(782)
Adjusted EBITDA, incl. minority interest in the profits of wind farms	41 564	7 984	10 392	(782)
Net profit	**9 957**	**(8 456)**	**6 465**	**(3 225)**
Net profit, after elimination of the effect of FX differences from balance sheet valuation	**6 309**	**(2 994)**	**6 247**	**(3 234)**

*) restated data

(in thousand zlotys)

Discontinued Operations

On 2 May 2012, in accordance with General Contract of 29 April 2002, Mondi Świecie S.A. exercised the so-called *call option*, whereby Mondi Świecie S.A. requested that all rights and obligations of PEP as a limited partner of Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa [limited partnership], and 100% of shares in Saturn Management Sp. z o.o. were disposed off. In accordance with a settlement agreement of 19 July 2012, the sale referred to above had significant impact on the results of the Group:

Result on discontinued operations	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
Revenues	36 017	94 304
Costs	(12 431)	(42 417)
EBITDA	26 144	44 140
Adjusted EBITDA	27 451	46 024
Net profit for the period from discontinued operations of Limited Partnership (Sp. Komandytowa) without tax burden of the parent	**23 586**	**51 887**
Income tax incurred by the parent	(4 468)	(9 974)
Net profit	**19 118**	**41 913**
Profit from discontinued operations, adjusted by FX differences, attributable to equity holders of the parent	**19 118**	**35 832**
Gross profit from discontinued operations	59 719	-
Income tax on gains on disposal of discontinued operations	(2 598)	-
Net profit on disposal of discontinued operations	**57 121**	**-**
Net profit for the period	**76 239**	**41 913**

*) restated data

The amount of income tax on gains on disposal of discontinued operations consists of income tax on the transaction of sale with a value of PLN 15,717 thousand, and deferred tax with a value of PLN 13,119 thousand resulting from the reversal of deferred tax liability of Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa [limited partnership].

Cash flow from settlement and sale of rights and obligations of PEP as a limited partner of SM SK and shares in SM Sp. z o.o.	Inflows / (Outflows)		Presentation in the Statement of Cash Flows
Payment from the sale of rights and obligations dated 02/05/2012	172 441		
Revenue from the sale of rights and obligations of Limited Partnership		126 289	B.I.3.a) disposal of financial assets
Reimbursement from bills of exchange		17 029	B.I.3.c) other inflows from financial assets
Settlement of the 2011 result of SM		18 868	B.I.3.b) dividends and shares in profits and A.II.10. movements in liabilities
Settlement of the 2012 result of SM		(3 347)	B.I.3.b) dividends and shares in profits , A.II.10. movements in liabilities and A.II.4. interest and shares in profits (dividends)
Return to Mondi Świecie S.A. on 20/07/2012 as per settlement agreement dated 19 July 2012 *)	(2 891)		A.II.10. movements in liabilities
Return to Mondi Świecie S.A. on 31/10/2012 as per settlement agreement dated 19 July2012 *)	(10 711)		A.II.10.movements in liabilities
Net cash flow from settlement and sale of rights and obligations of PEP as a limited partner of SM SK and shares in SM Sp. z o.o.	**158 839**	**158 839**	

*) settlement agreement was described in the current report No. 31/2012 dated 20 July 2012

(in thousand zlotys)

Cash flow from discontinued operations	For the period ended 31.12.2012	For the period ended 31.12.2011
Net cash flow from operating activities	22 273	37 720
Net cash flow from investing activities	18 731	55 760
Net cash flow from financing activities	(35 048)	(97 696)
Total net cash flow for the year	**5 956**	**(4 216)**

Assets and liabilities classified as held for sale	30.04.2012
Property, plant and equipment	(25)
Long-term receivables	(260 396)
Inventories	(103)
Trade and other receivables	(78 345)
Cash and cash equivalents	(7 881)
Other assets	(2 204)
Trade and other payables	278 540
of which, loans and borrowings	237 521
Net assets and liabilities	**(70 414)**
Consideration received, settled in cash	172 441
Net cash inflow	**172 441**

(in thousand zlotys)

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Net profit for the year	**93 415**	**69 773**	**10 483**	**40 554**
- Cash flow hedges	(753)	3 883	-	-
Other comprehensive income for the year, net of tax	**(753)**	**3 883**	**-**	**-**
Total comprehensive income for the year, net of tax	**92 662**	**73 656**	**10 483**	**40 554**
Total comprehensive income attributable to:	92 662	73 656	10 483	40 554
Equity holders of the parent company	92 597	73 516	10 482	40 543
Non-controlling interests	65	140	1	11

*) restated data

(in thousand zlotys)

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Issued capital	Share premium	Share based payments	Other capital reserves	Accumulated profits from previous years	Net profit (loss)	Non-controlling interests	Total equity
As at 1 January 2012	**42 628**	**78 521**	**17 270**	**172 625**	**110 922**	**-**	**1 175**	**423 141**
Total comprehensive income for the year								
- Net profit for the year	-	-	-	-	-	93 350	65	93 415
- Other comprehensive income for the year	-	-	-	(753)	-	-	-	(753)
- Appropriation of the financial result	-	-	-	66 571	(66 571)	-	(110)	(110)
Transactions with equity holders of the parent company, recognised directly in shareholders' equity								
- Share-based payments	-	-	(4 063)	-	-	-	-	(4 063)
As at 31 December 2012	**42 628**	**78 521**	**13 207**	**238 443**	**44 351**	**93 350**	**1 130**	**511 630**

for the year ended 31 December 2011

	Issued capital	Share premium	Share based payments	Other capital reserves	Accumulated profits from previous years	Net profit (loss)	Non-controlling interests	Total equity
As at 1 January 2011	**39 488**	**38 812**	**14 865**	**121 398**	**88 634**	**-**	**1 119**	**304 316**
Total comprehensive income for the year								
- Net profit for the year	-	-	-	-	-	69 633	140	69 773
- Other comprehensive income for the year								
- Appropriation of the financial result	-	-	-	3 883	-	-	-	3 883
Transactions with equity holders of the parent company,	-	-	-	47 344	(47 345)	-	(84)	(85)
recognised directly in shareholders' equity								
- Share-based payments								
- Issue of shares	3 140	39 709	-	-	-	-	-	42 849
As at 31 December 2011	**42 628**	**78 521**	**17 270**	**172 625**	**41 289**	**69 633**	**1 175**	**423 141**

(in thousand zlotys)

Consolidated statement of cash flows
for the year ended 31 December 2012

	Notes	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
A. Cash flow from operating activities - indirect method			
I. Profit before tax		**98 494**	**87 602**
II. Total adjustments		**(126 510)**	**(37 450)**
1. Share of net (profits) losses of assets accounted for using equity method		-	-
2. Depreciation	27	28 609	10 385
3. Foreign exchange gains (losses)		(4 543)	2 174
4. Interest and shares in profits (dividends)		21 850	1 424
5. (Gain) loss on investing activities		(79 287)	9
6. Income tax paid		(28 255)	(16 054)
7. Movement in provisions		440	129
8. Movement in inventories	33	(80 378)	(23 734)
9. Movement in receivables	33	(15 149)	(32 484)
10. Movement in short-term liabilities except for loans and borrowings	33	57 653	3 974
11. Change in prepayments, accruals and deferred income	33	(23 386)	14 266
12. Other adjustments	33	(4 064)	2 461
III. Net cash flows from operating activities (I+/-II)		**(28 016)**	**50 152**
B. Cash flow from investing activities			
I. Inflows		**175 432**	**63 315**
1. Sale of intangible assets and property, plant and equipment		503	90
2. Sale of investments in properties and intangible assets		-	-
3. From financial assets, of which:		176 853	1 776
a) sale of financial assets		126 289	-
b) dividend and shares in profits		13 681	18
c) repayment of long-term borrowings granted		3 682	1 630
d) interest received		472	128
e) other inflows from financial assets		32 729	-
4. Sale of investments in subsidiaries, net of cash disposed of		(1 924)	-
5. Other investing inflows	33	-	61 449
II. Outflows		**42 991**	**219 722**
1. Purchase of intangible assets and property, plant and equipment		40 937	213 538
2. For financial instruments, of which:		2 054	507
a) purchase of financial instruments		746	39
b) long-term borrowings granted		1 308	468
3. Other investing outflows	33	-	5 677
III. Net cash flows from investing activities (I-II)		**132 441**	**(156 407)**

(in thousand zlotys)

C. Cash flow from financing activities			
I. Inflows		**135 470**	**270 221**
1. Issue of shares, other capital instruments and additional payments to capital		-	44 750
2. Loans and borrowings		85 616	199 215
3. Received government grants		49 854	26 256
II. Outflows		**108 282**	**79 009**
1. Dividends and other payments to equity holders of the parent company		112	131
2. Repayment of loans and borrowings		81 134	60 063
3. Payment of finance lease liabilities		356	351
4. Interest paid		26 680	18 464
III. Net cash flow from/(used in) financing activities (I-II)		**27 188**	**191 212**
D. Total net cash flow (A.III+/-B.III+/-C.III)		**131 613**	**84 957**
E. Balance sheet change in cash and cash equivalents, of which:		**131 446**	**85 530**
- change in cash and cash equivalents due to net foreign exchange differences		(167)	573
F. Cash and cash equivalents at the beginning of the period		**131 793**	**46 263**
G. Cash and cash equivalents at the end of the period, of which:		**263 239**	**131 793**
- of restricted use	33	23 695	2 103

Presentation of external sources of financing (statement of cash flows)	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
C.I.2 Loans and borrowings received	85 616	199 215
C.II.3 Repayment of loans and borrowings	(81 134)	(60 063)
Movement in external sources of financing, of which:	**4 482**	**139 152**
Net inflows/outflows from investment bank loans	50 092	63 916
Net inflows/outflows from VAT loans	(1 205)	67 778
Net inflows/outflows from bank overdrafts	(44 405)	7 458

1. General information

Polish Energy Partners Capital Group (hereinafter ‘the Group’ or ‘the Capital Group’), is composed of Polish Energy Partners S.A. (‘the parent company’, ’the Company’) and its subsidiaries. The parent company was created on the basis of a Notaries Deed dated 17 July 1997. The Company is entered in the National Court Register, kept by The Regional Court for the Capital City of Warsaw, XIII Economic Department of National Court Register, under the number of 0000026545. The Company was granted with the statistical number (REGON) 012693488. The Company’s registered office is located in Warsaw, at ul. Wiertnicza 169.

The main area of the parent company’s business activities includes:

- Production and distribution of electricity (PKD 40.10),
- Steam and hot water production and supply (PKD 40.30),
- General construction and civil engineering works (PKD 45.21),
- Building installation (PKD 45.3),
- Other loans granting (PKD 65.22),
- Research and development on natural sciences and engineering (PKD 73.10),
- Development and selling of real estate (PKD 70.11),
- Management of real estate on a fee or contract basis (PKD 70.32),
- Accounting and book-keeping activities (PKD 74.12),
- Architectural and engineering activities and related technical consultancy (PKD 74.20),
- Business and management consultancy activities (PKD 74.14),
- Other business activities not elsewhere classified (PKD 74.84),
- Other education not elsewhere classified (PKD 80.42),
- Wholesale of solid, liquid and gaseous fuels and derivative products (PKD 51.51).

The area of activity of subsidiaries of Polish Energy Partners S.A. is related to the activity of the parent company.

1.1 Period of operation of the Company and the Capital Group entities

The parent company and other Group entities have an unlimited period of operation.

1.2 Indication of the period, for which the consolidated financial statements are presented

The consolidated financial statements are prepared for the year ended 31 December 2012 and include the comparative data for the year ended 31 December 2011.

(in thousand zlotys)

Composition of the Management Board and Supervisory Board of the parent company

As at 31 December 2012, the parent company's Management Board was composed of:

Zbigniew Prokopowicz	President of the Management Board
Anna Kwarcińska	Vice-president of the Management Board
Michał Kozłowski	Vice-president of the Management Board

As at 31 December 2012, the parent company's Supervisory Board was composed of:

Dariusz Mioduski	President of the Supervisory Board
Jacek Głowacki	Vice-president of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Tomasz Mikołajczak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Marek Gabryjelski	Member of the Supervisory Board

On 3 April 2012, the following persons completed their term of office as Supervisory Board members: Artur Olszewski, Marek Gabryjelski and Krzysztof Sędzikowski.
On 3 April 2012, the General Shareholders' Meeting of the Company appointed as Supervisory Board members the following persons: Zofia Dzik, Dariusz Krawczyk and Marek Gabryjelski, and additionally appointed Marek Gabryjelski as President of the Supervisory Board.
On 5 November 2012, the Extraordinary General Shareholders' Meeting dismissed the following persons as Supervisory Board memebers: Marek Gabryjelski, Dariusz Krawczyk, Robert Fijołek, Krzysztof Sobolewski, Krzysztof Kaczmarczyk and Zofia Dzik. On the same date, the following persons were appointed as Supervisory Board members: Dariusz Mioduski, Jacek Głowacki, Mariusz Nowak, Tomasz Mikołajczak, Arkadiusz Jastrzębski and Marek Gabryjelski.

2. Going Concern

The consolidated financial statements are prepared on the basis of the Company and Group entities will be a going concern in the foreseeable future, i.e. during the period of at least 12 months from the balance sheet date – 31 December 2012. As at the day of signing the consolidated financial statements, the Management Board of the Company is not aware of any facts or circumstances, that would indicate a threat to the continued activity of the Company and other Group entities in the foreseeable future, i.e. in the period of at least 12 months after the balance sheet date - after 31 December 2012, on the basis of the intended or compulsory withdrawal from or substantial limitation of its current operations.

3. Group Structure

In the year ended 31 December 2012, the parent company:

- Acquired the following companies:

  a company operating under the name Trinity Limited Partnerships Sp. z o.o. (SPV1) Spółka komandytowo-akcyjna [limited joint-stock partnership]. The name of this company was changed to Polish Energy Partners Spółka Akcyjna, Development Projektów, Spółka Komandytowo-Akcyjna [limited joint-stock partnership];

  a company operating under the name Trinity Limited Partnerships Sp. z o.o. (SPV2) Spółka komandytowo-akcyjna [limited joint-stock partnership]. The name of this company will be changed to: Polish Energy Partners Spółka Akcyjna [joint-stock company], Finansowanie Projektów, Spółka Komandytowo-Akcyjna [limited joint-stock partnership];

- Established the following new companies:

  Grupa PEP Farma Wiatrowa 15 Sp. z o.o.
  Grupa PEP Projekty Energetyczne 1 Sp. z o.o.
  Grupa PEP Aktywa Finansowe Sp. z o.o.
  Grupa PEP Obrót 1 Sp. z o.o.
  Grupa PEP Obrót 2 Sp. z o.o.

- changed the name of the following existing company:

  from Grupa PEP Bioelektrownia 1 Sp. z o.o. to Grupa PEP Farma Wiatrowa 14 Sp. z o.o.

- sold the following companies:

  Saturn Management Sp. z o.o. i Wspólnicy, Spółka komandytowa [limited partnership]
  Saturn Management Sp. z o.o.

4. Authorisation of consolidated financial statements

These consolidated financial statements were authorised for issue by the Management Board on 26 February 2013.

5. Accounting polices

The accounting policies applied in preparing these financial statements are consistent with those applied to prepare the financial statements of the Company for the year ended 31 December 2011.

5.1 New standards and interpretations authorised by the EU that have not yet become effective

The following new standards and interpretations were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), but have not yet become effective:

- ***Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, effective for annual reporting periods beginning on or after 1 July 2012***

The amendments require an entity:

- to present items of other comprehensive income that may be reclassified subsequently to the financial result separately from those that cannot be reclassified to the financial result. If the items of other comprehensive income are presented before their respective tax effects, then the sum total of calculated tax should be allocated to the individual items of other comprehensive income.

- to change the title '*statement of comprehensive income*' to the 'statement of profit or loss *and other comprehensive income'*, other titles are also permitted.

The Group does not expect the amendments to IAS 1 to have any significant impact on the consolidated financial statements due to the specific nature of the Group's business.

- **IAS 19 (2011)** ***Employee Benefits, effective for annual reporting periods beginning on or after 1 January 2013***

  The amendments require that the actuarial gains or losses are recorded directly in other comprehensive income. The amendments remove the 'corridor approach' used in the past to recognise actuarial gains or losses and eliminate options in the recognition in the financial result of all changes in the defined benefit obligation and in the plan, which is currently allowed under IAS 19. The amendments also require that the expected rate of return on plan assets recognized in the income statement is calculated using the rate used to discount the defined benefit plan liability.

