

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA

FINANCIAL STATEMENTS FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2020 WITH THE AUDIT REPORT

*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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BALANCE SHEET

Assets

	Note	As of 31 December 2020	As of 31 December 2019 (transformed data)
A. Fixed assets		1 497 850	1 833 479
I. Intangible assets	<u>6</u>	5 944	95 326
1. Development expenses		-	-
2. Goodwill		-	-
3. Other intangible assets		5 944	95 326
4. Prepayments for intangible assets		-	-
II. Tangible fixed assets	<u>7</u>	1 328 583	1 484 807
1. Tangible assets		1 236 329	1 464 889
a) land (including perpetual usufruct)		1 695	10 536
b) buildings, premises and constructions		362 697	464 284
c) plant and machinery		869 948	988 019
d) motor vehicles		1 069	1 050
e) other		920	1 000
2. Construction in progress		65 303	18 358
3. Prepayments for construction in progress		26 951	1 560
III. Long-term receivables		-	-
1. from affiliates		-	-
2. from others, of which entity has capital engagement		-	-
3. from others		-	-
IV. Long-term investment	<u>8.1</u>	157 707	246 340
1. Property		-	-
2. Intangible fixed assets		-	-
3. Long-term financial assets		157 707	246 340
a) in affiliates		157 555	246 188
– shares		155 755	238 488
– other securities		-	-
– loans granted		1 300	2 700
– other long-term financial assets		500	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
– shares		152	152
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		-	-
4. Other long-term investments		-	-
V. Long-term prepayments and deferred costs	<u>10</u>	5 616	7 006
1. Deferred tax assets		-	-
2. Other prepayments and deferred costs		5 616	7 006
B. Current assets		953 859	746 952
I. Inventories	<u>22</u>	71 865	80 073
1. Raw materials		49 175	55 177
2. Semi-finished goods and work-in-progress		-	-

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3. Finished products		-	-
4. Goods		22 690	24 893
5. Inventory prepayments		-	3
II. Short-term receivables	<u>9</u>	378 705	307 852
1. Receivables from affiliates	<u>39.2</u>	18 582	100 528
a) trade receivables, due in:		18 580	100 479
– up to 12 months		18 580	100 479
– over 12 months		-	-
b) other		2	49
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		360 123	207 324
a) trade receivables, due in:		43 813	62 617
– up to 12 months		43 813	62 617
– over 12 months		-	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors		30 305	60 722
c) other		286 005	83 985
d) submitted to court		-	-
III. Short-term investments	<u>8.2</u>	502 636	358 125
1. Short-term financial assets		502 636	358 125
a) in affiliates		46 419	28 429
– shares		-	-
– other securities		-	-
– loans granted		39 419	26 429
– other short-term financial assets		7 000	2 000
b) in other entities		6 550	-
– shares		-	-
– other securities		-	-
– loans granted		-	-
– other short-term financial assets		6 550	-
c) cash and other monetary assets	<u>32</u>	449 667	329 696
– cash on hand and cash at bank		449 667	329 696
– other cash and cash equivalents		-	-
– other monetary assets		-	-
2. Other short-term investments		-	-
IV. Short-term prepayments and deferred costs	<u>10</u>	653	902
C. Unpaid share capital (basic)		-	-
D. Own shares		-	-
Total assets		2 451 709	2 580 431

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Liabilities and equity

	Note	As of 31 December 2020	As of 31 December 2019 (transformed data)
A. Equity		1 277 167	1 459 581
I. Equity capital	<u>11</u>	101 647	101 647
II. Reserve capital, including:		1 658 391	1 658 391
– surplus of sales value (issue value) over nominal value of shares		380 030	380 030
III. Revaluation reserve, including:		227 466	227 466
– for fair value revaluation		-	-
IV. Other reserves, including:		3 472	3 472
– created in accordance with the company's articles of association		-	-
– for own shares		-	-
V. Profits (losses) from previous years		(531 395)	(148 275)
VI. Net profit (loss) for the period		(182 414)	(383 120)
VII. Deductions from net profit during the period (negative value)		-	-
B. Liabilities and provisions for liabilities		1 174 542	1 120 850
I. Provisions for liabilities	<u>13</u>	994 741	1 005 284
1. Deferred tax liability	<u>24</u>	235 935	302 258
2. Provision for retirement benefits and similar obligations		24 302	25 801
– long-term		10 713	11 185
– short-term		13 589	14 616
3. Other provisions		734 504	677 225
– long-term		85 764	82 111
– short-term		648 740	595 114
II. Long-term liabilities		2 648	2 410
1. To affiliates		-	-
2. To other entities of which entity has capital engagement		-	-
3. To other entities		2 648	2 410
a) loans and credits		-	-
b) debt securities issued		-	-
c) other financial liabilities		449	291
d) bills of exchange		-	-
e) other		2 199	2 119
III. Short-term liabilities	<u>15</u>	175 443	111 626
1. To affiliates	<u>39.2</u>	11 583	19 120
a) trade liabilities:		10 784	13 131
– up to 12 months		10 784	13 131
– over 12 months		-	-
b) other		799	5 989
2. 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		159 013	87 985
a) loans and credits		-	-
b) debt securities issued		-	-
c) other financial liabilities		294	1 900
d) trade liabilities:		46 438	30 433
– up to 12 months		46 438	30 433
– over 12 months		-	-
e) advance payments received		-	-

