

# **ZESPÓŁ ELEKTROWNI PAŃNÓW-ADAMÓW-KONIN SA CAPITAL GROUP**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2021**

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

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For a period of 3 months ended 31 March 2021*

		<i>Period ended</i> <i>31 March 2021 (unaudited)</i>	<i>Period ended</i> <i>31 March 2020</i> <i>(transformed data)</i> <i>(unaudited)</i>
	<i>Note</i>		
<b>Continuing operations</b>			
<b>Revenues, including:</b>	<i>11.1</i>	<b>462 414</b>	<b>524 074</b>
Revenues from the contracts with clients		364 499	458 038
Other revenues		97 915	66 036
Costs of goods sold	<i>11.6</i>	(448 647)	(521 917)
<b>Gross profit / (loss)</b>		<b>13 767</b>	<b>2 157</b>
Other operating revenues	<i>11.2</i>	7 829	24 818
Selling and distribution expenses	<i>11.6</i>	(1 706)	(1 112)
Administrative expenses	<i>11.6</i>	(27 269)	(29 103)
Other operating expenses	<i>11.3</i>	(697)	(1 128)
<b>Gross profit / (loss) from operations</b>		<b>(8 076)</b>	<b>(4 368)</b>
Financial income	<i>11.4</i>	1 654	3 262
Financial costs	<i>11.5</i>	(3 566)	(4 542)
<b>Profit / (loss) before tax</b>		<b>(9 988)</b>	<b>(5 648)</b>
Income tax expense (taxation)	<i>12.1</i>	1 981	(5 267)
<b>Net profit / (loss) for the period from continuing operations</b>		<b>(8 007)</b>	<b>(10 915)</b>
<b>Net profit / (loss) for the period</b>		<b>(8 007)</b>	<b>(10 915)</b>
Net profit/ (loss) attributable to equity holders of the parent		(7 229)	(10 346)
Net profit/ (loss) attributable to non-controlling interests		(778)	(569)
		<i>Period ended</i> <i>31 March 2021</i> <i>(unaudited)</i>	<i>Period ended</i> <i>31 March 2020</i> <i>(unaudited)</i>
<b>Profit / loss per share (in zloty):</b>	<i>Note</i>		
Basic/diluted for profit for the period from continuing operations attributable to equity holders of the parent	13	(0,14)	(0,20)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For a period of 3 months ended 31 March 2021*

	<i>Note</i>	<i>Period ended</i> 31 March 2021 (unaudited)	<i>Period ended</i> 31 March 2020 (unaudited)
<b>Net profit / (loss) for the period</b>		<b>(8 007)</b>	<b>(10 915)</b>
<b>Other comprehensive income</b>			
<i>Items to be reclassified to the profit / (loss) in subsequent reporting periods:</i>			
Cash flow hedges		-	-
Exchange differences from converting a foreign unit		14	4
Income tax on other comprehensive income		-	-
Other comprehensive income to be reclassified to the profit / (loss) in subsequent reporting periods		14	4
<i>Items not to be reclassified to the profit / (loss) in subsequent reporting periods:</i>			
Actuarial gains / (losses) on provisions for post-employment benefits		(7)	(112)
Income tax on other comprehensive income	<i>12.1</i>	(3)	21
Other comprehensive income not to be reclassified to the profit / (loss) in subsequent reporting periods		(10)	(91)
<b>Net other comprehensive income</b>		<b>4</b>	<b>(87)</b>
<b>Comprehensive income for the period</b>		<b>(8 003)</b>	<b>(11 002)</b>
Comprehensive income attributable to equity holders of the parent		(7 225)	(10 433)
Comprehensive income attributable to non-controlling holders		(778)	(569)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

	<i>Note</i>	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	<i>14</i>	1 720 379	1 660 661
Assets due to the right of use	<i>15</i>	48 318	49 210
Investment property		2 134	2 141
Intangible assets	<i>16</i>	2 614	2 754
Assets of removing overburden and other mining assets (long-term)	<i>17</i>	50 168	52 291
Other long-term financial assets	<i>18.1</i>	6 060	5 081
Other long-term non-financial assets	<i>18.2</i>	353	297
Deferred tax assets		83 913	84 920
<b>Total fixed assets</b>		<b>1 913 939</b>	<b>1 857 355</b>
<b>Current assets</b>			
Emission allowances	<i>16</i>	622 409	3 565
Inventories	<i>19</i>	73 373	67 859
Trade and other receivables	<i>20</i>	267 374	385 056
Income tax receivables		19 580	19 416
Derivative short-term financial instruments (assets)	<i>25.4</i>	-	6 550
Other short-term financial assets	<i>18.1</i>	14	10
Other short-term non-financial assets	<i>18.2</i>	50 008	39 673
Amounts due from customers under long-term construction contracts	<i>11.7</i>	1 869	1 283
Cash and cash equivalents	<i>21</i>	55 635	497 861
<b>Total current assets</b>		<b>1 090 262</b>	<b>1 021 273</b>
<b>TOTAL ASSETS</b>		<b>3 004 201</b>	<b>2 878 628</b>

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA CAPITAL GROUP  
Interim condensed consolidated financial statements for the period of 3 months ended 31 March 2021  
(in thousand PLN)

	Note	31 March 2021 (unaudited)	31 December 2020
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
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		(278 339)	(55 931)
Net profit / (loss)		(7 229)	(222 393)
Exchange differences from converting a foreign unit		57	43
<b>Equity attributable to equity holders of the parent</b>		<b>943 984</b>	<b>951 214</b>
Equity attributable to non-controlling interests		(2 529)	(1 751)
<b>Total equity</b>		<b>941 455</b>	<b>949 463</b>
<b>Long-term liabilities</b>			
Interest-bearing loans and borrowings	23	56 665	-
Long-term employee benefits		40 877	40 886
Trade liabilities and other long-term financial liabilities	25.2	3 925	5 248
Long-term lease liabilities	15	46 256	51 495
Subsidies and deferred long-term revenues	25.5	35 116	36 027
Other long-term provisions and accruals	24	412 134	414 527
Deferred income tax	12.2	308 786	312 902
<b>Total long-term liabilities</b>		<b>903 759</b>	<b>861 085</b>
<b>Short-term liabilities</b>			
Trade liabilities and other short-term financial liabilities	25.1	162 028	188 261
Current portion of interest-bearing loans and borrowings	23	94 662	55 003
Other non-financial liabilities	25.3	41 733	78 152
Current income tax liability		1 564	1 279
Short-term employee benefits		6 795	6 521
Subsidies and deferred short-term revenues	25.6	3 646	3 646
Amounts due to customers under long-term construction contracts	11.7	6 811	6 680
Other short-term provisions and accruals	24	841 748	728 538
<b>Total short-term liabilities</b>		<b>1 158 987</b>	<b>1 068 080</b>
<b>Total liabilities</b>		<b>2 062 746</b>	<b>1 929 165</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3 004 201</b>	<b>2 878 628</b>

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For a period of 3 months ended 31 March 2021*

	<i>Period ended</i>	<i>Period ended</i>
<i>Note</i>	<i>31 March 2021 (unaudited)</i>	<i>31 March 2020 (unaudited)</i>
<b>Cash flow from operating activities</b>		
Profit/(loss) before tax	(9 988)	(5 648)
<b>Adjustments for:</b>		
Depreciation and amortization	32 915	37 302
Interests and shares in profits	328	665
(Profit) / loss on foreign exchange differences	(89)	(1 528)
(Profit) / loss on investing activities	(1 494)	(3 505)
(Increase) / decrease in receivables	106 555	31 886
(Increase) / decrease in inventories	(5 514)	(9 269)
Increase / (decrease) in payables except for loans and borrowings	(47 472)	(68 859)
Change in provisions, prepayments, accruals and employee benefits	110 994	185 100
Income tax (paid)/refunded	(1 009)	23 367
Allowances for emission of CO <sub>2</sub>	(618 844)	(372 411)
Other	2 878	(1 862)
<b>Net cash flow from operating activities</b>	<b>(430 740)</b>	<b>(184 762)</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangible assets	2 274	4 372
Purchase of property, plant and equipment and intangible assets	(109 559)	(1 883)
Other	(4)	-
<b>Net cash flow from investing activities</b>	<b>(107 289)</b>	<b>2 489</b>
<b>Cash flow from financing activities</b>		
Payment of finance lease liabilities	1	(293)
Proceeds from loans and borrowings and debt securities	104 068	94 292
Repayment of loans and borrowings and debt securities	(7 720)	(7 724)
Interest paid	(287)	(671)
<b>Net cash flow from financing activities</b>	<b>96 062</b>	<b>85 604</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(441 967)</b>	<b>(96 669)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>497 601</b>	<b>414 634</b>
<b>Cash and cash equivalents at the end of the period</b>	<i>21</i> <b>55 634</b>	<b>317 965</b>

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For a period of 3 months ended 31 March 2021 (unaudited)