  These amendments are not applicable to the Group as it does not operate any define benefit plans.

- **Amendments to IFRS 7** ***Financial Instruments: Disclosures, Offsetting Financial Assets and Financial Liabilities*****,** ***effective for annual reporting periods beginning on or after 1 January 2013***

  The amendments include new disclosure requirements for financial assets and financial liabilities, which are set off in the statement of financial position, or are subject to framework netting arrangements or other similar agreements.

  The Group does not expect the amendments to IFRS 7 to have any significant impact on the consolidated financial statements as it does not have financial assets or financial liabilities subject to offsetting requirements.

- **IFRS*****13 Fair Value Measurement, effective for annual reporting periods beginning on or after 1 January 2013***

  IFRS 13 will replace the guideline relating to fair-value based measurement included in individual IASB standards with one source of guideline on re-measurement to fair value. It defines the notion of *fair value,* defines the framework for measuring fair value and sets forth the requirements concerning disclosures for fair value-based measurements. IFRS 13 states 'how' to determine fair value if it is required or allowed by other standards. IFRS 13 does not introduce new requirements for measurement of financial assets or financial liabilities at fair value, and it does not eliminate the exceptions of practical non-feasibility of measurement at fair value, which are currently present in some standards.

  The Standard includes a detailed structure of disclosures which adds to the existing disclosure requirements in order to deliver information that would help the users of the financial statements to assess the methods and data used to determine the fair value, and for the repetitive procedure of fair value determination – provides the disclosures that are based on inaccessible data, and information on the impact of fair value determination on the financial result, or on other comprehensive income.

  The Group expects that IFRS 13 will not have any significant effect on its consolidated financial statements because the Management Board believes that the methods and assumptions currently applied to measure the assets at fair value are IFRS 13 compliant. It is expected that the number of required disclosures will increase at the time of the new Standard application; however, until the date of the first application, the Group is unable to analyze the impact of this new Standard on the consolidated financial statements.

- **IFRIC 20: *Stripping Costs in the Production Phase of a Surface Mine, effective for financial years beginning on or after 1 January 2013***

  The Interpretation includes detailed requirements concerning recognition of the costs of stripping activity at the stage of production as a stripping activity asset, the initial cost of an asset being the result of stripping activity and the subsequent measurement of such asset.

  The costs of stripping activity are recognised in accordance with the principles of IAS 2 *Inventories* to the extent that the benefit from the stripping activity is realised in the form of inventory produced,

  The costs of stripping activity which provide a benefit in the form of improved access to mineral ore deposits are recognized as a non-current 'stripping activity asset' where the following criteria are met:

  - it is probable that the future economic benefits (improved access to the ore body) associated with the stripping activity will flow to the entity,

  - the entity can identify the component of the ore body for which access has been improved,

  - the costs relating to the stripping activity associated with that component can be measured reliably.

  The stripping activity asset is recognised as an addition to any existing asset.

  The stripping activity asset is initially measured at cost and it is subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses, according to the policies applied to an existing asset, to which the stripping activity asset belongs.

  The Interpretation also requires that where the costs relating to stripping activity asset and inventory produced are not identifiable, the Group divided the production stripping costs into the costs of stripping activity asset and inventory, based on the 'appropriate' measure of the value of the production.

  The Group does not expect this interpretation to have impact on its consolidated financial statements as it does not conduct any stripping activities.

- **Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters, effective for annual reporting periods beginning on or after 1 July 2011***

  The amendments add an exemption that may be applied at the date of transitioning to IFRSs by entities operating earlier in the conditions of severe hyperinflation. The exemption allows an entity to measure at fair value the assets and liabilities held before the functional currency stabilization, and then to use that fair value as deemed cost of those assets and liabilities for the purpose of the preparation of the first statement of financial position in accordance with IFRSs.

  These amendments are not applicable to the Group's consolidated financial statements.

- **Amendments to IAS 12 *Income Tax: Deferred Tax: Recovery of Underlying Assets, effective for annual reporting periods beginning on or after 1 January 2013***

  The amendment introduced the rebuttable assumption that the carrying amount of investment properties measured at fair value will be recovered solely through their sale. The intentions of the management board in this respect will not matter, unless the investment property will be subject to depreciation and will be held under the business model, the objective of which is to utilise substantially all the economic benefits relating to the given asset over the period of the life of the asset. These are the only circumstances allowed for the rebuttable assumption.

  The Group does not expect this amendment to have significant effect on its consolidated financial statements as it will not have any effect on the accounting policies applied by the Group. The principle of measurement of deferred tax assets and deferred tax liabilities relating to investment properties measured at fair value in accordance with IAS 40 will not change.

- **IFRS 10 *Consolidated Financial Statements, effective for annual reporting periods beginning on or after 1 January 2014***

  IFRS 10 provides for one new model of control analysis for all investees, including the entities which currently as SPVs are within the scope of SIC-12. IFRS10 introduces new requirements for control assessments, which differ from the current requirements of IAS 27 (2008). Under the new control model, an investor controls an investee, if (1) it incurs the risk or has the right to variable returns on its engagement in this investee, (2) has the capacity to influence those returns through exercising its authority over the investee, and (3) there is relation between said authority and the returns.

  The new standard includes also disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements were copied from IAS 27 (2008).

  The Group expects that the new standard will not have effect on the consolidated financial statements as it is expected that the assessment of control over investees made in accordance with this new standard will not change the conclusions on the degree of the control of the Group over these entities.

- **IFRS 11 *Joint Arrangements IFRS 11 Joint arrangements replaces IAS 31 Interests in joint ventures, effective for annual reporting periods beginning on or after 1 January 2014***

  IFRS 11 does not introduce fundamental changes to the general definition of joint control arrangements, although the definition of control and, indirectly, of joint control changed in connection with IFRS 10. In accordance with the new standard, joint arrangements are divided into 2 types, for which the following models of recognition were identified: joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement; joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of that arrangements. IFRS 11 actually excludes from the scope of IAS 31 these circumstances where joint ventures, despite their operating in the form of separate entities, cannot be in fact separated. Such arrangements are treated in the manner similar to that of jointly-controlled assets/ joint operations in accordance with IAS 31, and are defined as joint operation. For the remaining jointly-controlled entities as per IAS 31, now defined as joint ventures, the equity method should be applied. It is no longer possible to apply the proportionate consolidation method.

  The Group expects that the new standard will not have effect on the consolidated financial statements, because it is expected that the assessment of joint arrangements made in accordance with the new standard will not change the manner of recognition of existing joint arrangements.

- **IFRS 12 *Disclosure of Interests in Other Entities (Groups), effective for annual reporting periods beginning on or after 1 January 2014***

  IFRS 12 includes additional disclosure requirements concerning significant judgments and assumptions, defining the nature of interest in other Groups, for interests in joint arrangements and Group associates or interests in unconsolidated structured entities.

  The Group expects that IFRS 12 will not have significant impact on its consolidated financial statements.

- **IAS 28 (2011) *Investments in Associates and Joint Ventures, effective for annual reporting periods beginning on or after 1 January 2014***

  Limited changes were made to IAS 28 (2011).

  Associates and Joint Ventures Held for Sale. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* is applicable to an interest, or part thereof, in an associate or joint venture that meet the criteria of held for sale classification. The retained part of the investment which was not classified as held for sale is recognised using the equity method until the part of the investment held for sale is sold. After the investment classified as held for sale is sold, the retained part of the investment is recognised using the equity method provided the investment retained is still an interest in an associate or joint venture. – *Changes in Investments in*

Associates and Joint ventures. Prior to that, in accordance with IAS 28 (2008) and IAS 31, discontinuation of a significant influence or joint control caused in all cases that the retained interests were to be re-measured, even if the significant influence changed into joint control. The requirement of IAS 28 (2011) is that in such circumstances the retained interests are not measured again.

The Group does not expect the amended Standard to have any significant impact on its consolidated financial statements.

- **Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities, effective for annual reporting periods beginning on or after 1 January 2014***

  The amendments do not introduce any new policies concerning offsetting of financial assets and financial liabilities; however, they explain the offsetting criteria with a view to removing standard application inconsistencies, if any.

  The amendments explain that the entity has a legal right to set off a financial asset and a financial liability, if the right:

  - does not depend on the occurrence of a defined event in the future; and

  - is exercised both during the ordinary course of business as well as in the case of default payments or in the case of insolvency or bankruptcy of an entity or all business partners.

  The Group does not expect the amended Standard to have effect on its consolidated financial statements as it does not have any financial assets or financial liabilities subject to offsetting.

5.2 New standards and interpretations which were published but which were not authorised by the EU

- **Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government loans, effective for annual reporting periods beginning on or after 1 January 2013***

  The amendments introduce a new exemption for retrospective application of other IFRSs. The first-time adopter may apply the measurement-related requirements arising from the standards on financial instruments (IAS 39 or IFRS 9) to government loans with an interest rate below market interest rate prospectively, from the date of transition to IFRSs. Alternatively, the first-time IFRS adopter may decide that it will comply with the requirements relating to loans measurement retrospectively, if information required to carry out measurement were available at the time of loan initial recognition. The entity's approach to loans recognition is made on an individual basis.

  These amendments do not apply to the consolidated financial statements of the Group.

- **Improvements to International Financial Reporting Standards (2009-2011), *effective for annual reporting periods beginning on or after 1 January 2013***

  Improvements to International Financial Reporting Standards (2009-2011) contain 7 amendments to 5 standards and the resultant amendments to other standards and interpretations. The main amendments:

  - in the case of a second-time adoption of IFRS 1 – state that if an entity applying IFRSs for the second time does not, however, decide to re-apply IFRS 1, it should apply the IFRSs retrospectively, in accordance with IAS 8, as if it did not discontinue application of IFRSs;

  - specify that a first-time adopter of IFRSs using the exemption relating to costs of financing should not re-calculate the capitalised financing costs in accordance with the previously applied accounting policies, but should rather recognise the financing costs incurred at the date of transitioning to IFRSs or after that date (or at an earlier date as provided in IAS 23) in accordance with IAS 23;

  - specify that one, directly preceding, comparative reporting period is required to be included in a full set of financial statements; however, if the additional comparative data are presented, appropriate notes and explanations should be attached that comply with the requirements of IFRSs;

- specify that the opening statement of financial position is required only if a change in the accounting policy, retrospective restatement or reclassification have significant impact on the information provided in this statement of financial position and that, apart from the disclosures required by IAS 8, other notes and explanations relating to the opening statement of financial position are not required;

- specify the classification and accounting treatment of spare parts and service equipment;

- eliminate inconsistencies between IAS 32 and IAS 12 as regards out of profit payments to the holders of equity instruments and the transaction costs relating to those equity instruments by indicating that the provisions of IAS 12 apply in order to account for the income tax related issues,

- add a new requirement to disclose the total value of assets and liabilities for interim segment reporting.

The above amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 10, IFRS 11 and IFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities, effective for annual reporting periods beginning on or after 1 January 2013***

  The amendments:

  - define the date of the initial application of IFRS 10 as the beginning of an annual reporting period in which the standard was applied for the first time (i.e. 1 January 2013, if it was not applied earlier). As at this date, the entity is to verify whether or not a change was made in the professional judgment regarding the necessity to consolidate the investments held in other entities;

  - limit the requirement to restate the comparative data to the period directly preceding the date of the first-time application, which applies to all discussed standards. The entities which voluntarily disclose the comparative data for more than one period may not restate the additional comparative periods;

  - require disclosures regarding the impact of changes in the accounting policies in the period directly preceding the date of first-time application (i.e. the disclosure of the impact of changes on the current reporting period is not required);

  - remove the requirement to include the comparative data for the disclosures relating to unconsolidated structured entities for any reporting period preceding the annual period in which IFRS 12 was applied for the first time.

  The above amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

- **Investment entities (Amendments to IFRS 10, IFRS12 and IAS 27)**

  The amendments provide for an exception to the consolidation requirement set forth in IFRS 10 and require that the entities which meet the criteria of an investment entity measured their interests in controlled entities – as well as in associates and joint ventures – at fair value through profit or loss, rather than consolidated them.

  The exemption from the consolidation requirement is obligatory (i.e. it is not voluntary), and excludes the subsidiary companies viewed as integrated with the investment activities of a given investment entity, and which are still subject to consolidation.

  An entity is an investment entity if it meets all key definition criteria of an investment entity. And thus, an investment entity is the entity, which:

  - receives funds from investors to render to those investors investments management services;

  - incurs the obligation towards the investors that its business objective is to invest the entrusted funds solely to generate returns from an increase in the value of the investment and/ or from dividends; and

- measures and assesses the results of substantially all of its investments based on their fair value.

The amendments also define investment entity disclosure requirements.

The above amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

- **IFRS 9 Financial instruments (2009), *effective for annual reporting periods beginning on or after 1 January 2015***

The new Standard replaces the guidelines provided in IAS 39 Financial Instruments: Recognition and Measurement, concerning classification and measurement of financial assets. The Standard eliminates the three categories of financial assets currently provided in IAS 39: held to maturity, available for sale and loans and receivables.

Upon initial recognition, the financial assets will be classified into one of the two categories:

- financial assets measured at amortised cost; or

- financial assets measured at fair value.

A financial asset is measured at amortised cost, if the below two conditions are met:

- the assets are held under the business model, the objective of which is to maintain assets to obtain cash flows arising from the contract; and

- its contractual terms and conditions cause that at certain periods of time cash flows will originate that represent solely the repayment of principal and interest on unpaid principal.

Gains or losses on valuation of financial instruments measured at fair value are recognised in the profit or loss for the year, except where an investment in equity instrument is not held for trading. IFRS 9 opens the possibility to make an irreversible decision to measure such financial instruments at the time of their initial recognition at fair value through other comprehensive income. Such decision can be made separately for each instrument. The amounts recognised in other comprehensive income may not be reclassified to profit or loss in later periods.

The new Standard is not expected to have any significant impact on the consolidated financial statements of the Group. Due to the specific nature of the Group's operations and due to the type of the financial assets held, the principles of financial assets' classification and measurement should not change as a result of application of IFRS 9.

- **Amendments to IFRS 9 Financial Instruments (2010), *effective for annual reporting periods beginning on or after 1 January 2015***

The amendments to IFRS 9 (2010) change the guidelines presented in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial instruments and on derecognition of financial assets and financial liabilities.

The Standard retains almost all current requirements of IAS 39 as regards classification and measurement of financial liabilities and derecognition of financial assets and financial liabilities.

The Standard requires that any change in the fair value arising from a change in the credit risk of a financial liability designated upon initial recognition as at fair value through profit or loss is recognised under other comprehensive income. Only the remaining part of the profit or loss from re-measurement to fair value is to be recognized in profit or loss for the current period. If, however, the application of this requirement results in an accounting mismatch of revenues and costs, the entire change in the fair value would be recognized in profit or loss of the current period.

The amounts recognised in other comprehensive income are not reclassified in the ensuing periods to profit or loss for the current period. They may, however, be reclassified within the shareholders' equity.

In accordance with IFRS 9, derivative financial instruments which are related to non-listed equity instruments and which must be settled by way of delivery of non-listed equity instruments whose fair value cannot be determined in a reliable manner, should be measured at fair value.

The above amendments to IFRS 9 (2010) are not expected to have any significant impact on the consolidated financial statements of the Group. It is expected that due to the specific nature of the Group's operations and due to the type of the financial assets held, the principles of financial assets classification and measurement should not change as a result of application of IFRS 9.

- **Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, *effective for annual reporting periods beginning on or after 1 January 2015***

  These amendments change the requirements concerning disclosures and restatement of comparative data in the area of first-time application of IFRS 9 *Financial Instruments* (2009) and IFRS 9 *Financial Instruments* (2010). The amendments to IFRS 7 require that detailed information is disclosed on the effects of the first-time application of IFRS 9, where an entity does not restate the comparative data in accordance with the provisions of the amended IFRS 9. If the Group applied the provisions of IFRS 9 as of 1 January 2013 or later, then it would not be required to restate the comparative data for the periods preceding the date of first-time application. If the Group applied the provision of IFRS 9 in 2012 i.e. before its effective date, then it would have the option either to restate the comparative data or to present additional disclosures in accordance with the requirements of the amended IFRS 7. Had the Group applied the provisions of IFRS 9 prior to 2012, it would not be required to restate the comparative data or present the additional disclosures required by amended IFRS 7.

