ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA

QUARTERLY FINANCIAL INFORMATION
FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2020

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

25 November 2020

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(in thousand PLN)

BALANCE SHEET

Assets

	30 Sept. 2020 (unaudited)	*30 June 2020 (unaudited)*	*31 Dec. 2019*	*30 Sept. 2019 (unaudited)*	*30 June 2019 (unaudited)*
A. Fixed assets	**1 604 011**	**1 588 868**	**1 519 635**	**1 654 025**	**1 685 404**
I. Intangible assets	5 270	5 312	2 195	2 387	2 621
1. Development expenses	-	-	-	-	-
2. Goodwill	-	-	-	-	-
3. Other intangible assets	5 270	5 312	2 195	2 387	2 621
4. Prepayments for intangible assets	-	-	-	-	-
II. Tangible fixed assets	**658 366**	**649 017**	**455 901**	**589 754**	**597 745**
1. Tangible assets	616 295	607 885	436 863	540 031	549 653
a) land (including perpetual usufruct)	10 111	10 112	10 114	1 278	1 279
b) buildings, premises and constructions	156 547	152 589	128 846	164 543	167 282
c) plant and machinery	447 941	444 038	296 537	372 932	379 448
d) motor vehicles	943	336	492	377	675
e) other	753	810	874	901	969
2. Construction in progress	20 526	21 192	17 478	48 186	48 092
3. Prepayments for construction in progress	21 545	19 940	1 560	1 537	-
III. Long-term receivables	-	-	-	-	-
1. from affiliates	-	-	-	-	-
2. from others, of which entity has capital engagement	-	-	-	-	-
3. from others	-	-	-	-	-
IV. Long-term investment	**934 442**	**927 842**	**1 054 533**	**1 054 533**	**1 077 635**
1. Property	-	-	-	-	-
2. Intangible fixed assets	-	-	-	-	-
3. Long-term financial assets	934 442	927 842	1 054 533	1 054 533	1 077 635
a) in affiliates	934 290	927 690	1 054 381	1 054 381	1 077 483
– shares	933 790	927 690	1 049 381	1 049 381	1 049 381
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	23 102
– other long-term financial assets	500	-	5 000	5 000	5 000
b) in other entities of which entity has capital engagement	-	-	-	-	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	-	-	-	-
c) in other entities	152	152	152	152	152
– shares	152	152	152	152	152
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other long-term financial assets	-	-	-	-	-
4. Other long-term investments	-	-	-	-	-
V. Long-term prepayments and deferred costs	**5 933**	**6 697**	**7 006**	**7 351**	**7 403**
1. Deferred tax assets	-	-	-	-	-
2. Other prepayments and deferred costs	5 993	6 697	7 006	7 351	7 403

(in thousand PLN)

BALANCE SHEET (cont.)

B. Current assets	**302 794**	**219 870**	**472 399**	**450 265**	**242 329**
I. Inventories	**67 955**	**75 238**	**77 524**	**63 505**	**63 879**
1. Raw materials	49 565	55 990	52 628	38 515	41 919
2. Semi-finished goods and work-in-progress	-	-	-	-	-
3. Finished products	-	-	-	-	-
4. Goods	18 390	19 248	24 893	24 990	21 960
5. Inventory prepayments	-	-	3	-	-
II. Short-term receivables	**110 657**	**94 191**	**180 680**	248 456	**145 621**
1. Receivables from affiliates	62 082	36 706	115 897	180 456	80 291
a) trade receivables, due in:	59 943	36 706	112 472	54 546	48 699
– up to 12 months	59 943	36 706	112 472	54 546	48 699
– over 12 months	-	-	-	-	-
b) other	2 139	-	3 425	125 910	31 592
2. Receivables from other entities of which entity has capital engagement	-	-	-	-	-
a) trade receivables, due in:	-	-	-	-	-
– up to 12 months	-	-	-	-	-
– over 12 months	-	-	-	-	-
b) other	-	-	-	-	-
3. Receivables from other entities	48 575	57 485	64 783	68 000	65 330
a) trade receivables, due in:	18 213	26 644	36 541	35 252	34 522
– up to 12 months	18 213	26 644	36 541	35 252	34 522
– over 12 months		-	-		-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors	5 108	3 804	7 529	6 855	7 508
c) other	25 254	27 037	20 713	25 893	23 300
d) submitted to court	-	-	-	-	-
III. Short-term investments	**123 428**	**49 080**	**213 818**	**137 541**	**31 525**
1. Short-term financial assets	123 428	49 080	213 818	137 541	31 525
a) in affiliates	7 010	7 000	2 000	49 867	25 403
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	10	-	-	47 867	23 403
– other short-term financial assets	7 000	7 000	2 000	2 000	2 000
b) in other entities	725	-	-	1 917	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other short-term financial assets	725	-	-	1 917	-
c) cash and other monetary assets	115 693	42 080	211 818	85 757	6 122
– cash on hand and cash at bank	115 693	42 080	211 818	85 757	6 122
– other cash and cash equivalents	-	-	-	-	-
– other monetary assets	-	-	-	-	-
2. Other short-term investments	-	-	-	-	-
IV. Short-term prepayments and deferred costs	**754**	**1 361**	**377**	**763**	**1 304**
C. Unpaid share capital (basic)	**-**	**-**	**-**	**-**	**-**
D. Own shares	**-**	**-**	**-**	**-**	**-**
Total assets	**1 906 805**	**1 808 738**	**1 992 034**	**2 104 290**	**1 927 733**

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(in thousand PLN)

BALANCE SHEET (cont.)

