ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2021 TOGETHER WITH AUDITOR'S REPORT

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

24 September 2021

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(in thousand PLN)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For a period of 6 months ended 30 June 2021

	Note	*A period of 6 months ended 30 June 2021 (unaudited)*	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Continuing operations					
Sale revenues, including:	*11.1*	**985 718**	**523 304**	**1 050 461**	**526 387**
Revenues from the contracts with clients		*784 813*	*420 314*	*926 813*	*468 775*
Other revenues		*200 905*	*102 990*	*123 648*	*57 612*
Costs of goods sold, incl.:	*11.6*	(931 053)	(482 406)	(1 305 553)	(802 425)
Impairment write-down on fixed assets and mining assets		-	-	*(289 000)*	*(289 000)*
Gross profit / (loss) from sales		**54 665**	**40 898**	**(255 092)**	**(276 038)**
Other operating revenues	*11.2*	28 440	20 611	35 973	15 337
Selling and distribution expenses	*11.6*	(2 513)	(807)	(2 007)	(895)
Administrative expenses	*11.6*	(53 491)	(26 222)	(51 730)	(22 627)
Other operating expenses	*11.3*	(11 501)	(10 804)	(35 749)	(15 832)
Gross profit / (loss) from operations		**15 600**	**23 676**	**(308 605)**	**(300 055)**
Financial income	*11.4*	1 117	(537)	5 682	(1 762)
Financial costs	*11.5*	(6 274)	(2 708)	(11 540)	(6 998)
Profit / (loss) before tax		**10 443**	**20 431**	**(314 463)**	**(308 815)**
Income tax expense (taxation)	*12*	9 546	7 565	53 631	58 898
Net profit / (loss) for the period from continuing operations		**19 989**	**27 996**	**(260 832)**	**(249 917)**
Net profit / (loss) for the period		**19 989**	**27 996**	**(260 832)**	**(249 917)**
Net profit/ (loss) attributable to equity holders of the parent		19 989	27 996	(257 514)	(247 168)
Net profit/ (loss) attributable to non-controlling interests		-	-	(3 318)	(2 749)

Profit / (loss) per share (in PLN):	*Note*	*A period of 6 months ended 30 June 2021 (unaudited)*	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Basic/diluted for profit for the period from continuing operations attributable to equity holders of the parent	*13*	0,39	0,55	(5,07)	(4,86)

(in thousand PLN)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For a period of 6 months ended 30 June 2021

	Note	*A period of 6 months ended 30 June 2021 (unaudited)*	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Net profit / (loss) for the period		**19 989**	**27 996**	**(260 832)**	**(249 917)**
Other comprehensive income					
Items to be reclassified to the profit / (loss) in subsequent reporting periods:					
Exchange differences from converting a foreign unit		(44)	(58)	(25)	(29)
Income tax on other comprehensive income		-	-	-	-
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		(44)	(58)	(25)	(29)
Items not to be reclassified to the profit / (loss) in subsequent reporting periods:					
Actuarial gains / (losses) on provisions for post-employment benefits		(27)	(20)	(72)	40
Income tax on other comprehensive income	*12.1*	(13)	(10)	14	(7)
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		(40)	(30)	(58)	33
Net other comprehensive income		**(84)**	**(88)**	**(83)**	**4**
Comprehensive income for the period		**19 905**	**27 908**	**(260 915)**	**(249 913)**
Comprehensive income attributable to equity holders of the parent		19 905	27 908	(257 597)	(247 164)
Comprehensive income attributable to non-controlling holders		-	-	(3 318)	(2 749)

(in thousand PLN)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	*30 June 2021 (unaudited)*	*31 December 2020*
ASSETS			
Fixed assets			
Property, plant and equipment	*14*	1 810 433	1 660 661
Assets due to the right of use	*15*	47 497	49 210
Investment property		2 125	2 141
Intangible assets	*16*	2 414	2 754
Assets of removing overburden and other mining assets (long-term)	*17*	48 109	52 291
Other long-term financial assets	*18.1*	6 072	5 081
Other long-term non-financial assets	*18.2*	1 111	297
Deferred tax assets	*12.2*	82 645	84 920
Total fixed assets		**2 000 406**	**1 857 355**
Current assets			
Emission allowances	*16*	15	3 565
Inventories	*19*	67 233	67 859
Trade and other receivables	*20*	572 666	385 056
Income tax receivables		14 181	19 416
Short-term derivative financial instruments (assets)		-	6 550
Other short-term financial assets		-	10
Other short-term non-financial assets	*18.2*	60 452	39 673
Amounts due from customers under long-term construction contracts		2 490	1 283
Cash and cash equivalents	*21*	84 997	497 861
Total current assets		**802 034**	**1 021 273**
TOTAL ASSETS		**2 802 440**	**2 878 628**

(in thousand PLN)

	Note	*30 June 2021 (unaudited)*	*31 December 2020*
LIABILITIES AND EQUITY			
Equity			
Share capital		101 647	101 647
Reserve capital		1 124 376	1 124 376
Other reserve capital		3 472	3 472
Retained earnings / Accumulated losses		(280 124)	(55 931)
Net profit / (loss)		19 989	(222 393)
Exchange differences from converting a foreign unit		(1)	43
Equity attributable to equity holders of the parent		**969 359**	**951 214**
Equity attributable to non-controlling interests		-	(1 751)
Total equity		**969 359**	**949 463**
Long-term liabilities			
Interest-bearing loans and borrowings	*23*	165 643	-
Long-term employee benefits		40 862	40 886
Trade liabilities and other long-term financial liabilities		1 041	5 248
Long-term lease liabilities	*15*	47 126	51 495
Subsidies and deferred long-term revenues	*25.3*	35 834	36 027
Other long-term provisions and accruals	*24*	413 151	414 527
Deferred income tax	*12.2*	298 615	312 902
Total long-term liabilities		**1 002 272**	**861 085**
Short-term liabilities			
Trade liabilities and other short-term financial liabilities	*25.1*	334 434	188 261
Current portion of interest-bearing loans and borrowings	*23*	94 301	55 003
Other non-financial liabilities	*25.2*	76 784	78 152
Current income tax liability		-	1 279
Short-term employee benefits		7 027	6 521
Subsidies and deferred short-term revenues	*25.4*	3 646	3 646
Amounts due to customers under long-term construction contracts		5 821	6 680
Other short-term provisions and accruals	*24*	308 796	728 538
Total short-term liabilities		**830 809**	**1 068 080**
Total liabilities		**1 833 081**	**1 929 165**
TOTAL LIABILITIES AND EQUITY		**2 802 440**	**2 878 628**

(in thousand PLN)

CONSOLIDATED STATEMENT OF CASH FLOWS

For a period of 6 months ended 30 June 2021

	Note	*A period of 6 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*
Cash flow from operating activities			
Profit /(loss) before tax		10 443	(314 463)
Adjustments for:			
Depreciation and amortization	*21*	66 653	78 724
Interests and shares in profits		1 010	1 117
(Profit) / loss on foreign exchange differences		257	(18)
(Profit) / loss on investing activities		(10 075)	(6 126)
(Increase) / decrease in receivables	*21*	(183 452)	(13 163)
(Increase) / decrease in inventories	*21*	627	(6 487)
Increase / (decrease) in payables except for loans and borrowings	*21*	162 827	(84 948)
Change in provisions, prepayments, accruals and employee benefits	*21*	222 601	341 542
Income tax paid		1 479	33 454
Allowances for emission of CO_2		(633 759)	(525 656)
Impairment write down on fixed assets and mining assets		-	289 000
Other		(2 742)	77
Net cash flow from operating activities		**(364 131)**	**(206 947)**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		11 792	4 434
Purchase of property, plant and equipment and intangible assets		(265 539)	(19 019)
Other		(9)	(13)
Net cash flow from investing activities		**(253 756)**	**(14 598)**
Cash flow from financing activities			
Payment of finance lease liabilities		(161)	(624)
Proceeds from loans and borrowings and debt securities		272 164	13 264
Repayment of loans and borrowings and debt securities		(65 077)	(15 476)
Interest paid		(1 646)	(1 344)
Net cash flow from financing activities		**205 280**	**(4 180)**
Net increase / (decrease) in cash and cash equivalents		**(412 607)**	**(225 725)**
Cash and cash equivalents at the beginning of the period		**497 601**	**414 634**
Cash and cash equivalents at the end of the period		**84 994**	**188 909**

(in thousand PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For a period of 6 months ended 30 June 2021 (unaudited)

	Issued capital	*Reserve capital*	*Other reserve capital*	*Retained earnings / accumulated losses*	*Exchange differences from converting a foreign unit*	*Total*	*Non-controlling interest*	*Total equity*
As at 1 January 2021	**101 647**	**1 124 376**	**3 472**	**(278 324)**	**43**	**951 214**	**(1 751)**	**949 463**
Net profit for the period	-	-	-	19 989	-	19 989	-	19 989
Total other comprehensive income	-	-	-	(40)	(44)	(84)	-	(84)
Total income for the period	**-**	**-**	**-**	**19 949**	**(44)**	**19 905**	**-**	**19 905**
Transfer of non-controlling interest's profits to retained earnings	-	-	-	(1 751)	-	(1 751)	1 751	-
Other changes	-	-	-	(9)	-	(9)	-	(9)
As at 30 June 2021	**101 647**	**1 124 376**	**3 472**	**(260 135)**	**(1)**	**969 359**	**-**	**969 359**

The capital of non-controlling shareholders was transferred to retained earnings due to the purchase of all employee shares of PAK KWB Adamów SA and PAK KWB Konin SA.

(in thousand PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For a period of 6 months ended 30 June 2020 (unaudited)

	Issued capital	*Reserve capital*	*Other reserve capital*	*Retained earnings / accumulated losses*	*Exchange differences from converting a foreign unit*	*Total*	*Non-controlling interest*	*Total equity*
As at 1 June 2020	**101 647**	**1 124 376**	**3 472**	**(55 348)**	**-**	**1 174 147**	**2 321**	**1 176 468**
Net profit for the period	-	-	-	(257 514)	-	(257 514)	(3 318)	(260 832)
Total other comprehensive income	-	-	-	(58)	(25)	(83)	-	(83)
Total income for the period	**-**	**-**	**-**	**(257 572)**	**(25)**	**(257 597)**	**(3 318)**	**(260 915)**
Other changes	-	-	-	1	-	1	-	1
As at 30 June 2020	**101 647**	**1 124 376**	**3 472**	**(312 919)**	**(25)**	**916 551**	**(997)**	**915 554**

ADDITIONAL EXPLANATORY NOTES

1. General information

The Capital Group of Zespół Elektrowni Pątnów – Adamów – Konin SA ("the Group") consists of Zespół Elektrowni Pątnów – Adamów – Konin SA ("the parent company", "the Company", "ZE PAK SA"), and its subsidiaries (see Note 2).

The interim condensed consolidated financial statements of the Group cover the 6-month period ended June 30, 2021 and contain comparative data for the 6-month period ended June 30, 2020 and data as at December 31, 2020. The interim condensed consolidated statement of comprehensive income, the consolidated profit and loss account and additional explanatory notes also present financial information for the 3-month period ended June 30, 2021 and comparative data for the 3-month period ended June 30, 2020.

The parent company is entered in the register of entrepreneurs of the National Court Register kept by the District Court Poznań - Nowe Miasto and Wilda in Poznań, IX Commercial Division of the National Court Register, under KRS number 0000021374.

The parent company was assigned the statistical number (REGON) 310186795.

The duration of the parent and member companies of the Capital Group is unlimited.

The main activities of the Group are:

1) generation and sale of electricity,

2) generation and sale of heat (steam and hot water),

3) lignite extraction.

Mr. Zygmunt Solorz indirectly holds shares of the Company representing in total 65.96% of the share capital of the Company.

Through Mr. Zygmunt Solorz, the Company has personal connections with other entities.

(in thousand PLN)

2. Composition of the Group

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

Entity	*Registered office*	*Scope of operation*	*Group's share in the capital in %*	
			As at 30 June 2021	*As at 31 December 2020*
„PAK Polska Czysta Energia" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holding companies	100,00%	100,00%
„PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100,00%*	97,68%*
„PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machines	100,00%	100,00%
Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%*	100,00%*
„PAK-Volt" SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
„PAK-PCE Polski Autobus Wodorowy" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production of buses	100,00%*	100,00%*
„PAK-PCE Fotowoltaika sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	100,00%
„PAK-PCE Biogaz" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PAK-PCE Biopaliwa i Wodór" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Generation of electricity	100,00%*	100,00%*
„PAK-PCE Wiatr" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PG Hydrogen" sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Manufacture of engines and turbines, except aircraft, car and motorcycle engines	52,00%*	52,00%*
„PAK Kopalnia Węgla Brunatnego Adamów" SA in liquidation	62-700 Turek Warenka 23	Lignite extraction	100,00%*	99,35%
„Aquakon" sp. z o.o. in liquidation	62-610 Sompolno Police	In liquidation	99,08%*	96,20%*
„Exion Hydrogen Polskie Elektrolizery" sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61	Design and production of electrolysers	80,00%	-

** Entities in which ZE PAK SA holds an indirect share in the capital*

On August 16, 2021, PAK Polska Czysta Energia sp. z o.o. acquired shares in 6 companies - 95% of shares in each of them (these are companies named PCE-OZE 1 sp. z o.o., PCE-OZE 2 sp. z o.o., PCE-OZE 3 sp. z o.o., PCE-OZE 4 sp. z o.o., PCE-OZE 5 sp. z o.o. and PCE-OZE 6 sp. z o.o.). Ultimately, these companies will carry out investment projects related to renewable energy sources, using the assets currently owned by the Group.

On August 18, 2021, also PAK PCE sp. z o.o. z o.o. acquired 100% of shares in the special purpose vehicle - Farma Wiatrowa Kazimierz Biskupi sp. z o.o., a company which is implementing a project of a wind farm construction in Kazimierz Biskupi.