  It is expected that upon first application, the amended Standard will not have any significant impact on the financial statements of the Company. The policies for classification and measurement of the Company's financial assets will not change in connection with IFRS 9 due to the nature of the Company's business and the type of the financial instruments held.

  It is expected that at the time of application of the amended Standard, the number of the required disclosures will increase; however, up until the time of the first application of this Standard, the Group is unable to analyze its effect on the consolidated financial statements.

  The Group has not decided to apply any published standard, interpretation or amendment before its effective date.

5.3 Change in the comparative data

As at 31 December 2012, the comparative data included in the consolidated income statement, consolidated statement of cash flows and in appropriate notes were changed in order to report discontinued operations separately from the continuing business. The above change did not have any impact on the financial result of the Group.

5.4 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the International Accounting Standards / International Financial Reporting Standards ('IAS' / 'IFRS') endorsed by the European Union and for the 12 month period from 1 January 2012 to 31 December 2012 and include the comparative data for the year ended 31 December 2011, as well as the financial data for 3Q 2012 and 3Q 2011, and for the statement of financial position – for the period from 1 January 2011 to 31 December 2011. In accordance with binding legal regulations, the financial statements for the year and the comparative data for the year ended 31 December 2011 were subject to an audit by an independent certified auditor. The financial data for 4Q 2012 and the comparative data for 4Q 2011 were not audited.

The consolidated financial statements have been prepared on a historical cost basis, except for the below significant items of the statement of financial position:

- derivative financial instruments measured at fair value,

- energy origin certificates measured at fair value.

5.5 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in particular in accordance with IFRS endorsed by the European Union.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC', 'IFRICs').

Certain Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

5.6 Significant accounting judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- classification and valuation of the lease – Group as a lessor – the Group classifies lease transactions as operating or finance leases based on the assessment of the extent, to which the risks and rewards of ownership of the underlying asset are attributed to the lessor or to the lessee. Such assessment is based on the economic content of each transaction.
- receivables from the sale of wind farms and the date of payment receipt depend on the fulfilment of contractual terms and conditions.

In the year ended 31 December 2012, no change was made to the manner of arriving at the Group's judgments on the data provided in the consolidated financial statements, and the amounts resulting from the professional judgments were presented in the notes, as above.

5.7 Uncertainty of estimates

Discussed below are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that incur a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Impairment write-downs of wind farm development projects (Note 14),
- Classification of energy origin certificates and (CO_2) emission reduction units (Note 26),
- Management share options (Note 42),
- Depreciation/ amortisation rates – the value of depreciation/ amortisation charges is determined based on the period of expected economic useful life of the items of property, plant and equipment and intangible assets. Annual verification is made of the adopted economic useful lives based on current estimates.
- Receivables impairment write-downs (Note 15),
- Provision for litigation and provision for unused annual leave,

- Deferred tax – the Group recognises a deferred tax asset based on the assumption that taxable profit will be available in the future, against which the deferred tax asset could be utilized. Any deterioration of tax results may render this assumption unreasonable.
- Impairment of assets – the Group conducted tests for assets impairment. This required estimation of the value in use of a cash generating unit to which the fixed assets belonged. Estimation of a value in use consists in determining future cash flows generated by a cash generating unit and determining a discount rate to be applied to calculate the present value of these future cash flows.

In the year ended 31 December 2012, no changes were made to the method of determining Group's estimates that could have effect on the information presented in the consolidated financial statements, and the amounts of estimates were presented in the notes as above.

5.8 Functional currency and presentation currency

Polish zloty is the functional currency of the parent company and other entities included in these consolidated financial statements as well as the presentation currency of these consolidated financial statements.

5.9 Basis of consolidation

These consolidated financial statements comprise the financial statements of Polish Energy Partners S.A. and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries after giving consideration to the adjustments made to achieve conformity with IFRS, are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent company has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the Company has the power to govern the financial or operating policy of an enterprise.

Assets and liabilities of a subsidiary are valued at fair value from the date on which control is obtained by the Group. The difference between fair value of these assets and liabilities and the carrying amount of the acquired net assets results in goodwill, which is recognised as a separate item on the consolidated balance sheet.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

5.10 Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the parent company has, either directly or through subsidiaries, significant influence and which is neither its subsidiary nor a joint venture. The financial statements of the associates are the basis for valuation of investments in associates using the equity method. The reporting periods of the associates and the parent company are the same.

Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the parent company's share of the associates' net assets, less any impairment losses. The income statement reflects the parent company's share in the results of operations of the associates. The assessment of the investments in associates for impairment takes place when objective evidence of impairment has been identified, or the impairment write-down made in the previous years is not longer required.

Where there has been a change recognised directly in the associates' equity, the parent company recognises its share in those changes and discloses it, when applicable, in the statement of changes in equity.

5.11 Goodwill

Goodwill on acquisition is initially stated at acquisition cost being the excess of the sum total of the following items:

- consideration paid,
- the amount of all non-controlling interest in the acquiree, and
- in the case of business combinations achieved in stages – the fair value at the date of acquisition of an interest in the acquiree, which previously belonged to the acquirer,

over the net amount determined as at the date of acquisition of identifiable acquired assets and assumed liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination. Each unit, or set of units, to which the goodwill has been allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- not be higher than one operating segment defined in accordance with IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

5.12 Intangible assets

Intangible assets acquired separately or developed (if they meet the recognition criteria for capitalised development costs) are measured on initial recognition at [acquisition] cost or cost of development, as appropriate. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and the method of amortisation of intangible assets with finite useful lives are verified at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation charge on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the level of a cash generating unit to which the given asset belongs.

The expected economic useful life is as follows:

Patents and Licenses	1 year
Software	2 – 5 years
Other intangible assets	5 years

Research costs are expensed in the profit and loss account as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition, the historical cost model is applied, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

5.13 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.

Upon purchase, property, plant and equipment are divided into components, which represent items with a significant value that can be allocated a separate useful life. Overhauls also represent asset component.

Property, plant and equipment excluding land are depreciated using the straight-line method over their estimated useful lives.

Type	**Useful life**
Buildings and constructions	20 years
Plant and machinery	2.5 – 20 years
Motor vehicles	2.5 – 5 years

Other	5 – 7 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.

Individual items of property, plant and equipment are recognised separately and depreciated over the term of their useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement for the period in which derecognition took place.

5.14 Property, plant and equipment under construction

Property, plant and equipment under construction (construction in progress) include assets in the course of construction or assembly and are recognised at purchase price or cost of construction less any impairment losses. Construction in progress also includes investment materials purchased for construction. Assets under construction are not depreciated until completed and brought into use.

5.15 Borrowing costs

Borrowing costs resulting from loans and credits in foreign currencies, relating to the construction, adaptation, assembly or improvement of tangible or intangible assets are capitalised as part of the cost of the asset over the period of construction, adaptation, assembly or improvement, where the borrowings were taken out for that purpose. Borrowing costs include interest and foreign exchange gains or losses to the extent they are regarded as an adjustment to interest costs.

5.16 Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is any indication that an asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or of the cash-generating unit to which that asset has been allocated.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in the income statement, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

5.17 Financial assets

Financial assets are classified into one of the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans granted and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. A financial asset is classified as held for trading if it is:
    - acquired principally for the purpose of selling it in the near term;
    - part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
    - a derivative (except for a derivative that is a part of hedge accounting and a financial guarantee contract).

b) in accordance with IAS 39 it was designated to this category upon initial recognition.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as at the balance sheet date and does not take into account cost of disposal transaction. Any change in the fair value of these instruments is taken to finance costs or finance income. When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans granted and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the income statement and recorded under finance cost.

Purchase and sale of financial assets is recognised at the transaction date. Initially, financial assets are recognised at acquisition cost, i.e. at fair value plus, for financial assets other than classified as financial assets as at fair value through profit and loss, transaction costs.

Financial assets are derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

5.18 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans granted and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance amount. The amount of the loss shall be recognised in the profit or loss for the period.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between the acquisition cost (net of any principal payment and interest) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

5.19 Leasing

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets (i.e. property, plant and equipment) are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as lessor

One of the Group entities was, until 2 May 2012, a party to lease agreements whereby it gave over tangible fixed assets and intangible assets to other entities for use for an agreed period of time in return for lease payments.

Where the agreement results in substantially the whole of the risks and rewards of ownership of an asset being transferred to the user, the leased asset is recognised as asset of the lessee at the present value of the minimum lease payments at the inception. The lessor ceases to recognise the leased asset in the balance sheet and a corresponding receivable is recognised, at the present value of the minimum lease payments. Lease payments are apportioned between financial income and reduction of the outstanding receivable so as to produce a constant rate of return on the outstanding receivable. Finance income and costs are recognised directly in the income statement.

5.20 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each inventory item to its present location and condition are accounted for using weighted average cost method.

(in thousand zlotys)

Cost of production of finished goods and work-in-progress are accounted for cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity

Net selling price 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.

Certificates of origin (paragraph 5.36), (CO2) emission reduction units (paragraph 5.37) and wind farm development expenditures when the technical feasibility has been assessed as probable, are recognised under inventories due to their short operating cycle and high turnover.

5.21 Short- and long-term receivables

Trade receivables, except for leased receivable described in the note 5.19, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Doubtful debts are accounted for other operating costs or finance costs – depending on the type of receivables to which doubtful debt relates.

Receivables written-off, outstanding or unrecoverable, from which there was no write-downs or there were write-downs but in incomplete amount, their amount is included in other operating costs or finance costs.

Budget receivables are presented as short-term receivables, except for the corporate income tax receivables which constitute the separate item in balance.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

5.22 Foreign currency translation

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the foreign exchange rate prevailing on the transaction date.

At the balance sheet date, 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 finance revenue or finance costs. Changes in the value of derivative financial instruments designated as hedging instruments for hedge accounting purposes are recognised in accordance with the adopted hedge accounting policies (compare Note 36).

Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into Polish zloty using the rate of exchange binding as at the date of re-measurement to fair value.

The following exchange rates were used for valuation purposes:

	31.12.2012	**31.12.2011**
USD	3.0996	3.4174
EUR	4.0882	4.4168
GBP	5.0119	5.2691
CAD	3.1172	3.3440

5.23 Cash and cash equivalents

For the purpose of a consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined and bonds that were not allocated to investing activities.

5.24 Prepaid and accrued expenses

Group entities recognise prepayments if the costs incurred relate to future reporting periods. Accruals are recognised at the amount of probable liabilities relating to the current reporting period.

5.25 Issued capital

The issued share capital is recorded at the amount stated in the Company's Articles of Association and registered in the court register. Any differences between the fair value of the consideration obtained and the nominal value of shares are recorded under reserve capital. When the Company's own shares are re-acquired, the amount of consideration paid is recognised as a charge to equity and reported in the balance sheet as treasury shares. Contributions declared but unpaid are recognised under unpaid share capital.

5.26 Share-based payment transactions

Members of the Management Board and key employees of the Group have received remuneration in the form of share-based payment transactions, whereby employees rendered services in exchange for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model or Black-Scholes-Merton model. In valuing equity-settled transactions, conditions described in note 42 are taken into account.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market conditions, which are treated as vesting conditions, irrespective of whether or not the market conditions are satisfied, provided that all other vesting conditions related to the performance and service rendering are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

5.27 Provisions

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

Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

5.28 Jubilee bonuses and retirement benefits

In accordance with internal remuneration regulations, employees of Group entities are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid out after completion of a number of years in service. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee’s average salary. The Company makes a provision for jubilee bonuses and retirement benefits in order to allocate the costs of those allowances to the periods to which they relate. In accordance with IAS1 19, jubilee bonuses represent other long-term employee benefits, while retirement benefits are post-employment defined benefits. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relates to the period to the balance sheet date. Demographic information and information on staff turnover are based on historical information.

5.29 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit or loss account when the liabilities are derecognised as well as through the effective interest rate amortisation process.

5.30 Trade and other payables

Short-term trade payables are carried at the amount due and payable. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Financial liabilities other than financial instruments at fair value through profit or loss, are measured at amortised cost, using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

5.31 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, net of value added tax (‘VAT’) and excise tax and discounts. The following specific recognition criteria must also be met before revenue is recognised.

5.31.1. Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

5.31.2. Rendering of services

Revenue from provision of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

5.31.3. Interests

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

5.31.4. Dividends

Revenue is recognised when the shareholders' rights to receive the payment are established.

5.31.5. Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the income statement over the estimated useful life of the relevant asset by way of equal annual instalments.

5.32 Income tax

5.32.1. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

5.32.2. Deferred tax

For financial reporting purposes deferred income tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of 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 differences 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 income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

5.32.3. Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to tax authorities is included as part of receivables or payables in the balance sheet.

5.33 Earnings per share

Earnings per share for each reporting period is calculated as quotient of the net profit for the given accounting period and the weighted average of shares outstanding in that period.

Diluted earnings per share for each reporting period is calculated as quotient of the net profit adjusted by changes in net profit as a result in potential change in number of shares for the given accounting period and the weighted average of shares outstanding in that period.

5.34 Contingent liabilities and contingent assets

Contingent liabilities are obligations whose existence depends on the occurrence of specific events. They are not recognised in the balance sheet, but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognised in the balance sheet, however they are disclosed where an inflow of economic benefits is probable.

5.35 Greenhouse gas emissions

The Group recognises a provision for greenhouse gas emission when actual emissions exceed the emission rights granted and still held. Any excess of emission allowances over the actual emission level is recorded in off-balance sheet records.

5.36 Certificates of origin

Due to their short operating cycle and high turnover, green certificates are recognised under operating income and current assets (inventories) when the electricity is produced and it is probable that economic benefits will flow to the Group. Certificates of origin are measured at fair value.

5.37 Emission Reduction Units (Joint Implementation Mechanism)

Due to their short operating cycle and high turnover, emission reduction units are recognised under operating income and current assets (inventories) when the electricity is produced and it is probable that economic benefits will flow to the Group.

5.38 Seasonality and cyclicality of business operations

The Group operates on the market of industrial energy outsourcing. The main customers of the Group consume heat and electric energy delivered by the Group for production at own generation plants. The supply of heat and electric energy for production purposes is not of seasonal character. Wind conditions determining electric energy output from wind farms are characterised by inconsistent distribution during the year. In autumn and winter, wind conditions are more favourable than those in the period of spring and summer. The Group decided to construct wind farms in the locations indicated and identified based on the professional wind measurements confirmed by recognized independent experts. However, it cannot be excluded that the actual wind conditions will differ from those assumed in the models developed for the purpose of execution of individual wind farm investment projects.

6. Segment information

For the management purposes the Group has prepared the analysis aiming at identification of reportable operating segments. Based on such analysis, the following business segments have been separated:

- outsourcing activity segment, aiming at providing operational services,
- outsourcing activity segment, aiming at production of steam, hot water and electricity,
- development and sales of wind farms,
- wind power industry, and
- biomass relating to production of pellet from energy crops.

Segment operating results are monitored separately by the Management Board to facilitate taking decisions on resource allocation, assessment of the results of that allocation and on the results of business activities. The basis for the assessment of business results is the operating profit or loss, which – to some extent – as explained in the table below, is measured differently than the operating profit or loss reported in the consolidated financial statements. Income tax is monitored at the Group level, but no segment income tax allocation is made.