Liabilities and equity

	30 Sept. 2020 (unaudited)	*30 June 2020 (unaudited)*	*31 Dec. 2019*	*30 Sept. 2019 (unaudited)*	*30 June 2019 (unaudited)*
A. Equity	**1 318 385**	**1 321 008**	**1 292 048**	**1 464 425**	**1 362 345**
I. Equity capital	**101 647**	**101 647**	**101 647**	**101 647**	**101 647**
II. Reserve capital, including:	**1 124 377**	**1 124 377**	**1 124 377**	**1 124 377**	**1 124 377**
– surplus of sales value (issue value) over nominal value of shares	380 030	380 030	380 030	380 030	380 030
III. Revaluation reserve, including:	**227 466**	**227 466**	**227 466**	**227 466**	**227 466**
– for fair value revaluation	-	-	-	-	-
IV. Other reserves, including:	**3 472**	**3 472**	**3 472**	**3 472**	**3 472**
– created in accordance with the company's articles of association	-	-	-	-	-
– for own shares	-	-	-	-	-
V. Profits (losses) from previous years	**(164 915)**	**(164 914)**	**(118 575)**	**(118 575)**	**(118 575)**
VI. Net profit (loss) for the period	**26 338**	**28 960**	**(46 339)**	**126 038**	**23 958**
VII. Deductions from net profit during the period (negative value)	-	-	-	-	-
B. Liabilities and provisions for liabilities	**588 420**	**487 730**	**699 986**	**639 865**	**565 388**
I. Provisions for liabilities	**492 887**	**404 850**	**593 521**	**447 454**	**335 687**
1. Deferred tax liability	128 308	123 291	112 842	51 273	42 838
2. Provision for retirement benefits and similar obligations	15 321	17 012	25 771	11 121	11 401
– long-term	11 420	11 331	11 155	7 972	7 950
– short-term	3 901	5 681	14 616	3 149	3 451
3. Other provisions	349 258	264 547	454 908	385 060	281 448
– long-term	85 475	85 394	82 111	112 445	112 246
– short-term	263 783	179 153	372 797	272 615	169 202
II. Long-term liabilities	**2 510**	**2 061**	**2 291**	**2 209**	**2 433**
1. To affiliates	-	-	-	-	-
2. To other entities of which entity has capital engagement	-	-	-	-	-
3. To other entities	2 510	2 061	2 291	2 209	2 433
a) loans and credits	-	-	-	-	-
b) debt securities issued	-	-	-	-	-
c) other financial liabilities	510	61	291	209	433
d) bills of exchange	-	-	-	-	-
e) other	2 000	2 000	2 000	2 000	2 000
III. Short-term liabilities	**85 655**	**74 966**	**102 825**	**180 048**	**220 545**
1. To affiliates	19 441	19 123	20 212	12 794	11 206
a) trade liabilities:	19 441	16 622	14 222	12 791	11 102
– up to 12 months	19 441	16 622	14 222	12 791	11 102
– over 12 months	-	-	-	-	-
b) other	-	2 501	5 990	3	104

(in thousand PLN)

BALANCE SHEET (cont.)

2. Liabilities to other entities of which entity has capital engagement	-	-	-	-	-
a) trade liabilities:	-	-	-	-	-
– up to 12 months	-	-	-	-	-
– over 12 months	-	-	-	-	-
b) other	-	-	-	-	-
3. To other entities	60 533	49 911	78 092	162 067	205 093
a) loans and credits	-	-	-	97 474	134 162
b) debt securities issued	-	-	-	-	-
c) other financial liabilities	483	294	1 694	71	209
d) trade liabilities:	25 769	17 803	27 203	31 659	33 541
– up to 12 months	25 769	17 803	27 203	31 659	33 541
– over 12 months	-	-	-	-	-
e) advance payments received	-	-	-	-	-
f) bills of exchange	-	-	-	-	-
g) taxation, customs duty and social security creditors	21 257	23 291	41 377	26 031	28 843
h) payroll	4 200	3 808	3 905	3 859	3 235
i) other	8 824	4 715	3 913	2 973	5 103
4. Special funds	5 681	5 932	4 521	5 187	4 246
IV. Accruals and deferred income	**7 368**	**5 853**	**1 349**	**10 154**	**6 723**
1. Negative goodwill	-	-	-	-	-
2. Other accruals and deferred income	7 368	5 853	1 349	10 154	6 723
– long-term	329	340	363	375	387
– short-term	7 039	5 513	986	9 779	6 336
Total Liabilities and equity	**1 906 805**	**1 808 738**	**1 992 034**	**2 104 290**	**1 927 733**

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(in thousand PLN)

PROFIT AND LOSS ACCOUNT (calculation type)