As at June 30, 2021, the share in the total number of votes held by the Group in its subsidiaries is equal to the Group's share in the capital of these entities.

3. Composition of the Management Board of the parent company

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

Piotr Woźny – President of the Management Board,

Zygmunt Artwik – Vice President of the Management Board,

Maciej Nietopiel – Vice President of the Management Board,

Andrzej Janiszowski – Vice President of the Management Board,

Katarzyna Sobierajska – Vice President of the Management Board.

4. Basis for the development of the interim condensed consolidated financial statements

This interim condensed consolidated financial statement was developed in accordance with the International Accounting Standards no. 34 "Interim Financial Reporting" approved by the EU ("IAS 34").

The interim condensed consolidated financial statement does not include all information and disclosures required in the annual financial statement and should be read together with the consolidated financial statement of the Group for the year concluded on 31 December 2020 authorised for issue on 19 April 2021.

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

The balance sheet value of recognized hedged assets and liabilities is adjusted by changes in fair value which can be attributed to the risk against which these assets and liabilities are hedged.

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

4.1. Going concern assumptions

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, i.e. at least for the next 12 months from the date of these financial statements.

On the energy market, in the sector of electricity producers from fossil fuels, there is a constantly decreasing trend in the margin on electricity production. Producers with a high degree of CO_2 emission per production unit are much more affected.

The Group, being aware of the tendencies on the energy market and observing the tightening regulations on environmental protection, the growing prices of CO_2 emission allowances, the narrowing spread between the energy price and the price of CO_2 emission allowances, took directional actions aimed at gradual abandonment of energy production from lignite and the simultaneous development of electricity generation from renewable sources and the production and use of green hydrogen.

An unfavourable factor that had an impact on the results and financial position in the first half of 2021 was lower sales due to lower production compared to the assumptions and to the comparable half of the previous year. The lower production volume of 474 MW unit (former Pątnów II Power Plant) was due to the shutdown of the unit for the planned renovation in March. At the beginning of the year, the extraction of coal in the mines supplying the Group with coal was also lower than planned, which prevented the optimal use of production sources - in the following months, the coal extraction capacity improved.

Taking into account, in particular, the increased reporting standards of public interest entities and the protection of stakeholders, the Management Board of ZE PAK SA points out that as at June 30, 2021, short-term liabilities, including bank loans, exceed the Group's current assets by PLN 28,775 thousand. In the first half of 2021, the Group's net profit and EBITDA results amounted to PLN 19,989 thousand and PLN 83,176 thousand, respectively. The Management Board analysed the cash flow forecasts and confirms that the cash flow analysis indicates the possibility of generating sufficient positive cash flows for at least the next 12 months from the date of these consolidated financial statements. This analysis assumes the renewal of the existing credit lines relating to the financing of the current operations of the companies in the Group and the gradual acquisition of financing for new investments. In accordance with the assumptions, in the first half of 2021, financing was obtained for two investments currently implemented in the Group, i.e. the biomass project at Konin Power Plant and the construction of a photovoltaic farm. Also PAK Polska Czysta Energia Sp. z o.o. obtained financing in the past six months.

Despite the circumstances described above that may pose a risk to the Group's continuing operations, the Management Board does not identify any significant uncertainty as to the Group's continuing operations.

5. New standards and interpretations which were issued but are not effective yet

In these interim condensed consolidated financial statements, the Group did not decide to apply the following published standards, interpretations or amendments to the existing standards earlier before their effective date:

- IFRS 17 „Insurance contracts" and amendments to IFRS 17

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on May 18, 2017, while the amendments to IFRS 17 were published on June 25, 2020. The new revised standard is effective for annual periods beginning on or after January 1, 2023.

IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows a variety of practice in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting of all entities that deal with insurance contracts and investment contracts.

As at the date of preparing these interim condensed consolidated financial statements, the new standard, including amendments, has not yet been approved by the European Union.

- Amendments to IAS 1 „Presentation of financial statements"

The Board published amendments to IAS 1, which clarify the issue of presenting liabilities as long- and short-term. The published changes are effective for financial statements for periods beginning on or after January 1, 2023.

As at the date of preparing these interim condensed consolidated financial statements, the amendment has not yet been approved by the European Union.

- Amendments to IFRS 3 „Merger of enterprises"

The amendments to the standard published in May 2020 are intended to update the relevant references to the Conceptual Framework in IFRS, without introducing substantive changes to accounting for business combinations.

- Amendments to IAS 16 „Tangible fixed assets"

The amendment prohibits adjusting the cost of manufacturing property, plant and equipment by the amounts obtained from the sale of components produced in the period of preparing the property, plant and equipment to start operating as intended by the management. Instead, the unit will recognize the above-mentioned sales revenues and related costs directly in the profit and loss account. The amendment is effective for financial statements for periods beginning on or after January 1, 2022.

- Amendments to IAS 37 „Provisions, contingent liabilities and contingent assets"

The amendments to IAS 37 provide clarifications regarding the costs that an entity considers in analysing whether the contract is an onerous contract. The amendment is effective for financial statements for periods beginning on or after January 1, 2022.

- Annual amendments to IFRS 2018 - 2020

"Annual amendments to IFRS 2018-2020" introduce changes to the standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to the illustrative examples to IFRS 16 "Leasing"

The amendments explain and clarify the guidelines of the standards for recognition and measurement.

- Amendments to IAS 1 "Presentation of Financial Statements" and guidance of the IFRS Board on disclosures about accounting policies in practice

The amendment to IAS 1 introduces the requirement to disclose significant information about the accounting principles defined in the standard. The amendment explains that information on accounting policies is material if, in the absence of such information, users of the financial statements would not be able to understand other material information included in the financial statements. In addition, the Board's guidance on applying the concept of materiality in practice has also been revised to provide guidance on how to apply the concept of materiality to accounting policy disclosures. As at the date of preparing these interim condensed consolidated financial statements, the changes have not yet been approved by the European Union.

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates. The amendment to IAS 8 explains how entities should distinguish changes in accounting policies from changes in accounting estimates. As at the date of preparing these interim condensed consolidated financial statements, the changes have not yet been approved by the European Union.

- Amendments to IFRS 16 „Leasing"

In connection with the coronavirus (COVID-19) pandemic, in 2020 an amendment to IFRS 16 was introduced and allowed for a simplification in assessing whether changes to lease agreements introduced during the pandemic constitute modifications to the lease. As a result, lessees could benefit from a simplification of not applying the IFRS 16 guidelines for modifying leases. As this change concerned a reduction in lease payments due until June 30, 2021 and earlier, in February 2021 the Council proposed to extend the availability of a practical solution regarding the reliefs on lease payments that would affect the payments originally due in June 2022 or earlier. As at the date of preparing these interim condensed consolidated financial statements, the changes have not yet been approved by the European Union.

- Amendments to IAS 12 „Income tax"

Amendments to IAS 12 clarify how to account for deferred tax on transactions such as leasing and decommissioning liabilities. Before the amendment to the standard, there were uncertainties as to whether the exemption from the recognition of deferred tax recognized for the first time applied to this type of transaction, i.e. where both deferred tax assets and liabilities are recognized. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions which, upon initial recognition, give rise to the same taxable and deductible temporary differences.

The amendment is effective for financial statements for periods beginning on or after January 1, 2023. As at the date of preparing these interim condensed consolidated financial statements, the changes have not yet been approved by the European Union.

- IFRS 14 „Regulatory prepayments"

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognize amounts resulting from activities with regulated prices in accordance with the accounting principles applied so far. To improve comparability, with entities that already apply IFRS and do not report such amounts, in accordance with IFRS 14, the amounts resulting from activities with regulated prices should be presented in a separate line both in the statement of financial position and in the profit and loss account and in statement of other comprehensive income.

By the decision of the European Union, IFRS 14 will not be approved.

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to the associate or joint venture constitute a "business".

In the event that the non-monetary asset constitutes a "business", the investor shows the full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss only to the extent of the interests of other investors.

The changes were published on September 11, 2014. As at the date of preparation of these interim condensed consolidated financial statements, the approval of this amendment is postponed by the European Union.

As at the date of approval of these condensed interim consolidated financial statements for publication, the Management Board has not yet completed work on the assessment of the impact of the introduction of the above standards and interpretations on the accounting policies applied by the Group in relation to the Group's operations or its financial results.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union. The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet come into force in the light of the European Union regulations.

6. Significant principles (policy) of accounting

The principles (policy) of accounting used to prepare the interim condensed consolidated financial statements are coherent with those used for preparing the annual consolidated financial statements of the Group for the year beginning on 1 January 2020.

Revenues from the capacity market

Starting from January 1, 2021, the Group recognizes revenues from the capacity market. Revenues from the capacity market are revenues from the performance of capacity contracts (obligations) concluded as a result of Auction 2021 (primary market) and the performance of the capacity obligation resulting from agreements concluded on the secondary market. The capacity market is a market mechanism aimed at ensuring stable electricity supplies in the long term. After the end of each month, the ZE PAK SA capital group is entitled to remuneration from PSE SA for the performance of the capacity obligation. Therefore, the companies of the Group, which are power suppliers to PSE S.A., recognize revenues from transactions related to the capacity market each month.

Changes of standards

The introduction of the following changes to the standards did not have a significant impact on the accounting policy:

- *Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"* - Definition of materiality (effective for annual periods beginning on or after January 1, 2020).
- *Amendments to the References to the Conceptual Framework included in the International Financial Reporting Standards (published on March 29, 2018)* - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2020.
- *Amendments to IFRS 9, IAS 39 and IFRS 7*- interest rate benchmark reform - *(effective for annual periods beginning on or after January 1, 2020)*,
- *Amendments to IFRS 3 "Business combinations"* - definition of a business (applicable to business combinations for which the acquisition date is at the beginning of the first annual period beginning on or after January 1, 2020, and to acquisitions of assets that occurred on the inception date) in the above-mentioned annual period or later).

The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet come into force under the European Union regulations.

7. Significant values based on professional judgement and estimates

The range of significant values based on professional judgment and estimates was presented in the consolidated financial statements prepared as at December 31, 2018 and has not changed in the current period, except for the items described below.

7.1. Impact of a COVID-19 disease pandemic on the Group's operations

The situation related to the negative consequences of the COVID-19 pandemic in each subsequent month of 2021 seems to be improving. The increasing number of vaccinated people gives hope that the number of cases will decrease in the coming quarters, and thus the restrictions will be lifted in the coming months. It should also positively influence the higher energy demand.

The company assumes that the consequences of the pandemic situation will be much less severe than last year. Although it is impossible to exclude a negative scenario and subsequent waves of increased disease, the adaptability of enterprises is at a much higher level than it was a year ago.

The past year has proved that the Company is properly prepared to operate in a pandemic. The developed solutions in the field of employee protection, preventing interruptions in production and securing the financial position allow us to assume that in the event of an unfavourable scenario, the functioning of the Company is not burdened with too high risk.

7.2. Other significant values based on professional judgement and estimates

Valuation of energy certificates

For the production of energy in renewable, gas and high cogeneration sources, the Group recognizes energy origin certificates (green and red certificates) at fair value at the end of the month in which they were produced. As at the balance sheet date, the Group measures certificates of origin to the net realizable value - for green certificates as at 30 June 2021 at the price of 167.18 PLN / MWh. Data on prices come from listing on the Polish Power Exchange. A revaluation write-off of certificates is created when the obtainable sale price less the costs of sale is lower than the historical cost of production. The amount of the write-down as at June 30, 2021 is PLN 3,600 thousand. The value of the write-down reduces the value of inventories due to certificates of origin and increases the cost of sales. The source of uncertainty is legal regulations regarding the Renewable Energy Sources market.

Provision for liabilities for the emission of greenhouse gases (EUA)

The Group recognises the provision for greenhouse gas emission obligations. A new 2013-2020 settlement period related to emission allowances is effective as of 1 January 2013. The assumption of that period is to grant the Group free EUAs, resulting from the generation of thermal energy, however, the power sector was additionally covered by the possibility of derogation, resulting from Art. 10c of the ETS Directive, involving the granting of extra free allowances, under the condition of transferring declared investment expenses on the investments reported in the National Investment Plan. Significant fluctuations in prices of CO2 emission allowances and legal regulations related to the European Union's climate policy are the source of uncertainty.

Emission in ZE PAK SA Group in the first half of 2021 amounted to 2 090 125 tons of CO_2.

Details regarding the provision for liabilities for greenhouse gas emissions are presented in Note 24.3.1.

8. Changes of estimates

Within the 6-month period concluded on 30 June 2021, except for these described in the financial statement, there were no significant changes in estimated sizes and the methodology of estimates that would affect the current period or future period.

9. Seasonality of the activities

Demand for electricity and heat, especially among consumers, is subject to seasonal fluctuations. So far, the practice has shown that electricity consumption increased in the winter (mainly due to low temperatures and a shorter day) and decreased during the summer (due to the holiday period, higher ambient temperatures and longer days). In recent years, the demand for electricity in the summer has been systematically growing, mainly due to the growing number of used refrigeration and air conditioning equipment.