Prices applied in transactions between operating segments are determined on an arm's length basis, like the transactions with non-related parties. Presented in the table below are the key data of identified Group segments:

(in thousand zlotys)

The table below presents the primary data relating to the activity of separated segments:

31.12.2012	Discontinued operation	Continuing operations						
For the period ended 31.12.2012	Outsourcing activity – operational services	Outsourcing activity – operational services	Other outsourcing activity – production of electricity and heat	Development and sale of wind farms	Biomass	Wind power industry	Unallocated	Total of continuing operations
Sales to external customers	31 415	4 663	17 107	5 573	38 432	65 993	-	131 768
Gross profit (loss) on sales	**27 316**	**(36)**	**5 776**	**3 989**	**(3 073)**	**27 707**	**-**	**34 363**
General administrative (expenses)	(1 503)	-	-	-	-	-	(21 580)	(21 580)
Interest income/(expense)	793	-	11 166	560	(2 065)	(23 571)	-	(13 910)
Finance income/ (costs) from wind farms disposal	-	-	-	4 647	-	-	-	4 647
Finance income/ (costs) from unrealized FX differences	(3 598)	-	(28)	-	26	4 506	-	4 504
Other Finance income / costs	256	-	-	-	-	2 059	750	2 809
Other Operating income / costs	322	-	-	-	-	4 058	298	4 356
Profit before tax	**23 586**	**-**	**-**	**-**	**-**	**-**	**-**	**15 189**
Income tax	(4 468)	-	-	-	-	-	1 987	1 987
Net profit	**19 118**							**17 176**
Gains on the sale of discontinued operations of Limited Partnership *(spółka komandytowa)*	57 121							
Net profit for the period	**76 239**							**17 176**
Segment assets	-	1 576	216 178	97 692	94 250	462 000	-	871 696
Unallocated assets	-	-	-	-	-	-	152 174	152 174
Total assets	**-**	**1 576**	**216 178**	**97 692**	**94 250**	**462 000**	**152 174**	**1 023 870**
Segment liabilities	-	1 166	50 150	4 461	65 593	390 870	-	512 240
Total liabilities	**-**	**1 166**	**50 150**	**4 461**	**65 593**	**390 870**	**-**	**512 240**
Capital expenditure, of which:	-	**-**	**6**	**-**	**15 056**	**25 438**	**437**	**40 937**
- Property, plant and equipment	-	-	6	-	15 056	25 438	437	40 937
- Depreciation	-	193	3 048	-	2 863	22 505	-	28 609

(in thousand zlotys)

31.12.2011	Discontinued operation	Continuing operations						
For the period ended 31.12.2011 *)	**Outsourcing activity – operational services**	**Outsourcing activity – operational services**	**Other outsourcing activity – production of electricity and heat**	**Development and sale of wind farms**	**Biomass**	**Wind power industry**	**Unallocated**	**Total of continuing operations**
Sales to external customers	68 504	550	18 472	78 612	33 274	16 552	-	147 460
Gross profit (loss) on sales	**46 154**	**16**	**6 211**	**51 575**	**(1 324)**	**8 990**	**-**	**65 468**
General administrative (expenses)	(4 096)	-	-	-	-	-	**(18 722)**	(18 722)
Interest income/(expense)	2 275	1 749	3 347	114	(1 677)	(2 608)	-	925
Finance income/ (costs) from wind farms disposal	-	-	-	(7 139)	-	-	-	(7139)
Finance income/ (costs) from unrealized FX differences	7 508	-	52	-	11	(6 806)	-	(6 743)
Other Finance income / costs	(1 980)	-	-	-	-	-	(699)	(699)
Other Operating income / costs	2 026	-	-	-	-	-	2 625	2 625
Profit before tax	**51 887**	**-**	**-**	**-**	**-**	**-**	**-**	**35 715**
Income tax	(9 974)	-	-	-	-	-	(7 855)	(7855)
Net profit	**41 913**							**27 860**
								-
Net profit for the period	**41 913**							**27 860**
Segment assets	391 251	1 059	99 914	418 717	59 250	92 122	-	671 062
Unallocated assets	-	-	-	-	-	-	101 239	101 239
Total assets	**391 251**	**1 059**	**99 914**	**418 717**	**59 250**	**92 122**	**101 239**	**772 301**
Segment liabilities	286 422	635	34 616	297 943	35 822	74 752	-	443 768
Unallocated liabilities	-	-	-	-	-	-	10 221	10 221
Total liabilities	**286 422**	**635**	**34 616**	**297 943**	**35 822**	**74 752**	**10 221**	**453 989**
Capital expenditure, of which:	**13**	**-**	**258**	**197 984**	**14 856**	**-**	**440**	**213 538**
- Property, plant and equipment	13	-	258	197 984	14 856	-	440	213 538
- Depreciation	354	-	3 033	2	1 930	5 066	-	10 031

*) restated data

(in thousand zlotys)

7. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of issued ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible redeemable preference shares, inclusive of warrants under management share option incentive scheme).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

EARNING PER SHARE

	For the period ended 31.12.2012	**For the period ended 31.12.2011 *)**
Net profit (loss)	93 350	69 633
Weighted average number of ordinary shares	21 313 967	20 790 633
Basic earnings per share (in zlotys)	4.38	3.35

	For the period ended 31.12.2012	**For the period ended 31.12.2011 *)**
Weighted average number of ordinary shares	21 313 967	20 790 633
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	21 313 967	20 790 633

(in thousand zlotys)

8. Intangible assets

INTANGIBLE ASSETS

31.12.2012

31.12.2012	Development costs	Patents and licences, of which:		Total intangible assets
			computer software	
1. cost at the beginning of the period	**865**	**923**	**278**	**1 788**
a) additions, of which:	-	79	3	79
- purchase	-	79	3	79
2. cost at the end of the period	**865**	**1 002**	**281**	**1 867**
3. accumulated depreciation at the beginning of the period	**(220)**	**(698)**	**(265)**	**(918)**
- depreciation charge for the period	(85)	(41)	(2)	(126)
4. accumulated depreciation at the end of the period	**(305)**	**(739)**	**(267)**	**(1 044)**
5. impairment at the beginning of the period	**-**	**-**	**-**	**-**
6. impairment at the end of the period	**-**	**-**	**-**	**-**
7. net book value of intangible assets at the beginning of the period	**645**	**225**	**13**	**870**
8. net book value of intangible assets at the end of the period	**560**	**263**	**14**	**823**

31.12.2011

31.12.2011	Development costs	Patents and licences, of which:		Total intangible assets
			computer software	
1. cost at the beginning of the period	**865**	**897**	**282**	**1 762**
a) additions, of which:	-	36	6	36
- purchase	-	36	6	36
b) decreases, of which:	-	(10)	(10)	(10)
- sale and liquidation	-	(10)	(10)	(10)
2. cost at the end of the period	**865**	**923**	**278**	**1 788**
3. accumulated depreciation at the beginning of the period	**(134)**	**(657)**	**(262)**	**(791)**
- depreciation charge for the period	(86)	(51)	(13)	(137)
- decreases, of which:	-	10	10	10
- sale and liquidation	-	10	10	10
4. accumulated depreciation at the end of the period	**(220)**	**(698)**	**(265)**	**(918)**
5. impairment at the beginning of the period	**-**	**-**	**-**	**-**
6. impairment at the end of the period	**-**	**-**	**-**	**-**
7. net book value of intangible assets at the beginning of the period	**731**	**240**	**20**	**971**
8. net book value of intangible assets at the end of the period	**645**	**225**	**13**	**870**

(in thousand zlotys)

9. Goodwill

GOODWILL

	31.12.2012	31.12.2011
- Dipol Sp. z o.o.	132	132
- Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
- Amon Sp. z o.o.	85	85
- Talia Sp. z o.o.	56	56
- Others	193	171
Total goodwill	**903**	**881**

GOODWILL (MOVEMENTS)

	31.12.2012	31.12.2011
- Goodwill from consolidation at the beginning of the period	881	834
- Increases due to acquisition of control	22	47
Total goodwill from consolidation	**903**	**881**

(in thousand zlotys)

10. Property, plant and equipment

31.12.2012	PROPERTY, PLANT AND EQUIPEMENT							
31.12.2012	**Freehold land (including perpetual usufruct right)**	**Buildings, premises and constructions**	**Machinery and technical equipment**	**Motor vehicles**	**Other**	**Construction in progress**	**Advance payments for construction in progress**	**Total property, plant and equipment**
1. cost at the beginning of the period	**3 147**	**62 190**	**461 079**	**3 327**	**850**	**14 407**	**3 772**	**548 773**
a) additions, of which:	**-**	**71 856**	**11 220**	**1 317**	**637**	**24 059**	**310**	**109 399**
- purchase	-	495	532	423	153	20 033	310	21 946
- transfers	-	71 361	10 688	894	484	4 026	-	87 453
b) decrease, of which:	**-**	**-**	**(62 978)**	**(7)**	**(504)**	**(32 669)**	**(4 082)**	**(100 240)**
- sale and liquidation	-	-	(1 524)	(7)	(504)	(21)	-	(2 056)
- other	-	-	(2 294)	-	-	(8 798)	(56)	(11 148)
- transfers	-	-	(59 160)	-	-	(23 850)	(4 026)	(87 036)
2. cost at the end of the period	**3 147**	**134 046**	**409 321**	**4 637**	**983**	**5 797**	**-**	**557 932**
3. accumulated depreciation at the beginning of the period	**-**	**(4 795)**	**(44 941)**	**(1 459)**	**(797)**	**(150)**	**-**	**(52 142)**
- depreciation charge for the year	-	(6 752)	(21 064)	(565)	(102)	-	-	(28 483)
- decrease, of which:	-	-	1 064	2	481	(6)	-	1 541
- sale and liquidation	-	-	1 090	7	463	-	-	1 560
- other	-	-	(26)	(5)	18	(6)	-	(19)
4. accumulated depreciation at the end of the period	**-**	**(11 547)**	**(64 941)**	**(2 022)**	**(418)**	**(156)**	**-**	**(79 084)**
5. impairment at the beginning of the period	**-**	**-**	**(773)**	**-**	**-**	**(228)**	**-**	**(1 001)**
- additions	-	-	-	-	-	-	-	-
- transfers	-	-	-	-	-	-	-	-
6. impairment at the end of the period	**-**	**-**	**(773)**	**-**	**-**	**(228)**	**-**	**(1 001)**
7. net book value at the beginning of the period	**3 147**	**57 395**	**415 365**	**1 868**	**53**	**14 029**	**3 772**	**495 631**
8. net book value at the end of the period	**3 147**	**122 499**	**343 607**	**2 615**	**565**	**5 413**	**-**	**477 848**

During the year ended 31 December 2012, amount of PLN 676 thousand was capitalised as borrowing costs.
A mortgage security was established on land and buildings with a carrying amount, as at 31 December 2012, of PLN 125,646 thousand in respect of bank loans taken out by the Group. The carrying value of motor vehicle held under finance lease agreements as at 31 December 2012 is PLN 317 thousand.
* Decrease in the Construction in progress relating to discontinued operations is PLN 6,288 thousand.

(in thousand zlotys)

31.12.2011	PROPERTY, PLANT AND EQUIPEMENT							
31.12.2011	**Freehold land (including perpetual usufruct right)**	**Buildings, premises and constructions**	**Machinery and technical equipment**	**Motor vehicles**	**Other**	**Construction in progress**	**Advance payments for construction in progress**	**Total property, plant and equipment**
1. cost at the beginning of the period	**1 698**	**31 151**	**136 456**	**2 687**	**808**	**147 860**	**-**	**320 661**
a) additions, of which:	**1 449**	**31 039**	**325 407**	**907**	**48**	**226 414**	**3 772**	**589 036**
- purchase	1 449	-	1 200	902	43	226 414	3 772	233 780
- transfers	-	31 039	323 710	5	5	-	-	354 759
- other	-	-	497	-	-	-	-	497
b) decrease, of which:	**-**	**-**	**(784)**	**(267)**	**(6)**	**(359 867)**	**-**	**(360 924)**
- sale and liquidation	-	-	(176)	(267)	(5)	(6)	-	(454)
- reclassification to finance lease receivables	-	-	(608)	-	(1)	(5 102)	-	(5 711)
- transfers	-	-	-	-	-	(354 759)	-	(354 759)
2. cost at the end of the period	**3 147**	**62 190**	**461 079**	**3 327**	**850**	**14 407**	**3 772**	**548 773**
3. accumulated depreciation at the beginning of the period	**-**	**(2 785)**	**(37 297)**	**(1 328)**	**(741)**	**(156)**	**-**	**(42 307)**
- depreciation charge for the year	-	(2 130)	(7 715)	(398)	(61)	-	-	(10 304)
- decrease, of which:	-	120	71	267	5	6	-	469
- sale and liquidation	-	14	71	267	5	6	-	363
- other	-	106	-	-	-	-	-	106
4. accumulated depreciation at the end of the period	**-**	**(4 795)**	**(44 941)**	**(1 459)**	**(797)**	**(150)**	**-**	**(52 142)**
5. impairment at the beginning of the period	**-**	**-**	**(773)**	**-**	**-**	**(228)**	**-**	**(1 001)**
6. impairment at the end of the period	**-**	**-**	**(773)**	**-**	**-**	**(228)**	**-**	**(1 001)**
7. net book value at the beginning of the period	**1 698**	**28 366**	**98 386**	**1 359**	**67**	**147 476**	**-**	**277 353**
8. net book value at the end of the period	**3 147**	**57 395**	**415 365**	**1 868**	**53**	**14 029**	**3 772**	**495 631**

During the year ended 31 December 2011, amount of PLN 25,117 thousand was capitalised as borrowing costs.
A mortgage security was established on land and buildings with a carrying amount, as at 31 December 2011, of PLN 60,967 thousand in respect of bank loans taken out by the Group.
The carrying value of motor vehicle held under finance lease agreements as at 31 December 2011 was PLN 1,868 thousand.

(in thousand zlotys)

11. Long-term receivables

	31.12.2012	31.12.2011
- receivables from third parties	-	282 038
- income accrued	-	9 663
- expenditure for fixed assets under finance lease	-	1 294
- finance lease	-	271 081
Net long-term receivables	**-**	**282 038**
- allowances for doubtful debts	-	-
Gross long-term receivables	**-**	**282 038**

The decrease in the balance of long-term receivables results from discontinued operations.

12. Long-term financial assets

	31.12.2012	31.12.2011
- in related parties	792	496
- shares in companies not listed on the stock exchange	214	496
- loans granted	578	-
Total long-term financial assets	**792**	**496**

13. Long-term prepayments

	31.12.2012	31.12.2011
- other	-	70
Total long-term prepayments	**-**	**70**

14. Inventories

	31.12.2012	31.12.2011
- raw materials	25 157	6 206
- green certificates	7 113	1 395
- development of wind farms *)	101 278	42 476
- development of bio power stations	-	2 079
- certified emission rights (Joint Implementation Mechanism)	3 172	7 528
- advance payments to suppliers	759	64
Total inventories, net	**137 479**	**59 748**

*) The operations cycle of the development process may exceed the period of 12 months.

(in thousand zlotys)

On 14 June 2012, the Group of PEP Biomasa Energetyczna Wschód Sp. z o.o. concluded with Bank Polska Kasa Opieki SA an agreement, whereby a registered pledge was established on raw materials and finished goods as collateral for the receivables of this Bank under working capital loan of PLN 6,000 thousand. The highest value collateral from this title amounts to PLN 9,000 thousand. The remaining categories of inventories were not pledged as loan collaterals. In the year ended 31 December 2011, none of the inventory categories was pledged as loan collateral.

15. Short-term receivables

	31.12.2012	31.12.2011
- trade receivables	118 740	125 711
- from related parties	65	35
- income accrued	-	11 133
- from third parties	118 675	114 543
- income tax receivables	8 636	11
- other receivables	11 158	62 174
- budget	8 149	7 386
- finance lease	-	52 881
- dividend	-	27
- other	3 009	1 880
Total net short-term receivables	**138 534**	**187 896**
- allowance for doubtful debts	722	2 615
Total gross short-term receivables	**139 256**	**190 511**

As at 31 December 2012, included in the balance of trade receivables was the amount of PLN 93,768 thousand (31 December 2011: PLN 89,173 thousand) relating to the sale of wind farm development projects to Alfa Sp. z o.o.

Transactions with related parties are presented in note 38.

Trade receivables are not interest-bearing and are usually receivable within 7 to 45 days.

As at 31 December 2012, impairment write-down of trade receivables deemed as bad debts decreased to PLN 722 thousand, compared to PLN 2,586 thousand as at 31 December 2011. The movements in the allowance for doubtful debts were as follows:

	31.12.2012	31.12.2011
Opening balance	2 586	5 348
- Charge for the year	-	1 488
- Utilised	(646)	-
- Reversal of doubtful debts allowance	(1 218)	(4 250)
Closing balance	**722**	**2 586**

The table below presents an analysis of trade receivables that were past due as at 31 December 2012 and 31 December 2011 but not impaired. Other receivables are not past due.

	TOTAL	Neither past	Past due but not impaired				
		due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
31.12.2012	**118 740**	118 383	21	161	40	40	95
31.12.2011	**125 711**	114 422	10 324	42	40	41	842

(in thousand zlotys)

16. Short-term prepayments

	31.12.2012	31.12.2011
- insurances	657	1 172
- subscriptions	15	15
- projects relating to the next period	-	151
- property tax, perpetual usufruct and rental fee	14	26
- other	2 133	1 625
Total short-term prepayments	**2 819**	**2 989**

17. Cash and cash equivalents

	31.12.2012	31.12.2011
Cash and cash equivalents	263 239	131 793
- cash at banks and on hand	263 239	131 793
Total cash and cash equivalents	**263 239**	**131 793**

As at 31 December 2012, cash of restricted use comprised the amount of PLN 19,103 thousand earmarked for the repayment of loan instalments and the amount of PLN 4,592 thousand assigned as security for the guarantee issued to the Group of PEP Farma Wiatrowa 6 Sp. z o.o.