	A period of 9 months ended 30 Sept. 2020 (unaudited)	*A period of 3 months ended 30 Sept. 2020 (unaudited)*	*A period of 9 months ended 30 Sept. 2019 (unaudited)*	*A period of 3 months ended 30 Sept. 2019 (unaudited)*
A. Net sales of finished goods, goods for resale and raw materials, of which:	**785 064**	**264 463**	**1 070 575**	**376 087**
– from affiliates	113 153	33 265	240 015	82 009
I. Net sales of finished products	720 642	242 122	882 732	324 476
II. Net sales of goods for resale and raw materials	64 422	2 2341	187 843	51 611
B. Cost of finished products, goods for resale and raw materials sold, of which:	**786 084**	**268 476**	**963 150**	**331 992**
– to affiliates	96 849	48 088	247 271	95 628
I. Cost of finished products sold	737 021	248 789	804 461	283 449
II. Cost of goods for resale and raw materials sold	49 063	19 687	158 689	48 543
C. Gross profit (loss) on sales (A–B)	**(1 020)**	**(4 013)**	**107 425**	**44 095**
D. Selling expenses	1 001	286	1 048	254
E. Administrative expenses	30 680	10 349	32 254	11 187
F. Profit (loss) on sales (C–D–E)	**(32 701)**	**(14 648)**	**74 123**	**32 654**
G. Other operating income	219 705	10 404	6 242	2 175
I. Gains on the sale of non-financial fixed assets	2 656	-	1 088	-
II. Grants	6 862	6 839	35	12
III. Revaluation of non-financial assets	186 000	-	-	59
IV. Other operating income	24 187	3 565	5 119	2 104
H. Other operating expenses	31 630	(2 504)	15 682	2 938
I. Loss on the sale of non-financial fixed assets	-	-	-	231
II. Impairment of non-financial assets	5 537	352	1 654	-
III. Other	26 093	(2 856)	14 028	2 707
I. Operating profit (loss) (F+G–H)	**155 374**	**(1 740)**	**64 683**	**31 891**
J. Financial income	9 003	4 336	82 514	79 435
I. Dividends and shares in profits, including:	3 477	3 477	78 868	77 038
a) from affiliates, including:	3 419	3 419	78 830	77 000
– of which the entity has capital engagement	-	-	78 830	77 000
b) from others, including:	58	58	38	38
– of which the entity has capital engagement	-	-	-	-
II. Interest, including:	905	3	610	219
– from affiliates	-	-	323	110
III. Profit on the disposal of financial assets, including:	-	-	-	-
– affiliates	-	-	-	-
IV Revaluation of investments	2 277	726	2 656	2 143
V. Other	2 344	130	380	35
K Financial costs	122 562	190	9 255	3 683
I. Interest, including:	309	43	7 951	3 418
– to affiliates	-	-	-	-
II. Loss on the disposal of financial assets, including:	-	-	-	-
– in affiliates	-	-	-	-
III. Impairment of investments	121 691	-	-	-
IV. Other	562	147	1 304	265
L. Gross profit (loss) (I+J–K)	**41 815**	**2 406**	**137 942**	**108 669**

(in thousand PLN)

PROFIT AND LOSS ACCOUNT (calculation type) (cont.)

M. Corporate profits tax	**15 477**	**5 028**	**11 904**	**6 589**
N. Other tax charges	**-**	**-**	**-**	**-**
O. Net profit (loss) (L–M–N)	**26 338**	**(2 622)**	**126 038**	**102 080**

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(in thousand PLN)

STATEMENT OF CASH FLOW (indirect method)

	A period of 9 months ended 30 Sept. 2020 (unaudited)	*A period of 3 months ended 30 Sept. 2020 (unaudited)*	*A period of 9 months ended 30 Sept. 2019 (unaudited)*	*A period of 3 months ended 30 Sept. 2019 (unaudited)*
A. Cash flow from operating activities				
I. Net profit (loss)	**26 338**	(2 622)	**126 038**	102 080
II. Adjustments, total	**(75 090)**	97 389	**(92 801)**	15 704
1. Depreciation	23 612	8 163	28 940	9 619
2. Foreign exchange gains (losses)	-	-	(753)	(1 003)
3. Interest and shares in profits (dividends)	(3 171)	(3 434)	(73 013)	(75 722)
4. Profit (loss) on investing activities	(66 311)	669	(1 552)	(122)
5. Change in provisions	286 606	88 037	277 131	111 768
6. Change in inventories	9 569	7 283	(7 420)	375
7. Change in receivables	72 160	(26 905)	(6 063)	(27 665)
8. Change in short-term liabilities, except for loans and borrowings	(15 338)	21 668	(13 119)	(4 614)
9. Change in prepayments, accruals and deferred income	7 874	2 633	9 451	4 965
10. Other adjustments	(390 091)	(725)	(306 403)	(1 897)
III. Net cash flow from operating activities (I±II)	**(48 752)**	**94 767**	**33 237**	**117 784**
B. Cash flow from investing activities				
I. Inflows	**1 340**	**1 340**	**25 192**	**1 841**
1. Sale of intangible assets and tangible fixed assets	-	-	13 324	(27)
2. Sale of investments in property and intangible assets	-	-	-	-
3. From financial assets, including:	1 340	1 340	11 868	1 868
a) in affiliates	1 282	1 282	11 830	1 830
b) in others	58	58	38	38
– disposal of financial assets	-	-	-	-
– dividends and share in profits	58	58	38	38
– repayment of long-term loans granted	-	-	-	-
– interests	-	-	-	-
– other inflows from financial assets	-	-	-	-
4. Other investing inflows	-	-	-	-
II. Outflows	**48 312**	**22 419**	**5 528**	**1 599**
1. Purchase of intangible assets and tangible fixed assets	41 702	15 809	5 528	1 599
2. Investments in property and intangible assets	-	-	-	-
3. For financial assets, including:	6 610	6 610	-	-
a) in affiliates	6 610	6 610	-	-
b) in others	-	-	-	-
– purchase of financial assets	-	-	-	-
– long-term loans granted	-	-	-	-
4. Other investing outflows	-	-	-	-
III. Net cash flow from investing activities (I-II)	**(46 972)**	**(21 079)**	**19 664**	**242**

(in thousand PLN)

STATEMENT OF CASH FLOW (indirect method)(cont.)