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Other reserve capital</i>	<i>Retained earnings / accumulated losses</i>	<i>Exchange differences from converting a foreign unit</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
<b>As at 1 January 2021</b>	<b>101 647</b>	<b>1 124 376</b>	<b>3 472</b>	<b>(278 324)</b>	<b>43</b>	<b>951 214</b>	<b>(1 751)</b>	<b>949 463</b>
Net profit for the period	-	-	-	(7 229)	-	(7 229)	(778)	(8 007)
Total other comprehensive income	-	-	-	(10)	14	4	-	4
<b>Total income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7 239)</b>	<b>14</b>	<b>(7 225)</b>	<b>(778)</b>	<b>(8 003)</b>
Profit share from the previous years	-	-	-	-	-	-	-	-
Other changes	-	-	-	(5)	-	(5)	-	(5)
<b>As at 31 March 2021 (unaudited)</b>	<b>101 647</b>	<b>1 124 376</b>	<b>3 472</b>	<b>(285 568)</b>	<b>57</b>	<b>943 984</b>	<b>(2 529)</b>	<b>941 455</b>

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For a period of 3 months ended 31 March 2020 (unaudited)*

	<i>Issued capital</i>	<i>Reserve capital</i>	<i>Other reserve capital</i>	<i>Retained earnings / accumulated losses</i>	<i>Exchange differences from converting a foreign unit</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
<b>As at 1 January 2020</b>	<b>101 647</b>	<b>1 124 376</b>	<b>3 472</b>	<b>9 258</b>	-	<b>1 238 753</b>	<b>2 321</b>	<b>1 241 074</b>
Adjustment concerning IFRS 16	-	-	-	(64 606)	-	(64 606)	-	(64 606)
<b>Transformed data as of 1 January 2020</b>	<b>101 647</b>	<b>1 124 376</b>	<b>3 472</b>	<b>(55 348)</b>	-	<b>1 174 147</b>	<b>2 321</b>	<b>1 176 468</b>
Profit for the period	-	-	-	(10 346)	-	(10 346)	(569)	(10 915)
Total other comprehensive income	-	-	-	(91)	4	(87)	-	(87)
<b>Total income for the period</b>	-	-	-	<b>(10 437)</b>	<b>4</b>	<b>(10 433)</b>	<b>(569)</b>	<b>(11 002)</b>
Other changes	-	-	-	1	-	1	-	1
<b>As at 31 March 2020 (unaudited)</b>	<b>101 647</b>	<b>1 124 376</b>	<b>3 472</b>	<b>(65 784)</b>	<b>4</b>	<b>1 163 715</b>	<b>1 752</b>	<b>1 165 467</b>

Rules (policies) of accountancy and additional explanatory notes to the consolidated financial statement are its integral part.

## **RULES (POLICIES) OF ACCOUNTANCY AND ADDITIONAL EXPLANATORY NOTES**

### **1. General information**

The Capital Group of Zespół Elektrowni Państw – Adamów – Konin SA (“the Group”) consists of Zespół Elektrowni Państw – Adamów – Konin SA (“the parent company”, “the Company”, “ZE PAK SA”), with its head office in Konin at 45 Kazimierska str., and its subsidiaries (see Note 2).

Interim condensed consolidated financial statements of the Group covers a period of 3 months ended 31 March 2021 and includes comparative data for the period of 3 months ended 31 March 2020 as well as at 31 December 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 the number KRS 0000021374.

The parent company was assigned the REGON statistical number 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.

The consolidated report for the year 2020 of the Elektrim SA Capital Group, as a higher-level entity, also includes the consolidated data of the ZE PAK SA Capital Group included in this report.

## 2. Composition of the Group

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

Entity	Registered office	Scope of operations	Group's share in the capital in %	
			As at 31 March 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	97,68%*	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	99,35%**	99,35%
„Aquakon” sp. z o.o. in liquidation	62-610 Sompolno Police	In liquidation	99,08%*	96,20%*

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

\*\* As at the date of publication of this report, i.e. on May 28, 2021, the share of PAK KWB Adamów SA in liquidation is 100%

As of 31 March 2021, the share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

## 3. Composition of the Management Board of the parent company

As 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 development of the interim consolidated financial statement**

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.

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 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<sub>2</sub> emission per production unit are much more affected.

Being aware of the trends on the energy market and observing the tightening regulations on environmental protection, the growing prices of CO<sub>2</sub> emission allowances, the narrowing spread between the energy price and the price of CO<sub>2</sub> emission allowances, the Company 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 situation in the first quarter of 2021 was lower sales due to lower production compared to the assumptions and to the comparable quarter of the previous year. The lower production volume of the 474 MW unit (former Pańnów II Power Plant) was due to the shutdown of the unit for the planned renovation in March. Also, the extraction of coal in the mines supplying the Company with coal was lower than planned, which prevented the optimal use of production sources. This situation should improve in the following quarters of 2021. It can also be assumed that the gradual lifting of restrictions related to the COVID-19 pandemic will contribute to an improvement in the dynamics of economic indicators, and thus an increase in energy demand in the coming quarters.

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 notes that in the first quarter of 2021 the Group incurred a net loss of PLN 8,007 thousand and as at March 31, 2021 short-term liabilities, including bank loans exceed the Group's current assets by PLN 68 725 thousand. On the other hand, the result at the EBITDA level for the first quarter of 2021 amounted to PLN 25,740 thousand. The Management Board has 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 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 quarter 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.

Despite the circumstances described above that may pose a risk to the Group's continued operations, the Management Board does not identify any material uncertainty as to whether the Group will continue as a going concern.

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

- IFRS 14 Regulatory Deferral Accounts; The European Commission has decided not to initiate the approval process of this interim standard for use in the EU until the final version of IFRS 14 Regulatory Deferral Accounts is issued.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments; the effective date of the amendments has been postponed

- Amendments to IFRS 16 Leases: Changes to lease terms in connection with the COVID-19 pandemic after June 30, 2021; effective date: April 1, 2021
- Amendments to IFRS 3 Business Combinations: Amendments to references to the Conceptual Framework; Effective Date: January 1, 2022
- Amendments to IAS 16 Property, Plant and Equipment: Revenue achieved before putting into use; Effective Date: January 1, 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Costs to Meet Contractual Obligations; Effective Date: January 1, 2022

Amendments to various standards, Amendments to IFRS (2018-2020 cycle): effective date: January 1, 2022

- *IFRS 1 First-time application of International Financial Reporting Standards*
- *IFRS 9 Financial instruments*
- *IAS 41 Agriculture*
- Amendments to IAS 12 Income Taxes: Deferred Tax on Assets and Liabilities arising from a Single Transaction; Effective Date: January 1, 2023
- Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2: Disclosure of information regarding accounting principles (policy); Effective Date: January 1, 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates; Effective Date: January 1, 2023
- IFRS 17 Insurance Contracts; Effective Date: January 1, 2023

As at the date of approval of these 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 principles (policy) applied by the Group in relation to the Group's operations or its financial results.

The dates of entry into force are dates resulting from the content of standards announced by the International Financial Reporting Council. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of standards and are announced at the time of approval for application by the European Union. The Group did not decide to earlier application of any of these standards, interpretations or changes which were published but has not been effective in the light of EU rules.

## **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.

- Amendments to IFRS 4 Insurance Contracts,
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leasing: Interest Rate Benchmark Reform

## **7. Significant values based on professional judgment 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, 2020 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 a negative scenario and subsequent waves of increased disease cannot be ruled out, the adaptability of enterprises is at a much higher level than 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 31 March 2021 at the price of 148.07 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 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 (RES).

### ***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. (KPI). Significant fluctuations in prices of CO<sub>2</sub> emission allowances and legal regulations related to the climate policy of the European Union are the source of uncertainty.

Emission in ZE PAK SA Group in 2020 amounted to 5 510 260 tons of CO<sub>2</sub>.

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

## **8. Change of estimates**

Within the 3-month period concluded on 31 March 2020, 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:

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- 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 „Pańków – 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 quarter 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:

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months ended 31 March 2020 (transformed data) (unaudited)</i>
Net profit / (loss)	(8 007)	(10 915)
Financial revenues	- 1 654	- 3 262
Financial costs	+ 3 566	+ 4 542
Income tax	- 1 981	+ 5 267
Depreciation and impairment write-downs	<u>+ 33 816</u>	<u>+ 38 770</u>
EBITDA	<u>25 740</u>	<u>34 402</u>

The segment results for the periods ended 31 March 2021 and 31 March 2020 are presented below.