Irrespective of the factors described above, meteorological conditions are becoming more and more important for the Group's production level. In the past, the operations of the Group were not subject to significant seasonality of demand, due to the low costs the work of the blocks was carried out continuously (in the basis) for almost a whole year. Currently, taking into account the growing share of renewable energy in the energy generation segment, including primarily wind photovoltaic sources, weather conditions are becoming more and more important in the estimation of the Group's production volume, with particular regard to wind conditions in periods of I and IV quarter and sunny in periods of II and III quarter. However, the risk related to the seasonality and weather conditions is not crucial for the Group's operations

10. Operating segments

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

Therefore, there are following operating segments:

(in thousand PLN)

- The Generation Segment covering production of electricity both from conventional sources (including cogeneration) and by combustion and co-combustion of biomass. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment covers following entities:
  - Zespół Elektrowni „Pątnów – Adamów – Konin" SA
  - PAK-Polska Czysta Energia sp. z o.o.
  - PAK-PCE Fotowoltaika sp. z o.o.
  - PAK-PCE Biogaz sp. z o.o.
  - PAK-PCE Biopaliwa i Wodór sp. z o.o.
  - PAK-PCE Wiatr sp. z o.o.
- The Mining Segment covering the extraction of lignite. In the Mining Segment, within the Capital Group ZE PAK SA the following are operating:
  - „PAK Kopalnia Węgla Brunatnego Konin" SA
  - „PAK Kopalnia Węgla Brunatnego Adamów" SA in liquidation
- The Renovation Segment performing services in the scope of construction and renovation services. The Segment covers activities of Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.
- The Sales Segment performing services of the sale of electricity. The Sales Segment also includes the "PAK – Volt" SA company

ZE PAK SA Group also conducts other types of activities, which are included in the column "Other". In the first half of 2021, the activities of other companies are included there.

Transaction prices used in transactions between operating segments are determined on the basis of commercial principles, like in transactions with non-related entities. None of the Group's operating segments has been combined with another segment to create the above reporting operating segments.

Revenues due to transactions between segments are eliminated in the process of consolidation.

The Management Board of ZE PAK SA is the body making key decisions in the Group. The Management monitors the operating results of the segments separately in order to make decisions regarding the allocation of resources, the assessment of the effects of this allocation and results of operations. The basis for the assessment of operating results is profit or loss on operating activities and EBITDA. EBITDA should be seen as an add-on and not a substitute for operating results presented in accordance with IFRS. EBITDA is a useful indicator of the ability to incur and service debt. The level of EBITDA is not defined by IFRS and can be calculated differently by other entities. The following is the reconciliation and definitions used by the ZE PAK Group when determining these measures.

The Group defines EBITDA as a net profit excluding financial revenues and costs, income tax and depreciation and impairment write-downs on fixed assets and mining assets.

EBITDA for the entire Capital Group of ZE PAK SA

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Net profit / (loss)	19 989	(260 832)
Financial revenues	- 1 117	- 5 682
Financial costs	+ 6 274	+ 11 540
Income tax	- 9 546	- 53 631
Depreciation and impairment write-downs	+ 67 576	+ 369 547
EBITDA	83 176	60 942

The following tables present the segment results for the 6-month periods ended June 30, 2021 and June 30, 2020.

(in thousand PLN)

A period of 6 months ended 30 June 2021 (unaudited)

	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sales revenue to external customers	836 820	7 252	25 251	113 591	2 804	-	985 718
Sales revenue between segments	61 314	201 763	76 102	-	69 955	(409 134)	-
Sales revenue	**898 134**	**209 015**	**101 353**	**113 591**	**72 759**	**(409 134)**	**985 718**
Cost of goods sold	(838 525)	(228 566)	(87 247)	(109 359)	(70 816)	403 460	(931 053)
Gross profit / (loss)	**59 609**	**(19 551)**	**14 106**	**4 232**	**1 943**	**(5 674)**	**54 665**
Other operating income	17 467	9 829	416	1 709	165	(1 146)	28 440
Selling and distribution expenses	(1 028)	-	-	(1 304)	(181)	-	(2 513)
Administrative expenses	(21 920)	(21 759)	(4 848)	(1 468)	(3 496)	-	(53 491)
Other operating expenses	(9 745)	(1 560)	(88)	(99)	(93)	84	(11 501)
Finance income	1 533	-	-	-	-	(416)	1 117
Finance costs	(9 685)	(3 671)	(287)	(158)	(114)	7 641	(6 274)
Profit before tax	**36 231**	**(36 712)**	**9 299**	**2 912**	**(1 776)**	**489**	**10 443**
Income tax expense	14 244	(2 979)	(1 882)	(1 207)	73	1 297	9 546
Net profit/loss for the period from continuing operations	**50 475**	**(39 691)**	**7 417**	**1 705**	**(1 703)**	**1 786**	**19 989**
Profit / (loss) from operating activities, without financial operations and income tax	**44 383**	**(33 041)**	**9 586**	**3 070**	**(1 662)**	**(6 736)**	**15 600**
Depreciation / Amortization	56 774	6 999	1 324	5	1 993	481	67 576
Change in impairment	-	-	-	-	-	-	-
EBITDA	**101 157**	**(26 042)**	**10 910**	**3 075**	**331**	**(6 255)**	**83 176**

(in thousand PLN)

A period of 6 months ended 30 June 2020 (unaudited)

	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sales revenue to external customers	829 151	2 925	24 342	191 925	2 118	-	1 050 461
Sales revenue between segments	42 428	253 654	45 239	-	82 757	(424 078)	-
Sales revenue	**871 579**	**256 579**	**69 581**	**191 925**	**84 875**	**(424 078)**	**1 050 461**
Cost of goods sold	(992 637)	(382 212)	(65 126)	(195 976)	(95 117)	425 515	(1 305 553)
Gross profit / (loss)	**(121 058)**	**(125 633)**	**4 455**	**(4 051)**	**(10 242)**	**1 437**	**(255 092)**
Other operating income	33 041	3 685	111	35	491	(1 390)	35 973
Selling and distribution expenses	(814)	-	-	(961)	(232)	-	(2 007)
Administrative expenses	(23 854)	(18 641)	(4 823)	(1 384)	(3 028)	-	(51 730)
Other operating expenses	(35 989)	(526)	(552)	(18)	(54)	1 390	(35 749)
Finance income	5 774	181	53	144	9	(479)	5 682
Finance costs	(4 767)	(7 057)	(132)	(1)	(62)	479	(11 540)
Profit before tax	**(147 667)**	**(147 991)**	**(888)**	**(6 236)**	**(13 118)**	**1 437**	**(314 463)**
Income tax expense	46 356	4 341	1 687	1 050	206	(9)	53 631
Net profit/loss for the period from continuing operations	**(101 311)**	**(143 650)**	**799**	**(5 186)**	**(12 912)**	**1 428**	**(260 832)**
Profit / (loss) from operating activities, without financial operations and income tax	**(148 674)**	**(141 115)**	**(809)**	**(6 379)**	**(13 065)**	**1 437**	**(308 605)**
Depreciation / Amortization	49 502	26 086	1 632	2	2 020	1 305	80 547
Change in impairment	152 000	137 000	-	-	-	-	289 000
EBITDA	**52 828**	**21 971**	**823**	**(6 377)**	**(11 045)**	**2 742**	**60 942**

(in thousand PLN)

11. Revenues and costs

11.1. Sale revenues

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Material structure				
Revenues from the sale of goods, including:				
Revenues from the sale of electricity	523 322	301 634	647 714	328 435
Revenues from the sale of electricity from trade	191 501	82 144	219 188	109 731
Revenues from the sale of heat	28 672	10 632	26 570	10 249
Other sales revenues	22 788	11 117	17 067	10 158
Revenues from construction service contracts	19 187	14 938	17 124	10 581
Total revenues from the sale of goods	**785 470**	**420 465**	**927 663**	**469 154**
Excise	(657)	(151)	(850)	(379)
Total revenues from the sale of goods, including excise duty	**784 813**	**420 314**	**926 813**	**468 775**
Property rights from energy certificates	31 490	17 592	24 812	8 863
Compensation for LTC termination	77 612	36 425	98 836	48 749
Revenues from capacity market	91 803	48 973	-	-
Total revenues	985 718	523 304	1 050 461	526 387

Revenues from the capacity market are revenues from the readiness to supply electricity to the system or to supply specific capacity.

The main components of the "Other sales revenue" item in the first half of 2021 are: sales of materials and other goods in the amount of PLN 10 209 thousand and workshop and service works in the amount of PLN 5 358 thousand.

11.2. Other operating revenues

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Revenues from the sale of CO2 allowances	6 186	6 186	2 658	2 658
Revenues from damages	367	79	718	20
Use of the forward contract securing the purchase of CO2 emission allowances	5 515	1 629	26 210	11 686
Reversal of the impairment write-down of receivables	316	(256)	-	-
Grants settlement	923	911	2 050	(473)
Profit from disposal of non-financial fixed assets	9 555	8 646	3 624	51
Release of the provision for costs and losses and redemption of liabilities	1 816	1 816	5	4
Revenue from demolition and sale of scrap	3 762	1 966	-	-
Other	-	(366)	708	1 391

(in thousand PLN)

Total of other operation revenues	28 440	20 611	35 973	15 337

11.3. Other operating expenses

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Loss on the sale of property, plant and equipment	9	4	-	(2)
Creation of provisions	976	884	398	(84)
Update of provisions for redemption of CO2 emission allowances for 2019	-	-	30 045	11 256
Update of provisions for the reclamation of ash landfills	-	-	3 152	3 075
Impairment write-down on receivables	9 028	9 028	568	501
Penalties and damages	451	440	80	79
Energy damage	98	98	38	38
Donations given	57	23	32	12
Other	882	327	1 436	957
Total other operation expenses	11 501	10 804	35 749	15 832

11.4. Financial income

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Interest income	21	-	1 881	77
Foreign exchange gains	1 095	(538)	2 228	200
Valuation of exchange rate hedging instruments (forward)	-	-	1 551	(2 042)
Other	1	1	22	3
Total financial income	1 117	(537)	5 682	(1 762)

11.5. Financial costs

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Interests expenses	2 908	1 222	2 927	1 332
Foreign exchange losses	204	179	2 560	2 558
Reserve discount for liquidation of power units	152	76	285	220
Reserve discount for reclamation	2 596	1 036	5 014	2 429

(in thousand PLN)

Other	414	195	754	459
Total of financial costs	6 274	2 708	11 540	6 998

11.6. Costs by type

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Depreciation / Amortisation	67 576	33 762	80 547	41 777
Impairment write-downs on fixed assets	-	-	289 000	289 000
Impairment write-downs on inventories	-	(30)	3 400	1 804
Materials	163 487	81 710	136 896	64 189
External services	41 151	25 027	41 958	21 582
Taxes and charges, excluding excise duty	73 750	35 136	75 813	34 739
Costs of allowances for emission of CO_2	230 260	135 103	309 089	161 653
Costs of employee benefits	188 552	96 795	204 624	105 406
Other costs by type	17 970	12 908	15 758	11 340
Cost of goods for resale and raw materials sold and resale of electricity from the market	220 683	97 554	226 773	112 253
Total cost by type	1 003 429	517 965	1 383 858	843 743
Items included in cost of goods sold	931 053	482 406	1 305 553	802 425
Items included in selling and distribution expenses	2 513	807	2 007	895
Items included in administrative expenses	53 491	26 222	51 730	22 627
Change in the stocks of finished goods	16 157	8 320	24 287	17 735
Cost of goods and services for internal needs	215	210	281	61

12. Income tax

12.1. Tax load

The main components of the tax burden for the 6-month periods ended June 30, 2021 and June 30, 2020 are as follows:

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Included in the profit and loss				
Current income tax				
Current income tax load	2 975	1 415	120	58

(in thousand PLN)

Deferred income tax load				
Related to creation and reversal of temporary differences	(12 530)	(8 981)	(52 110)	(58 963)
Other changes	9	1	(1 641)	7
Tax load in the consolidated profit or loss	**(9 546)**	**(7 565)**	**(53 631)**	**(58 898)**
Included in the consolidated statement of the comprehensive income				
Income tax concerning actuarial profit/losses	(13)	(10)	14	(7)
Tax benefit/(tax load) included in comprehensive income	**(13)**	**(10)**	**14**	**(7)**

12.2. Deferred income tax

Deferred income tax results from the following items:

	30 June 2021 (unaudited)	*31 December 2020*
Deferred tax asset		
Balance sheet provision	65 915	60 908
Overburden and other mining assets	4 818	4 811
Interest and exchange rate differences	-	2
Valuation of non-terminated agreements for building services	3 039	1 510
Tax loss from previous years	10 192	10 192
Impairment write-down on inventories	6 087	6 530
Impairment write-down on receivables	2 605	932
The difference between the balance sheet and tax value of fixed assets	12 428	16 103
Settlements with employees	1 989	5 689
Other	2 457	5 451
Total	109 530	112 128
Provision for deferred tax		
The difference between the balance sheet and tax value of fixed assets	289 899	316 977
Receivables for LTC	26 302	15 942
Energy certificates	3 144	4 311
Interest and exchange rate differences	828	509
Valuation of non-terminated construction agreements	2 406	501
Other	2 921	1 870
Total	325 500	340 110
After offsetting the balances at the level of the Group companies, the deferred tax is presented as:		
Asset:	**82 645**	**84 920**

(in thousand PLN)

Provision:	**298 615**	**312 902**

13. Profit per one share

Basic profit per one share is calculated with division of net profit/loss for the period of the parent company's ordinary shareholders by weighted average of number of issued ordinary shares occurring during the period.

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

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

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Net profit / (loss) on continued activities of the parent company's shareholders	19 989	27 996	(257 514)	(247 168)
Profit / (loss) on abandoned activities of the parent company's shareholders	-	-	-	-
Net profit / (loss) of ordinary shareholders used for calculation of diluted profit / (loss) per one share	19 989	27 996	(257 514)	(247 168)
The average weighted number of ordinary shares used for calculation of basic and diluted profit / (loss) per one share	50 823 547	50 823 547	50 823 547	50 823 547

The below table shows the profit/(loss) per one share in Polish zlotys for the period of 6 months ended 30 June 2021 and 30 June 2020 presented in the profit and loss account.

	A period of 6 months ended 30 June 2021 (unaudited)	*A period of 3 months ended 30 June 2021 (unaudited)*	*A period of 6 months ended 30 June 2020 (unaudited)*	*A period of 3 months ended 30 June 2020 (unaudited)*
Basic from profit/(loss) for the financial year attributable to the shareholders of the parent company	0,39	0,55	(5,07)	(4,86)
Diluted from profit/(loss) from continuing operations attributable to the shareholders of the parent company	0,39	0,55	(5,07)	(4,86)

In the period between the balance sheet day and the day of development of this financial statement, there were no changes in amounts of ordinary shares or potential ordinary shares.