Cash at bank earns interest at floating interest rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(in thousand zlotys)

18. Issued and reserves capital

18.1 Issued capital

31.12.2012

Class / issue	Type of the share	Number of shares	Nominal value of series/issue
A	Bearer	2 213 904	4 428
B	Bearer	2 304 960	4 610
C	Bearer	515 256	1 031
D	Bearer	566 064	1 132
E	Bearer	1 338 960	2 678
F	Bearer	544 800	1 090
G	Bearer	683 376	1 367
H	Bearer	288 000	576
I	Bearer	856 704	1 713
J	Bearer	3 835 056	7 670
K	Bearer	1 640 688	3 281
L	Bearer	3 144 624	6 289
M	Bearer	182 359	365
N	Bearer	69 922	140
O	Bearer	70 908	142
P	Bearer	89 500	179
R	Bearer	37 560	75
S	Bearer	147 026	294
U	Bearer	125 300	251
W	Bearer	143 200	286
T	Bearer	945 800	1 891
Y	Bearer	1 570 000	3 140
Total number of shares		**21 313 967**	
Total share capital			42 628
Nominal value of one share (in zlotys)			2

(in thousand zlotys)

31.12.2011

Class / issue	Type of the share	Number of shares	Nominal value of series/issue
A	Bearer	2 213 904	4 428
B	Bearer	2 304 960	4 610
C	Bearer	515 256	1 031
D	Bearer	566 064	1 132
E	Bearer	1 338 960	2 678
F	Bearer	544 800	1 090
G	Bearer	683 376	1 367
H	Bearer	288 000	576
I	Bearer	856 704	1 713
J	Bearer	3 835 056	7 670
K	Bearer	1 640 688	3 281
L	Bearer	3 144 624	6 289
M	Bearer	182 359	365
N	Bearer	69 922	140
O	Bearer	70 908	142
P	Bearer	89 500	179
R	Bearer	37 560	75
S	Bearer	147 026	294
U	Bearer	125 300	251
W	Bearer	143 200	286
T	Bearer	945 800	1 891
Y	Bearer	1 570 000	3 140
Total number of shares		**21 313 967**	
Total share capital			42 628
Nominal value of one share (in zlotys)			2

Shares of all series have equal rights as to dividend and return on equity.

18.2 Shareholders with significant shareholding

Shareholders holding at least 5% of total number of shares:

	Shareholder	Number of shares	Number of votes	Share %
1.	Kulczyk Investment S.A.*	12 897 557	12 897 557	60.51%
2.	Generali OFE	2 800 000	2 800 000	13.14%
3.	Aviva OFE	2 269 098	2 269 098	10.65%
4.	Other	3 347 312	3 347 312	15.70%
Total		**21 313 967**	**21 313 967**	**100.00%**

* by subsidiary company Mansa Investments Sp. z o.o.

On 9 October 2012, the parent company received a notification, whereby Mansa Investments Sp. z o.o. (‘Mansa’) acquired – following a call for the subscription of shares of the parent company (‘Call’) – as an acquirer 12,311,655 shares of the parent company, which represent 57.76% of the total number of shares of the parent company and 57.76% of the total number of votes at the General Shareholders’ Meeting of the parent company. In addition, the parent company received: 1) a notification from Kulczyk Investments S.A. with its registered office in Luxembourg (‘KI’) whereby following the acquisition by Mansa of the shares in the parent company in the manner indicated above, the KI is entitled to exercise a voting right from 12,311,655 shares of the parent company, which represent 57.76% of the total number of shares of the parent company and 57.76% of the total number of votes at the General Shareholders' Meeting of the parent company; 2) a notification from Polenergia Holding S.a.r.l. with its registered office in Luxembourg ('Polenergia'), whereby following the acquisition by Mansa of the shares in the parent company in the manner indicated above, the Polenergia is entitled to exercise a voting right from 12,311,655 shares of the parent company, which represent 57.76% of the total number of shares of the parent company and 57.76% of the total number of votes at the General Shareholders' Meeting of the parent company. In accordance with the information provided to the Company prior to the Call, Mansa, KI, Polenergia, or the subsidiary companies of KI or Polenergia did not hold any shares in the parent company. In addition, in accordance with the information received, the subsidiaries of Mansa did not hold shares in the parent company and none of the subsidiary companies of KI or Polenergia, apart from Mansa, held shares in the parent company. The parent company was also informed that although KI, Polenergia, or Mansa did not have any plans to further increase their share in the total number of votes in the following 12 months, they did not exclude such possibility under certain circumstances, especially case of favourable price listings of the parent company in the Stock Exchange. The parent company was also informed by Mansa about obtaining by Mansa a dominant position in the shareholding structure.

(in thousand zlotys)

On 12 February 2013, the parent company received a notification, whereby Mansa acquired shares in the parent company and, as a result, held 12,897,557 shares in the parent company which gave it the right to exercise 12,897,557 votes at the General Shareholders' Meeting of the Company, and which accounted for 60.51% of the total number of shares and a 60.51% share in the total number of votes at the General Shareholders' Meeting of the parent company.

18.3 Other reserve capital

Other reserve capital was created from profits generated in previous financial years.

18.4 Retained earnings and limits to its distribution

In accordance with the provisions of the Code of Commercial Companies, the parent company is required to create reserve capital for possible losses. Transferred to this capital category is at least 8% of the profit for the given financial year recognised in the separate financial statements of the parent company until such time as the balance of the reserve capital reaches at least one third of the issued capital of the parent company. Appropriation of the reserve capital and other reserves depends on resolutions of the General Shareholders' Meeting; however, the reserve capital in the amount of one third of the issued capital may be used solely for the absorption of losses reported in the separate financial statements of the parent company and shall not be used for any other purpose.

18.5 Non-controlling interests

	31.12.2012	**31.12.2011**
Opening balance	1 175	1 119
- dividends paid by subsidiary companies	(110)	(84)
- share in subsidiaries' net profit (loss)	65	140
Closing balance	**1 130**	**1 175**

18.6 Dividends paid and proposed

The parent company did not pay any dividend in the year ended 31 December 2012 or 31 December 2011, and has no plans to pay dividend in 2013.

(in thousand zlotys)

19. Income tax

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
Current income tax:	5 747	19 923	8 043	(82)
Current income tax charge	5 747	19 916	8 043	(82)
Adjustments in respect of current income tax of previous year	-	7	-	-
Deferred tax:	(668)	(2 094)	(4 981)	599
Relating to origination and reversal of temporary differences	(668)	(2 094)	(4 981)	599
Income tax expense reported in the income statement	5 079	17 829	3 062	517

	Consolidated balance sheet		Consolidated income statement		Goodwill	
Deferred income tax	**31.12.2012**	**31.12.2011**	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
Deferred tax liability						
Property, plant and equipment	21 501	5 043	16 458	520	137	137
Receivables	2 211	2 467	(256)	662	-	-
Cash and cash equivalents	-	29	(29)	29	-	-
Loans and borrowings	6 355	121	6 234	(58)	-	-
Lease Receivables	-	65 439	(65 439)	(1 270)	-	-
Liabilities	1 956	7	1 949	7	-	-
Gross deferred tax liability	**32 023**	**73 106**	**(41 083)**	**(110)**	**137**	**137**
Deferred tax asset						
Property, plant and equipment	780	467	313	105	-	-
Inventories	-	20	(20)	20	-	-
Receivables	94	1 780	(1 686)	(97)	-	-
Loans and borrowings	184	5 576	(5 392)	4 982	-	-
Liabilities	1 509	2 350	(841)	1 151	-	-
Provisions	1 542	4 749	(3 207)	2 540	-	-
Lease Assets	-	46 556	(46 556)	(6 638)	-	-
Tax losses carried forward	5 919	2 527	3 392	(79)	-	-
Accruals and deferred income	13 585	-	13 582	-	-	-
Gross deferred tax assets	**23 613**	**64 025**	**(40 415)**	**1 984**	**-**	**-**
Deferred tax expense	**-**	**-**	**(668)**	**(2 094)**	**137**	**137**
Net deferred tax (asset) liability	**8 410**	**9 081**	**-**	**-**	**-**	**-**

*) restated data

(in thousand zlotys)

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
Income tax expense reported in the income statement, of which:	5 079	17 829
Current income tax	5 747	19 923
Deferred income tax	(668)	(2 094)
Profit before tax	**98 494**	**87 602**
At statutory income tax rate of 19 % (2011: 19%)	18 714	16 644
Adjustments in respect of current income tax from previous years	-	(7)
Expenditure not allowable for income tax purposes:	**(3 152)**	**1 178**
- expenditure for the owners and members of the Management Board	(773)	459
- other expenditure not allowable for income tax purposes	(2 379)	719
Not taxable incomes:	**10 483**	**-**
- revenues of limited joint-stock partnerships *(spółek komandytowo-akcyjnych)*	1 019	-
- write-off of deferred tax of SM	8 637	-
- dividends	827	-
At the effective income tax rate of 5.2 % (2011: 20.4%)	**5 079**	**17 829**

20. Provisions

	31.12.2012	31.12.2011
Long-term provisions		
- Pensions and other post-employment provision	48	389
- Decommissioning provision	583	572
Total long-term provisions	**631**	**961**

Short-term provisions		
- Pensions and other post-employment provisions	17	65
- Unused holiday leave provisions	1 193	921
Total short-term provisions	**1 210**	**986**

Movements in the long-term and short-term provisions

	31.12.2012	31.12.2011
Opening balance of provisions	**1 947**	**1 819**
- recognised during the year	600	513
- unused amounts reversed	(782)	(351)
- utilised during the year	76	(34)
Closing balance of provisions	**1 841**	**1 947**

21. Long-term interest-bearing loans and borrowings

31.12.2012

Total long-term liabilities in respect of interest-bearing loans and borrowings amounted to PLN 242,864 thousand, of which:

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK S.A.	Warsaw	Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9 000	PLN	1 293	PLN	final instalment – 26.02.2015

Collateral / security	Value *)	Details
Ordinary mortgage established on the real estate	PLN 9 000 k *)	Collateral for loan repayment
Ceiling mortgage established on the real estate	PLN 1 500 k	Collateral for loan interest repayment
Registered pledge	up to PLN 10 500 k	Rights/ interests of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 10 500 k	Rights/ interests of PP-U and P Comax Sp. z o.o. in the Borrower
Registered pledge	up to PLN 10 500 k	Rights/ interests of Mercury Energia Sp. z o.o. in the Borrower
Registered pledge	up to PLN 13 500 k	Rights and moveable goods of the Borrower
Transfer of receivables	-	Current and future contracts of the project
Power of attorney	-	Borrower bank accounts
Project support contract	-	Between BRE Bank S.A., Shareholders (PP-UiP Comax Sp. z o.o.) and the Borrower
Declaration of submission to enforcement	up to PLN 13 500 k	Of the Borrower with respect to the loan agreement – Valid until 31 December 2018

*) k – PLN or EUR thousand (such designation relates to the table above and the tables in Notes 21 and 23)

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168 493	PLN	147 387	PLN	Repayment in quarterly instalments until 31.12.2026

Collateral / security	Value	Details
Registered pledge	up to PLN 312 739.5 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 312 739.5 k	Shares of Polish Energy Partners in Talia Sp. z o.o.
Registered pledge	up to PLN 312 739.5 k	Rights and moveable goods of the Borrower
Registered pledge	up to PLN 312 739.5 k	Rights and moveable goods of Talia Sp. z o.o.
Registered pledge	up to PLN 312 739.5 k	Borrower bank accounts
Registered pledge	up to PLN 312 739.5 k	Bank accounts of Talia Sp. z o.o.
Financial pledge	up to PLN 252 739.5 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 252 739.5 k	Shares of Polish Energy Partners in Talia Sp. z o.o.
Financial pledge	up to PLN 252 739.5 k	Borrower bank accounts
Financial pledge	up to PLN 252 739.5 k	Bank accounts of Talia Sp. z o.o.
Conditional transfer of receivables	-	Current and future lease contracts – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Contract for the supply of turbines and services – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Amon project – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Talia project – on the condition of the so-called covenants breach
Guarantee	up to PLN 312 739.5 k	Guarantee issued by Talia
Power of attorney	-	Borrower bank accounts
Power of attorney	-	Bank accounts of Talia Sp. z o.o.
Support contract	for up to 10% of project costs	Coverage by Polish Energy Partners of the exceeded project costs
Declaration of submission to enforcement	up to PLN 252 739.5 k	Valid until 31 December 2029
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lenders' receivables

Name	Location	Debtor	Amount of loan/borrowing as per agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111 627	PLN	94 184	PLN	Repayment in quarterly instalments until 31.12.2026

Collateral / security	Value	Details
Registered pledge	up to PLN 227 440.5 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 227 440.5 k	Shares of Polish Energy Partners in Amon Sp. z o.o.
Registered pledge	up to PLN 227 440.5 k	Rights and moveable goods of the Borrower
Registered pledge	up to PLN 227 440.5 k	Rights and moveable goods of Amon Sp. z o.o.
Registered pledge	up to PLN 227 440.5 k	Borrower bank accounts
Registered pledge	up to PLN 227 440.5 k	Bank accounts of Amon Sp. z o.o.
Financial pledge	up to PLN 167 440.4 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 167 440.4 k	Shares of Polish Energy Partners in Amon Sp. z o.o.
Financial pledge	up to PLN 167 440.4 k	Borrower bank accounts
Financial pledge	up to PLN 167 440.4 k	Bank accounts of Amon Sp. z o.o.
Conditional transfer of receivables	-	Current and future lease contracts – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Contract for the supply of turbines and services – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Talia project – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Amon project – on the condition of the so-called covenants breach
Guarantee	up to PLN 227 440.5 k	Guarantee issued by Amon
Power of attorney	-	Borrower bank accounts
Power of attorney	-	Bank accounts of Amon Sp. z o.o.
Support contract	for up to 10% of project costs	Coverage by Polish Energy Partners of the exceeded project costs
Declaration of submission to enforcement	up to PLN 167 440.4 k	Valid until 31 December 2029
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lenders' receivables

31.12.2011

Total long-term liabilities in respect of interest-bearing loans and borrowings amounted to PLN 463,243 thousand, of which:

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	'000	
CONSORTIUM OF BANKS	Warsaw	Saturn Management Spółka z o.o. i Wspólnicy, Sp.k.	101 962	EUR	203 617 PLN	46 100 EUR	final instalment – 20.11.2017

Collateral / security	Value	Details
Ceiling mortgage established on the real estate	up to EUR 90 000 k (BRE) up to EUR 45 000 k (Pekao)	KW (Mortgage Register) BY1S/00045050/5 District Court in Świecie
Ceiling mortgage established on the real estate	up to EUR 16 500 k (BRE)	as above
Ceiling mortgage established on the real estate	up to EUR 7 200 k (Pekao)	as above
Ceiling mortgage established on the real estate	up to EUR 60 000 k (EBOR)	as above
Registered pledge	up to EUR 105 000 k	Bank account of Polish Energy Partners
Registered pledge	up to EUR 67 200 k	Bank account of Polish Energy Partners
Registered pledge	up to EUR 105 000 k	Borrower bank account
Registered pledge	up to EUR 216 400 k	Borrower bank account
Registered pledge	up to EUR 105 000 k	Rights/ interests of Polish Energy Partners in the Borrower
Registered pledge	up to EUR 67 200 k	Rights/ interests of Polish Energy Partners in the Borrower
Registered pledge	up to EUR 105 000 k	Rights/ interests of Saturn Management Sp. z o.o. in the Borrower
Registered pledge	up to EUR 67 200 k	Rights/ interests of Saturn Management Sp. z o.o. in the Borrower
Registered pledge	up to EUR 105 000 k	Shares of Polish Energy Partners in Saturn Management Sp. z o.o.
Registered pledge	up to EUR 67 200 k	Shares of Polish Energy Partners in Saturn Management Sp. z o.o.
Registered pledge	up to EUR 105 000 k	Moveable goods of the Borrower
Registered pledge	up to EUR 67 200 k	Moveable goods of the Borrower
Transfer of ownership rights	-	Of the Borrowers' fixed assets to BRE
Transfer of receivables	-	Current and future project contracts
Transfer of receivables	up to EUR 90 000 k	Current and future receivables of Polish Energy Partners from Mondi Świecie SA
Transfer of receivables	-	Guarantee and warranty resulting from the Construction Contract