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*Period of 3 months ended 31 March 2021 (unaudited)*

	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sales revenue to external customers	395 072	2 200	6 433	57 823	886	-	462 414
Sales revenue between segments	30 103	85 959	39 987	-	34 123	(190 172)	-
<b>Sales revenue</b>	<b>425 175</b>	<b>88 159</b>	<b>46 420</b>	<b>57 823</b>	<b>35 009</b>	<b>(190 172)</b>	<b>462 414</b>
Cost of goods sold	(392 593)	(114 389)	(40 819)	(55 118)	(37 073)	191 345	(448 647)
<b>Gross profit / (loss)</b>	<b>32 582</b>	<b>(26 230)</b>	<b>5 601</b>	<b>2 705</b>	<b>(2 064)</b>	<b>1 173</b>	<b>13 767</b>
Other operating income	6 537	1 143	601	30	103	(585)	7 829
Selling and distribution expenses	(591)	-	-	(1 023)	(92)	-	(1 706)
Administrative expenses	(11 233)	(11 264)	(2 430)	(635)	(1 707)	-	(27 269)
Other operating expenses	(815)	(468)	(48)	(1)	(34)	669	(697)
Financial income	1 805	-	66	2	-	(219)	1 654
Financial costs	(1 480)	(2 117)	(80)	(71)	(37)	219	(3 566)
<b>Profit before tax</b>	<b>26 805</b>	<b>(38 936)</b>	<b>3 710</b>	<b>1 007</b>	<b>(3 831)</b>	<b>1 257</b>	<b>(9 988)</b>
Income tax (tax load)	4 865	(2 379)	(746)	373	91	(223)	1 981
<b>Net profit/loss for the period from continuing operations</b>	<b>31 670</b>	<b>(41 315)</b>	<b>2 964</b>	<b>1 380</b>	<b>(3 740)</b>	<b>1 034</b>	<b>(8 007)</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>26 480</b>	<b>(36 819)</b>	<b>3 724</b>	<b>1 076</b>	<b>(3 794)</b>	<b>1 257</b>	<b>(8 076)</b>
Depreciation / Amortization	28 357	3 564	658	2	999	236	33 816
Impairment write-down	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>54 837</b>	<b>(33 255)</b>	<b>4 382</b>	<b>1 078</b>	<b>(2 795)</b>	<b>1 493</b>	<b>25 740</b>

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*Period of 3 months ended 31 March 2020 (transformed data, unaudited)*

	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sales revenue to external customers	414 238	1 004	9 191	98 974	667	-	524 074
Sales revenue between segments	23 282	120 832	21 938	-	42 412	(208 464)	-
<b>Sales revenue</b>	<b>437 520</b>	<b>121 836</b>	<b>31 129</b>	<b>98 974</b>	<b>43 079</b>	<b>(208 464)</b>	<b>524 074</b>
Cost of goods sold	(423 225)	(128 960)	(29 819)	(100 570)	(49 162)	209 819	(521 917)
<b>Gross profit / (loss)</b>	<b>14 295</b>	<b>(7 124)</b>	<b>1 310</b>	<b>(1 596)</b>	<b>(6 083)</b>	<b>1 355</b>	<b>2 157</b>
Other operating income	21 597	3 811	91	1	21	(703)	24 818
Selling and distribution expenses	(490)	-	-	(507)	(115)	-	(1 112)
Administrative expenses	(14 874)	(9 586)	(2 509)	(613)	(1 521)	-	(29 103)
Other operating expenses	(593)	(382)	(118)	(18)	(17)	-	(1 128)
Financial income	3 153	174	55	134	7	(261)	3 262
Financial costs	(1 068)	(3 632)	(67)	(2)	(34)	261	(4 542)
<b>Profit before tax</b>	<b>22 020</b>	<b>(16 739)</b>	<b>(1 238)</b>	<b>(2 601)</b>	<b>(7 742)</b>	<b>652</b>	<b>(5 648)</b>
Income tax (tax load)	(8 921)	1 284	1 843	558	93	(124)	(5 267)
<b>Net profit/loss for the period from continuing operations</b>	<b>13 099</b>	<b>(15 455)</b>	<b>605</b>	<b>(2 043)</b>	<b>(7 649)</b>	<b>528</b>	<b>(10 915)</b>
<b>Profit / (loss) from operating activities, without financial operations and income tax</b>	<b>19 935</b>	<b>(13 281)</b>	<b>(1 226)</b>	<b>(2 733)</b>	<b>(7 715)</b>	<b>652</b>	<b>(4 368)</b>
Depreciation / Amortization	23 857	12 743	802	1	1 057	310	38 770
Impairment write-down	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>43 792</b>	<b>(538)</b>	<b>(424)</b>	<b>(2 732)</b>	<b>(6 658)</b>	<b>962</b>	<b>34 402</b>

## 11. Revenues and costs

### 11.1. Revenues from the contracts with clients

	<i>Period of 3 months ended</i> <i>31 March 2021 (unaudited)</i>	<i>Period of 3 months ended</i> <i>31 March 2020 (unaudited)</i>
Material structure		
<b>Revenues from the sale of goods, including:</b>		
Revenues from the sale of electricity	221 688	319 279
Revenues from the sale of electricity from trade	109 357	109 457
Revenues from the sale of heat	18 040	16 321
Other sale revenues	11 671	6 909
Revenues from service contracts	4 249	6 543
<b>Total revenues from the sale of goods</b>	<b>365 005</b>	<b>458 509</b>
Excise	(506)	(471)
<b>Total revenues from the sale of goods, including excise duty</b>	<b>364 499</b>	<b>458 038</b>
Property rights from energy certificates	13 898	15 949
Compensation for LTC termination	41 187	50 087
Revenues from Capacity Market	42 830	-
Total revenues	<u>462 414</u>	<u>524 074</u>

### 11.2. Other operating revenues

	<i>Period of 3 months ended</i> <i>31 March 2021 (unaudited)</i>	<i>Period of 3 months ended</i> <i>31 March 2020</i> <i>(transformed data)</i> <i>(unaudited)</i>
Revenues from damages	288	709
Use of a forward contract securing the purchase of CO <sub>2</sub> emission allowances	3 886	18 706
Reversal of write-downs against receivables	572	-
Grants settlement	12	1 467
Revenue from demolition and scrap sales	1 796	-
Profit from disposal of non-financial fixed assets	909	3 573
Other	366	363
Total of other operating revenues	<u>7 829</u>	<u>24 818</u>

### 11.3. Other operating expenses

	<i>Period of 3 months ended</i> <i>31 March 2021 (unaudited)</i>	<i>Period of 3 months ended</i> <i>31 March 2020</i> <i>(transformed data)</i> <i>(unaudited)</i>
Creation of provisions	92	483
Impairment write-down on receivables	-	67
Donations given	34	20
Other	571	558

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Total other operating expenses	697	1 128
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#### 11.4. Financial income

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months ended 31 March 2020 (transformed data) (unaudited)</i>
Interest income	21	1 805
Foreign exchange gains	1 633	1 438
Other	-	19
Total financial income	1 654	3 262

#### 11.5. Financial costs

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months ended 31 March 2020 (unaudited)</i>
Interest expenses	1 687	1 595
Foreign exchange losses	25	2
Reserve discount for the liquidation of power units	76	65
Reserve discount for reclamation	1 560	2 585
Other	218	295
Total of financial costs	3 566	4 542

#### 11.6. Costs by type

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months ended 31 March 2020 (transformed data) (unaudited)</i>
Depreciation / Amortisation	33 816	38 770
Impairment write-downs on fixed assets	-	-
Impairment write-downs on inventories	30	1 596
Materials	81 777	72 707
External services	16 124	20 376
Taxes and charges, excluding excise duty	38 614	41 074
Costs of allowances for emission of CO <sub>2</sub>	95 157	166 225
Costs of employee benefits	91 757	99 218
Other costs by type	5 061	4 418
Cost of goods for resale and raw materials sold and resale of electricity from the market	123 128	114 520
Total cost by type	485 464	558 904
Items included in cost of goods sold	448 647	521 917
Items included in selling and distribution expenses	1 706	1 112
Items included in administrative expenses	27 269	29 103

Change in the stocks of finished goods	7 837	6 552
Cost of goods and services for internal needs	5	220

## 11.7. Construction agreements

The Group executes contracts that are settled during the execution of works - issuing partial invoices adequately to the progress of works and the final invoice upon completion of works.

Services performed under these contracts are services rendered over time. The duration of the contracts ranges from 2 months to 6 years, although these are often 1-2 year contracts. During the contracts, partial invoices are issued with a payment period of 30 days. In the case of some high-value contracts, the Group may obtain an advance payment. Advances are billed with partial invoices and a final invoice.

The revenue of 1 quarter 2021 did not include the part of revenue for which the obligation to meet the service was already included in previous reporting periods.

### **Assets and liabilities due to contracts for construction and assembly services concluded**

	01.01.2021	Change in the valuation of contracts	Revenues recognized in 2021 included in the balance of liabilities as at 31.12.2020	Change of the period in which the right to remuneration becomes unconditional	31.03.2021 (unaudited)
Valuation of construction contracts	1 370	2 375	-	(1 370)	2 375
Assets due to contracts with clients	1 370	2 375	-	(1 370)	2 375
Valuation of construction contracts	7 858	2 726	(183)	-	10 401
Liabilities due to contracts with clients	7 858	2 726	(183)	-	10 401

The change in the valuation of contracts applies to both changes related to the signed annexes to the contracts with the contractor and changes in the stage of completion of works on the contract.

The item change in the period in which the right to remuneration becomes unconditional means the realization of revenue on contracts in I quarter of 2021 (in 2020 the determined amount of revenue was higher than the partial net invoices, and the surplus was statistically calculated).

Revenues recognized in I quarter of 2021 are shown in negative figures, because the valuation of contracts on the liabilities side was reduced by 2021 in these amounts (in 2020 the sum of partial invoices was higher than the value of services rendered, and the surplus was transferred to deferred income).