(in thousand PLN)

14. Tangible fixed assets

A period of 6 months ended 30 June 2021 (unaudited)

	*Lands**	*Buildings and constructions*	*Technical devices*	*Motor vehicles*	*Other assets*	*Assets under construction*	*Total*
Gross value as at 1 January 2021	227 051	2 041 008	4 958 644	62 817	33 561	194 765	7 517 846
Direct purchase	738	-	2 205	100	1 221	209 615	213 879
Repairs	-	-	(144)	-	-	(233)	(377)
Transfer from fixed assets under construction	12 020	532	3 912	-	180	(16 644)	-
Sale and liquidation	(1 379)	(1 214)	(21 295)	(4 443)	(194)	-	(28 525)
Gross value as at 30 June 2021	238 430	2 040 326	4 943 322	58 474	34 768	387 503	7 702 823
Depreciation and impairment write-downs as at 1 January 2021	53 801	1 635 308	4 021 745	55 656	23 534	67 141	5 857 185
Depreciation write-off for the period	2 093	16 182	41 031	1 107	776	-	61 189
Sale and liquidation	(1 167)	(1 214)	(19 011)	(4 403)	(189)	-	(25 984)
Depreciation and impairment write-downs as at 30 June 2021	54 727	1 650 276	4 043 765	52 360	24 121	67 141	5 892 390
Net value as at 1 January 2021	173 250	405 700	936 899	7 161	10 027	127 624	1 660 661
Net value as at 30 June 2021	183 703	390 050	899 557	6 114	10 647	320 362	1 810 433

** this item also includes land exploited for extraction of minerals using the opencast method*

Fixed assets under construction include mainly expenditure on the construction of a 70 MWp photovoltaic farm in the amount of PLN 138,499 thousand and expenditure on the adaptation of K7 boiler at Konin Power Plant to biomass combustion in the amount of PLN 83,730 thousand.

(in thousand PLN)

A period of 6 months ended 30 June 2020 (unaudited)

	*Lands**	*Buildings and constructions*	*Technical devices*	*Motor vehicles*	*Other assets*	*Assets under construction*	*Total*
Gross value as at 1 January 2020	223 248	2 054 574	5 008 834	68 269	33 695	110 079	7 498 699
Direct purchase	1	-	170	-	326	5 485	5 982
Repairs	-	-	(144)	-	-	-	(144)
Transfer from fixed assets under construction	3 774	-	65	-	68	(3 907)	-
Sale and liquidation	(494)	(28)	(11 683)	(167)	(230)	-	(12 602)
Gross value as at 30 June 2020	226 529	2 054 546	4 997 242	68 102	33 859	111 657	7 491 935
Depreciation and impairment write-downs as at 1 January 2020	49 888	1 485 397	3 848 829	49 283	23 113	82 328	5 538 838
Depreciation write-off for the period	1 901	21 178	46 315	1 866	648	-	71 908
Impairment write-down (change of the state)	-	127 531	142 840	8 588	41	-	279 000
Sale and liquidation	-	(28)	(10 914)	(166)	(229)	-	(11 337)
Depreciation and impairment write-downs as at 30 June 2020	51 789	1 634 078	4 027 070	59 571	23 573	82 328	5 878 409
Net value as at 1 January 2020	173 360	569 177	1 160 005	18 986	10 582	27 751	1 959 861
Net value as at 30 June 2020	174 740	420 468	970 172	8 531	10 286	29 329	1 613 526

** this item also includes land exploited for extraction of minerals using the opencast method*

14.1. The value impairment test of assets of ZE PAK SA Capital Group

Identification of cash-generating units (CGU)

In accordance with IAS 36, at the end of every reporting period, the Group's Management Board evaluates whether there are any prerequisites indicating that there may have occurred loss in value of the component of fixed assets. In case of statement that there are such prerequisites, the Group estimates recoverable number of assets' components. Due to the above, the Group always analyses: prerequisites that may affect loss in value of any of assets' components, as well as determining cash generating units (CGU) within the Group's companies.

When separating the CGU within the Group companies, an analysis of the independence of cash flow generation in terms of the functioning of individual companies was performed and additional premises on the basis of which the financial projections were updated were taken into account.

Within ZE PAK SA, the following CGU were established:

- CGU Elektrownia Pątnów I
- CGU Elektrownia Pątnów II
- CGU for green energy based on biomass CGU Elektrownia Konin.

As at June 30, 2021, the lignite mine PAK KWB Konin SA conducts business activity in Jóźwin, Tomisławice and Drzewce open-pit mines.

In these companies, as profit generating units, smaller groups of assets that generate independent cash inflows were not, however, distinguished because of the many reasons, inflows generated by particular groups of assets are very closely connected with each other. As a result, the mine is expected to provide the power plant with a certain amount of coal; it is irrelevant, from which open pit it will come from. As a result, coal is supplied to the power plant from several open pits interchangeably. The organisational structure and registration systems are subordinated to such an established production target. An additional factor determining the separation of the CGU was the update of the strategy of the ZE PAK SA Group, which, on the one hand, assumed the acceleration of the decommissioning of coal-based activities, and, on the other hand, the development of renewable energy activities.

The above arguments determined distinguishing the following units generating cash flows within the ZE PAK SA Capital Group:

- Fixed assets (generating) ZE PAK SA Elektrownia Pątnów I („CGU ZE PAK Elektrownia Pątnów I - black energy")
- Fixed assets (generating) ZE PAK SA Elektrownia Pątnów II („CGU ZE PAK Elektrownia Pątnów II - black energy")
- Fixed assets (generating) ZE PAK SA Elektrownia Konin („CGU ZE PAK Elektrownia Konin – green energy from biomass"),
- Fixed assets (mining) and mining assets PAK KWB Konin SA concerning open pits in Jóźwin, Tomisławice and Drzewce („CGU PAK KWB Konin"),

Moreover, the remaining CGUs were distinguished within the following segments: Repairs, Sales, and Others.

Analysis of the premises to conduct impairment tests as at June 30, 2021

In accordance with IAS 36, at the end of each reporting period, the Group's Management Board assesses whether there are any premises indicating that non-current assets may be impaired. If it is found that such premises exist, the Group estimates the recoverable amount of assets. In connection with the above, the Group always analyses the premises that may affect the impairment of any asset and determines the cash-generating units (CGU) within the Group companies.

Due to the periodic stock market capitalization of the Parent Undertaking in 2020 below the carrying amount of net assets (which, in accordance with IAS 36, is a premise for impairment tests), in accordance with IAS 36, the Management Board of ZE PAK SA analysed which area of the Company's operations may be affected by a loss of value. An analysis of individual CGUs was carried out:

- CGU related to the production of energy, the so-called black, i.e. CGU ZE PAK Elektrownia Pątnów I and CGU ZE PAK Elektrownia Pątnów II - in the opinion of the Group, most of the generating assets have already been written off, their useful life has been significantly shortened, i.e. for Elektrownia Pątnów I by 2024, for Elektrownia Pątnów II by 2030 year due to the increased risk related to the launch of prospective lignite

(in thousand PLN)

deposits. In addition, it should be noted that as of June 30, 2020, unmodernised units 3 and 6 were shut down. Modernized units 1,2,5 at the Pątnów I Power Plant remained in operation. These assumptions resulted from the updated strategy, hence the Group does not see any further need to test these assets;
- CGU of mining operations - mining assets have already been written off to the fair value of the land, therefore the Group does not see the need to test these assets either;
- CGU related to green energy, i.e. CGU ZE PAK Konin Power Plant - green energy from biomass - in line with the adopted strategy, it is the Group's development and most profitable branch. It is in line with the European Union's climate policy aimed at radically increasing the emission reduction target by 2030 from 40% to at least 55% compared to the 1990 level. In addition, there is a growing demand for production from biomass units due to the qualification - as a RES stabilizing the production of uncontrollable wind farm modules and photovoltaic; hence the Group withdrew from testing these assets.

In addition, the Group took into account the fact that the share price of ZE PAK SA from the end of 2020 to June 2021 increased by 5.4%, and compared to June 2020 even by 16.5%. Additionally, the Group analysed the market situation and the external environment. It should be noted that on February 2, 2021, the Council of Ministers approved the "Poland's energy policy until 2040" (PEP2040), which is to constitute a clear vision of Poland's energy transformation strategy, and on March 10, 2021, it was published in Monitor Polski. The theses and directions of development included in it confirm the correctness of the directions of development adopted by the Company in the new strategy.

As a result of the above analysis, it was concluded that there were no circumstances to change the strategic assumptions and thus no impairment tests were carried out on property, plant and equipment as at June 30, 2021.

It should be emphasized that ZE PAK SA Group in 2020 announced a new strategy assuming, inter alia, decommissioning of coal production - the fastest and the shortest time in Poland, i.e. 20 years earlier than the assumed climate neutrality of the European Union, and at the same time it assumes the development of new areas in which ZE PAK SA Group intends to exist.

As of June 30, 2021, the Management Board maintains the cash flow budgets used in the latest tests and does not identify any reasons to change them, these budgets are being implemented.

15. Assets under the right to use and liabilities under the lease

As of January 1, 2019, the Group applied IFRS 16 Leasing for the first time. In accordance with this standard, the Group recognizes an asset for the right of use and a liability for leasing in the balance sheet.

The Group as a lessee

The Group is a party to lease contracts for underlying asset components such as:

- land, including the right of perpetual usufruct of land,
- motor vehicles,
- machinery.

Land lease contracts are concluded for a period of 4 to 14 years and for an indefinite period, and rights to perpetual usufruct of land have been received for a period of 40 to 100 years. Lease payments are indexed in accordance with the Land Management Act.

The leasing period of motor vehicles is from 2 to 5 years.

The period of leasing machines is from 2 to 5 years. The contract includes the option to buy the underlying asset after the lease period.

All leasing contracts were concluded in PLN.

Maturity analysis of leasing liabilities as at 30 June 2021:

	30 June 2021 (unaudited)	*31 December 2020*
Up to 1 year	5 347	6 330
1 to 3 years	14 516	14 558

(in thousand PLN)

3 to 5 years	8 364	8 337
Over 5 years	123 687	128 765
Total according to undiscounted payments	151 914	157 990
Book value	47 126	51 495

Amounts recognised in the cash flow statements

	Period of 6 months ended 30 June 2021 (unaudited)	*Year ended 31 December 2020*
Total cash outflow	6 076	8 990

The right to use

Assets due to the right to use include assets used under land lease contracts, perpetual usufruct rights to land and financial leasing at PAK KWB Konin SA, PAK KWB Adamów SA in liquidation and ZE PAK SA.

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Gross value as at 1 January	67 296	67 296
Remission as at 1 January	(18 087)	(11 087)
Net value as at 1 January	49 209	56 209
Depreciation for the period	(1 712)	(3 646)
As at the end of the period	47 497	52 563

Additional qualitative and quantitative information on leasing activities

In connection with concluded lease agreements, the Group is potentially exposed to future cash outflows that were not included in the measurement of lease liabilities. This includes exposure resulting from:

- from variable leasing fees,
- from the option to extend the lease and the option to terminate the lease,
- from the guaranteed residual value, and
- from leases not yet started to which the lessee is obliged.

Variable leasing fees

Current lease contracts do not contain variable lease payments

Extension option

Until the date of publication of this report, the Group has not concluded leasing contracts that contain extension options.

(in thousand PLN)

16. Intangible assets

Long-term intangible assets – period of 6 months ended 30 June 2021 (unaudited)

	Patents and licences	*Computer software*	*Other intangible assets*	*Total*
Gross value as at 1 January 2021	23 444	2 128	417	25 989
Decrease	(1 379)	-	-	(1 379)
Increase	74	-	-	74
Gross value as at 30 June 2021	22 139	2 128	417	24 684
Depreciation and impairment write-downs as at 1 January 2021	20 741	2 128	366	23 235
Depreciation write-down for the period	414	-	-	414
Impairment write-down	-	-	-	-
Decreases	(1 379)	-	-	(1 379)
Depreciation and impairment write-downs as at 30 June 2021	19 776	2 128	366	22 270
Net value as at 1 January 2021	2 703	-	51	2 754
Net value as at 30 June 2021	2 363	-	51	2 414

(in thousand PLN)

Long-term intangible assets – period of 6 months ended 30 June 2020 (unaudited)

	Patents and licences	*Computer software*	*Other intangible assets*	*Total*
Gross value as at 1 January 2020	22 607	2 128	417	25 152
Decreases	(5)	(33)	-	(38)
Increases	215	-	-	215
Gross value as at 30 June 2020	22 817	2 095	417	25 329
Depreciation and impairment write-downs as at 1 January 2020	19 911	2 128	365	22 404
Depreciation write-down for the period	482	-	1	483
Impairment write-down	-	-	-	-
Decreases	(5)	(33)	-	(38)
Depreciation and impairment write-downs as at 30 June 2020	20 388	2 095	366	22 849
Net value as at 1 January 2020	2 696	-	52	2 748
Net value as at 30 June 2020	2 429	-	51	2 480

(in thousand PLN)

Emission allowances

	30 June 2021 (unaudited) *Certified emission reduction units (EUA)*	*30 June 2020 (unaudited)* *Certified emission reduction units (EUA)*
Gross value as at 1 January	3 565	93 218
Purchase	648 054	571 814
Sale	(8 989)	(43 500)
EUA redemption	(642 615)	(618 090)
Net value as at 1 January	3 565	93 218
Net value as at 30 June	15	3 442

17. Assets for overburden removal and other mining assets

As of 30 June 2021, the item of assets concerning overburden stripping and other mining assets includes the assets related to overburden stripping and other mining assets in PAK KWB Konin in the amount of PLN 48 109 thousand.