C. Cash flow from financing activities				
I. Inflows	-	-	-	-
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital	-	-	-	-
2. Loans and credits	-	-	-	-
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Outflows	**401**	**75**	**116 489**	**38 391**
1. Reacquisition of own shares	-	-	-	-
2. Dividends and other payments to shareholders	-	-	-	-
3. Outflows due to appropriation of profit other than payments to shareholders	-	-	-	-
4. Repayment of loans and credits	-	-	111 408	37 136
5. Redemption of debt securities	-	-	-	-
6. Relating to other financial liabilities	-	-	-	-
7. Finance lease payments	95	32	112	28
8. Interest paid	306	43	4 969	1 227
9. Other financial outflows	-	-	-	-
III. Net cash flow from financial activities (I-II)	**(401)**	**(75)**	**(116 489)**	**(38 391)**
D. Total net cash flow (A.III±B.III±C.III)	**(96 125)**	**73 613**	**(63 588)**	**79 635**
E. Balance sheet change in cash and cash equivalents,, including:	**(96 125)**	**73 613**	**(63 593)**	**79 635**
– change in cash and cash equivalents due to foreign exchange gains/losses	**-**	**-**	**(5)**	**-**
F. Cash and cash equivalents at the beginning of the period	**211 818**	**42 080**	**149 345**	**6 122**
G. Cash and cash equivalents at the end of the period (F±D), including	**115 693**	**115 693**	**85 757**	**85 757**
– of restricted use	4 679	(1 903)	3 443	-

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STATEMENT OF CHANGES IN EQUITY

	30 Sept. 2020 (unaudited)	*30 June 2020 (unaudited)*	*31 Dec. 2019*	*30 Sept. 2019 (unaudited)*	*30 June 2019 (unaudited)*
I. Equity at the beginning of the period (OB)	**1 292 048**	**1 292 048**	**1 338 387**	**1 338 387**	**1 338 387**
– changes in accounting principles	-	-	-	-	-
– error adjustments	-	-	-	-	-
I.a. Equity at the beginning of the period (OB), after adjustments	**1 292 048**	**1 292 048**	**1 338 387**	**1 338 387**	**1 338 387**
1. Share capital at the beginning of the period	101 647	101 647	101 647	101 647	101 647
1.1. Changes in share capital	-	-	-	-	-
a) increases	-	-	-	-	-
b) decrease	-	-	-	-	-
1.2. Share capital at the end of the period	**101 647**	**101 647**	**101 647**	**101 647**	**101 647**
2. Reserve capital at the beginning of the period	1 124 377	1 124 377	1 094 697	1 124 377	1 124 377
2.1. Changes in reserve capital	-	-	29 680	-	-
a) increases	-	-	29 680	-	-
– issue of shares	-	-	-	-	-
– from profit distribution	-	-	29 649	-	-
– disposal of fixed assets	-	-	31	-	-
– acquisition of company	-	-	-	-	-
b) decrease	-	-	-	-	-
– redemption of shares	-	-		-	-
– cover of loss	-	-	-	-	-
2.2. Reserve capital at the end of the period	**1 124 377**	**1 124 377**	**1 124 377**	**1 124 377**	**1 124 377**
3. Capital from revaluation at the beginning of the period – changes of adopted accountancy policies	227 466	227 466	227 466	227 497	227 497
3.1. Changes of capital from revaluation	-	-	-	-	-
a) increases	-	-	-	-	-
b) decreases	-	-	-	-	-
– disposal of fixed assets	-	-	-	-	-
3.2. Capital from revaluation at the end of the period	**227 466**	**227 466**	**227 466**	**227 496**	**227 496**
4. Other reserves at the beginning of the period	3 472	3 472	3 472	3 472	3 472
4.1. Changes in other reserves	-	-	-	-	-
a) increases	-	-	-	-	-
b) decreases	-	-	-	-	-
– cover of loss	-	-	-	-	-
4.2. Other reserves at the end of the period	**3 472**	**3 472**	**3 472**	**3 472**	**3 472**
5. Profit (loss) from previous years at the beginning of the period	(118 575)	(118 575)	(118 575)	(118 575)	(118 575)
5.1. Profit from previous years at the beginning of the period	-	-	-	-	-
– changes in accounting principles	-	-	-	-	-
– error adjustments	-	-	-	-	-
5.2. Profit from previous years at the beginning of the period, after adjustments	-	-	-	-	-
a) increases	-	-	-	-	-
– distribution of profits from previous years	-	-	-	-	-
b) decreases	-	-	-	-	-
– distribution of profit for reserve capital	-	-	-	-	-
– dividend payment	-	-	-	-	-
5.3. Profit from previous years at the end of the period	-	-	-	-	-

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY (cont.)