### **Remaining commitments to perform the obligations**

*The total amount of the transaction price assigned to the obligation to perform the service, which remained unmet (or partially unfulfilled) at the end of the reporting period to be implemented:*

	31 March 2021 (unaudited)	31 December 2020
- up to 1 year	23 899	43 138
Total	23 899	43 138

*Period of 3 months ended*

*Period of 3 months ended*

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	31 March 2021 (unaudited)	31 March 2020 (unaudited)
The gross amount due from the contracting parties for works under the contract	1 869	1 754
The gross amount due to the contracting parties for work under the contract	6 811	1 682

## 12. Income tax

### 12.1. Tax load

The main components of tax load for the period of 3 months ended 31 March 2021 and 31 March 2020 are as follows:

	Period of 3 months ended 31 March 2021 (unaudited)	Period of 3 months ended 31 March 2020 (unaudited)
<i>Included in the profit or the loss</i>		
<b>Current income tax</b>		
Current income tax load	1 560	62
<b>Deferred income tax load</b>		
Related to creation and reversal of temporary differences	(3 549)	6 853
Other changes	8	(1 648)
<b>Tax load in the consolidated profit or loss</b>	<b>(1 981)</b>	<b>5 267</b>
<i>Included in the consolidated statement of the comprehensive income</i>		
Net profit (loss) tax due to revaluation of cash flow securities	-	-
Income tax concerning actuarial profits/losses	(3)	21
<b>Tax advantage/(tax load) included in comprehensive income</b>	<b>(3)</b>	<b>21</b>

### 12.2. Deferred income tax

Deferred income tax results from the following items:

	31 March 2021 (unaudited)	31 December 2020
<b>Deferred tax asset</b>		
Balance sheet provisions	65 188	60 908
Overburden and other mining assets	4 824	4 811
Interest and exchange rate differences	348	2
Valuation of non-terminated agreements for building services	2 072	1 510
Tax loss from previous years	10 192	10 192
Impairment write-down on inventories	5 985	6 530
Impairment write-down on receivables	819	932
Impairment write-downs on fixed assets	-	-
Difference between the balance sheet value and the tax value of fixed assets	13 209	16 103
Settlements with employees	3 327	5 689

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Other	2 316	5 451
Total	108 280	112 128

**Provision under deferred income tax**

Difference between the balance sheet value and the tax value of fixed assets	301 119	316 977
Receivables under PPAs	23 768	15 942
Energy certificates	3 542	4 311
Interest and exchange rate differences	69	509
Valuation of non-terminated construction agreements	1 061	501
Other	3 594	1 870
Total	333 153	340 110

*After offsetting the balances at the level of the Group companies, the deferred tax is presented as:*

Asset:	<b>83 913</b>	<b>84 920</b>
Provision:	<b>308 786</b>	<b>312 902</b>

### 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:

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months 31 March 2020 (unaudited)</i>
Net profit / (loss) on continued activities of the parent company's shareholders	(7 229)	(10 346)
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	(7 229)	(10 346)
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

The below table shows the profit per one share in Polish zlotys for the period of 3 months ended 31 March 2021 and 31 March 2020 presented in the profit and loss account.

	<i>Period of 3 months ended 31 March 2021 (unaudited)</i>	<i>Period of 3 months 31 March 2020 (unaudited)</i>
Basic and diluted from profit for the financial year attributable to the shareholders of the parent company	(0,14)	(0,20)

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Basic and diluted from profit from continuing operations  
attributable to the shareholders of the parent company

(0,14)

(0,20)

In the period between the balance sheet day and the day of development of this financial statement, there were no other transactions concerning ordinary shares or potential ordinary shares.



## 14. Tangible fixed assets

*Period of 3 months ended 31 March 2021 (unaudited)*

	<i>Land, including the right of perpetual usufruct of land *</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>Assets under construction</i>	<i>Total</i>
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	8	-	1 764	100	449	55 686	58 007
Repairs	-	-	(72)	-	-	(233)	(305)
Transfer from fixed assets under construction	3 644	485	15	-	17	(4 161)	-
Sale and liquidation	(11)	(917)	(7 193)	(4 236)	(50)	-	(12 407)
Advances for fixed assets under construction	-	-	-	-	-	33 922	33 922
Gross value as at 31 March 2021	230 692	2 040 576	4 953 158	58 681	33 977	279 979	7 597 063
Depreciation and 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-down for the period	1 047	8 090	20 489	499	385	-	30 510
Impairment write-down (change of the state)	-	-	-	-	-	-	-
Sale and liquidation	(2)	(917)	(5 806)	(4 236)	(50)	-	(11 011)
Depreciation and impairment write-downs as at 31 March 2021	54 846	1 642 481	4 036 428	51 919	23 869	67 141	5 876 684
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 31 March 2021	175 846	398 095	916 730	6 762	10 108	212 838	1 720 379

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

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	<i>Land, including the right of perpetual usufruct of land *</i>	<i>Buildings and constructions</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>Assets under construction</i>	<i>Total</i>
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	-	16	-	142	647	806
Repairs	-	-	(72)	-	-	-	(72)
Transfer from fixed assets under construction	-	-	61	-	50	(111)	-
Sale and liquidation	(427)	(28)	(10 668)	-	(87)	(211)	(11 421)
Gross value as at 31 March 2020	222 822	2 054 546	4 998 171	68 269	33 800	110 404	7 488 012
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-down for the period	955	9 937	22 227	972	308	-	34 399
Impairment write-down (change of the state)	-	-	-	-	-	-	-
Sale and liquidation	-	(28)	(10 039)	-	(87)	-	(10 154)
Depreciation and impairment write-down as 31 March 2020	50 843	1 495 306	3 861 017	50 255	23 334	82 328	5 563 083
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 31 March 2020	171 979	559 240	1 137 154	18 014	10 466	28 076	1 924 929

\* 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.

On December 1, 2020, Zespół Elektrowni Pątnów-Adamów-Konin SA was merged with the company PAK Infrastruktura sp. z o.o. in the manner specified in art. 492 §1 point 1 of the Commercial Companies Code, i.e. by transferring all assets of PAK Infrastruktura Sp. z o.o. (acquired company) to the company ZE PAK SA. Its assets were assigned to CGU Elektrownia Pątnów I.

On December 30, 2020, Zespół Elektrowni Pątnów-Adamów-Konin SA was merged with Elektrownia Pątnów II sp. z o.o. in the manner specified in art. 492 §1 point 1 of the Commercial Companies Code, i.e. by transferring all assets of Elektrownia Pątnów II sp. z o.o. (acquired company) to the company ZE PAK SA. Within ZE PAK SA, a CGU was established:

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

As at March 31, 2021, the lignite mine PAK KWB Konin SA conducts business activity in Józwin, Tomisławice and Drzewce open-pit mines.

Regarding PAK KWB Adamów SA - on September 14, 2020, the General Meeting of the company adopted a resolution on the dissolution and liquidation of PAK KWB Adamów. Therefore, no tests were performed for this company. A significant part of the value of the company's fixed assets has been written off so far, and the fixed assets disclosed in the consolidated financial statements are mainly land, which is measured at fair value.

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 Józwin, 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 March 31, 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 Pałnów I and CGU ZE PAK Elektrownia Pałnów 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 Pałnów I by 2024, for Elektrownia Pałnów II by 2030 year due to the increased risk related to the launch of prospective lignite 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 Pałnów 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 March 2021 increased by over 13%, and compared to March 2020 even by over 43%. 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 March 31, 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.

## **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.

### **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.

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The period of leasing machines (vulcanizing presses) 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:

	<i>31 March 2021</i> <i>(unaudited)</i>	<i>31 December 2020</i>
Up to 1 year	6 330	6 330
1 to 3 years	14 558	14 558
3 to 5 years	8 337	8 337
Over 5 years	123 362	128 765
Total according to undiscounted payments	<u>152 587</u>	<u>157 990</u>
Book value	<u>46 256</u>	<u>51 495</u>

Amounts recognized in the cash flow statement

	<i>Period of 3 months</i> <i>ended</i> <i>31 March 2021</i> <i>(unaudited)</i>	<i>Year ended</i> <i>31 December 2020</i>
Total cash outflow	<u>5 403</u>	<u>8 990</u>

*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 and ZE PAK SA.

	<i>Period of 3 months</i> <i>ended</i> <i>31 March 2021</i> <i>(unaudited)</i>	<i>Year ended</i> <i>31 December 2020</i>
Gross value as at 1 January	67 296	67 296
Remission as at 1 January	(18 086)	(11 087)
Net value as at 1 January	49 210	56 209
Depreciation for the period	(892)	(6 999)
As at the end of the period	<u>48 318</u>	<u>49 210</u>

*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.