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f) bills of exchange	-	-
g) taxation, customs duty and social security creditors	39 547	46 151
h) payroll	5 334	3 957
i) other	67 400	5 544
4. Special funds	4 847	4 521
IV. Accruals and deferred income	<u>18</u>	1 530
1. Negative goodwill	-	-
2. Other accruals and deferred income	1 710	1 530
– long-term	317	363
– short-term	1 393	1 167
Total Liabilities and equity	<u>2 451 709</u>	<u>2 580 431</u>

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PROFIT AND LOSS ACCOUNT (calculation type)

	Note	Year ended 31 December 2020	Year ended 31 December 2019 (transformed data)
A. Net sales of finished goods, goods for resale and raw materials, of which:			
	<u>19</u>	1 846 683	2 383 635
– from affiliates	<u>39.2</u>	90 092	243 436
I. Net sales of finished products		1 674 435	1 871 013
II. Net sales of goods for resale and raw materials		172 248	512 622
B. Cost of finished products, goods for resale and raw materials sold, of which:		1 822 441	2 097 412
– to affiliates		65 681	256 964
I. Cost of finished products sold	<u>25</u>	1 675 706	1 690 494
II. Cost of goods for resale and raw materials sold		146 735	406 918
C. Gross profit (loss) on sales (A–B)		24 242	286 223
D. Selling expenses	<u>25</u>	1 670	2 042
E. Administrative expenses	<u>25</u>	47 401	54 415
F. Profit (loss) on sales (C–D–E)		(24 829)	229 766
G. Other operating income	<u>26</u>	69 297	3 604
I. Gains on the sale of non-financial fixed assets		2 553	1 088
II. Grants		6 919	46
III. Revaluation of non-financial assets		-	-
IV. Other operating income		59 825	2 470
H. Other operating expenses	<u>27</u>	159 013	593 746
I. Loss on the sale of non-financial fixed assets		-	-
II. Impairment of non-financial assets		151 108	589 487
III. Other		7 905	4 259
I. Operating profit (loss) (F+G–H)		(114 545)	(360 376)
J. Financial income	<u>28</u>	9 171	4 888
I. Dividends and shares in profits, including:		3 195	38
a) from affiliates, including:		3 137	-
– of which the entity has capital engagement		3 137	-
b) from others, including:		58	38
– of which the entity has capital engagement		-	-
II. Interest, including:		2 397	3 760
– from affiliates		802	969
III. Profit on the disposal of financial assets, including:		-	-
– affiliates		-	-
IV. Revaluation of investments		-	667
V. Other		3 579	423
K. Financial costs	<u>29</u>	150 441	16 184
I. Interest, including:		980	10 342
– to affiliates		-	-
II. Loss on the disposal of financial assets, including:		-	-
– in affiliates		-	-
III. Impairment of investments		148 441	1 571
IV. Other		1 020	4 271
L. Gross profit (loss) (I+J–K)		(255 815)	(371 672)
M. Corporate profits tax	<u>24</u>	(73 401)	11 448
N. Other tax charges		-	-
O. Net profit (loss) (L–M–N)		(182 414)	(383 120)

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STATEMENT OF CASH FLOW (indirect method)