Project support contract	-	Between BRE, the Borrower and Shareholders
Subordinated contract	-	Between BRE, the Borrower and Shareholders
Guarantee	3-month debt servicing costs, PLN 3 000 k	Guarantee of Mondi Świecie SA to the lower of the two amounts
Power of attorney	-	Borrower bank accounts
Blocked funds	up to EUR 7 300 k	Specific reserve account
Declaration of submission to enforcement	-	Of the Borrower under loan agreement – valid until 20 November 2020

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	'000	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21 600	EUR	61 517 PLN	14 043 EUR	final instalment – 31.12.2021

Collateral / security	Value	Details
Ceiling mortgage established on the real estate	up to EUR 8 538.8 k	Mortgage Register No. 26887 District Court in Wejherowo, Branch in Puck
Ceiling mortgage established on the real estate	Each to the amount of EUR 4 269.4 k	Mortgage Register 7828, 256, 4142, 1324, 5631, 36968 District Court in Wejherowo, Branch in Puck
Ceiling mortgage established on the real estate	up to EUR 8 538.8 k	Mortgage Register 40971 and 40201 District Court in Wejherowo, Branch in Puck
Registered pledge	up to EUR 33 525 k	Property items of the Borrower
Registered pledge	up to EUR 33 525 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to EUR 33 525 k	Borrower bank accounts
Power of attorney	-	Borrower bank accounts
Transfer of receivables	-	Current and future project contracts, insurance contracts
Blocked funds	Repayment of min. 3 instalments together with interest	Specific reserve account
Declaration of submission to enforcement	up to EUR 33 525 k	Of the Borrower under loan agreement – valid until 31 December 2023

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK S.A.	Warsaw	Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9 000	PLN	2 404	PLN	final instalment – 26.02.2015

Collateral / security	Value	Details
Ordinary mortgage established on the real estate	PLN 9 000 k	Collateral for loan repayment
Ceiling mortgage established on the real estate	PLN 1 500 k	Collateral for loan interest repayment
Registered pledge	up to PLN 10 500 k	Rights/ interests of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 10 500 k	Rights/ interests of PP-U and P Comax Sp. z o.o. in the Borrower
Registered pledge	up to PLN 10 500 k	Rights/ interests of Mercury Energia Sp. z o.o. in the Borrower
Registered pledge	up to PLN 13 500 k	Rights and moveable goods of the Borrower
Transfer of receivables	-	Current and future project contracts
Power of attorney	-	Borrower bank accounts
Project support contract	-	Between BRE Bank S.A., Shareholders and the Borrower
Declaration of submission to enforcement	up to PLN 13 500 k	Of the Borrower under loan contract – valid until 31 December 2018

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
WFOŚiGW	Warsaw	Saturn Management Spółka z o.o. i Wspólnicy, Sp.k.	3 000	PLN	1 440	PLN	Repayment in quarterly instalments, final instalment – 30.11.2015

Collateral / security	Value	Details
Bank guarantee	PLN 3,600 thousand, reducing along with loan repayment	Issued by BRE Bank SA

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE Bank S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11 810	PLN	9 404	PLN	Repayment in monthly instalments, final instalment – 20.12.2018

Collateral / security	Value	Details
Mortgage established on the real estate	up to PLN 23 620 k	Mortgage Register No. 64864 District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43 020 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 43 020 k	Rights and moveable goods of the Borrower
Financial pledge	up to PLN 23 620 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 23 620 k	Cash and cash equivalents of the Borrower
Transfer of receivables	-	Current and future project contracts
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lender's receivables
Guarantee	up to PLN 26 888 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Declaration of submission to enforcement	up to PLN 43 020 k	Of the Borrower under registered and financial pledge contracts – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 23 620 k	Of the Borrower under loan contract – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 43 020 k	Of Polish Energy Partners under the pledge on the shares in the Borrower – valid until 23 December 2021

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168 493	PLN	110 550	PLN	Repayment in quarterly instalments until 31.12.2026

Collateral / security	Value	Details
Registered pledge	up to PLN 312 739.5 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 312 739.5 k	Shares of Polish Energy Partners in Talia Sp. z o.o.
Registered pledge	up to PLN 312 739.5 k	Rights and moveable goods of the Borrower
Registered pledge	up to PLN 312 739.5 k	Rights and moveable goods of Talia Sp. z o.o.
Registered pledge	up to PLN 312 739.5 k	Borrower bank accounts
Registered pledge	up to PLN 312 739.5 k	Bank accounts of Talia Sp. z o.o.
Financial pledge	up to PLN 252 739.5 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 252 739.5 k	Shares of Polish Energy Partners in Talia Sp. z o.o.
Financial pledge	up to PLN 252 739.5 k	Borrower bank accounts
Financial pledge	up to PLN 252 739.5 k	Bank accounts of Talia Sp. z o.o.
Conditional transfer of receivables	-	Current and future lease contracts – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Contract for the supply of turbines and services – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Amon project – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Talia project – on the condition of the so-called covenants breach
Guarantee	up to PLN 312 739.5 k	Guarantee issued by Talia
Power of attorney	-	Borrower bank accounts
Power of attorney	-	Bank accounts of Talia Sp. z o.o.
Support contract	for up to 10% of project costs	Coverage by Polish Energy Partners of the exceeded project costs
Declaration of submission to enforcement	up to PLN 252 739.5 k	Valid until 31 December 2029
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lenders' receivables

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111 627	PLN	70 928	PLN	Repayment in quarterly instalments until 31.12.2026

Collateral / security	Value	Details
Registered pledge	up to PLN 227 440.5 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 227 440.5 k	Shares of Polish Energy Partners in Amon Sp. z o.o.
Registered pledge	up to PLN 227 440.5 k	Rights and moveable goods of the Borrower
Registered pledge	up to PLN 227 440.5 k	Rights and moveable goods of Amon Sp. z o.o.
Registered pledge	up to PLN 227 440.5 k	Borrower bank accounts
Registered pledge	up to PLN 227 440.5 k	Bank accounts of Amon Sp. z o.o.
Financial pledge	up to PLN 167 440.4 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 167 440.4 k	Shares of Polish Energy Partners in Amon Sp. z o.o.
Financial pledge	up to PLN 167 440.4 k	Borrower bank accounts
Financial pledge	up to PLN 167 440.4 k	Bank accounts of Amon Sp. z o.o.
Conditional transfer of receivables	-	Current and future lease contracts – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Contract for the supply of turbines and services – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Talia project – on the condition of the so-called covenants breach
Conditional transfer of receivables	-	Current and future contracts of the Amon project – on the condition of the so-called covenants breach
Guarantee	up to PLN 227 440.5 k	Guarantee issued by Amon
Power of attorney	-	Borrower bank accounts
Power of attorney	-	Bank accounts of Amon Sp. z o.o.
Support contract	for up to 10% of project costs	Coverage by Polish Energy Partners of the exceeded project costs
Declaration of submission to enforcement	up to PLN 167 440.4 k	Valid until 31 December 2029
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lenders' receivables

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
PEKAO SA	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14 856	PLN	3 383	PLN	Repayment in monthly instalments until 30.09.2022

Collateral / security	Value	Details
Mortgage established on the real estate	up to 150% of loan amount	Mortgage Register No. ZA1Z/00117651/7
Transfer of receivables	-	Construction site insurance policy and property insurance after construction completion
Transfer of receivables	Loan amount	Pellet sale agreement
Registered pledge	minimum PLN 8 392 k	Future objects – fixed assets
Registered pledge	PLN 22 284 k	Shares of Polish Energy Partners in the Borrower
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	PLN 22 284 k	Valid until 30 September 2025

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
PEKAO SA	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6 000	PLN	0	PLN	One-off payment by 28.02.2013

Collateral / security	Value	Details
Mortgage established on the real estate	up to 150% of loan amount	Mortgage Register No. ZA1Z/00117651/7
Transfer of receivables	-	Construction site insurance policy and property insurance after construction completion
Transfer of receivables	-	Inventories insurance policy
Registered pledge	On average PLN 1 700 k	Inventories
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	PLN 9 000 k	Valid until 28 February 2016

(in thousand zlotys)

22. Short-term liabilities

SHORT-TERM LIABILITIES

	31.12.2012	31.12.2011
- interest-bearing loans and borrowings	109 299	147 326
- trade payables	61 825	19 899
- to related parties	58	-
- to third parties	61 767	19 899
- income tax liability	-	13 882
- other liabilities	2 860	18 345
- budget	2 194	17 690
- other financial liabilities	50	251
- bills of exchange	2	-
- remuneration payable to employees	203	153
- special funds	12	24
- hedging against foreign currency risk	-	92
- other	399	135
Total short-term liabilities	**173 984**	**199 452**

As at 31 December 2012, the Company Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o. did not meet the requirements concerning financial covenants (ratios) and therefore the loan in the amount of PLN 7,837 thousand was reclassified from long- to short-term liabilities.

On 11 February 2013, Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o. received a notification from the Bank on the removal of the financial covenants requirements in the period to 31 March 2013.

As at 31 December 2012, Grupa PEP – Biomasa Energetyczna Wschód sp. z o.o. did not meet the requirements with respect to one of the financial covenants (ratios) and therefore the loan in the amount of PLN 13,528 thousand was reclassified from long- to short-term liabilities. On 25 February 2013, Grupa PEP – Biomasa Energetyczna Wschód Sp. z o.o. received a notification from the Bank on the removal of the requirements concerning the financial covenant (ratio) as at 31 December 2012.

As at 31 December 2012, Dipol Sp. z o.o. did not meet the requirements concerning financial covenants (ratios) and therefore the loan in the amount of PLN 49,983 thousand was reclassified from long- to short-term liabilities. Until the date of the publication of the financial statements, Dipol Sp. z o.o. did not receive any notification about violation of loan covenants with respect to two financial ratios. The company expects to receive such notification by the date of the publication of its consolidated financial statements for 1Q 2013. These circumstances result from the fact that the Company was forced to recognise a one-off write-off of reduced CO_2 emission rights recognised in 2009 due to delays by the Ministry of the Environment that prevented settlement with the World Bank within the contracted period of time. This write-off did not have any connection with the functioning of the project in the year 2012, however it had negative impact on the financial statements of the Company and hence on the financial ratios. The Company filed appropriate explanations with the Bank and awaits a decision of the credit committee. Due to the fact that such situation does not create any risk to a timely servicing of the borrowing and the result of a one-off event of a transitory nature, positive decision in this matter is expected.

Short-term liabilities relating to sale of goods and services are not interest-bearing, and are usually settled within 14 days.

Other short-term liabilities are not interest-bearing.

23. Short-term interest-bearing loans

31.12.2012

Name	Location	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
		'000	Currency	'000	Currency	
Raiffeisen Bank Polska SA	Warsaw	21 600	EUR	55 564	13 715 EUR	final instalment – 31.12.2021

Collateral / security	Value	Details
Ceiling mortgage established on the real estate	up to EUR 8 538.8 k	Mortgage Register No. 26887 District Court in Wejherowo, Branch in Puck
Ceiling mortgage established on the real estate	each up to EUR 4 269.4 k	Mortgage Register 7828, 256, 4142, 1324, 5631, 36968 District Court in Wejherowo, Branch in Puck
Ceiling mortgage established on the real estate	up to EUR 8 538.8 k	Mortgage Register 40971 and 40201 District Court in Wejherowo, Branch in Puck
Registered pledge	up to EUR 33 525 k	Property items of the Borrower
Registered pledge	up to EUR 33 525 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to EUR 33 525 k	Borrower bank accounts
Power of attorney	-	Borrower bank accounts
Transfer of receivables	-	Current and future project contracts, insurance contracts
Blocked funds	repayment of min. 3 instalments together with interest	Specific reserve account
Declaration of submission to enforcement	up to EUR 33 525 k	Of the Borrower under loan agreement – valid until 31 December 2023

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK SA	Warsaw	Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9 000	PLN	1 110	PLN	of the current portion of long-term loans/ borrowings

Collaterals are presented in the Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
Raiffeisen Bank Polska SA	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5 000	PLN	4 978	PLN	27.03.2013

Collateral / security	Value	Details
Registered pledge	up to PLN 14 250 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 14 250 k	Borrower property items
Transfer of receivables	-	Under insurance, lease and disposal contracts
Guarantee	up to PLN 7 500 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Power of attorney		Borrower bank accounts
Declaration of submission to enforcement	up to PLN 7 500 k	Of the Borrower under loan agreement – valid until 27 March 2016
Declaration of submission to enforcement	up to PLN 7 500 k	Of the Borrower under registered pledge agreement – valid until 27 March 2016
Declaration of submission to enforcement	up to PLN 7 500 k	Of Polish Energy Partners under the pledge on the shares in the Borrower – valid until 27 March 2016

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	8 600	PLN	8 600	PLN	31.03.2012

Collateral / security	Value	Details
Mortgage established on the real estate	up to PLN 17 200 k	Mortgage Register No. 64864 District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43 020 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 43 020 k	Rights and moveable goods of the Borrower
Financial pledge	up to PLN 17 200 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 17 200 k	Borrower cash and cash equivalents
Transfer of receivables	-	Current and future project contracts
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lender's receivables
Guarantee	up to PLN 26 888 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Declaration of submission to enforcement	up to PLN 43 020 k	Of the Borrower under registered and financial pledge agreements – valid until 23 December 2021

Declaration of submission to enforcement	up to PLN 17 200 k	Of the Borrower under loan agreement – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 43 020 k	Of Polish Energy Partners under pledge on the shares in the Borrower – valid until 23 December 2021

Name	Location	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
		'000	Currency	'000	Currency	
BRE Bank S.A.	Warsaw	11 810	PLN	9 404	PLN	Repayment in monthly instalments, final instalment – 20.12.2018

Collateral / security	**Value**	**Details**
Mortgage established on the real estate	up to PLN 23 620 k	Mortgage Register No. 64864 District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43 020 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 43 020 k	Rights and moveable goods of the Borrower
Financial pledge	up to PLN 23 620 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 23 620 k	Borrower cash and cash equivalents
Transfer of receivables	-	Current and future project contracts
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lender's receivables
Guarantee	up to PLN 26 888 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Declaration of submission to enforcement	up to PLN 43 020 k	Of the Borrower under registered and financial pledge agreements – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 23 620 k	Of the Borrower under loan agreement – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 43 020 k	Of Polish Energy Partners under pledge on the shares in the Borrower – valid until 23 December 2021

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168 493	PLN	5 472	PLN	current portion of long-term loans/ borrowings

Collaterals are presented in the Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111 627	PLN	3 497	PLN	current portion of long-term loans/ borrowings

Collaterals are presented in the Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
PEKAO SA	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6 000	PLN	6 000	PLN	One-off payment by 28.02.2013

Collateral / security	Value	Details
Mortgage established on the real estate	up to 150% of loan amount	Mortgage Register No. ZA1Z/00117651/7
Transfer of receivables	-	Construction insurance and property insurance after construction completion
Transfer of receivables	-	Inventory insurance policy
Registered pledge	PLN 9 000 k	Inventories
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	PLN 9 000 k	Valid until 28 February 2016

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
PEKAO SA	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14 856	PLN	14 674	PLN	Repayment in monthly instalments, final instalment – 30.09.2022

Collateral / security	Value	Details
Mortgage established on the real estate	up to 150% of loan amount	Mortgage Register No. ZA1Z/00117651/7
Transfer of receivables	-	Construction insurance and property insurance after construction completion
Transfer of receivables	loan amount	Pellet sale agreement

Registered pledge	minimum PLN 8 392 k	Future objects – fixed assets
Registered pledge	PLN 22 284 k	Shares of Polish Energy Partners in the Borrower
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	PLN 22 284 k	Valid until 30 September 2025

31.12.2011

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE Bank S.A.	Warsaw	PEP S.A.	18 365	PLN	1 132	PLN	30.06.2012

Collateral / security	Value	Details
Ceiling mortgage established on the real estate	up to PLN 17 332 k	Property of Polar S.A.
Registered pledge	up to PLN 35 000 k	Set of moveable goods
Transfer of receivables	-	Current and future project contracts concluded by the Borrower
Transfer of receivables	-	Current and future project contracts concluded by Interpep EC Zakrzów Sp. z o.o. Spóła Komandytowa
Power of attorney	-	Current account and provisions to service the Borrower's debt
In blanco promissory note	-	-

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	'000	
BRE BANK	Warsaw	Saturn Management Spółka z o.o. i Wspólnicy, Sp.k.	101 962	EUR	48 761 PLN	10 902 EUR	current portion of long-term loans/ borrowings

Collaterals for Saturn Management Sp. z o.o. i Wspólnicy, Sp.k. are presented in Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	'000	
Raiffeisen Bank Polska SA	Warsaw	Dipol Sp. z o.o.	21 600	EUR	5 765 PLN	1 318 EUR	current portion of long-term loans/ borrowings

Collaterals for Dipol Sp. z o.o. are presented in Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK SA	Warsaw	Mecury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa	9 000	PLN	1 110	PLN	current portion of long-term loans/ borrowings

Collaterals for Mercury Energia Sp. z o.o. i Wspólnicy Sp.k. are presented in Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
Raiffeisen Bank Polska SA	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	4 500	PLN	3 865	PLN	Long-term loan/ borrowing repaid in full in January 2012

The loan was repaid in full in January 2012.