## 16. Intangible assets

### Long-term intangible assets – period of 3 months ended 31 March 2021 (unaudited)

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Gross value as at 1 January 2021	23 444	2 128	417	25 989
Decreases	(1 379)	-	-	(1 379)
Increases	73	-	-	73
Gross value as at 31 March 2021	<u>22 138</u>	<u>2 128</u>	<u>417</u>	<u>24 683</u>
Depreciation and impairment write-downs as at 1 January 2021	20 741	2 128	366	23 235
Depreciation write-down for the period	213	-	-	213
Impairment write-down	-	-	-	-
Decreases	(1 379)	-	-	(1 379)
Depreciation and impairment write-down as at 31 March 2021	<u>19 575</u>	<u>2 128</u>	<u>366</u>	<u>22 069</u>
Net value as at 1 January 2021	<u>2 703</u>	<u>-</u>	<u>51</u>	<u>2 754</u>
Net value as at 31 March 2021	<u>2 563</u>	<u>-</u>	<u>51</u>	<u>2 614</u>

**Long-term intangible assets – period of 3 months ended 31 March 2020 (unaudited)**

	<i>Patents and licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Gross value as at 1 January 2020	22 607	2 128	417	25 152
Decreases	-	-	-	-
Increases	218	-	-	218
Gross value as at 31 March 2020	<u>22 825</u>	<u>2 128</u>	<u>417</u>	<u>25 370</u>
Depreciation and impairment write-down as at 1 January 2020	19 911	2 128	365	22 404
Depreciation write-down for the period	245	-	1	246
Impairment write-down	-	-	-	-
Decreases	-	-	-	-
Depreciation and impairment write-down as 31 March 2020	<u>20 156</u>	<u>2 128</u>	<u>366</u>	<u>22 650</u>
Net value as at 1 January 2020	<u>2 696</u>	<u>-</u>	<u>52</u>	<u>2 748</u>
Net value as at 31 March 2020	<u>2 669</u>	<u>-</u>	<u>51</u>	<u>2 720</u>

### Short-term intangible assets

	31 March 2021 (unaudited)	31 March 2020 (unaudited)
	Certified emission reduction units (EUA)	Certified emission reduction units (EUA)
Gross value as at 1 January	3 565	93 218
Purchase	618 844	107 984
Gross value as at 31 March	622 409	201 202

## 17. Assets for overburden removal and other mining assets

As of 31 March 2021, the item of assets concerning overburden stripping and other mining assets includes the assets related to overburden stripping and other mining assets mainly in PAK KWB Konin in the amount of PLN 69 171 thousand.

	31 March 2021 (unaudited)	31 December 2020
As of 1 January	52 291	70 620
Increase	78	7 599
Decrease	-	(13 318)
Impairment write-down	-	(3 631)
Depreciation for the period	(2 201)	(8 979)
As of the end of the period	50 168	52 291
Long-term	50 168	52 291
Short-term	-	-

## 18. Other assets

### 18.1. Other financial assets

	31 March 2021 (unaudited)	31 December 2020
Investments and MLF* deposits	4 086	3 470
Shares	345	345
Other	1 643	1 276
Total other financial assets	6 074	5 091
Short-term	14	10
Long-term	6 060	5 081

\* MLF – Mining Liquidation Fund

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



## 18.2. Other non-financial assets

	31 March 2021 (unaudited)	31 December 2020
VAT receivables	38 604	34 536
Insurance	343	371
Other receivables from the state budget	295	-
Other accruals	6 691	1 779
Research and development works	2 508	1 572
Delivery prepayments	549	508
Prepayments for assets under construction	203	-
Other	1 168	1 204
Total other non-financial assets	<u>50 361</u>	<u>39 970</u>
Short-term	<u>50 008</u>	<u>39 673</u>
Long-term	<u>353</u>	<u>297</u>

The largest components of the item "Other accruals" in the first quarter of 2021 are settlements related to the Social Benefits Fund in the amount of PLN 2,591 thousand.

## 19. Inventories

	31 March 2021 (unaudited)	31 December 2020
Production fuel	8 254	6 599
Spare parts and other materials	39 961	33 265
Certificates of origin of energy	25 141	27 995
Goods	17	-
Inventory total according to the lower of two values: acquisition price (costs of production) and the net value possible to acquire	<u>73 373</u>	<u>67 859</u>

As at March 31, 2021, the Group did not have the property rights to green energy certificates of green energy produced and verified by the Energy Regulatory Office. From January 1, 2021 to March 31, 2021, the Group received 71,072.894 MWh certificates for production in October and November 2020. During this period, an application was submitted for the issuance of 65,708.189 MWh for production in December 2020 and production in January 2021. Obtaining certificates of origin was performed on an ongoing basis. In the first quarter of 2021, 117,918.009 MWh was sold on TGE SA, the revenue from this in the amount of PLN 17,172 thousand was recognized under Other revenues. Revenue from submitted applications for December 2020 (price from the last session in December PLN 141.63 / MWh) is PLN 4,842 thousand, January 2021 (price from the last session in January (PLN 142.25 / MWh) is PLN 4,484 thousand.

Spare parts are a stock for the needs of ongoing repairs and service. The write-down for other materials and non-strategic spare parts as at March 31, 2021 is PLN 31,500 thousand.

## 20. Trade and other receivables

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	31 March 2021 (unaudited)	31 December 2020
Trade receivables	116 653	155 290
Receivables due to compensation related to the termination of the PPAs	125 095	83 908
Receivables due to security of purchase of electricity in the balancing market	2 555	2 293
Other receivables	23 071	143 566
Net receivables	<u>267 374</u>	<u>385 056</u>
Impairment write-down on receivables	45 579	46 105
Gross receivables	<u><u>312 953</u></u>	<u><u>431 161</u></u>

As at March 31, 2021, the Group presents mainly receivables from deposits securing transactions on the Polish Power Exchange and securing the purchase of CO2 emission allowances (EUA) in the amount of PLN 13,689 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 at bank are subject to interest at volatile interest rates, whose amount depends on the interest rate on one-day bank deposits. Short-term deposits are established for various periods; from one day to three months, depending on current Group's demand for cash and are subject to interest at fixed interest rates. The fair value of cash and cash equivalents as of 31 March 2021 amounts to PLN 55 635 thousand (as of 31 March 2020: PLN 319 489 thousand).

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

### Cash structure

	31 March 2021 (unaudited)	31 March 2020 (unaudited)
Cash in hand and at bank	55 635	115 252
Short-term deposits	-	204 237
<b>Total cash and cash equivalents in the balance sheet:</b>	<u><u>55 635</u></u>	<u><u>319 489</u></u>
Foreign exchange differences	(1)	(1 524)
<b>Total cash and cash equivalents in cash flow statement</b>	<u><u>55 634</u></u>	<u><u>317 965</u></u>

## 22. Dividends paid and proposed for payment

The Group did not pay or declare the payment of dividends in the first quarter of 2021.

## 23. Interest-bearing loans and borrowings

Short-term	Maturity	31 March 2021 (unaudited)	31 December 2020
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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	35 625	-
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	23 137	30 880
Overdraft facility in Santander Bank Polska SA in the amount of PLN 40 000 thousand, with an interest rate of WIBOR 1M + bank margin (PAK KWB Konin SA)	30.06.2021	35 900	24 123
<b>TOTAL</b>		<b>94 662</b>	<b>55 003</b>

<b>Long-term</b>	<i>Maturity</i>	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
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	30 945	-
Investment loan in the consortium of banks PKO BP, Pekao SA and mBank in the amount of PLN 175 000 thousand (term loan PLN 138 000 thousand, VAT loan PLN 37 000 thousand), with an interest rate of WIBOR 1M + bank margin (PAK-PCE Fotowoltaika Sp. z o.o.)	31.12.2035 (term loan) 30.06.2022 (VAT loan)	25 720	-
<b>TOTAL</b>		<b>56 665</b>	<b>-</b>

## 24. Provisions and accruals

### 24.1. Accruals

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Provision for bonuses and holiday leaves	28 687	24 283
Compensation from an insurance company	647	647
Audit of financial statements	-	290
Other	5 375	2 565
Total	<u>34 709</u>	<u>27 785</u>
Short-term	34 709	27 785
Long-term	<u>-</u>	<u>-</u>

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 components of the "Other" item are provisions for fees for economic use of the environment in the amount of PLN 3 388 thousand and a provision for the penalty for exceeding the amount of dust released into the air in 2015 in the amount of PLN 1 190 thousand. At the request of the Group, the Voivodship Inspector for Environmental Protection set a date to defer the payment of the above-mentioned penalties as of March 31, 2023, in accordance with the implementation of individual stages of the schedule for the project "Preparation of Adamów Power Plant grounds for new investments".

## 24.2. Change in provisions

	<i>Provision for EUA redemption</i>	<i>Provision for return of CO<sub>2</sub> emission allowances</i>	<i>Provision for the fixed assets liquidation costs</i>	<i>Provision for the reclamation of ash storage yards</i>	<i>Provision for the long-term con- tract loss</i>	<i>Provision for the certificates of origin of energy redemption</i>	<i>Reclamation provisions and other provisions related to mining activities</i>	<i>Other</i>	<i>Total</i>
<b>As at 1 January 2021</b>	640 512	7 038	18 451	67 313	36	11 245	351 779	18 906	1 115 280
increase	95 157	90	65	11	-	2 063	2 146	13 239	112 771
Decrease, incl.:	-	-	-	-	-	-	(8 041)	(837)	(8 878)
<i>use</i>	-	-	-	-	-	-	(2 036)	(11)	(2 047)
<i>termination</i>	-	-	-	-	-	-	(6 005)	(826)	(6 831)
<b>As at 31 March 2021 (unaudited)</b>	<u>735 669</u>	<u>7 128</u>	<u>18 516</u>	<u>67 324</u>	<u>36</u>	<u>13 308</u>	<u>345 884</u>	<u>31 308</u>	<u>1 219 173</u>
Long-term	-	-	18 516	67 324	-	-	325 163	1 131	412 134
Short-term	735 669	7 128	-	-	36	13 308	20 721	30 177	807 039
<b>As at 1 January 2020</b>	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)
<i>use</i>	(596 081)	-	-	-	-	(16 649)	(31 332)	(2 042)	(646 104)
<i>termination</i>	(84)	-	-	-	(40)	(2 600)	(3 798)	(4 482)	(11 004)
<b>As at 31 December 2020</b>	<u>640 512</u>	<u>7 038</u>	<u>18 451</u>	<u>67 313</u>	<u>36</u>	<u>11 245</u>	<u>351 779</u>	<u>18 906</u>	<u>1 115 280</u>
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 March 31, 2020, the provision amounts to PLN 735,669 thousand