	30 June 2021 (unaudited)	*31 December 2020*
As of 1 January	52 291	70 620
Increase	79	7 599
Decrease	-	(13 318)
Impairment write-down	-	(3 631)
Depreciation for the period	(4 261)	(8 979)
As of the end of the period	48 109	52 291
Long-term	48 109	52 291
Short-term	-	-

18. Other assets

18.1. Other financial assets

	30 June 2021 (unaudited)	*31 December 2020*
Investments and deposits	-	1
Investments and MLF deposits*	3 997	3 470
Shares	345	345
Other	1 730	1 275
Total other financial assets	6 072	5 091
Short-term	-	10
Long-term	6 072	5 081

**MLF – Mining Liquidation Fund*

The creation of the mining plant's liquidation fund results from the Geological and Mining Act.

(in thousand PLN)

18.2. Other non-financial assets

	30 June 2021 (unaudited)	*31 December 2020*
VAT receivables	46 259	34 536
Insurance	62	371
Other receivables from the state budget	197	-
Other non-financial assets	2 196	-
Other accruals	9 357	1 779
Research and development works	2 508	1 572
Delivery prepayments	907	508
Prepayments for assets under construction	119	-
Other	(42)	1 204
Total other non-financial assets	61 563	39 970
Short-term	60 452	39 673
Long-term	1 111	297

The largest components of the item "Other accruals" are settlements related to the fee for excluding land from agricultural and forestry production in the amount of PLN 3 792 thousand, settlements related to the Social Fund in the amount of PLN 1 656 thousand.

19. Inventories

	30 June 2021 (unaudited)	*31 December 2020*
Production fuel	9 020	6 599
Spare parts and other materials	41 327	33 265
Certificates of energy origin	16 882	27 995
Goods	4	-
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	67 233	67 859

Certificates of origin for energy production from renewable sources and high-efficiency cogeneration are shown at fair value at the end of the month in which energy was produced from renewable sources.

As at June 30, 2021, the Group did not have the property rights to green energy certificates produced and verified by the Energy Regulatory Office. From January 1, 2021 to June 30, 2021, the Group received 196,404.651 MWh certificates for production in October, November and December 2020 and for January, February and March 2021. During this period, an application was submitted for the issuance of 33,704.016 MWh for production in April 2021. Obtaining certificates of origin was performed on an ongoing basis. In the first half of 2021, 243,250.000 MWh was sold on TGE SA, the revenue from this amounted to PLN 36,417 thousand. Valuation of certificates for the submitted applications for April, May and June 2021 is PLN 17,982 thousand.

(in thousand PLN)

Spare parts are a stock for the needs of current repairs and service. The write-down for other materials and non-strategic spare parts as at June 30, 2021 amounts to PLN 32,039 thousand.

20. Trade and other receivables

	30 June 2021 (unaudited)	*31 December 2020*
Trade receivables	177 924	155 289
Receivables due to compensation related to the termination of the PPAs	138 431	83 908
Receivables due to security of purchase of electricity in the balancing market	2 555	2 293
Other receivables	253 756	143 566
Net receivables	572 666	385 056
Impairment write-down on receivables	54 811	46 105
Gross receivables	627 477	431 161

In the line other receivables as at June 30, 2021, the Group presents mainly receivables from deposits securing transactions on the Polish Power Exchange and securing the purchase of CO_2 emission allowances (EUA) in the amount of PLN 223,766 thousand (as at December 31, 2020 it was the amount PLN 94 569 thousand).

The Group analyses and reduces credit risk in relation to cash through ongoing monitoring of financial institution ratings and reduces the risk of concentration of cash surpluses in one financial institution, using internal rules of risk management principles. The whole revaluation write-off of receivables concerns individual receivables.

The Group has appropriate policy concerning the sale to the verified clients only. Thanks to that, according to the management, there is no additional credit risk exceeding the level specified by non-collectible receivables impairment write-downs, specific to the Group's trade receivables.

21. Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet include cash at bank and in hand as well as short-term deposits with the original maturity period not exceeding three months.

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on overnight bank deposits. Short-term deposits are placed for various periods, from one day to three months, depending on the Group's current demand for cash, and bear interest at the interest rates set for them. The fair value of cash and cash equivalents as at June 30, 2021 is PLN 84 997 thousand (as at June 30, 2020: PLN 188 923 thousand).

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

Cash structure

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Cash in hand and at bank	84 902	50 000
Short-term deposits	95	138 923
Total cash and cash equivalents in the balance sheet:	84 997	188 923
Foreign exchange differences	(3)	(14)
Total cash and cash equivalents in cash flow statements:	84 994	188 909

(in thousand PLN)

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Depreciation:		
Depreciation shown in the income statement	67 576	80 547
Settlement of subsidies	(923)	(1 823)
Depreciation shown in the cash flow statements	66 653	78 724

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Receivables:		
Balance sheet change in trade receivables and other receivables	(187 610)	(7 921)
Balance sheet change in other long and short-term non-financial assets	(21 594)	(20 398)
Balance sheet change in amounts due from clients under PPAs	(1 207)	(4 712)
Change in advances for fixed assets under construction	25 036	17 670
Other changes	1 923	2 198
Change in receivables shown in the cash flow statement	(183 452)	(13 163)

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Liabilities:		
Balance sheet change in trade liabilities and other financial liabilities, long and short-term	141 966	(31 405)
Balance sheet change in other non-financial liabilities	(1 368)	(44 312)
Balance sheet change in amounts paid to clients under PPAs	(859)	171
Change in liabilities under investment settlements	22 504	(5 049)
Purchase of debt securities	-	-
New lease agreements and payment of lease liabilities	584	1 053
Other changes	-	(5 406)
Change in liabilities shown in the cash flow statement	162 827	(84 948)

(in thousand PLN)

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Change in provisions, prepayments and accruals and employee benefits:		
Change in provisions and accruals	(421 120)	(276 312)
Change in long and short-term employee benefits	482	663
Change in provision due to redemption of EUA	642 615	618 090
Change in actuarial provisions indicated in other comprehensive income	(27)	(72)
Other changes	651	(827)
Change in provisions, prepayments and accruals and employee benefits	222 601	341 542

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Inventories		
Balance change in inventories	627	(6 487)
Change in inventories disclosed in the statement of cash flow	627	(6 487)

22. Dividends paid and proposed for payment

ZE PAK SA neither paid nor declared the payment of the dividend within 6 months of 2021.

23. Interest-bearing loans and borrowings

Short-term	*Maturity*	*30 June 2021 (unaudited)*	*31 December 2020*
Overdraft facility in Santander Bank Polska SA in the amount of PLN 40,000 thousand, interest rate at WIBOR 1M + bank margin (PAK KWB Konin SA)	30.06.2021	-	24 123
Overdraft facility in Pekao SA in the amount of PLN 100 000 thousand, with an interest rate of WIBOR 1M + bank margin (ZE PAK SA)	31.12.2021	51 466	-
Non-revolving loan in Alior Bank SA in the amount of PLN 66 700 thousand, with an interest rate of WIBOR 3M + bank margin (PAK KWB Konin SA)	15.12.2021	15 439	30 880
Investment loan in Pekao SA in a bank PLN 160,000 thousand, interest rate at WIBOR 3M + margin (ZE PAK SA)	31.12.2030	4 617	-
Term investment loan in the consortium of banks PKO BP, Pekao SA and mBank SA in the amount of PLN 138,000 thousand, interest rate at WIBOR 1M + bank margin (PAK-PCE Fotowoltaika Sp. z o.o.)	31.12.2035	5 849	-
VAT working capital loan at PKO BP and Pekao SA in the amount of PLN 37,000 thousand, with an	30.06.2022	16 873	-

(in thousand PLN)

interest rate of WIBOR 1M + bank margin (PAK-PCE Fotowoltaika Sp. z o.o.)			
A loan in the amount of PLN 58 thousand from Galeon sp. z o.o., with an interest rate of WIBOR 6M (PG Hydrogen sp. z o.o.)	06.09.2021	57	-
TOTAL		**94 301**	**55 003**

Long-term	*Maturity*	*30 June 2021 (unaudited)*	*31 December 2020*
Investment loan in Pekao SA in the amount of PLN 160 000 thousand, with an interest rate of WIBOR 3M + bank margin (ZE PAK SA)	31.12.2030	82 099	-
Term investment loan in the consortium of banks PKO BP, Pekao SA and mBank SA in the amount of PLN 138,000 thousand, interest rate at WIBOR 1M + bank margin (PAK-PCE Fotowoltaika Sp. z o.o.)	31.12.2035	83 544	-
TOTAL		**165 643**	**-**

Change in the balance of credits and loans for a period of 6 months ended 30 June 2021 (unaudited)

	Bank loans	*Investment loans*	*Total*
As at 1 January	55 003	-	55 003
Incurrence	93 925	178 239	272 164
Repayment, incl.:	(65 077)	-	(65 077)
Capital repayment	(65 077)	-	(65 077)
Interests repayment	-	-	-
Paid commissions	-	-	-
Revaluation	(15)	(2 131)	(2 146)
As at the end of the period	83 836	176 108	259 944

Change in the balance of credits and loans for a year ended 31 December 2020

	Bank loans	*Investment loans*	*Total*
As at 1 January	76 540	-	76 540
Incurrence	10 946	-	10 946
Repayment, incl.:	(32 483)	-	(32 483)
Capital repayment	(30 914)	-	(30 914)
Interests repayment	(1 569)	-	(1 569)
Paid commissions	-	-	-
Revaluation	-	-	-
As at the end of the period	55 003	-	55 003

(in thousand PLN)

24. Provisions and accruals

24.1. Accruals

	30 June 2021 (unaudited)	*31 December 2020*
Provision for bonuses and holiday leaves	18 660	24 283
Compensation from an insurance company	735	647
Audit of financial statements	-	290
Other	7 162	2 565
Total	26 557	27 785
Short-term	26 557	27 785
Long-term	-	-

Provisions for retirement benefits and other post-employment benefits are presented by the Group in the statement of financial position under "employee benefits" broken down into long-term and short-term.

The main component of the "Other" item are provision for fees for economic use of the environment in the amount of PLN 5 162 thousand and the provision for a penalty for exceeding the amount of dust introduced into the air in 2015 in the amount of PLN 1 190 thousand. At the request of the Group, the Provincial Inspector for Environmental Protection set the date of deferment of the payment of the above-mentioned penalty for March 31, 2023, in accordance with the implementation of individual stages of the schedule of the project "Preparation of Adamów Power Plant grounds for new investments".

(in thousand PLN)

24.2. Change in provisions

	Provision for EUA redemption	*Provision for return of CO_2 emission allowances*	*Provision for the fixed assets liquidation costs*	*Provision for the reclamation of ash storage yards*	*Provision for the long-term contract loss*	*Provision for the certificates of origin of energy redemption*	*Reclamation provisions and other provisions related to mining activities*	*Other*	*Total*
As at 1 January 2021	640 512	7 038	18 451	67 313	36	11 245	351 779	18 906	1 115 280
increase	228 083	-	130	22	-	4 469	36 293	7 618	276 615
Decrease, incl.:	(640 438)	(103)	-	-	(1)	(11 087)	(41 564)	(3 312)	(696 505)
use	*(640 438)*	-	-	-	-	*(279)*	*(5 742)*	*(22)*	*(646 481)*
termination	-	*(103)*	-	-	*(1)*	*(10 808)*	*(35 822)*	*(3 290)*	*(50 024)*
As at 30 June 2021	228 157	6 935	18 581	67 335	35	4 627	346 508	23 212	695 390
Long-term	-	-	18 581	67 335	-	-	326 104	1 131	413 151
Short-term	228 157	6 935	-	-	35	4 627	20 404	22 081	282 239
As at 1 January 2020	587 487	6 362	18 190	63 921	66	19 249	361 134	24 121	1 080 530
Increase	649 190	676	261	3 392	10	11 245	25 775	1 309	691 858
Decrease, incl.:	(596 165)	-	-	-	(40)	(19 249)	(35 130)	(6 524)	(657 108)
use	*(596 081)*	-	-	-	-	*(16 649)*	*(31 332)*	*(2 042)*	*(646 104)*
termination	*(84)*	-	-	-	*(40)*	*(2 600)*	*(3 798)*	*(4 482)*	*(11 004)*
As at 31 December 2020	640 512	7 038	18 451	67 313	36	11 245	351 779	18 906	1 115 280
Long-term	-	-	18 451	67 313	-	-	327 631	1 132	414 527
Short-term	640 512	7 038	-	-	36	11 245	24 148	17 774	700 753

24.3. Description of significant titles of provisions

24.3.1. The provision for liabilities due to the emission of greenhouse gases (EUA)

The Group recognizes a provision for redemption of greenhouse gas emission allowances. As at June 30, 2021, the provision amounts to PLN 228,157 thousand.

CO_2 emission allowances

From January 1, 2013, another accounting period for emission allowances applies, which will end on December 31, 2020. The assumption of this period is the free allocation of emission allowances (EUA) resulting from the production of heat energy pursuant to art. 10a of Directive 2009/29 / EC), although the energy sector was additionally covered by the possibility of derogation. Derogation resulting from art. 10c of Directive 2009/29 / EC consists in the granting of additional free allowances, provided that the declared investment outlays for investments reported in the National Investment Plan (KPI) are incurred and a material and financial report on their implementation is presented.

The state of EUA units as at January 1, 2021 at ZE PAK SA was 88,998 EUA. In the first quarter of 2021, ZE PAK SA transferred 1,256,000 EUA as security for the concluded electricity purchase / sale transactions to the Commodity Clearing House. In March and April 2021, the account of ZE PAK SA received 5,258,000 EUA from the concluded MAR21 futures contracts. The status of emission allowances on the account in KOBIZE as at March 31, 2021 amounts to 4,090,998 EUA. In April 2021, 263,000 EUA units were transferred to the account in KOBIZE. At the same time, ZE PAK SA returned 1,231,873 EUA from the collateral in IRGIT (leaving 23,987 EUA on the collateral in IRGIT) and then redeemed 5,510,871 EUA units for 2020. After the redemption of CO2 emissions for 2020, the status of EUA units in KOBIZE as at June 30, 2021 was 140 EUA.