Collateral / security	Value	Details
Registered pledge	-	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 14 250 k	Borrower property items
Transfer of receivables	-	Under insurance, lease and disposal contracts
Guarantee	up to PLN 14 250 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	-	Of the Borrower under loan agreement – valid until 31 December 2022
Declaration of submission to enforcement	-	Of the Borrower under registered pledge agreements – valid until 31 December 2022
Declaration of submission to enforcement	-	Of Polish Energy Partners under the pledge on the shares in the Borrower – valid until 31 December 2022

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
Raiffeisen Bank Polska SA	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5 000	PLN	2 890	PLN	16.03.2012

Collateral / security	Value	Details
Registered pledge	-	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 14 250 k	Borrower property items

Transfer of receivables	-	Under insurance, lease and disposal contracts
Guarantee	up to PLN 14 250 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Power of attorney	-	Borrower bank accounts
Declaration of submission to enforcement	-	Of the Borrower under loan agreement – valid until 31 December 2022
Declaration of submission to enforcement i	-	Of the Borrower under registered pledge agreements – valid until 31 December 2022
Declaration of submission to enforcement	-	Of Polish Energy Partners under the pledge on shares in the Borrower – valid until 31 December 2022

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11 810	PLN	1 525	PLN	current portion of long-term loans/ borrowings

Collaterals for Grupa PEP Biomasa Energetyczna Południe Sp. z o.o. are presented in Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
BRE BANK	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	8 600	PLN	7 357	PLN	20.12.2012

Collateral / security	Value	Details
Mortgage established on the real estate	up to PLN 17 200 k	Mortgage Register No. 64864 District Court in Ząbkowice Śląskie
Registered pledge	up to PLN 43 020 k	Shares of Polish Energy Partners in the Borrower
Registered pledge	up to PLN 43 020 k	Rights and moveable goods of the Borrower
Financial pledge	up to PLN 17 200 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 17 200 k	Borrower cash and cash equivalents
Transfer of receivables	-	Current and future contracts of sale of goods and project contracts
Subordinated debt	-	Receivables of Polish Energy Partners are subordinated to the Lender's receivables
Guarantee	up to PLN 26 888 k	Issued by Polish Energy Partners together with Declaration of submission to enforcement
Declaration of submission to enforcement	up to PLN 43 020 k	Of the Borrower under registered and financial pledge agreements – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 17 200 k	Of the Borrower under loan agreement – valid until 23 December 2021
Declaration of submission to enforcement	up to PLN 43 020 k	Of Polish Energy Partners under the pledge on the shares in the Borrower – valid until 23 December 2021

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	40 000	PLN	35 645	PLN	one-off payment by 30.06.2012

The collaterals were presented in the Note on long-term interest-bearing loans and borrowings – the collaterals provided for a bridge loan granted to AMON are the same as the collaterals provided for the long-term Amon loan, with the below changes:

Collateral / security	Value	Details
Financial pledge	up to PLN 60 000 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 60 000 k	Shares of Polish Energy Partners in Talia Sp. z o.o.
Financial pledge	up to PLN 60 000 k	Borrower bank accounts
Financial pledge	up to PLN 60 000 k	Bank accounts of Talia Sp. z o.o.
Guarantee	up to PLN 44 000 k	Guarantee issued by Polish Energy Partners

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	168 493	PLN	12 341	PLN	current portion of long-term loans/ borrowings

The collateral was presented in the Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Amon Sp. z o.o.	15 000	PLN	708	PLN	30.06.2012

Collateral / security	Value	Details
Declaration of submission to enforcement	up to PLN 22 500 k	Valid until 31 December 2029

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement	Outstanding loan/borrowing balance	Maturity date

			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	40 000	PLN	17 415	PLN	one-off payment by 30.06.2012

The collaterals were presented in the Note on long-term interest-bearing loans and borrowings – the collaterals provided for a bridge loan granted to TALIA are the same as the collaterals provided for the long-term Talia loan with the below changes:

Collateral / security	Value	Details
Financial pledge	up to PLN 60 000 k	Shares of Polish Energy Partners in the Borrower
Financial pledge	up to PLN 60 000 k	Shares of Polish Energy Partners in Amon Sp. z o.o.
Financial pledge	up to PLN 60 000 k	Borrower bank accounts
Financial pledge	up to PLN 60 000 k	Bank accounts of Amon Sp. z o.o.
Guarantee	up to PLN 44 000 k	Guarantee issued Polish Energy Partners

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	111 627	PLN	2 790	PLN	current portion of long-term loans/ borrowings

Collaterals are presented in the Note 21 – Long-term interest-bearing loans and borrowings.

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
CONSORTIUM OF BANKS	Warsaw	Talia Sp. z o.o.	12 000	PLN	116	PLN	30.06.2012

Collateral / security	Value	Details
Declaration of submission to enforcement	up to PLN 18 000 k	Valid until 31 December 2029

Name	Location	Debtor	Amount of loan/borrowing as per loan agreement		Outstanding loan/borrowing balance		Maturity date
			'000	Currency	'000	Currency	
PEKAO SA	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	4 000	PLN	382	PLN	one-off payment by 31.10.2012

(in thousand zlotys)

Collateral / security	Value	Details
Registered pledge	up to PLN 6 000 k	VAT account
Power of attorney	-	To block funds in the VAT account
Power of attorney	-	Borrower bank accounts
Returns from the Tax Office	-	VAT account
Declaration of submission to enforcement	up to PLN 6 000 k	Valid until 31 July 2015

24. Accruals and deferred income

	31.12.2012	31.12.2011
Long-term accruals and deferred income		
- deferred income – government grants	71 557	29 541
Total long-term accruals and deferred income	**71 557**	**29 541**

	31.12.2012	31.12.2011
Short-term accruals and deferred income		
- costs of future wages and salaries	2 971	3 224
- costs of external services	1 429	15 670
- unused holiday leave	-	136
- deferred income – government grants	4 075	295
- not-invoiced construction in progress	-	12 800
- other	3 144	3 462
Total short-term accruals and deferred income	**11 619**	**35 587**

The Group received three government grants. The first grant was issued in 2005 in the amount of PLN 5,900 thousand to co-finance the project called *22 MW Wind farm in Puck ('Elektrownia wiatrowa o mocy 22 MW w Pucku').* The wind farm became operational at the end of 2006 and the amount of the government grant was recognised under deferred income; it is to be depreciated over the life period of the plant.

The second government grant was received in 2010 in the amount of PLN 40,000 thousand to co-finance the project called *Construction of a Łukaszów wind farm ('Budowa farmy wiatrowej Łukaszów').* Until 31 December 2012, the Group received PLN 37,878 thousand of this grant. The wind farm became operational at the end of 2011 and the amount of the government grant was recognised under deferred income; it is to be depreciated over the life period of the plant.

The third government grant was awarded in 2010 in the amount of PLN 40,000 thousand to co-finance the project called *Construction of a Modlikowice wind farm* (*'Budowa farmy wiatrowej Modlikowice'*). Until 31 December 2012, the Group received PLN 37,359 thousand of this grant. The wind farm became operational at the end of 2011 and the amount of the government grant was recognised under deferred income; it is to be depreciated over the life period of the plant.

25. Contingent liabilities

25.1 Granted guarantees

As at 31 December 2012, the Group did not issue any external guarantee.

25.2 Litigation

Based on the two decisions issued by the District Governor (*Starosta*) of Złotoryja, Amon Sp. z o.o. (subsidiary of the Company) was obligated to pay the so-called increased fee for removal of a plot of land from the register of agricultural production land in the total amount of approx. PLN 620 thousand. Amon Sp. z o.o. appealed against those decisions. The decisions were cancelled by the Self-Government Appeals Board *(Samorządowe Kolegium Odwoławcze).*

Based on a decision of the District Governor (*Starosta*) of Złotoryja, Talia Sp. z o.o. (subsidiary of the Company) was obligated to pay the so-called increased fee for removal of a plot of land from the register of agricultural production land in the total amount of approx. PLN 310 thousand. Talia Sp. z o.o. appealed against this decision. The decision was cancelled by the Self-Government Appeals Board *(Samorządowe Kolegium Odwoławcze).*

25.3 Tax settlement

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines. The lack of reference to established regulations in Poland causes ambiguity and inconsistency in the existing legislation. Often, differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies result in the areas of uncertainty and conflicts. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system.

Tax settlements may become subject to inspection by tax authorities within a period of five years, counted from the end of the year, in which the payment of the tax took place. Accordingly, the tax settlements of the Group's companies may be increased by additional tax liabilities. According to the Group, as at 31 December 2012 appropriate provisions were created for recognised and quantifiable tax risk.

25.4 Capital commitments

As at 31 December 2012, the Group plans to incur capital expenditures on property, plant and equipment in 2013 in the total amount of approximately PLN 537 million. These amounts will be used mainly for the purchase of new machines and equipment for the new projects and, in particular, for financing the construction of a bio-mass power plant in the South of Poland and for the development and commencement of construction of new wind farms.

(in thousand zlotys)

26. Sales revenues

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
- revenue from sales of electricity	37 166	18 844	8 703	5 087
- revenue from sales of heat	6 187	6 282	1 878	1 810
- revenue from consulting and advisory projects	857	17	607	(67)
- revenue from sales of wind farms development	5 573	78 600	5 573	78 600
- revenue from re-invoices and reimbursement of costs	3	-	3	-
- revenue from leases of own property and operation services	488	553	-	123
- revenue from sales of goods for resale	4 187	5	1 864	1
- revenue from sales of straw	72	108	-	44
- revenue from sales of CO_2 emission allowances	-	187	-	-
- revenue from sales of pellets	38 318	33 153	14 903	9 810
- lease revenue	5	12	369	2
- other revenue	198	181	67	48
Total sales revenue	**93 054**	**137 942**	**33 967**	**95 458**

*) restated data

Sales revenue of discontinued operations amounted in the year ended 31 December 2012 to PLN 31,415 thousand and in the year ended 31 December 2011 – to PLN 68,504 thousand.

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)	Q4 2012	Q4 2011 *)
- revenue from green certificates	39 154	6 264	9 636	2 200
- revenue from CO_2 emission reduction units (Joint Implementation Mechanism)	(440)	3 254	(839)	746
Total revenue from certificates of origin	**38 714**	**9 518**	**8 797**	**2 946**

*) restated data

(in thousand zlotys)

27. Costs by type

	For the period ended 31.12.2012	For the period ended 31.12.2011*)	Q4 2012	Q4 2011*)
- Depreciation	28 610	10 385	7 384	2 651
- Materials and energy	36 177	28 506	10 040	4 159
- External services	27 499	37 269	7 955	32 740
- Taxes and charges	3 473	1 223	907	334
- Wages and salaries, of which:	14 537	13 315	3 803	3 636
- share-based payments	1 805	2 405	-	601
- Social security contributions and other employee benefits	1 518	1 378	404	388
- Other	629	674	266	244
Total costs by type	**112 443**	**92 750**	**30 759**	**44 152**
- Cost of goods for resale and raw materials sold (positive value)	6 542	7 947	5 601	4 540
- Change in the stock of finished goods	-	17	-	17
- Administrative expenses (negative value)	(21 580)	(18 722)	(4 729)	(5 820)
Cost of finished goods sold	**97 405**	**81 992**	**31 631**	**42 889**
- Cost of goods for resale sold	-	-	-	-
Total cost of sales	**97 405**	**81 992**	**31 631**	**42 889**

*) restated data

Costs by type of discontinued operations amounted in the year ended 31 December 2012 to PLN 4,099 thousand and in the year ended 31 December 2011 – to PLN 22,350 thousand.

28. Other operating income

	For the period ended 31.12.2012	For the period ended 31.12.2011*)	Q4 2012	Q4 2011*)
- reversal of impartment write-downs of assets, of which:	1 217	4 472	195	222
- impartment write-downs of receivables	1 217	4 250	195	-
- impartment write-downs of inventories	-	222	-	222
- release of provision, of which:	-	19	-	-
- other	-	19	-	-
- other, of which:	4 315	280	1 078	(77)
- compensations and extra charges	19	108	6	91
- government grant	4 058	296	1 014	75
- gain on sale of non-financial fixed assets	93	49	-	(11)
- other	145	(173)	56	(232)
Total other operating income	**5 532**	**4 771**	**1 273**	**145**

*) restated data

(in thousand zlotys)

Other operating income from discontinued operations amounted in the year ended 31 December 2012 to PLN 324 thousand and in the year ended 31 December 2011 – to PLN 2,286 thousand.

29. Other operating costs

	For the period ended 31.12.2012	For the period ended 31.12.2011*)	Q4 2012	Q4 2011*)
- impartment write-downs of assets, of which:	-	1 488	-	1 488
- receivables	-	1 488	-	1 488
- other, of which:	1 176	658	484	13
- fines, penalties, compensations	312	81	296	56
- donations	355	114	98	17
- compensable repair costs	-	96	-	96
- other	509	367	90	(156)
Total other operating costs	**1 176**	**2 146**	**484**	**1 501**

*) restated data

Other operating expenses from discontinued operations amounted in the year ended 31 December 2012 to PLN 2 thousand and in the year ended 31 December 2011 – PLN 260 thousand.

30. Finance income

	For the period ended 31.12.2012	For the period ended 31.12.2011*)	Q4 2012	Q4 2011*)
- finance income from dividends and shares in profits	12	65	(6)	48
- finance income from bank interest earned	13 591	3 842	4 510	1 017
- foreign exchange differences, of which:	4 878	73	357	34
- unrealised	4 526	49	274	-
- realised	352	24	83	34
- valuation of financial liabilities	4 488	-	2 547	-
- discount-related finance income	4 647	366	774	82
- other guarantee-related fee	1	-	(9)	-
- other	75	-	68	-
Total finance income	**27 692**	**4 346**	**8 241**	**1 181**

*) restated data

Finance income from discontinued operations amounted in the year ended 31 December 2012 to PLN 4,278 thousand and in the year ended 31 December 2011 – to PLN 23,514 thousand.

(in thousand zlotys)

31. Finance costs

	For the period ended 31.12.2012	For the period ended 31.12.2011*)	Q4 2012	Q4 2011*)
- finance costs from bank interest expensed	27 501	2 917	7 345	757
- foreign exchange differences, of which:	159	7 129	23	96
- unrealised	22	6 792	5	(11)
- realised	137	337	18	107
- commissions and other payments	1 906	388	192	92
- discount-related finance costs	-	7 505	-	7 505
- other	76	63	(6)	41
Total finance costs	**29 642**	**18 002**	**7 554**	**8 491**

*) restated data

Finance costs relating to discontinued operations amounted in the year ended 31 December 2012 to PLN 6,827 thousand and in the year ended 31 December 2011 – to PLN 15,711 thousand.

32. Adjusted EBITDA

	For the period ended 31.12.2012	For the period ended 31.12.2011*)
Profit from operating activities	17 142	49 371
Depreciation	28 607	10 385
EBITDA	**45 749**	**59 756**
Adjusted EBITDA	**45 749**	**59 756**

*) restated data

Basic measure of profit of the Group is EBITDA. The Group defines EBITDA as profit from operating activity adjusted for depreciation. EBITDA measure is not defined by IFRS and can be calculated differently by other entities.