#### CO<sub>2</sub> 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.

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

#### CO<sub>2</sub> emission allowances for the period of 3 months ended 31 March 2021 (unaudited)

		<i>Zespół Elektrowni Pątnów-Adamów-Konin SA</i>
	CO <sub>2</sub> Emission (tons)*	926 611
		<i>quantity (tons)</i>
<b>EUA</b>	Balance at the beginning of the period	88 998
	Purchased	5 258 000
	Provided for security to IRGIT	(1 256 000)
	Balance at the end of the period	4 090 998

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

#### CO<sub>2</sub> emission allowances for the period of 3 months ended 31 March 2020 (unaudited)

(tons)	<i>Zespół Elektrowni Pątnów-Adamów-Konin SA</i>	<i>„Elektrownia Pątnów II” sp. z o.o.</i>
	CO <sub>2</sub> Emission (tons)*	542 777
		693 696
<b>EUA</b>	Balance at the beginning of the period	1 045 676
	Purchased	111 000
	Free of charge	-
	Balance at the end of the period	1 156 676

\* 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 an external expert. 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 31 March 2021, the created provision amounted to PLN 67 324 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 31 March 2021, the provision due to this amounted to PLN 18 516 thousand. The provision is created in correspondence with the cost of sales. 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 March 31, 2021 amounted to PLN 345 884 thousand and decreased compared to the year ended December 31, 2020 by PLN 5 895 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 1,560 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 31 March 2021, the provision due to this amounted to PLN 13 308 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 March 31, 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 520 thousand, provision for service charges in the amount of PLN 1,841 thousand, provision for remuneration for mining use in the amount of PLN 552 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 fees for excluding land from agricultural production and forestry in the amount of PLN 1,910 thousand, provision for court cases in the amount of PLN 524 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.

## 25. Trade liabilities, other liabilities and accruals

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

	31 March 2021 (unaudited)	31 December 2020
Trade and service liabilities:	108 725	98 960
Other liabilities:		
Investment liabilities	34 910	50 818
Liabilities to employees due to salaries	14 425	16 119
Bail liabilities	152	19 254
Other liabilities	3 816	3 110
Total	<u>162 028</u>	<u>188 261</u>

In the line other liabilities as at March 31, 2021, the Group presents mainly liabilities concerning settlements with employees and deductions from the payroll in the amount of PLN 1,904 thousand and settlements due to the Social Fund in the amount of PLN 671 thousand and the security deposit in the amount of PLN 1 137 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. Trade liabilities and other financial liabilities (long-term)

	31 March 2021 (unaudited)	31 December 2020
Finance lease liability	381	449
Short-term liabilities to other entities – over 12 months	1 202	2 599
Other	2 342	2 200
Total	<u>3 925</u>	<u>5 248</u>

### 25.3. Other financial liabilities

	31 March 2021 (unaudited)	31 December 2020
VAT tax liabilities	15 449	31 182
Liabilities due to environmental charges	1 747	11 926
Liabilities due to the excise tax	544	519
Liabilities due to social insurance	16 352	19 191
Income tax from individuals	3 871	4 409
Other budget liabilities	311	3 827
Advanced payments for deliveries	-	329
Service charge	-	6 153
Other	3 459	616
Total	<u>41 733</u>	<u>78 152</u>

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 component of the "Other" item is the excess of liabilities over the assets of the Company Social Benefits Fund in the amount of PLN 2,864 thousand.

#### 25.4. Derivative financial instruments

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Forex exchange rate hedging instruments (forwards) (assets)	-	6 550
Total	<u>-</u>	<u>6 550</u>
Short-term	-	6 550
Long-term	<u>-</u>	<u>-</u>

The amount of PLN 1,942 thousand in the item derivative short-term financial instruments in the balance sheet assets relates to the positive valuation of the forward transaction for the purchase of EUR.

#### 25.5. Grants and deferred income (long-term)

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Long-term grants	31 799	32 710
Other	<u>3 317</u>	<u>3 317</u>
Total	<u>35 116</u>	<u>36 027</u>

The main component of the item "Long-term subsidies" there are subsidies in the amount of PLN 31 493 thousand presented as at March 31, 2021 arose as a result of the valuation received from the National Fund for Environmental Protection and Water Management, as if it had been granted on market terms. The subsidy is settled in accordance with the useful life period of fixed assets included in the 464 MW block.

The main component of the "Other" item is land received free of charge from the Poviast Starosty and the Commune, amounting to PLN 3 140 thousand.

#### 25.6. Grants and deferred income (short-term)

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Short-term grants	3 646	3 646
Other	<u>-</u>	<u>-</u>
Total	<u>3 646</u>	<u>3 646</u>



## 26. Contingent liabilities and description of significant judicial cases

Apart from liabilities described in notes 26 and 27 below, as of 31 March 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 Państw 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 Państw 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 Państw II sp. z o.o., all the repayments from Elektrownia Państw 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 Państw 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 Wierzbiniek 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 Wierzbiniek 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 18<sup>th</sup> 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 Wierzbiniek 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 Wierzbiniek 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 Wierzbiniek 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 Wierzbiniek 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 Imbierski 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.

### ***Proceedings on an environmental decision on lignite deposit in Ościsłowo***

On 13 March 2017, PAK KWB Konin SA received the decision of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") of 10 March 2017, refusing the establishment of the environmental conditions for the investment titled: "Extraction of lignite and associated minerals from the Ościsłowo Open Pit." The decision of RDOŚ in Poznań is not final. PAK KWB Konin SA appealed accordingly to the General Directorate for Environmental Protection in Warsaw. The appeal included a request to revoke the appealed ruling in its entirety and determine the environmental conditions for the execution of the above-mentioned project. On 30 November 2017, General Director of Environmental Protection in Warsaw has decided to repeal a decision in its entirety (contested by PAK KWB Konin SA - a subsidiary of the Company) of the Regional Director for Environmental Protection in Poznań ("RDOŚ in Poznań") dated March 10, 2017, refusing to specify environmental conditions for the project entitled: "Extraction of lignite and associated minerals from Ościsłowo Open Pit" and forward the case for reconsideration by RDOŚ in Poznań.

PAK KWB Konin SA, by letter of December 18, 2017 filed an objection against the abovementioned decision of GDOŚ in Warsaw to the Provincial Administrative Court in Warsaw (WSA). In the opinion of PAK KWB Konin S.A. there were grounds for issuing a reformatory decision by GDOŚ in Warsaw, i.e. amending the contested decision of RDOŚ in Poznań and substantive decision in this matter, not referring the matter for reconsideration. The other party also opposed the WSA. Both objections were dismissed by the WSA. The verdict was passed on March 1, 2018. On April 12, 2018, PAK KWB Konin SA filed a cassation complaint with the Supreme Administrative Court in Warsaw against the verdict of the WSA in Warsaw of 1 March 2018. The Supreme Administrative Court in Warsaw, by a judgment of September 25, 2018, repealed the appealed judgment and forwarded the case to the Provincial Administrative Court in Warsaw for reconsideration.

On November 21, 2018, RDOŚ in Poznań issued a notice in which it informed the parties to the proceedings that due to the final verdict of the Provincial Administrative Court in Warsaw of October 18, 2018, no proceedings were pending before RDOŚ in Poznań, and the evidence was collected GDOŚ in Warsaw. On November 22, 2018, GDOŚ in Warsaw issued a notice in which it announced that in connection with the repeal of the GDOŚ decision of November 30, 2017 by the Provincial Administrative Court in Warsaw repealing the decision of RDOŚ in Poznań of March 10, 2017 refusing to specify the environmental conditions for the implementation of the project consisting in: Lignite mining and accompanying minerals from Ościsłowo open pit and referring the case for reconsideration to the authority of first instance - the General Director for Environmental Protection again conducts an appeal against the above decision. On January 3, 2020, GDOŚ in Warsaw set the deadline for settling the matter for June 30, 2020. On June 26, 2020, PAK KWB Konin SA applied for an extension of the deadline for the preparation of answers to questions submitted by GDOŚ in Warsaw until December 31, 2020. PAK KWB Konin SA justified its request with the consequences of the regulations announced in March following the pandemic, introducing a number of bans and restrictions, including restrictions on transport, which made it difficult to prepare supplements and clarifications to the questions of GDOŚ in Warsaw.

By letter of June 26, 2020, PAK KWB Konin SA asked GDOŚ again to set a new date for settling the matter for December 31, 2020.

On July 2, 2020, GDOŚ announced the appointment of a new date for settling the matter for December 31, 2020.

By letter of December 16, 2020, PAK KWB Konin SA withdrew the appeal to the decision of the Regional Director for Environmental Protection in Poznań, following the new strategy of the ZE PAK SA Capital Group, which provides for the abandonment of electricity production based on lignite. As a result of the company's request, the General Director for Environmental Protection, by a decision of January 29, 2021, discontinued the appeal proceedings against the decision of the Regional Directorate of Environmental Protection in Poznań of March 10, 2017 refusing consent to the implementation of the project called "Extraction of lignite and accompanying minerals from the Ościsłowo Open-pit mine". The case for PAK KWB Konin SA was thus definitely closed.