	Note	Year ended 31 December 2020	Year ended 31 December 2019 (transformed data)
A. Cash flow from operating activities			
I. Net profit (loss)		(182 414)	(383 120)
II. Adjustments, total		421 838	718 042
1. Depreciation	<u>25</u>	93 358	95 473
2. Foreign exchange gains (losses)		470	380
3. Interest and shares in profits (dividends)		(2 992)	7 839
4. Profit (loss) on investing activities	<u>33</u>	292 322	584 645
5. Change in provisions	<u>33</u>	607 548	589 981
6. Change in inventories	<u>33</u>	8 208	(6 172)
7. Change in receivables		(70 853)	(685)
8. Change in short-term liabilities, except for loans and borrowings	33	25 718	(25 955)
9. Change in prepayments, accruals and deferred income		2 145	1 632
10. Other adjustments	<u>33</u>	(534 086)	(529 096)
III. Net cash flow from operating activities (I±II)		239 424	334 922
B. Cash flow from investing activities			
I. Inflows		5 271	15 944
1. Sale of intangible assets and tangible fixed assets		-	13 324
2. Sale of investments in property and intangible assets		-	-
3. From financial assets, including:	<u>33</u>	5 271	2 620
a) in affiliates		5 213	2 582
b) in others		58	38
– disposal of financial assets		-	-
– dividends and share in profits		58	38
– repayment of long-term loans granted		-	-
– interests		-	-
– other inflows from financial assets		-	-
4. Other investing inflows		-	-
II. Outflows		123 155	15 967
1. Purchase of intangible assets and tangible fixed assets	<u>33</u>	55 445	15 967
2. Investments in property and intangible assets		-	-
3. For financial assets, including:		67 710	-
a) in affiliates	<u>33</u>	67 710	-
b) in others		-	-
– purchase of financial assets		-	-
– long-term loans granted		-	-
4. Other investing outflows		-	-
III. Net cash flow from investing activities (I-II)		(117 884)	(23)
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		1 099	323 914
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		-	316 279
5. Redemption of debt securities		-	-
6. Relating to other financial liabilities		-	-

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

7. Finance lease payments	123	155
8. Interest paid	976	7 094
9. Other financial outflows	-	386
III. Net cash flow from financial activities (I-II)	(1 099)	(323 914)
D. Total net cash flow (A.III±B.III±C.III)	120 441	10 985
E. Balance sheet change in cash and cash equivalents,, including:	119 971	9 646
– change in cash and cash equivalents due to foreign exchange gains/losses	(470)	(1 339)
F. Cash and cash equivalents at the beginning of the period	<u>32</u> 329 696	<u>32</u> 318 711
G. Cash and cash equivalents at the end of the period (F±D), including	<u>32</u> 450 137	<u>32</u> 329 696
– of restricted use	9 181	9 127

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STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 31 December 2020	Year ended 31 December 2019 <i>(transformed data)</i>
I. Equity at the beginning of the period (OB)		1 459 581	1 338 387
– changes in accounting policy		-	-
– correction of prior period error		-	-
– merger of the Company with PAK Infrastruktura sp. z o.o.		-	1 830
– merger of the Company with Elektrownia Pątnów II sp. z o.o.		-	502 484
I.a. Equity at the beginning of the period (OB), after adjustments		1 459 581	1 842 701
1. Share capital at the beginning of the period		101 647	101 647
1.1. Changes in share capital		-	-
a) increases		-	-
b) decreases		-	-
1.2. Share capital at the end of the period	<u>11</u>	101 647	101 647
2. Reserve capital at the beginning of the period		1 658 391	1 124 377
2.1. Changes in reserve capital		-	534 014
a) increases		-	534 014
– issue of shares		-	-
– profit distribution		-	-
– disposal of fixed assets		-	-
– merger with Elektrownia Pątnów II sp. z o.o.		-	534 014
b) decreases		-	-
– cover of loss		-	-
2.2. Reserve capital at the end of the period		1 658 391	1 658 391
3. Capital from revaluation at the beginning of the period – changes of accountancy policies		227 466	227 466
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
4. Other reserves at the beginning of the period		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
5. Profit (loss) from previous years at the beginning of the period		(531 395)	(118 575)
5.1. Profit from previous years at the beginning of the period		-	-
– changes of accountancy rules		-	-
– error adjustments		-	-
– merger of the Company with PAK Infrastruktura p. z o.o.		-	1 830
5.2. Profit from previous years at the beginning of the period, after adjustments		-	1 830
a) increases		-	-
– distribution of profits from previous years		-	-
b) decreases		-	-
– distribution of profit for reserve capital	<u>13.1</u>	-	-
– dividend payment	<u>13.1</u>	-	-
5.3. Profit from previous years at the end of the period		-	1 830
5.4. Loss from previous years at the beginning of the period		(531 395)	(118 575)
– changes of accountancy rules		-	-
– error adjustments		-	-
– merger with Elektrownia Pątnów II sp. z o.o.		-	(31 530)
5.5. Loss from previous years at the beginning of the period, after adjustments		(531 395)	(150 105)
a) increases		-	-
– transfer of loss from previous years to cover		-	-
b) decreases		-	-

STATEMENT OF CHANGES IN EQUITY (cont.)