5.4. Loss from previous years at the beginning of the period	(118 575)	(118 575)	(118 575)	(118 575)	(118 575)
– changes of accountancy rules	-	-	-	-	-
– error adjustments	-	-	-	-	-
5.5. Loss from previous years at the beginning of the period, after adjustments	(118 575)	(118 575)	(118 575)	(118 575)	(118 575)
a) increases	(46 339)	(46 339)	-	-	-
– transfer of loss from previous years to cover	(46 339)	(46 339)	-	-	-
b) decreases	-	-	-	-	-
– loss coverage with supplementary and reserve capital	-	-	-	-	-
5.6. Loss from previous years at the end of the period	(164 914)	(164 914)	(118 575)	(118 575)	(118 575)
5.7. Profit (loss) from previous years at the end of the period	**(164 914)**	**(164 914)**	**(118 575)**	**(118 575)**	**(118 575)**
6. Net result	**26 338**	**28 960**	**(46 339)**	**126 038**	**23 958**
a) net profit	26 338	28 960	-	126 038	23 958
b) net loss	-	-	(46 339)	-	-
c) result impairments	-	-	-	-	-
II. Equity at the end of the period (CB)	**1 318 385**	**1 321 008**	**1 292 048**	**1 464 425**	**1 362 345**
III. Equity after proposed result distribution (cover of loss)	**1 318 385**	**1 321 008**	**1 292 048**	**1 464 425**	**1 362 345**

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ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENTS FOR 9 MONTHS

1. General information about the Company

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

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

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

The Company has been established for an indefinite period.

The Company is the parent company of the Capital Group of Zespół Elektrowni Pątnów – Adamów – Konin ("Group", "Capital Group", "ZE PAK SA Group").

According to articles of association, the subject of the Company's activities is:

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

The summary financial statement of ZE PAK SA as developed based on the provisions of the regulation of the Minister of Finances of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws 2018 item 757). The format, basis and scope of the developed statement are in accordance with the requirements of that regulation.

2. Determination and clarification of differences in the disclosed data and significant differences regarding the adopted accounting principles (policy) between the statement and the comparable data as well as the statement and the comparable data developed according to IFRS

The Company is the parent company of the Capital Group, which is obliged to develop a consolidated financial statement in accordance with IFRS standards approved by the EU ("IFRS"). The Company did not prepare and does not prepare an individual financial statement in accordance with IFRS.

The main potential differences between the IFRS and the AoA (DZ.U. 2019 item 351 consolidated text) developed with the assumption of using the IFRS based on the IFRS 1 guidelines and adoption of the financial data resulting from the consolidated financial statement of the ZE PAK SA Group are presented below. The date of transition of the ZE PAK SA Group to the IFRS is 1 January 2009.

If the financial statement was developed in accordance with the IFRS, the main differences between the accounting principles adopted for the enclosed statement and the IFRS, with the assumption that the date of transition to the IFRS is 1 January 2009:

1. Tangible fixed assets

   a) Valuation of the tangible fixed assets

      According to the IFRS 1, as of the date of the first application of the IFRS, the body can make a fair value quotation of the fixed assets and recognise their fair value as the assumed cost at this date. The Company established the assumed cost of the selected tangible fixed assets by assignment of the fair value of these assets as of 1 January 2009, i.e. the assumed date of transition to the application of the IFRS.

      Due to differences in the valuation of property, plant and equipment under the Accounting Act and IFRS, the amount of impairment losses on property, plant and equipment also varies.

   b) Allotment of renovation components

      The International Financial Reporting Standards project the allotment within the scope of fixed assets of components, provided that their use period differs from the use period of a given fixed asset. The components are depreciated during their usability period. According to the IFRS, the specific component consists of renovations and periodical inspections. Therefore, the Company allotted the components of the planned values to bear the costs of overhauls and made depreciation of components in the period remaining until the planned commencement of the next renovation. The recognition of this adjustment also resulted in the need to charge the deferred tax.

c) Valuation of land perpetual usufruct

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

Pursuant to IFRS 16, the perpetual usufruct right to land is classified by the Company as an asset due to the right to use, and on the other side as a lease liability, which reflects its obligation to make lease payments. The right-of-use asset is amortized.

d) Capitalisation of external financing costs

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

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

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

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

2. Current assets

Pursuant to the AoA, the Company recognizes trade receivables in the amount of the payment due, less write-downs. The value of receivables is updated taking into account the degree of probability of their payment by making a write-down. On the other hand, financial assets at the time of their entry into the books of accounts are valued at cost (purchase price), constituting the fair value of the payment made.

In accordance with IFRS 9, the Company measures the allowance for expected credit losses in an amount equal to the 12-month expected credit losses or expected credit losses over the life of the financial instrument. In the case of trade receivables, the Company measures the allowance for expected credit losses in an amount equal to the expected credit losses over their lifetime.

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

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

Furthermore, only a complete financial statement embracing the statement on the financial position, total income statement, statement of changes in the equity, as well as the cash flow statement, and the comparative data and explanatory notes can present the full and reliable view of the Company’s financial position, the results of its activities and cash flows in accordance with the IFRS.

The presentation of some of the items of the financial statements according to the AoA and the IFRS can differ. The differences in the presentation will not affect the equity and the Company’s net result.

The components of particular items in the financial statement, as well as the scope of additional information to the financial statement compliant with the AoA and the IFRS can differ substantially.