#### ***Court order on the decision of the Minister of Climate (adjustment to BAT)***

On January 20, 2021, the Company received the Order of the Provincial Administrative Court in Warsaw of January 5, 2021 to suspend the execution of the contested decision of the Minister of Climate of August 4, 2020 ("Decision of the Minister of Climate"), upholding the decision of Marshal of Wielkopolska Province on adjusting the integrated permit for 474 MW power unit (former Pątnów II sp. z o.o.) to the requirements of BAT conclusions ("Marshal's Decision"). The above-mentioned Decision granted the Company a temporary derogation from the emission limit values specified in the Commission Implementing Decision (EU) 2017/1442 of July 31, 2017, establishing the conclusions on the best available techniques (BAT) for large combustion plants in accordance with the Directive of the European Parliament and the Council 2010/75/EU, with regard to the emission of nitrogen oxides, dust, mercury and sulphur dioxide into the air.

The company filed a complaint against the abovementioned decision to suspend the enforcement. A complaint against the above decision was also submitted by the Minister of Climate.

On March 16, 2021, the Company received another decision of the Provincial Administrative Court in Warsaw of March 12, 2021 to suspend the execution of the above-described decision of the Provincial Administrative Court to suspend the execution of the decision of the Minister of Climate.

The decisions contained in the above-mentioned decisions of the Provincial Administrative Court in Warsaw of January 5, 2021 and of March 12, 2021, expired as a result of the judgment issued by the Provincial Administrative Court in Warsaw on April 9, 2021 in the case.

#### ***Judgment of the Provincial Administrative Court in Warsaw regarding the decision of the Minister of Climate (adjustment to BAT)***

Provincial Administrative Court in Warsaw, at a closed session, by a judgment of April 9, 2021, file ref. IV SA / Wa 2149/20, repealed the decision of the Minister of Climate of August 4, 2020, challenged by Greenpeace Polska Foundation, on the basis of which the Decision of the Marshal of Wielkopolska Province of April 29, 2020 was upheld. As a result of the above judgment, the decision of the Minister of Climate does not have any legal effects. However, the Provincial Administrative Court in Warsaw did not reverse the decision of the first instance body, i.e. Marshal's Decision.

The company is waiting for the preparation and delivery of the justification for the above-mentioned judgment by the Provincial Administrative Court.

## 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 Pańków, 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 Pańków. The termination of operation of older units in Pańków can be determined at the end of 2024, and the newer unit with a capacity of 474 MW (former Pańków 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 31 March 2021 and 31 December 2020, the Group had liabilities protected with its assets and other protections of payment of liabilities:

### Liabilities secured with the assets

Agreement	Kind of security	31 March 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

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Secondary mortgage on real estate of PAK-PCE	Up to 12 000 (PKO BP SA)	PLN	-	PLN
Fotowoltaika to secure liabilities under IRS securing agreements and related transactions in PKO BP SA, Pekao SA and mBank SA	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	31 March 2021 (unaudited) Security amount	currency	31 December 2020 Security amount	Currency
Guarantees of good performance of the contract	8 746	PLN	8 819	PLN
Guarantees to remove defects and faults	6 851	PLN	7 223	PLN
	434	EUR	434	EUR
Payment guarantees (including guarantees securing transactions on TGE / IRGIT)	30 030	PLN	30 000	PLN
			9 980	EUR

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.

	31 March 2021 (unaudited)	currency	31 December 2020	currency
Intra-Group Guarantees	135 747	PLN	125 578	PLN
The Guarantees granted to the entities outside the Group	-	PLN	-	PLN
<b>Total of granted Guarantees</b>	<b>135 747</b>	<b>PLN</b>	<b>125 578</b>	<b>PLN</b>

## 28. Received guarantees and sureties

Kind of guarantee	31 March 2021 (unaudited) Security amount	currency	31 December 2020 Security amount	Currency
Guarantees of good performance of the contract	25 024	PLN	23 437	PLN

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Guarantees to remove defects and faults	3 230	PLN	2 711	PLN
	-	EUR	-	EUR
Payment guarantees	-	PLN	-	PLN
	-	EUR	-	EUR
Advance payment guarantees	9 086	PLN	12 705	PLN
	2 083	EUR	2 083	EUR

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

## 29. Information about related entities

The following table shows the total amounts of transactions concluded with related entities for a period of 3 months ended 31 March 2021 and 31 March 2020 as well as receivables and liabilities as at 31 March 2021 and 31 March 2020.

<i>Related entity</i>		<i>Sales to related entities</i>	<i>Purchase from related entities</i>	<i>Receivables from related entities</i>	<i>Liabilities towards related entities</i>
Elektrim S.A.	2021	-	30	-	-
	2020	-	30	-	-
Megadex Development sp. z o.o.	2021	15	-	1	-
	2020	-	-	-	-
Megadex Expo sp. z o.o.	2021	153	-	63	-
	2020	-	-	-	-
Megadex Serwis sp. z o.o.	2021	-	-	-	-
	2020	-	25 508	-	-
Polkomtel sp. z o.o.	2021	23 568	541	7 207	380
	2020	29 898	3 146	13 321	995
Polkomtel Infrastruktura sp. z o.o.	2021	42	-	33	-
	2020	-	-	-	-
Laris Investments sp. z o.o.	2021	110	92	46	19
	2020	127	306	171	3
Laris Technologies sp. z o.o.	2021	579	-	-	185
	2020	-	-	-	-
CPE sp. z o.o.	2021	-	197	-	231
	2020	-	40	-	50
Plus Flota sp. z o.o.	2021	-	634	2	295
	2020	-	120	-	100
Cyfrowy Polsat	2021	857	2	685	-
	2020	-	1	-	-
Esoleo sp. z o.o.	2021	342	41 979	5 183	338
	2020	-	-	-	-
<b>Total</b>	<b>2021</b>	<b>25 666</b>	<b>43 475</b>	<b>13 220</b>	<b>1 449</b>
	<b>2020</b>	<b>30 025</b>	<b>29 151</b>	<b>13 492</b>	<b>1 148</b>

## 29.1. Loan granted to a member of the Management Board

Within the period of 3 months ended 31 March 2021 as well as within the period of 3 months ended 31 March 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

Within the period of 3 months ended 31 March 2021 as well as within the period of 3 months ended 31 March 2020 there were no transactions with members of management and supervisory staff.

## 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

	<i>Period of 3 months ended</i> <i>31 March 2021</i> <i>(unaudited)</i>	<i>Period of 3 months ended</i> <i>31 March 2020</i> <i>(unaudited)</i>
<b>Management Board of the parent company</b>		
Short-term employee benefits	658	1 812
Termination benefits	1	
<b>Supervisory Board of the parent company</b>		
Short-term employee benefits	325	295
<b>Management Boards of subsidiaries</b>		
Short-term employee benefits	752	699
<b>Supervisory Board of subsidiaries</b>		
Short-term employee benefits	-	-
<b>Total</b>	<u>1 645</u>	<u>2 806</u>

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

	<i>Period of 3 months ended</i> <i>31 March 2021</i> <i>(unaudited)</i>	<i>Period of 3 months ended</i> <i>31 March 2020</i> <i>(unaudited)</i>
Short-term employee benefits	2 624	3 344
Termination benefits	68	22
Total amount of remuneration paid to the chief executive staff (except for members of the Management Board and the Supervisory Board)	<u>2 692</u>	<u>3 366</u>

## 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.



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Classes of financial instruments	31 March 2021 (unaudited)		Interest rate risk sensitivity as of March 31, 2021							
	Carrying amount	value at risk	WIBOR				EURIBOR			
			Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income	Profit/loss	Other comprehensive income
Other financial assets	6 074	4 086	21	-	(21)	-	-	-	-	-
Trade and other receivables	267 374	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	55 635	55 635	241	-	(241)	-	11	-	(11)	-
Interest-bearing loans and borrowings	(151 327)	(151 327)	(772)	-	772	-	-	-	-	-
Trade payables and other financial liabilities	(165 953)	-	-	-	-	-	-	-	-	-
Lease liabilities	(46 256)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(34 453)</b>	<b>(91 606)</b>	<b>(510)</b>	<b>-</b>	<b>510</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>(11)</b>	<b>-</b>

pb – base points

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Classes of financial instruments	31 March 2020 (unaudited)		Interest rate risk sensitivity as of March 31, 2020							
	Carrying amount	value at risk	WIBOR				EURIBOR			
			WIBOR + 137pb	Other comprehensive income	WIBOR - 137pb	Other comprehensive income	EURIBOR + 32,83pb	Other comprehensive income	EURIBOR - 32,83pb	Other comprehensive income
		Profit/loss		Profit/loss		Profit/loss		Profit/loss		
Other financial assets	3 685	3 156	43	-	(43)	-	-	-	-	-
Trade and other receivables	216 195	-	-	-	-	-	-	-	-	-
Derivative financial instruments	1 942	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	319 489	319 489	3 939	-	(3 939)	-	105	-	(105)	-
Interest-bearing loans and borrowings	(163 108)	(163 108)	(2 235)	-	2 235	-	-	-	-	-
Trade payables and other financial liabilities	(111 591)	-	-	-	-	-	-	-	-	-
Lease liabilities	(50 787)	(50 787)	(696)	-	696	-	-	-	-	-
Derivative financial instruments	(107)	(107)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>215 718</b>	<b>108 643</b>	<b>1 051</b>	<b>-</b>	<b>(1 051)</b>	<b>-</b>	<b>105</b>	<b>-</b>	<b>(105)</b>	<b>-</b>

pb – base points

## 30.2. Currency risk

The Group is exposed to currency risk in connection with the concluded transactions. As at March 31, 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.