The provision is created in correspondence with the cost of sales.

CO2 emission allowances for the period of 6 months ended 30 June 2021 (unaudited)

		Zespół Elektrowni Pątnów-Adamów-Konin SA	
	CO_2 emission (tons)*	2 090 125	
		quantity (tons)	*amount (thousand PLN)*
EUA	Balance at the beginning of the period	88 998	3 565
	Purchased	5 521 000	648 054
	Provided for security to IRGIT	(23 987)	-
	Sale	(75 000)	(8 989)
	Redemption	(5 510 871)	(642 615)
	Balance at the end of the period	140	15
	Left to purchase	2 089 985	228 142

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

CO2 emission allowance for the period of 6 months ended 30 June 2020 (unaudited)

		Zespół Elektrowni Pątnów-Adamów-Konin SA		*Elektrownia Pątnów II sp. z o.o.*	
	CO_2 emission (tons)*	1 491 795		1 155 267	
		quantity (tons)	*amount (thousand PLN)*	*quantity (tons)*	*amount (thousand PLN)*
EUA	Balance at the beginning of the period	62 269	88	1 045 676	93 129
	Purchased	4 154 000	390 473	1 406 000	137 842
	Free of chargé	29 370	-	-	-
	Redemption	(4 158 913)	(387 240)	(2 450 404)	(230 850)
	Balance at the end of the period	86 726	3 321	1 272	121
	Left to purchase	1 405 069	167 882	1 153 995	137 773

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

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

The Group creates the provision for future costs of reclamation of the land on the basis of legal obligation resulting from the "Integrated Permits." The basis of estimation of the provision size are data prepared by domestic services. The value of the provision is estimated and verified on every balance sheet date on the basis of estimated cost to be incurred in the future and a discount. As of 30 June 2021, the created provision amounted to PLN 67 335 thousand.

Due to the legal obligation to liquidate fixed assets after their period of use, the Group creates the provision for projected future costs, which will be necessary to pay for fulfilment of this obligation. As of 30 June 2021, the provision due to this amounted to PLN 18 581 thousand. The provision is created in correspondence with the cost of sales. The discount amount recognized in financial costs is PLN 152 thousand. The change in the strategy and the associated shortening of electricity production based on lignite combustion will result in an earlier start of the ash landfill reclamation process.

24.3.3. Reclamation provisions and other provisions related to mining activities

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

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

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

The provision for decommissioning and reclamation of mining areas and for the preparation of operational areas at PAK KWB Konin SA and PAK KWB Adamów SA in liquidation as at June 30, 2021 amounted to PLN 346,508 thousand and decreased compared to the year ended December 31, 2020 by PLN 5,271 thousand. While calculating the provision, the Group adopted the following assumptions: discount rate, calculated for the period of 3 years, at 2.6%, inflation level at 2.5%.

The provision is created in correspondence with the prime cost of sales. The discounted amount charged to finance costs is PLN 2,596 thousand.

24.3.4. Provision for redemption of Energy certificates

Due to the sale of electricity to the final recipients, the Group is obliged to redeem the specified number of certificates of origin of energy from renewable energy sources, gas, and peak load co-generation. As of 30 June 2021, the provision due to this amounted to PLN 4,627 thousand. The provision is created in correspondence with the cost of sales.

24.3.5. Other provisions

The main items of other provisions as at June 30, 2021 in PAK KWB Konin SA are: provisions for mining damages in the amount of PLN 329 thousand, provisions for pending court proceedings in the amount of PLN 1,366 thousand, , provision for remuneration for mining use in the amount of PLN 1,240 thousand, in PAK KWB Adamów SA in liquidation: provisions for permanent exclusion from forest production of land for the final reservoir of Adamów post open-pit mine in the amount of PLN 15,828 thousand, provision for court cases in the amount of PLN 554 thousand. Provisions for mining damage and provision for permanent exclusion from production are created in correspondence with the cost of sale, and provisions for pending court proceedings in correspondence with other operating costs.

(in thousand PLN)

25. Trade liabilities, other liabilities and accruals

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

	30 June 2021 (unaudited)	*31 December 2020*
Trade and service liabilities:	137 342	98 960
Other liabilities, incl.:	197 092	89 301
Investment liabilities	30 513	50 818
Liabilities to employees due to salaries	14 564	16 119
Other liabilities	152 015	22 364
Total	334 434	188 261

In the line other liabilities, as at June 30, 2021, the Group presents mainly liabilities related to variable hedging related to the purchase of CO_2 emission allowances in the amount of PLN 143,686 thousand.

Principles and terms of payment of above financial liabilities:

Liabilities due to supplies and services are not subject to interest and are usually settled within either the 14-day, or 30-day period. Liabilities due to interests are usually settled within either monthly or quarterly periods during the whole financial year.

25.2. Other financial liabilities

	30 June 2021 (unaudited)	*31 December 2020*
VAT tax liabilities	45 730	31 182
Liabilities due to environmental charges	-	11 926
Liabilities due to the excise tax	502	519
Liabilities due to social insurance	20 993	19 191
Income tax from individuals	3 762	4 409
Other budget liabilities	380	3 827
Advanced payments for deliveries	-	329
Service charge	3 958	6 153
Other	1 459	616
Total	76 784	78 152

Liabilities due to environmental charges concern charges for air pollution, waste storage, intake of water, and wastewater disposal. The year is a settlement period.

Liabilities due to mining fees concern charges for the extracted mineral resulting from the Geological and Mining Law. The half-year is a settlement period.

The main components of the "Other" item are the excess of liabilities over the assets of the Social Fund in the amount of PLN 769 thousand and liabilities to PFRON in the amount of PLN 291 thousand.

(in thousand PLN)

25.3. Grants and deferred income (long-term)

	30 June 2021 (unaudited)	*31 December 2020*
Long-term grants	31 788	32 710
Other	4 046	3 317
Total	35 834	36 027

The main component of the item "Long-term subsidies": The subsidies in the amount of PLN 31,493 thousand presented as at June 30, 2021 arose as a result of a loan received from the National Fund for Environmental Protection and Water Management, as if it had been granted on market terms. The subsidy is settled according to the useful life of the fixed assets included in the 464 MW unit.

The main component of the "Other" item is land received free of charge from the Poviat Starosty and the Commune, amounting to PLN 3 895 thousand.

25.4. Grants and deferred income (short-term)

	30 June 2021 (unaudited)	*31 December 2020*
Short-term grants	3 646	3 646
Total	3 646	3 646

26. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in notes 26.2, 27 and 28 below, as of 30 June 2021, the Group did not have any other contingent liabilities, guarantees and sureties granted.

26.1. Court proceedings

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

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

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

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

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

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

On 18 January 2018, the company won a dispute with the Director of the National Tax Information in the aforementioned case, before the Court of Appeals in Poznań. The verdict of the court means that the company correctly recognized the costs of obtaining income from the abovementioned title.

In March 2018, the Director of the National Tax Information appealed against the court's judgment.

On August 25, 2020, a hearing was held before the Supreme Administrative Court, as a result of which the court dismissed the cassation appeal of the Director of the National Tax Information, thus sharing the arguments of Elektrownia Pątnów II sp. z o.o.

As a consequence, the case has returned to the Director of the National Tax Information, who is obliged to issue an individual interpretation consistent with the judgment of the Supreme Administrative Court, i.e. favourable for the Company.

On March 12, 2021, the Director of the National Tax Information issued an individual ruling in line with the judgment of the Supreme Administrative Court.

The proceeding is finished.

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

PAK KWB Konin SA is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of Wierzbinek Commune issued an environmental decision regarding the lignite open cast. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to alleged major infringement of the regulations of the law. On 25 March 2009, the Self-government Appeal Court dismissed the application to reverse the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań ruled that the environmental decision, pursuant to which the license for the extraction of lignite at Tomisławice deposit was granted, infringes the regulations of the law in a major manner. PAK KWBK SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court overturned the contested decision of the Provincial Administrative Court in Poznań and referred the matter for reconsideration. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision repealing the decision of the Self-government Appeal Court of 25 March 2009 refusing to declare the invalidity of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune, related to the extraction of lignite from Tomisławice open pit by PAK KWBK SA On 7 January 2013, PAK KWBK Konin SA submitted a cassation appeal from the described decision.

After the review on the hearing on 7 October 2014, the Supreme Administrative Court dismissed the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA from the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 repealing the decision of the Self-government Appeal Court in Konin of 25 March 2009 refusing the annulment of the environmental decision issued on 7 August 2007 by the Head of Wierzbinek Commune related to the extraction of lignite from Tomisławice open pit.

Dismissal of the cassation appeal of PAK Kopalnia Węgla Brunatnego Konin SA means that the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 became legally binding and the case regarding the statement of invalidity of the environmental decision will be examined again by the Self-government Appeal Court. On 18th January 2019 the Local Government Appeal Court in Konin issued a decision refusing to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune related to the exploitation of Tomisławice lignite open pit. Subsequently, the Government Appeal Court upheld its decision, from which a complaint was filed with Poznań Administrative Court.

The decision of the Local Government Appeal Court in Konin, means that the environmental decision issued by the Head of Wierzbinek Commune is still in legal circulation. The decision is not final. There has been submitted an application for reconsideration of the case by the Local Government Appeal Court in Konin.

On June 19, 2020 the Company received information on the issuance, in closed session by the Provincial Administrative Court in Poznań, of a judgment dismissing the complaint against the decision of the Local Government Appeals Board in Konin regarding refusal to annul the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune associated with the exploitation of the lignite mine Tomisławice.

The judgment of the Provincial Administrative Court in Poznań, dated June 18, 2020, means that the environmental decision issued on August 7, 2007 by the Head of Wierzbinek Commune, is still in legal circulation.

Against the judgment of June 18, 2020, the Provincial Administrative Court in Poznań, the Greenpeace Polska Foundation with its seat in Warsaw and Józef Imbiorski filed a cassation complaint with the Supreme Administrative Court. On October 26, 2020, PAK KWB Konin responded to the cassation appeal, petitioning for its dismissal. A hearing date has not yet been set in this case.

Provisions on the decision of the Minister of Climate (adjustment to the kBAT) and the judgment of the Provincial Administrative Court in Warsaw

Marshal of Wielkopolska Region, by the decision of October 2, 2020, reference number: DSR-II-1.7222.89.2019, changed the integrated permit for the operation of the Fuel Combustion Installation at Pątnów Power Plant and Konin Power Plant in terms of adapting to the requirements of BAT conclusions and granting partial derogation from the emission limit values specified in BAT conclusions based on Art. 204 paragraph 2 of the Environmental Protection Law. This decision was immediately enforceable due to the important social interest and the extremely important interest of the Company, and is binding, it is in legal circulation. Due to the ongoing appeal proceedings, its finality will only be confirmed when the Minister of Climate issues a decision in the case sustaining the above-mentioned decisions.

The legal situation is similar with regard to the integrated permit for the operation of the Fuel Combustion Installation at Pątnów II Power Plant, which by the decision of the Marshal of the Wielkopolska Province of April 29, 2020, DSR-II-1.7222.83.2019, was changed in terms of adapting to the requirements of BAT conclusions and granting a derogation from the emission limit values set out in BAT conclusions on the basis of Art. 204 paragraph 2 of the Environmental Protection Law, and this decision was corrected by the decision of the Marshal of Wielkopolska Province of February 17, 2021, reference number: DSR-II-1.7222.11.2021.

26.2. Contingent liabilities related to the decommissioning of the power plant

The obligation to carry out liquidation and land reclamation results from integrated permits for running fuel combustion installations in Pątnów, Konin and Adamów power plants belonging to ZE PAK SA. On the abovementioned entities, in the case of termination of the business, it is obliged to carry out the liquidation of all facilities and equipment of the installation in accordance with the requirements resulting from the provisions of the construction law. The installation area after their liquidation should be managed according to arrangements made with the local government body. In particular, it is necessary to draw up a project for the decommissioning of facilities and equipment that takes into account environmental protection requirements, mainly in relation to waste management.

Adamów Power Plant has already completed its operations and the process of decommissioning the installations located there is currently underway. Due to the directions of the strategy announced last year, it is also possible to specify the date of completion of the operation of the installations located in Pątnów. The termination of operation of older units in Pątnów can be determined at the end of 2024, and the newer unit with a capacity of 474 MW (former Pątnów II Power Plant), assuming an effective support system, could be operated until 2030 at the latest. Based on the experience related to the decommissioning of Adamów power plant, the interests and value of the bids submitted, it should be rationally assumed that the value of the dismantled equipment, scrap and aggregate from decommissioned installations is able to cover the costs of decommissioning and reclamation of the units.