(in thousand PLN)

The following table presents the differences as of 30 September 2020 (unaudited data):

	Balance sheet value Acc. To AoA	*Balance sheet value Acc. To IFRS*	*Value adjustment*
Tangible fixed assets	658 366	628 898	(29 468)
Equity	1 318 385	1 185 959	(132 426)
Deferred tax provision	128 308	188 526	60 218

Description of the effects of disclosed differences in net profit and equity:

	30 September 2020 (unaudited)
AoA net profit	26 338
Adjustments of the tangible fixed assets	(12 098)
IAS 19 adjustment – Actuarial profits / losses	96
IFRS16 adjustments	97

	30 September 2020 (unaudited)
AoA capital	1 318 385
Adjustments of the tangible fixed assets	(95 944)
IFRS 9 adjustment	(41)
IFRS16 adjustment	(36 441)

3. Assumption of continuation of economic activity

The financial statements of ZE PAK SA were prepared assuming that the Company would continue as a going concern in the foreseeable future. Bearing in mind the increased reporting standards of public interest entities and the protection of stakeholders, the Management Board of the Company draws attention to the following issues:

1) Within the period of 9 months of 2020, the Company recorded a net profit of PLN 26,338 thousand. One-off events related to the results of impairment tests for assets, which increased the result by PLN 64,309 thousand, contributed to the positive net result. Without taking into account the above-mentioned one-off events, the Company would end the nine-month period of 2020 with a net loss of PLN 37,971 thousand.
2) As at September 30, 2020, the short-term liabilities along with the short-term part of provisions and prepayments and purchased CO2 emission allowances exceed the Company's current assets by PLN 54,263 thousand, which means a deterioration compared to the end of 2019, when the difference amounted to PLN 18,737 thousand.

In the context of the planned period of operation and the valuation of assets, the Company emphasized in subsequent periodical reports that a significant source of risk is the balancing of the planned electricity production with coal supplies from the operated and planned open pits. Currently, 4 open-pit mines are in operation: Pątnów IV, Drzewce, Tomisławice and Adamów. According to the assumed scenario, Adamów open-pit mine will operate until the end of 2020, and the PAK KWB Adamów SA company has been dissolved and the liquidation process has begun. In August 2020, PAK KWB Konin SA obtained an extension for another 6 years of the concession for Pątnów IV and Drzewce fields. Without their extension, the exploitation period of Pątnów IV deposit ended on August 31, 2020, and Drzewce deposit on December 4, 2020. However, it should be rationally assumed that the exploitation of both mines will end earlier than in 6 years due to the depletion of their deposits. Assuming the above assumptions, from 2023 PAK KWB Konin SA will operate only one open pit - Tomisławice. Ościsłowo field was a prospective deposit that was taken into account in the context of ensuring coal supplies for Pątnów I power plant by 2030 and for Pątnów II power plant by 2036. However, taking into account the length of the decision-making process on obtaining a concession for Ościsłowo field, its complexity and uncertainty as to the operating conditions in the long term, in the environment of the tightening climate policy and emission standards, it was decided not to include this field in the baseline scenario of ZE PAK SA Group's coal assets operation. This means that in the scenario under consideration, due to the abundance of deposits, the operational period of Pątnów I power plant would be shortened until 2024, while Pątnów II power plant could operate no longer than until 2030. Shortening the operating period means, on the one hand, the necessity to make accounting write-offs, reducing the current financial results due to the lower recoverable value of assets, but on the other hand, in the opinion of the Company, it reduces the exposure to various types of risk, increasingly associated with high-emission activities, especially in the long term. The faster phasing out of coal activities will also allow the Group to focus more on projects in new areas of activity related to the generation of energy in renewable sources and the production and use of hydrogen.

Within the first nine months of 2020, incl. good weather conditions for wind energy (especially in the first months of the year) and the restrictions imposed on the economy resulting from the pandemic, as well as the deterioration of the relationship between the quoted prices of electricity and carbon dioxide emission allowances adversely affected the Group's ability to sell electricity. There was a 32.19% decrease in the total volume of electricity sales from own production and sales of purchased electricity. In the case of the sale of electricity from own production, the decrease was only 22.31% and the decrease in the sale of purchased energy was as much as 66.67%. The decrease in electricity sales and the realized lower margins contributed to the deterioration of the Company's financial results compared to the results recorded in 2019.

Undoubtedly, the current business model of companies producing electricity from conventional sources will have to be transformed into low-carbon generation technologies. Only the pace of this process remains unknown. The Management Board, being aware of the challenges associated with the current business model, is taking steps to reduce the dependence of the Group on high-emission technologies. However, increasing operating costs, significant fluctuations in the level of CO_2 emission allowances, short-term debt and uncertainty regarding market regulations determining the prices of energy produced and certificates obtained affect the uncertainty of the implementation of plans adopted by the Management Board.

Consequently, the Management Board draws attention to the existence of significant uncertainty that may raise serious doubts as to the Company's ability to continue as a going concern.

The Board made detailed analyses of forecast cash flow and confirms that the cash flow analysis indicates the ability to generate sufficient positive cash flow in at least the next 12 months from the date of these financial statements. This analysis assumes renewal of existing credit limits regarding the financing of the current operations and obtaining financing for new investments. Talks are underway with financial institutions to renew loans and raise new investment funds. In the opinion of the Management Board, the risk of termination of calls failure is limited.