(in thousand zlotys)

33. Cash Flows

Cash flows from operating activities – other adjustments

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
- share-based payment	(4 064)	2 405
- other	-	56
Total other corrections	**(4 064)**	**2 461**

Cash flows from investing activities – other investing inflows

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
- proceeds from finance lease	-	61 449
Total	**-**	**61 449**

Cash flows from investing activities – other investing outflows

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
- expenditures relating to finance lease	-	5 677
Total	**-**	**5 677**

Cash of restricted use

	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
- cash earmarked for loan repayment	19 103	62
- other blocked funds	4 592	2 041
Total	**23 695**	**2 103**

*) restated data

Reconciliation of differences between the balance sheet and the cash flow statement changes in specific items

Provisions:	For the period ended 31.12.2012	For the period ended 31.12.2011 *)
- balance sheet change in provisions	(106)	129
- exclusion from consolidation of sold subsidiary	546	-
Change in technical reserves in the statement of cash flows	**440**	**129**

(in thousand zlotys)

Inventories:	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
- balance sheet change in inventories	(77 731)	(23 734)
- inventory reclassification	(2 603)	-
- exclusion from consolidation of sold subsidiary	(44)	-
Movement in inventories in the statement of cash flow	**(80 378)**	**(23 734)**

Receivables:	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
- balance sheet change in net long-term and short-term receivables	340 025	(24 402)
- change in lease receivables	-	(6 267)
- opening balance of receivables - first-time consolidated subsidiaries	-	386
- change in investing receivables	-	(468)
- exclusion from consolidation of sold subsidiary	(355 174)	-
- change in other receivables	-	(1 733)
Movements in receivables in the statement of cash flow	**(15 149)**	**(32 484)**

Liabilities:	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
- balance sheet change in liabilities, except for loans and borrowings	26 553	2 275
- change in finance lease	356	171
- change in dividends	(9 339)	-
- change in investing liabilities	10 426	(1 182)
- exclusion from consolidation of sold subsidiary	30 410	-
- change in finance liabilities	(753)	3 037
- opening balance of liabilities - first-time consolidated subsidiaries	-	(207)
- change in the costs of prospectus preparation	-	(120)
Movements in liabilities in the statement of cash flow	**57 653**	**3 974**

Accruals:	**For the period ended 31.12.2012**	**For the period ended 31.12.2011 *)**
- balance sheet change in accruals	18 288	50 363
- accrued lease interest	-	1 013
- accrued loan commission	(4 081)	3 482
- government grant settlement	(49 854)	(25 411)
- exclusion from consolidation of sold subsidiary	(330)	-
- uninvoiced construction in progress	12 590	(13 405)
- costs of prospectus preparation	-	(1 776)
Movements in accruals in the statement of cash flow	**(23 387)**	**14 266**

*) restated data

34. Financial risk management objectives and policies

Apart from derivative financial instruments, the Group's principal financial instruments comprise of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

In addition, the Group concluded transactions involving derivative financial instruments and forward contracts. The purpose of these transactions was to manage foreign currency risk that arises during the course of the Group's operations and resulting from the sources of finance used.

It has been now and during the entire period covered by the attached financial statements the policy of the Group that no trading in financial instruments is undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost by having variable rate loans. However, the Group does not apply hedges of derivative financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

Period ended 31 December 2012	*Increase / decrease in basis points*	*Effect on profit before tax in the next 12 months in thousand zlotys*	*Effect on profit before tax in the next 12 months in thousand zlotys – due to change in loan valuation*
WIBOR 1M	1%	(3 073)	(3 330)
EURIBOR 1M	1%	(561)	-
WIBOR 1M	-1%	3 073	3 330
EURIBOR 1M	-1%	561	-

Period ended 31 December 2011	*Increase / decrease in basis points*	*Effect on profit before tax in the next 12 months in thousand zlotys*	*Effect on profit before tax in the next 12 months in thousand zlotys – due to change in loan valuation*
WIBOR 1M	1%	(2 937)	(1 311)
EURIBOR 1M	1%	(678)	-
WIBOR 1M	-1%	2 937)	1 311
EURIBOR 1M	-1%	678	-

Foreign currency risk

The foreign currency risk in the Group relates to fluctuation of euro exchange rate exposure arising from the open short currency position on accrued revenue from sales of (CO2) emission reduction units to the Netherlands European Carbon Facility, bank deposits, investment liabilities and investment bank loans. As at 31 December 2012 this position amounts to EUR 12,430 thousand and is not hedged against fluctuation of exchange rate.

(in thousand zlotys)

The Group seeks to negotiate the terms and conditions of its hedging instruments so that they match the terms and conditions of the hedged item and thus ensured the best possible hedge effectiveness, as described in more detail in Note 36.

The following table demonstrates the sensitivity to a reasonably possible change in euro exchange rate, with all other variables held constant, of the Group's profit before tax (in the relation to the change of fair value of monetary assets and liabilities).

	Increase / decrease in currency rate	*Effect on profit*
31 December 2012 – EUR	+ 0.01 PLN/EUR	(124)
	- 0.01 PLN/EUR	124
31 December 2011 – EUR	+ 0.01 PLN/EUR	(3)
	- 0.01 PLN/EUR	3

The value as at 31 December 2012 does not include the currency position of discontinued operations.

In the year ended 31 December 2012, the Group earned PLN 4,504 thousand of finance income on unrealised exchange differences.

In the period of 31 December 2012 – 31 March 2013 fluctuations of zloty in relation to the euro can have significant effect on the size of unrealised foreign exchange differences. The result on unrealised foreign exchange differences as at 31 March 2013 will depend mainly on the relation of the rate from 31 December 2012 to the rate from 31 March 2013, while appropriate appreciation/depreciation of zloty in relation to euro will have the positive/negative influence on the net profit in the amount of about PLN 124 thousand to every grosz of the difference in the relation to the rate from the date of 31 December 2012 (4.0882 PLN/EUR).

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

(in thousand zlotys)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various sources of financing, such as bank overdrafts, bank loans, finance leases and hire purchase contracts.

The table below summarises the maturity profile of the Group’s financial liabilities as at 31 December 2012 and 31 December 2011 based on contractual undiscounted payments.

31.12.2012	On demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest bearing loans and borrowings	107 915	7 687	22 779	119 404	278 636	**536 421**
Other liabilities	-	2 822	65	505	-	**3 392**
Trade payables	-	61 825	-	-	-	**61 825**

31.12.2011	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest bearing loans and borrowings	27 286	140 268	409 266	222 690	**799 510**
Other liabilities	18 180	212	373	-	**18 765**
Trade payables	19 504	395	-	-	**19 899**

35. Financial instruments

Fair value of financial instrument categories

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments, divided into individual classes and categories of assets and liabilities.

	Category as per IAS 39	Carrying amount		Fair value	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Financial assets					
Trade and other receivables	LaR	118 740	125 711	-*)	-*)
Cash and cash equivalents	LaR	263 239	131 793	263 239	131 793
Financial liabilities					
Loans and borrowings, of which:	FLaAC	352 163	615 442	352 163	615 442
- long-term with floating interest rate	FLaAC	242 864	612 552	242 864	612 552
- bank overdraft	FLaAC	-	2 890	-	2 890
- other – short-term	FLaAC	109 299	-	109 299	-
Liabilities under forward contracts	FLaAC	-	92	-*)	-*)
Trade and other payables	FLaAC	61 825	19 899	-*)	-*)

Used abbreviations:
LaR – Loans granted and receivables,
AFS – Financial assets available-for-sale,
FLaAC – Other financial liabilities at amortised cost.
*) The fair values of receivables and liabilities presented above do not differ materially from their carrying amounts.

(in thousand zlotys)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk, divided by individual ageing categories.

31.12.2012

INTEREST RATE RISK

Floating interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loan in PLN	53 735	10 977	11 042	11 888	13 135	195 822	296 599
Bank loan in EUR	55 564	-	-	-	-	-	55 564
Fixed interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	263 239	-	-	-	-	-	263 239

31.12.2011

INTEREST RATE RISK

Floating interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loan in PLN	78 911	22 676	23 814	23 589	24 080	117 027	290 097
Bank loan in EUR	54 525	57 855	62 038	66 333	25 551	53 358	319 660
Loan WFOSiGW	480	480	480	480	-	-	1 920
Fixed interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	131 793	-	-	-	-	-	131 793

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

36. Hedge accounting

Cash flow hedges

As at 31 December 2012, the Group settled in full the forward contracts that originated in 2011 and did not have any financial instruments that were designated as hedging instruments in cash flow hedges.

During 2012, the Group realised a forward contract with a value of EUR 4,198 thousand.

During 2011, the Group realised a forward contract with a value of EUR 45,046 thousand.

As at 31 December 2011, an unrealised loss from the above contracts of PLN 753 thousand was included in other comprehensive income (OCI). The result on the forward contracts was taken to assets under construction and will be amortised to profit or loss over the expected period of depreciation of the underlying property, plant and equipment which is approx. 20 years.

37. Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2012 and 31 December 2011.

(in thousand zlotys)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

	31.12.2012	31.12.2011
Interest bearing loans and borrowings	352 163	610 569
Finance lease receivables	-	(323 962)
Less cash and cash equivalents	(263 239)	(131 793)
Net debts	**88 924**	**154 814**
Equity	511 631	423 141
Total capital	**511 631**	**423 141**
Capital and net debt	**600 555**	**577 955**
Gearing ratio	15%	27%

38. Related party disclosures

As at 31 December 2012 and 31 December 2011, no associated companies were included in the Group.

As at 31 December 2012, trade receivables of PLN 506 thousand and sales income of PLN 1,057 thousand relate to Polenergia S.A., which – following the acquisition of shares in Polish Energy Partners S.A. (as described in more detail in Note 19.2) – has become the related company of the Group.

The transactions with members of the Management and Supervisory Boards of the parent company were presented in Notes 41 and 42.

39. Employment structure

In the year ended 31 December of 2012 and 31 December 2011, the average number of Group's employees, by occupational group, calculated as the average employment at the end of each month, was as follows:

	31.12.2012	31.12.2011
Management Board	3	3
Administration level	60	58
Operational level	88	157
Total employment	**151**	**218**

Lower employment levels as at 31 December 2012 resulted from the disposal of the company Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa.

(in thousand zlotys)

40. Total value of remuneration and awards (in money and in kind), paid or payable to members of executive and supervisory bodies of the parent company

In the years 2012 and 2011, remuneration of members of the Management Board of the parent company was as follows:

	31.12.2012	31.12.2011
Zbigniew Prokopowicz	2 933	1 169
Anna Kwarcińska	2 273	666
Michał Kozłowski	2 273	666
Total	**7 479**	**2 501**

Certain Management Board members are a party to a mutual contract on termination of employment in the following 12 months. Where Management Board member resigns from the post, the Company is obligated to pay a termination benefit equating 50% of the remuneration received by that Board member over the period of last 12 months.

In the years 2012 and 2011, remuneration of members of the Parent Company's Supervisory Board was as follows:

	31.12.2012	31.12.2011
Stephen Klein	-	67
Robert Fijołek	30	29
Krzysztof Kaczmarczyk	30	36
Artur Olszewski	18	50
Krzysztof Sędzikowski	12	36
Marek Gabryjelski	45	36
Krzysztof Sobolewski	30	36
Jacek Głowacki	6	-
Arkadiusz Jastrzębski	6	-
Tomasz Mikołajczyk	6	-
Dariusz Mioduski	8	-
Mariusz Nowak	6	-
Zofia Dzik	21	-
Dariusz Krawczyk	21	-
Total	**239**	**290**

(in thousand zlotys)

41. Transactions with members of the Group's Management and Supervisory Boards, their spouses, siblings, ascendants, descendants or other related individuals

In the year ended 31 December 2012, there were no transactions with members of the Management or Supervisory Boards, their spouses, siblings, ascendants, descendants or other related individuals.

42. Changes in shares and share options of the Company held by members of its Management and Supervisory Boards, according to information available as at 31 December 2012

The parent-operated share option scheme was modified, and – as a result – in October 2012 a one-off payment was made of cash consideration to programme participants employed by the parent company.

43. Remuneration of certified auditor or entity authorised to audit financial statements

The table below shows remuneration of an entity authorised to audit financial statements, paid or payable for the year ended 31 December 2012 and 31 December 2011, by type of services:

Type of services	31.12.2012	31.12.2011
Statutory audit of consolidated financial statements	250	310
Other services	-	10

44. Greenhouse gas emissions

The Act of 22 December 2004 on Trading in Greenhouse Gas and Other Emission Allowances became effective as of 1 January 2005. This law sets out the basis for functioning of the system of trading in greenhouse gas and other emission allowances the aim of which is to reduce these emissions in a profitable and economically effective manner. This act was superseded by the Act of 28 April 2011 on the system of trading in greenhouse gas emission rights.

Two plants of the PEP Group, EC Zakrzów and EL Mercury, are burning plants with a nominal capacity of more than 20 MW which participate in the EU system of trading in emission rights.

In accordance with the Regulation of the Council of Ministers of 1 July 2008 on the adoption of the National Plan for Allocation of CO_2 Allowances for the period of 2008-2012 in the community system of trading in emission allowances and the Regulation of the Council of Ministers of 25 October 2012 superseding the Regulation on the adoption of the National Plan for Allocation of CO_2 Allowances for the period of 2008-2012 in the EU system of trading in emission allowances; the burning plants of the PEP Group participating in said trading scheme were allocated the following volumes of annual CO2 emission allowances:

- EC Zakrzów (PL-0075-05) – 7 966 CO2 emission allowances
- EL Mercury (PL-0879-05) – 35 605 CO2 emission allowances.

The verified CO2 emission reports prove that in 2012 the burning plants issued the following amounts of greenhouse gases:

- EC Zakrzów – 3 873 tons
- EL Mercury – 33 393 tons.

Given the above, the above plants hold surplus CO2 allowances.

In the new settlement period 2013-2020, based on article '10a' of the Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009, amending Directive 2003/87/EC, EL Zakrzów was allocated the initial annual allowance of 8 439 (2013-2020) free of charge emission rights.
Based on article '10c' and in accordance with derogation clause, EL Mercury as electric energy producer was allocated the initial annual allowance of 22 344 (for 2013) free of charge emission rights, with the perspective of reducing them to 0 in 2020.

As of 1 January 2013, both plants have been operating in accordance with the new plans, authorised by the bodies appropriate to monitor CO2 emissions, which comply with Commission Regulation (EU) No. 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council, and with Commission Regulation (EU) No. 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

45. Information on held licenses

On 8 January 2007, the Group received a decision of the President of the Energy Regulatory Office being the license to generate electricity in the period from 10 January 2007 to 10 January 2022. The scope of the activities covered by this license comprises business activity consisting in RES energy production, namely by *Zespół Elektrowni Wiatrowych 'Gnieżdżewo'*.

On 1 February 2012, the Group received a decision of the President of the Energy Regulatory Office being the license to generate electricity in the period from 1 February 2012 to 31 December 2030. The scope of the activities covered by this license comprises business activity consisting in RES energy production, namely by a wind farm operating under the name *'Farma Wiatrowa Łukaszów'*.

On 1 February 2012, the Group received a decision of the President of the Energy Regulatory Office being the license to generate electricity in the period from 1 February 2012 to 31 December 2030. The scope of the activities covered by this license comprises business activity consisting in RES energy production, namely by a wind farm operating under the name *'Farma Wiatrowa Modlikowice'*.

46. Events after the reporting date

On 21 December 2012, the subsidiary company, Grupa PEP – Bioelektrownia 2 Sp. z o.o. Sp. K. signed an agreement with DP Clean Tech Poland Sp. z o.o. (DPCT) for the supply by the DPCT of a complete power boiler to a bio-mass combustion power plant *'Wińsko'*.

The total value of the Company's liability under this contract is PLN 105 million.

On 21 January 2013, an agreement of 15 March 2004 (the 'Agreement') on business cooperation in the field of acquiring wind turbine sets was terminated, and (ii) the parent company took over to carry out independently the wind farms development projects with a total output capacity of approx. 530 MW that under the Agreement were previously carried out in cooperation with EPA Wind Spółka z o.o., Sp. K. ('EPA').

In connection with the taking over of the projects to be independently carried out by the parent company, the parent company paid to EPA a fee in the total amount of approx. PLN 45 million; the fee served as a settlement of the cooperation of the parent company and EPA under the Agreement. In addition, if the development project for a given wind farm is successful i.e. after the parent company has successfully obtained the permit for a wind farm construction and for its later connection to a network, the parent company may be obligated to pay an additional fee calculated based on a pre-defined formula, separately for each wind farm. Should all wind farm development projects taken over to be independently executed by the parent company turn out to be successful, the parent company will be obligated to pay a fee to a total cost of not more than PLN 27 million.