27. Liability repayment securities

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

As of 30 June 2021 and 31 December 2020, the Group had liabilities protected with its assets and other protections of payment of liabilities:

(in thousand PLN)

Liabilities secured with the assets

Agreement	*Kind of security*	*30 June 2021 (unaudited) Security amount*	*currency*	*31 December 2020 Security amount*	*currency*
Non-revolving loan agreement with Alior Bank SA of 25 July 2019 for PLN 66 700 thousand for PAK KWB Konin SA	Registered pledge on machines and devices	Up to 141 400	PLN	Up to 141 400	PLN
Term investment loan agreement in Pekao SA for PLN 160 000 thousand for ZE PAK SA	Prime financial and registered pledge on ZE PAK bank accounts in Pekao SA	Up to 192 000	PLN	-	PLN
	Prime mortgage on Elektrowni Konin's real estate	Up to 192 000	PLN	-	PLN
Term investment loan and VAT loan agreement in PKO BP SA, Pekao SA and mBank SA for PLN 175 000 thousand for PAK-PCE Fotowoltaika Sp. z o.o.	Prime financial and registered pledge on PAK-PCE Fotowoltaika bank accounts in PKO BP SA, Pekao SA and mBank SA	Up to 262 500	PLN	-	PLN
	Prime mortgage on PAK-PCE Fotowoltaika's real estate	Up to 262 500	PLN	-	PLN
	Secondary mortgage on real estate of PAK-PCE Fotowoltaika to secure liabilities under IRS securing agreements and related transactions in PKO BP SA, Pekao SA and mBank SA	Up to 12 000 (PKO BP SA)	PLN	-	PLN
		Up to 12 000 (Pekao SA)	PLN	-	PLN
		Up to 7 500 (mBank SA)	PLN	-	PLN
	Prime registered pledge established on the collection of PAK-PCE Photovoltaic items and rights in PKO BP SA	Up to 262 500	PLN	-	PLN
	Prime financial and registered pledge on all shares in the share capital of PAK-PCE Fotowoltaika in PKO BP SA, Pekao SA and mBank SA	Up to 262 500	PLN	-	PLN

Other securities of liabilities

Guarantees given

Kind of guarantee	*30 June 2021 (unaudited) Security amount*	*currency*	*31 December 2020 Security amount*	*currency*
Guarantees of good performance of the contract	8 435	PLN	8 819	PLN
Guarantees to remove defects and faults	6 697 484	PLN EUR	7 223 434	PLN EUR
Payment guarantees (including guarantees securing transactions on TGE / IRGIT)	110 000	PLN	30 000 9 980	PLN EUR

(in thousand PLN)

In addition, the Group uses as collateral the repayment of liabilities, assignments from sales contracts, assignment from insurance policies, power of attorney to bank accounts and a statement on submission to enforcement.

The table below shows the sum of granted guarantees.

	30 June 2021 (unaudited)	*currency*	*31 December 2020*	*currency*
Intra-Group Guarantees	95 747	PLN	125 578	PLN
The Guarantees granted to the entities outside the Group	-	PLN	-	PLN
Total of granted Guarantees	**95 747**	**PLN**	**125 578**	**PLN**

28. Received guarantees and sureties

Kind of guarantee	*30 June 2021 (unaudited)* *Security amount*	*currency*	*31 December 2020* *Security amount*	*currency*
Guarantees of good performance of the contract	25 373	PLN	23 437	PLN
Guarantees to remove defects and faults	3 274 -	PLN EUR	2 711 -	PLN EUR
Payment guarantees	- -	PLN EUR	- -	PLN EUR
Advance payment guarantees	7 237 2 083	PLN EUR	12 705 2 083	PLN EUR

The Group has received sureties, these are only intra-group sureties.

29. Information about related entities

The following table presents the total amounts of significant transactions concluded with related entities for the 6-month period ended June 30, 2021 and June 30, 2020, as well as receivables and liabilities as at June 30, 2021 and June 30, 2020. Transactions with related entities are carried out on market terms.

Related entity		*Sales to related entities*	*Purchase from related entities*	*Receivables from related entities*	*Liabilities towards related entities*
Elektrim S.A.	I half 2021	-	-	-	-
	I half 2020	-	60	-	-
Megadex Development sp. z o.o.	I half 2021	29	-	-	-
	I half 2020	32	-	4	-
Megadex Expo sp. z o.o.	I half 2021	294	-	-	-
	I half 2020	341	-	67	-
Polkomtel sp. z o.o.	I half 2021	44 796	1 191	9 616	371
	I half 2020	56 289	3 462	11 004	440
Polkomtel Infrastruktura sp. z o.o.	I half 2021	87	-	34	-
	I half 2020	55	-	22	-
Laris Investments sp. z o.o.	I half 2021	241	137	61	-
	I half 2020	260	184	14	-
Laris Technologies sp. z o.o.	I half 2021	1 231	-	-	-
	I half 2020	1 281	-	127	-
CPE sp. z o.o.	I half 2021	-	390	-	231

(in thousand PLN)

	I half 2020	1	421	-	103
Plus Flota sp. z o.o.	I half 2021	-	1 284	4	276
	I half 2020	-	1 417	4	287
Cyfrowy Polsat	I half 2021	1 697	4	701	-
	I half 2020	1 796	4	716	1
Esoleo sp. z o.o.	I half 2021	1 984	106 054	993	16 857
	I half 2020	-	-	-	-
Maciej Nietopiel	I half 2021		120	-	25
	I half 2020		-	-	-
Tomasz Zadroga	I half 2021	-	120	-	25
	I half 2020	-	120	-	25
KD Management Krzysztof Dziaduszyński	I half 2021	-	30	-	6
	I half 2020	-	100	-	18
Doradztwo Strategiczne Maciej Koński	I half 2021	-	150	-	31
	I half 2020	-	125	-	31
Paweł Markowski	I half 2021	-	165	-	34
	I half 2020	-	-	-	-
Impact Paweł Lisowski	I half 2021	-	165	-	34
	I half 2020	-	-	-	-
Total	**I half 2021**	**50 359**	**109 810**	**11 409**	**17 890**
	I half 2020	**60 055**	**5 893**	**11 958**	**905**

Elektrim SA is the parent company of ZE PAK SA Group. The remaining companies are subsidiaries or affiliated with Elektrim SA.

Transactions with Polkomtel sp. z o.o. they mainly concern the sale of electricity.

Transactions with ESOLEO sp. z o.o. they mainly concern the construction of a solar farm with a capacity of 70 MWp.

Transactions with related entities are made on market terms.

29.1. Loan granted to a member of the Management Board

Within the period of 6 months ended 30 June 2021 as well as within the period of 6 months ended 30 June 2020 the Parent Company did not grant any loans and similar benefits to members of the management and supervisory staff.

29.2. Other transactions involving members of the Management Board

In the 6-month period ended June 30, 2021 and in the 6-month period ended June 30, 2020, transactions with members of the management and supervisory bodies took place in the amounts specified in note 29.

29.3. Remuneration of Chief executive Staff of the Group

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

	Period of 6 months ended	*Period of 6 months ended*

	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Management Board of the parent company		
Short-term employee benefits	1 408	2 369
Termination benefits	1	1
Supervisory Board of the parent company		
Short-term employee benefits	636	568
Management Boards of subsidiaries		
Short-term employee benefits	1 514	1 284
Total	3 559	4 222

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

	Period of 6 months ended 30 June 2021 (unaudited)	*Period of 6 months ended 30 June 2020 (unaudited)*
Short-term employee benefits	5 803	6 101
Post-employment benefits	58	54
Termination benefits	177	22
Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)	6 038	6 177

30. Goals and rules of financial risk

The main financial instruments, used by the Group, consist of bank credits, loans received from affiliates and other institutions, funds, and short-term deposits. The main goal of these financial instruments is to obtain funds for the Group's activities. The Group also has other financial instruments, such as receivables and liabilities due to supplies and services created directly within its conducted activities

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

30.1. Interest rate risk

Potential exposure of the Group to risk caused by the changes of interest rates mainly concerns long-term financial liabilities.

Interest rate risk – the sensitivity gap

In the interest rate sensitivity gap analysis, the Group uses yield curve shift by potential possible change of benchmark interest rates during the coming year. For the needs of the interest rate sensitivity gap analysis, average levels of benchmark interest rates in a given year were used. The scale of potential interest rate sensitivity gap was estimated on the basis of volatilities implied of ATMF („At-the-Money-Forward" forward option for determining the volatility of financial instruments) options for the interest rate quoted on the inter-bank market for foreign currencies, for which the Group has the exposition to interest rate risk from the balance sheet date.

(in thousand PLN)

Classes of financial instruments	***30 June 2021 (unaudited)***		***Interest rate risk sensitivity study as of 30 June 2021***							
			WIBOR				***EURIBOR***			
			WIBOR + 15pb		***WIBOR – 15pb***		***EURIBOR + 13,25pb***		***EURIBOR - 13,25pb***	
	Carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial instruments	6 072	3 997	6	-	(6)	-	-	-	-	-
Trade and other receivables	572 666	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	84 997	84 997	97	-	(97)	-	27	-	(27)	-
Interest-bearing loans and borrowings	(259 944)	(259 944)	(389)	-	389	-	-	-	-	-
Trade payables and other financial liabilities	(335 475)	-	-	-	-	-	-	-	-	-
Lease liabilities	(47 126)	(47 126)								
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**21 190**	**(218 076)**	**(286)**	**-**	**286**	**-**	**27**	**-**	**(27)**	**-**

pb- base points

(in thousand PLN)

Classes of financial instruments	*30 June 2020 (unaudited)*		*Interest rate risk sensitivity study as of 30 June 2020*							
			WIBOR				*EURIBOR*			
			WIBOR + 394pb		*WIBOR - 394pb*		*EURIBOR + 18,8pb*		*EURIBOR - 18,8pb*	
	Carrying amount	*value at risk*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial instruments	3 603	3 080	121	-	(121)	-	-	-	-	-
Trade and other receivables	236 499	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	188 923	188 923	7 294	-	(7 294)	-	7	-	(7)	-
Interest-bearing loans and borrowings	(74 328)	(74 328)	(2 929)	-	2 929	-	-	-	-	-
Trade payables and other financial liabilities	(86 360)	-	-	-	-	-	-	-	-	-
Lease liabilities	(51 320)	(51 320)	(2 022)	-	2 022	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**217 017**	**66 355**	**2 464**	**-**	**(2 464)**	**-**	**7**	**-**	**(7)**	**-**

pb – base points

(in thousand PLN)

30.2. Currency risk

The Group is exposed to currency risk in connection with the concluded transactions. As at June 30, 2021, none of the Group's companies had active instruments to mitigate the risk resulting from changes in exchange rates (e.g. forward transactions in EUR / PLN).

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

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

Classes of financial instruments	***30 June 2021 (unaudited)***		***Analysis of sensitivity to currency risk as of June 30, 2021***			
			EUR/PLN			
			EUR/PLN + 5,125% **4,7525**		**EUR/PLN - 5,125%** **4,2891**	
	Carrying amount	***Value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	6 072	-	-	-	-	-
Trade and other receivables	572 666	999	51	-	(51)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	84 997	20 073	1 029	-	(1 029)	-
Interest-bearing loans and borrowings	(259 944)	-	-	-	-	-
Trade payables and other financial liabilities	(335 475)	(2 215)	(114)	-	114	-
Lease liabilities	(47 126)					
Derivative financial instruments	-	-	-	-	-	-
Total	**21 190**	**18 857**	**966**	**-**	**(966)**	**-**

(in thousand PLN)

Classes of financial instruments	*30 June 2020 (unaudited)*		*Analysis of sensitivity to currency risk as of June 30, 2020* EUR/PLN			
			EUR/PLN + 5,85% 4,7273		*EUR/PLN - 5,85%* 4,2047	
	Carrying amount	*Value at risk*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	3 603	-	-	-	-	-
Trade and other receivables	236 499	23 536	1 377	-	(1 377)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	188 923	3 789	222	-	(222)	-
Interest-bearing loans and borrowings	(74 328)	-	-	-	-	-
Trade payables and other financial liabilities	(86 360)	(2 246)	(131)	-	131	-
Lease liabilities	(51 320)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	**217 017**	**25 079**	**1 468**	**-**	**(1 468)**	**-**

30.3. Credit risk

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

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

The main recipient of the Group's electricity is Towarowa Giełda Energii SA. Transactions made on the stock exchange are settled on a daily basis, which minimizes credit risk. For this reason, the Group does not apply any additional security resulting from the phenomenon of concentration of receivables.

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

The Group analyses and reduces credit risk in relation to cash through ongoing monitoring of financial institution ratings and reduces the risk of concentration of cash surpluses in one financial institution, using internal rules of risk management principles.

Long-term ratings granted to banks in which the Group has cash:

Name of the bank	*Rating granted by Rating Agency*		
	Fitch	S&P	Moody's
PEKAO SA	BBB+	BBB+	A2
PKO BP	-	-	A2
BGK	A-	-	-
mBank	BBB	-	-
Bank Millennium	-	-	Baa1
Santander Bank Polska	BBB+	-	A3
Alior Bank	BB	BB	-
BNP Paribas Bank Polska	-	-	Baa1

ZE PAK Capital Group cash as at June 30, 2021, broken down into individual credit ratings of banks:

Rating level of individual rating agencies			*The amount of cash as at 30 June 2021 (without cash in hand)* *(unaudited)*
Moody's	*S&P*	*Fitch*	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	1
A1	A+	A+	-
A2	A	A	5 239
A3	A-	A-	4
Baa1	BBB+	BBB+	23 331
Baa2	BBB	BBB	-

(in thousand PLN)

<table>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td><td>47 769</td></tr>
<tr><td>Ba1</td><td>BB+</td><td>BB+</td><td>-</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td><td>8 653</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td><td>-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td>-</td></tr>
<tr><td>B2</td><td>B</td><td>B</td><td>-</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td><td>-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">CCC</td><td>-</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>-</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td>-</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td><td>-</td></tr>
<tr><td>C</td><td>-</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td>DDD</td><td>-</td></tr>
<tr><td>–</td><td>DD</td><td>-</td></tr>
<tr><td>–</td><td>D</td><td>-</td></tr>
<tr><td colspan="3">TOTAL</td><td>84 997</td></tr>
</table>

30.4. Liquidity risk

The Group monitors risk to a shortage of funds by means of the tool for periodic planning of liquidity. This tool takes into account maturity dates of both investment and financial assets (e.g. receivables accounts, other financial assets), as well as projected cash flows from operating activities.

The goal of the Group is maintenance of balance between continuity and flexibility of financing through use of various resources of financing, such as overdraft facilities, bank credits, debentures, preferred shares and financial lease agreements.

Risks related to the business, including the risk of liquidity and the ability to generate appropriate cash flows, are also described in note 4.1 regarding the Group's going concern assumption.