4. Merger of commercial companies

Within the period for which the financial statements were prepared, the Company did not merge with any other business entity, nor did it acquire an organized part of the enterprise.

5. Accepted principles (policy) of accounting

The accounting principles adopted by the Company, including the methods of valuation of assets and liabilities and the measurement of the financial result are compliant with the provisions of the Act of Accounting of 29 September 1994 and are described in the financial statements of Zespół Elektrowni Pątnów - Adamów - Konin SA for the financial year ended December 31, 2019, published on April 3rd, 2020.

6. Comparability of financial data for the previous period with the report for the current period

In the current period, the Company did not change the accounting principles, and therefore it was not required to present numerical information that would ensure comparability of the financial statements for the preceding year with the financial statements for the current financial year.

7. Error adjustment

In the current period, no corrections of errors were made that could affect the comparability of financial data for the preceding period with the data of the financial statements for the current financial period.

8. The amount and nature of items affecting assets, liabilities, equity, net income or cash flows that are abnormal due to their nature, value or frequency

During the current reporting period, there were no events affecting assets, liabilities, equities, net result or cash flow, that were unusual at their type, value or frequency.

(in thousand PLN)

9. Information on impairment write-downs against provisions value, impairing to the net value possible to achieve and on the reversal of such write-downs

The gross financial result for the current period includes the effects of creating and reversing the provision impairment write-down:

Impairment write-downs	*31 December 2019*	*changes*			*30 September 2020 (unaudited)*
		creation	*use*	*liquidation*	
Inventories	42 117	6 743	-	4 108	44 752

Certificates of origin of energy arising from the energy production from renewable energy sources and peak load co-generation are presented according to fair value at the end of the month, in which the energy based on renewable sources was produced.

As at September 30, 2020, the Group had a total of 7,778.228 MWh property rights of green energy certificates of green energy produced and verified by the ERO. From January 1, 2020 to September 30, 2020, the Group received 279 625.549 MWh certificates for production from October 2019 to May 2020. During this period, an application was submitted for the issue of 16 836.854 MWh for production in June and July 2020. By September 30, 2020 - 316,123.829 MWh were sold on TGE SA.

10. Information on the write-downs against the impairment of financial assets, tangible fixed assets, non-material and legal values or other assets and the reversal of such write-downs

The gross financial result for the current year includes the effects of creating and reversing impairment write-downs, in particular:

Impairment write-downs	*31 December 2019*	*changes*			*30 September 2020 (unaudited)*
		creation	*use*	*liquidation*	
Intangible assets	1 278	-	-	-	1 278
Tangible fixed assets	1 627 615	113 066	-	300 489	1 440 192
Financial assets	107 608	121 690	-	-	229 298
Receivables	35 641	105	-	7	35 739

11. Information on the creation, increase, use or liquidation of the provisions

The gross financial result for the current year includes the effects of creating the estimates of future obligations, in particular:

Provisions and accruals	*31 December 2019*	*changes*			*30 September 2020 (unaudited)*
		creation	*use*	*liquidation*	
Provisions for pension and similar benefits, including:	25 771	3 304	12 080	1 674	15 321
− provision for retirement and death benefits	12 475	1 343	-	1 674	12 144
− provision for an annual bonus	10 498	-	10 498	-	-
− provision for unused holidays	2 798	1 961	1 582	-	3 177
Provisions for CO2 emission allowances	365 245	255 707	365 245	-	255 707
Provision for the return of CO2 emission allowances	6 362	609	-	85	6 886
Provisions for reclamation	63 921	3 270	-	101	67 090
Provision for liquidation	18 190	195	-	-	18 385
Provision for fees	1 190	-	-	-	1 190
Accruals of costs due to titles:	619	6 821	614	182	6 644
− fees for commercial utilization of the environment	-	6 597	-	177	6 420
− duty to redeem property rights	453	224	448	5	224
− provision for costs of current year	166	-	166	-	-

(in thousand PLN)

Prepayment income settlement	14 325	38	45	-	14 318
Total	**495 623**	**269 944**	**377 984**	**2 042**	**385 541**

12. Information on the provisions and assets related to deferred income tax

Within the 9-month-period ended 30 September 2020, there had been a change in the state of the provisions and assets related to deferred income tax, i.e.:

- A change in the state of assets, increasing tax burden in the amount of PLN 633 thousand,
- A change in the state of provisions increasing tax burden in the amount of PLN 14,833 thousand.

13. Information on significant acquisition and sales transactions of tangible fixed assets and any significant liability due to purchasing tangible fixed assets

Within the period of 9 months ended 30 September 2020 the Company:

- Acquired or accepted from investment the property plant and equipment worth PLN 30,577 thousand,
- sold and liquidated items of property, plant and equipment with a net value of PLN 2 thousand.

As at September 30, 2020, the Company's liabilities due to the purchase of property, plant and equipment amount to PLN 7,227 thousand.

14. Information about the failure to repay a bank credit or loan, or the breach of significant provisions of a bank credit or loan agreement, in relation to which no remedial actions have been undertaken until the end of the reporting period

In the current reporting period, the Company regularly paid all its financial liabilities due to credits or loans. There were no violations of material provisions of credit or loan agreements, with respect to which no remedial actions were taken.