<i>Classes of financial instruments</i>	<i>31 March 2021 (unaudited)</i>		<i>Analysis of sensitivity to currency risk as of March 31, 2021</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<b>EUR/PLN</b>			
			<b>EUR/PLN + 5,975%</b>		<b>EUR/PLN - 5,975%</b>	
			<b>4,9388</b>	<i>Other comprehensive income</i>	<b>4,3818</b>	<i>Other comprehensive income</i>
			<i>Profit/loss</i>		<i>Profit/loss</i>	
Other financial assets	6 074	-	-	-	-	-
Trade and other receivables	267 374	4 803	287	-	(287)	-
Cash and cash equivalents	55 635	8 290	495	-	(495)	-
Interest-bearing loans and borrowings	(151 327)	-	-	-	-	-
Trade and other financial liabilities	(165 953)	(3 654)	(218)	-	218	-
Lease liabilities	(46 256)	-	-	-	-	-
<b>Total</b>	<b>(34 453)</b>	<b>9 439</b>	<b>564</b>	-	<b>(564)</b>	-

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<i>Classes of financial instruments</i>	<i>31 March 2020 (unaudited)</i>		<i>Analysis of sensitivity to currency risk as of March 31, 2020</i>			
	<i>Carrying amount</i>	<i>Value at risk</i>	<b>EUR/PLN</b>			
			<b>EUR/PLN + 5,675%</b>		<b>EUR/PLN - 5,675%</b>	
			<b>4,8106</b>	<i>Other comprehensive income</i>	<b>4,2940</b>	<i>Other comprehensive income</i>
		<i>Profit/loss</i>	<i>Profit/loss</i>	<i>Profit/loss</i>	<i>Profit/loss</i>	<i>Other comprehensive income</i>
Other financial assets	3 685	-	-	-	-	-
Trade and other receivables	216 195	3 857	219	-	(219)	-
Derivative financial instruments	1 942	-	-	-	-	-
Cash and cash equivalents	319 489	31 990	1 815	-	(1 815)	-
Interest-bearing loans and borrowings	(163 108)	-	-	-	-	-
Trade payables and other financial liabilities	(111 591)	(97)	(6)	-	6	-
Lease liabilities	(50 787)	-	-	-	-	-
Derivative financial instruments	(107)	-	-	-	-	-
<b>Total</b>	<b>215 718</b>	<b>35 750</b>	<b>2 028</b>	<b>-</b>	<b>(2 028)</b>	<b>-</b>

### 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	BBB-	-	Baa1
Santander Bank Polska	BBB+	-	A3
Alior Bank	BB	BB	-
BNP Paribas Bank Polska	-	-	Baa1

In addition to the banks presented in the table above, the Group also had cash at Plus Bank SA as at 31 March 2021. The bank has not been evaluated by any of the three main rating agencies, i.e. Fitch, Standard & Poor's and Moody's. Due to the fact that Plus Bank is controlled by the same owner, the Group assesses the credit risk of this bank as insignificant.

ZE PAK Capital Group cash as at March 31, 2021, broken down into individual credit ratings of banks:

Rating level of individual rating agencies			The amount of cash as at 31 March 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	4 640
A3	A-	A-	5

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Baa1	BBB+	BBB+	19 424
Baa2	BBB	BBB	-
Baa3	BBB-	BBB-	31 231
Ba1	BB+	BB+	-
Ba2	BB	BB	334
Ba3	BB-	BB-	-
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+	CCC	-
Caa2	CCC		-
Caa3	CCC-		-
Ca	CC		-
	C		-
C	D		DDD
-		DD	-
-		D	-
SUMA			55 635

### 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.

The tables below present financial liabilities of the Group as of 31 March 2021 and 31 December 2020 according to the maturity date based on contractual non-discounted payments.

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<b>31 March 2021</b>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	7 713	100 754	21 758	21 102	151 327
Trade payables and other financial liabilities	129 121	32 907	3 925	-	165 953
Lease liabilities	302	6 028	25 320	14 606	46 256
<b>Total</b>	<b>137 136</b>	<b>139 689</b>	<b>51 003</b>	<b>35 708</b>	<b>363 536</b>

  

<b>31 December 2020</b>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Interest bearing loans and borrowings	7 713	47 290	-	-	55 003
Trade payables and other financial liabilities	155 351	32 910	5 248	-	193 509
Lease liabilities	5 403	927	25 320	19 845	51 495
Derivative financial instruments	396 972	-	-	-	396 972
<b>Total</b>	<b>565 439</b>	<b>81 127</b>	<b>30 568</b>	<b>19 845</b>	<b>696 979</b>

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. The tables shown below present agreements of these values to balance sheet values of derivative instruments:

<b>31 March 2021 (unaudited)</b>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Net present market value (currency forwards)	-	-	-	-	-	-

  

<b>31 December 2020</b>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Net present market value (currency forwards)	-	6 550	-	-	-	6 550

## 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.

<i>Financial assets</i>	<i>Category acc. to IFRS 9</i>	<i>Balance sheet value</i>	
		<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Other financial assets	AFwgZK	6 074	5 091
Trade receivables and other receivables	AFwgZK	267 374	385 056
Derivative financial instruments	WwWGpWF	-	6 550
Cash and cash equivalents	AFwgZK	55 635	497 861
<i>Financial liabilities</i>			
Interest-bearing bank credits and loans, including:		151 327	55 003
long term	PZFwgZK	56 665	-
short term	PZFwgZK	94 662	55 003
Liabilities due to supplies and services and other financial liabilities	PZFwgZK	165 953	193 509
Lease liabilities	PZFwgZK	46 256	51 495
Derivative financial instruments	WwWGpWF	-	-

#### *Used abbreviations:*

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



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As of 31 March 2021 and 31 December 2020, the Group had following financial instruments evaluated in the fair value:

	<i>31 March 2021</i> <i>(unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	-	-
Derivatives hedging liabilities	-	-	-	-
	<i>31 December 2020</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Derivatives hedging assets	-	-	6 550	-
Derivatives hedging liabilities	-	-	-	-

The fair value of financial instruments other than derivatives as at March 31, 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.

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 March 31, 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 3 months ended 31 March 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 31 March 2021 (unaudited)	Carrying amount as of 31 December 2020
Financial assets at interest rate risk -PLN	Fixed	-	-
	Variable	51 431	463 022
Financial assets at interest rate risk – other currencies	Fixed	-	-
	Variable	8 290	38 310
Financial liabilities at interest rate risk - PLN	Fixed	-	-
	Variable	151 327	55 003
Financial liabilities at interest rate risk – other currencies	Fixed	-	-
	Variable	-	-
Net exposure -PLN	Fixed	-	-
	Variable	(99 896)	408 019
Net exposure – other currencies	Fixed	-	-
	Variable	8 290	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 March 31, 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 March 31, 2021 and March 31, 2020.

#### 31 March 2021(unaudited)

Type of concluded transactions	Number of purchased allowances	Total value of transactions in EUR thousand	Currency of transactions	Maturity
Forward transactions	3 629 000	98 723	EUR	U to 1 year

#### 31 March 2020 (unaudited)

Type of concluded transactions	Number of purchased allowances	Total value of transactions in EUR thousand	Currency of transactions	Maturity
Forward transactions	9 176 000	213 682	EUR	Up to 1 year
Forward transactions	947 000	21 469	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 3 months ended 31 March 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 30%. 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.

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Interest-bearing credits and loans	151 327	55 003
Derivative financial instruments (liabilities)	-	-
Trade liabilities and other financial liabilities	165 953	193 509
Minus cash and its equivalents	55 635	497 861
<b>Net debt</b>	<b>261 645</b>	<b>(249 349)</b>
Equity	941 455	949 463
Capitals from revaluation of security instruments	-	-
Total capital	941 455	949 463
<b>Net capital and debt</b>	<b>1 203 100</b>	<b>700 114</b>
Leverage ratio	21,75%	(35,62%)

## 33. Significant events after the balance sheet date

### *Withdrawal from the contract for the demolition of facilities at Elektrownia Adamów*

On April 29, 2021, the Company withdrew from the contract concluded on May 6, 2020 with the company MK Explosion sp. z o.o. the subject of which was the demolition of facilities and preparation of the site at Adamów Power Plant for potential new investments. The basis for submitting a declaration of withdrawal from the agreement by the Company was improper performance of the agreement by the contractor for culpable reasons attributable to the contractor.

The intention of the Company is still to complete the process of demolition of facilities and preparation of the area in Adamów Power Plant for potential future investments. In the coming weeks, the Company will launch the process of selecting a professional supplier of demolition services, whose task will be to complete the activities carried out at Adamów Power Plant.

*Konin, May 28, 2021*