The tables below present financial liabilities of the Group as of 30 June 2021 and 30 June 2020 according to the maturity date based on contractual non-discounted payments.

(in thousand PLN)

30 June 2021 (unaudited)	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	7 713	76 065	85 349	92 891	262 018
Trade payables and other financial liabilities	299 085	35 349	1 041	-	335 475
Lease liabilities	1 867	3 480	22 880	123 687	151 914
	310 715	**114 894**	**109 270**	**216 578**	**751 457**

30 June 2020 (unaudited)	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	7 806	51 428	15 094	-	74 328
Trade payables and other financial liabilities	45 980	34 381	5 999	-	86 360
Lease liabilities	81	5 020	23 511	131 937	160 549
	53 867	**90 829**	**44 604**	**131 937**	**321 237**

Derivative instruments indicated in above tables were presented in gross values of non-discounted payments. However, these contracts can be settled either in gross values, or net amounts.

(in thousand PLN)

31. Financial instruments

31.1. Balance sheet value and fair value of particular classes of financial instruments

The table shown below presents a comparison between balance sheet values and fair values of all financial instruments of the Group, divided into particular classes and categories of assets and liabilities according to IFRS 9.

Financial assets	Category acc. to IFRS 9	*30 June 2021 (unaudited)*	*31 December 2020*
Other financial assets	AFwgZK	6 072	5 091
Trade receivables and other receivables	AFwgZK	572 666	385 056
Derivative financial instruments	WwWGpWF	-	6 550
Cash and cash equivalents	AFwgZK	84 997	497 861
Financial liabilities			
Interest-bearing bank credits and loans, including:		259 944	55 003
long term	PZFwgZK	165 643	-
short term	PZFwgZK	94 301	55 003
Liabilities due to supplies and services and other financial liabilities	PZFwgZK	335 475	193 509
Lease liabilities		47 126	51 495
Derivative financial instruments	WwWGpWF	-	-

Used abbreviations:

WwWGpWF – *Financial assets/liabilities evaluated in the fair value by the financial result*
PZFwgZK – *Other financial liabilities evaluated according to the depreciated cost*
AFwgZK – *Financial assets according to amortized costs*

As at June 30, 2021 and as at December 31, 2020, the Group had the following financial instruments measured at fair value:

	30 June 2021 (unaudited)	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	-	-
	31 *December 2020*	*Level 1*	*Level 2*	*Level 3*
Derivatives hedging assets	-	-	6 550	-
Derivatives hedging liabilities	-	-	-	-

The fair value of financial instruments other than derivatives as at June 30, 2021 and December 31, 2020 did not deviate significantly from the carrying amounts, mainly due to the fact that for short-term instruments the effect of discounting is not material and the fact that the transactions are concluded at market conditions; for this reason, the fair value of these instruments has been presented at the carrying amount.

(in thousand PLN)

The valuation of interest-bearing loans and credits after the initial recognition is carried out according to the depreciated cost method, taking into account the contractual costs related to obtaining a given loan or borrowing as well as discounts and earned bonuses.

As at June 30, 2021, forward transactions for currency purchase were valued at fair value. For the purposes of valuing foreign exchange contracts, the difference between discounted future cash flows is calculated between the forward price on the valuation day and the transaction price, according to quotations prepared by the relevant bank, multiplied by the nominal value of the contract in a foreign currency. The valuation of these instruments has been classified to level 2 of the fair value measurement hierarchy.

Within the period of 6 months ended 30 June 2021 and in the year ended 31 December 2020, there were no shifts between the level 1 and the level 2 of the fair value hierarchy, and none of instruments was shifted to the level 3 of the fair value hierarchy.

31.2. Interest rate risk of financial instruments

The table below presents the interest rate gap, which is the Group's exposure to interest rate risk, and the concentration of this risk broken down by currencies and type of interest.

	Type of interest	*Carrying amount as of 30 June 2021 (unaudited)*	*Carrying amount as of 31 December 2020*
Financial assets at interest rate risk -PLN	Fixed	-	-
	Variable	68 921	463 022
Financial assets at interest rate risk – other currencies	Fixed	-	-
	Variable	20 073	38 310
Financial liabilities at interest rate risk - PLN	Fixed	-	-
	Variable	259 944	55 003
Financial liabilities at interest rate risk – other currencies	Fixed	-	-
	Variable	-	-
Net exposure -PLN	Fixed	-	-
	Variable	(191 023)	408 019
Net exposure – other currencies	Fixed	-	-
	Variable	20 073	38 310

Interest rate of financial instrument of variable interest rate is updated in periods shorter than one year. Interests on financial instruments of the fixed interest rate are fixed through the whole period to the date of maturity of these instruments. Other financial instruments of the Group not included in the above tables are not subject to interest and they are not subject to interest rate risk.

31.2.1. Hedging

As at June 30, 2021, none of the Group's companies had active instruments to mitigate the risk resulting from changes in exchange rates (e.g. forward transactions in EUR / PLN).

The Group hedges the risk of changes in prices of CO2 emission allowances by using forward transactions to purchase allowances for its own needs. The tables below present a summary of forward transactions active as at June 30, 2021 and June 30, 2020.

30 June 2021 (unaudited)

Type of concluded transactions	*Number of purchased allowances*	*Total value of transactions in EUR thousand*	*Transaction currency*	*Maturity*
Forward transactions	4 089 140	122 825	EUR	Up to 1 year
Forward transactions	127 000	6 926	EUR	Over 1 year

30 June 2020 (unaudited)

Type of concluded transactions	*Number of purchased allowances*	*Total value of transactions in EUR thousand*	*Transaction currency*	*Maturity*
Forward transactions	5 499 000	139 689	EUR	Up to 1 year
Forward transactions	779 000	17 125	EUR	Over 1 year

32. Capital management

The main goal of the management of the Group's capital is maintenance of good credit rating and safe equity ratios, which would support the Group's operating activities and increased the values for its shareholders.

The Group manages the capital structure, and, as a result of changes of economic conditions, introduces amendments to it. Within the period of 6 months ended 30 June 2021 as well as in the year ended 31 December 2020, there were no introduced amendments to goals, rules and processes applying in this area.

The Group monitors the balance of its capitals using the leverage ratio, which is calculated as a relation of net debt to the sum of capitals enlarged with net debt. The expected leverage ratio for the Group should be a maximum of 50%. The Group includes interest bank credits and loans, liabilities due to supplies and services, and other liabilities, decreased by the cash and cash equivalents in the net debt. The capital includes the equity decreased by reserve capitals due to unrealised net profits.

	30 June 2021 (unaudited)	*31 December 2020*
Interest-bearing credits and loans	259 944	55 003
Trade liabilities and other financial liabilities	335 475	193 509
Minus cash and its equivalents	84 997	497 861
Net debt	**510 422**	**(249 349)**
Equity	969 359	949 463
Total capital	969 359	949 463
Net capital and debt	**1 479 781**	**700 114**
Leverage ratio	34,49%	(35,62%)

33. Significant events after the balance sheet ate

Environmental decision for the hydrogen plant

On July 21, 2021 the Company received a decision on environmental conditions for the project consisting in the construction of a hydrogen production plant with accompanying infrastructure at Konin Power Plant.

The hydrogen production plant at Konin Power Plant is to be built on the basis of electrolysers with an electrolyte-polymer membrane ("PEM" technology). The first electrolyser has already been ordered by the Company and its delivery is expected at the turn of 2021/2022. Electricity used to operate the electrolyser will come 100% from a renewable energy source.

The plant will be constructed in modular (container) technology, which allows for its relatively simple expansion. The ordered electrolyser for the first stage of the task will have a capacity of 2.5 MW, which will allow for the maximum production of 1000 kg of hydrogen per day. In the event of a need for expansion, the granted environmental decision gives the possibility to increase the production of hydrogen to 20,000 kg per day. Water for the production of hydrogen will be supplied from the existing DEMI station in the power plant.

Acquisition of a wind project by PAK Polska Czysta Energia Sp. z o.o.

On 18 August 2021 PAK PCE Sp. z o.o. has signed an agreement with KI Foundation, seated in Malta, for the purchase of 100% shares in the special purpose vehicle Farma Wiatrowa Kazimierz Biskupi Sp. z o.o. with its headquarters in Warsaw, which is implementing a project to build a wind farm.

The project provides for the construction of a wind farm consisting of 7 wind turbines with a total capacity of 17.5 MW, in Kazimierz Biskupi, in the immediate vicinity of Pątnów power plant ("Farm"). Favourable wind conditions in this region allow for estimation of the annual production of the farm at nearly 60 GWh. The project has a complete set of administrative and legal permits allowing the commencement of construction works and connection of the Farm to the network. The expected date of launching the Farm is the third quarter of 2023. The total capital expenditure related to the acquisition and implementation of the Farm will amount to nearly PLN 150 million. In 2019, the Farm won an auction for sale of electricity to renewable energy producers, in which a total of 0.55 TWh of electricity was contracted for over a 15-year period, starting from 2023, with a reference price of PLN 214.47 / MWh (indexed in accordance with the rules of the res auction).

The acquisition of the Farm is the first step in the implementation of the development strategy of ZE PAK SA Capital Group in the area of wind energy and it contributes to the acquisition of competences in the area of project management in this field. The Company intends to implement wind energy projects on the basis of its own post-mining land resources, but it also does not exclude further acquisitions of external projects.

Change of the local spatial development plan - Project of Przykona photovoltaic farm

On August 23, 2021, the Resolution No. 0007.272.2021 of the Municipal Council of Przykona on the local spatial development plan comes into force. This Resolution is significant for the Company because it concerns post-mining areas, currently owned by the Company's subsidiary, on which ZE PAK Group intends to build a photovoltaic farm.

The adopted spatial development plan, with regard to the land belonging to ZE PAK Group, determines the allocation of the land for the construction of a photovoltaic power plant together with all the required infrastructure. The available area allows for the construction of a farm with a capacity of approximately 180-200 MWp. The intention of the Company is to implement the project in a separate special purpose vehicle.

The construction project of a photovoltaic farm in Przykona would be another large photovoltaic project implemented by ZE PAK Group, currently the construction project of 70 MWp Brudzew photovoltaic farm is in the final stage of implementation. Based on the experience from the implementation of Brudzew project, the company estimates that the construction period for Przykona farm will be around 15 months (from obtaining a complete set of formal and legal approvals), while the capital expenditure for Przykona farm will amount to approximately PLN 500 million.

Conclusion of a cooperation agreement with MS Innovation Impulse GMBH

On August 31, 2021 the Company signed a cooperation agreement with MS Innovation Impulse GMBH with its seat in Vienna, Austria, in the presence and participation of Argumenol Investment Company Limited with its seat in Cyprus and Synthos Green Energy Spółka Akcyjna with its seat in Warsaw (SGE).

On the basis of the Agreement, the Parties intend to undertake mutual cooperation by establishing a joint entrepreneur (SPV), operating in the field of nuclear energy, consisting particularly in the construction of generation sources based on the SMR (Small Modular Reactor) technology in Pątnów area, where the Company is currently operating its activity in the field of electricity generation from lignite.

The intention of the Parties is the disposal or the contribution of assets to the SPV in the form of an organized part of the enterprise (ZCP) related to the generation of electricity at Pątnów Power Plant, completion of the current activity consisting in the production of energy from lignite (maintaining obligations in this regard), and then developing the project of construction and operation of SMR based on SPV

As a rule, the Parties will finance the activities of the SPV in equal parts, corresponding to the share in the share capital, at every stage of the SPV's activity, i.e. at the stage of conducting and then liquidation of activities based on lignite combustion, at the stage of preparing the land for the investment process, as well as at the stage of the investment process consisting in the construction of SMR units. The parties will also jointly exploit the units.

SGE, as a party to the contract concluded with GE Hitachi Nuclear Energy Americas LLC, based in Wilmington in the USA (GEH) regarding, in particular, the exclusivity of SGE for the implementation of GEH technology in Poland, undertook to provide SPV with the possibility of using the GEH technology, if as part of the project, the Parties decide to use this technology.

Simultaneously, the Parties proceed with the preparation of the final version of the Joint Venture Agreement in order to agree on further details of cooperation and implementation of the joint project.

The transaction related to the establishment of the SPV will be subject to the fulfilment of the following precedent conditions:

- Issuance by the competent authority of unconditional protection of competition, decision granting the Parties with the consent to the transaction or the expiry of the statutory deadline within which the competent competition authority should issue a decision approving the transaction, and after that date, the consent is deemed to have been issued under the law;
- Adoption of a resolution by the Extraordinary General Meeting of the Company on the disposal of ZCP.

Co-financing from the European Union for the production of green hydrogen

In July 2021, the European Commission announced the results of the first call for proposals for grants awarded under the Innovation Fund. Among the 32 projects selected for co-financing, there was a project for the construction of a green hydrogen production facility submitted by ZE PAK SA. The project will receive a grant of approximately EUR 4.5 million in non-returnable funding. The conclusion of the co-financing agreement is planned in the fourth quarter of 2021.

The project implemented by the Company involves the construction of a system enabling the production and storage of green hydrogen intended for the needs of the transport sector. Hydrogen will be produced by two electrolyte and polymer membrane electrolysers (PEM – Proton Exchange Membrane) with a total capacity of 5MW, in which innovative solutions will be implemented to increase their efficiency. The electrolysers will be powered by energy from renewable energy sources, and the system will produce about 710 tons of green hydrogen per year.

It is expected that the project for producing hydrogen and its use in the transport sector will enable to avoid ca. 96 percent of greenhouse gas emissions compared to conventional technology.

Co-financing from the European Union will support ZE PAK SA in the implementation of investments in the production of green hydrogen. Their implementation is possible thanks to the decision on environmental conditions for the project consisting in the construction of a hydrogen production plant with accompanying infrastructure, previously issued for the Company by the President of Konin.

Konin, 24 September 2021