15. Information on the issuer or its subsidiary, concluding one or multiple transactions with associated entities, should they have been concluded under conditions other than market conditions

Zespół Elektrowni Pątnów-Adamów-Konin SA and subsidiaries, consolidated under the Group, did not conclude any transactions with the affiliates pursuant to conditions other than market conditions in the period of 9 months of 2020.

16. Information on the change in the manner (method) of appraisal of financial instruments, appraised at fair value

There have been no changes to the manner (method) of appraising financial instruments according to fair value in the Company's financial statement presented for the current reporting period.

17. Information on the changes in the classification of financial assets

In the current reporting period, there have been no changes to the classification of financial assets.

18. Information on the issue, redemption and repayment of non-equity and equity securities

In the current reporting period, the Company did not issue, redeem or repay any non-equity and equity securities.

19. Events of the accounting period not specified in the balance sheet and the income statement

In the reporting period until the date of preparation of these financial statements, that is, until November 25, 2020, there were no events that were not, and should have been, included in the accounting books and financial statements for the period ended September 30, 2020.

20. Events of previous years recognised in the financial statement

Until the date of preparation of the financial statements for the period ended September 30, 2020, i.e. November 25, 2020, there were no other significant events relating to previous years that were not, and should have been, included in the financial statements of the financial year.

21. Information on the changes in the business or economic circumstances that significantly affect the fair value of the entity’s financial assets and financial liabilities, regardless of the fact, whether those assets and liabilities are recognised in the fair value or the corrected purchase cost (amortised cost)

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

In the first months of 2020, the first cases of COVID-19 disease caused by the SAR-CoV-2 virus were reported in many European countries. In Poland, the first case of infection was confirmed on March 4. In connection with the emergence of subsequent infections, in March in Poland a pandemic was declared and strict sanitary rules and restrictions on certain types of economic activity were introduced. At the same time, the Polish government introduced a package of solutions (anti-crisis shield) to protect citizens and entrepreneurs from the effects of the crisis caused by the pandemic. The period of the greatest restrictions was at the end of March, April and May, and the lifting of the restrictions was carried out in stages from mid-June. Currently, with the arrival of the autumn months and the increase in susceptibility to viral infections, the epidemic situation has worsened, and restrictions have been introduced that affect a large scale of economic activity.

Successive readings of economic indicators confirm that the effects of the pandemic have a significant impact on the economic situation. Among others, the level of industrial production and investment, contributing to lower domestic electricity consumption, thus reducing its production. According to PSE data, the overall production of electricity in Poland in the first 9 months of 2020 decreased by 6.55%, with drops of over even ten percent in individual months. The decrease in electricity production from lignite in this period was even greater and amounted to 10.03%. The increased level of volatility in the financial and commodity markets, including the changing price relationships on individual markets (in particular the prices of electricity and carbon dioxide emission allowances), was also of great importance for the Company, and may have it in the future. Dynamic changes in prices on commodity markets, primarily on the market of major energy resources, have an indirect impact on other goods related to the broadly understood energy sector, e.g. gas and electricity prices, and indirectly also carbon dioxide emission allowances. The Group is not able to precisely estimate the impact of increased volatility on the energy commodity markets, however, the risk related to increased volatility should be considered as key in the process of forecasting the Group's potential future financial results and its financial condition.

Within the first nine months of the year, among others, good weather conditions for wind energy (especially in the first months of the year) and the restrictions imposed on the economy resulting from the pandemic, as well as the deterioration of the relationship between the quoted prices of electricity and carbon dioxide emission allowances adversely affected the Group's ability to sell electricity. There was a 31.31% decrease in the total volume of electricity sales from own production and sales of purchased electricity. In the case of the sale of electricity from own production, the decrease was only 12.90% and the decrease in the sale of purchased energy was as much as 56.71%. The decrease in electricity sales and the realized lower margins had a negative impact on the financial results achieved in the Group. In addition, the increased volatility of prices of carbon dioxide emission allowances resulted in the need for the Group’s Companies producing electricity to provide additional security for the concluded futures purchase of emission allowances. In order to minimize the impact of establishing collaterals on liquidity situation, efforts are made to replace the deposits securing the current positions with non-cash instruments as far as possible.

In connection with COVID-19, the Management Board appointed a team to monitor the situation and prevent the negative effects of the pandemic. The team's tasks include proposing organizational changes to protect employees and at the same time guarantee the continuity of production

In view of the deterioration of the situation in terms of the possibility of selling and trading in electricity caused by the effects of the pandemic, and thus the deterioration of the economic conditions of the Group's operations, whenever possible, use support programs in the form of "anti-crisis shields".

22. Additional information

Additional information and disclosures required by the provisions of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (JoL 2018 position 757), which could significantly impact the assessment of the economic, financial situation and, which have been, as a result of the issuer's financial result, included in the explanatory notes to the interim condensed consolidated financial report (iccfr), including:

- explanations regarding the seasonality or cyclicality of the issuer's activities in the presented period (item 9 of iccfr),
- information on significant settlements due to lawsuits (26.1 iccfr),
- information on changes of contingent liabilities or contingent assets, which had occurred from the end of the last financial year (items 26.3 and 27 of iccfr),
- information regarding the paid (or declared) dividends (item 22 of iccfr),
- information on significant events after the balance sheet date (item 33 of iccfr)

Konin, 25 November 2020