– cover of loss from reserve capital	-	-
5.6. Loss from previous years at the end of the period	(531 395)	(150 105)
5.7. Profit (loss) from previous years at the end of the period	(531 395)	(148 275)
6. Net result	(182 414)	(383 120)
a) net profit PAK Infrastruktura sp. z o.o.	-	1 282
b) net loss	(182 414)	(125 169)
c) net loss Elektrownia Pątnów II sp. z o.o.	-	(259 233)
d) result impairments	-	-
II. Equity at the end of the period (CB)	<u>1 277 167</u>	<u>1 459 581</u>
III. Equity after proposed result distribution (cover of loss)	1 277 167	1 459 581

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INTRODUCTION TO THE FINANCIAL STATEMENT

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 in the National Court Register maintained by the District Court Poznań - Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register, under KRS number 0000021374 issued on June 21, 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.

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

- 1) production and distribution of electricity (PKD 35.11.Z),
- 2) production and distribution of heat (steam and hot water) (PKD 35.30.Z).

2. Composition of the Management Board

The financial year 2020 began in the following composition:

- 1) Henryk Sobierajski – President of the Management Board,
- 2) Zygmunt Artwik – Vice President of the Management Board,
- 3) Paweł Markowski – Vice President of the Management Board,
- 4) Paweł Lisowski – Vice President of the Management Board,
- 5) Maciej Nietopiel – Vice President of the Management Board.

On May 4, 2020, Mr. Henryk Sobierajski resigned from the membership in the Management Board of the Company and from the position of the President of the Management Board. On May 7, 2020, the Supervisory Board of ZE PAK SA entrusted Mr. Maciej Nietopiel - Vice President of the Management Board of the Company, with managing the work of the Management Board of the Company as acting President of the Management Board, until the appointment of a new President of the Management Board of ZE PAK SA.

On June 22, 2020, the Supervisory Board of the Company appointed Mr. Henryk Sobierajski to the Management Board, entrusting him with the position of the President of the Management Board. The resolution on the appointment came into force upon adoption.

As of November 3, 2020, Mr. Henryk Sobierajski resigned from the membership in the Management Board of the Company and from the position of the President of the Management Board.

On November 5, 2020, Mr. Paweł Markowski and Mr. Paweł Lisowski resigned from the membership in the Management Board of the Company and from the position of Vice President of the Management Board as of November 15, 2020

At the meeting held on November 5, 2020, the Supervisory Board of the Company appointed Mr. Piotr Woźny to the Management Board, entrusting him with the function of the President of the Management Board as of November 6, 2020. At the same time, the Supervisory Board of the Company appointed Mr. Andrzej Janiszowski to the Management Board of the Company as Vice President of the Management Board as of November 16, 2020.

On March 2, 2021, the Supervisory Board of the Company appointed Ms. Katarzyna Sobierajska to the Management Board, entrusting her with the position of the Vice President of the Management Board. The resolution on the appointment came into force upon adoption.

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

- 1) Piotr Woźny – President of the Management Board,
- 2) Zygmunt Artwik – Vice President of the Management Board,
- 3) Maciej Nietopiel – Vice President of the Management Board,
- 4) Andrzej Janiszowski – Vice President of the Management Board,
- 5) Katarzyna Sobierajska – Vice President of the Management Board.

3. 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 the IAS

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, according to the state obligatory as at 31 December 2020, 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:

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.

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. In relation to the above, the Company has allotted components of values planned to be transferred to the renovation costs, as well as depreciation of the components in the period until the projected commencement of the next renovation. The recognition of this adjustment also resulted in the need to charge the deferred tax.

c) Valuation of land and 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, rights to perpetual usufruct of land are classified by the Company as an asset under the right to use and on the other hand as a lease liability, which reflects its obligation to make lease payments. The asset due to the right to use is subject to depreciation.

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.

e) Spare parts

Inventories recognized as parts for strategic repairs and breakdowns of machinery and equipment are recognized in property, plant and equipment. The main criteria for recognition materials in position on tangible fixed assets are:

- a key element to maintain the continuity of production, the purchase of which is difficult due to the long waiting process associated with the complicated manufacturing process,

- an element being a set or subassembly of a machine or device that will be used in the production process for more than one year,
- spare parts can only be used for the proper operation of individual items of property, plant and equipment.

Strategic spare parts are amortized to the expected period of their use.

The areas of differences between the AoA and the IFRS described below 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 in the financial statements according to the Polish accounting standards 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 Polish accounting standards and the IFRS can differ substantially.

The following table presents the differences as of 31 December 2020:

	Balance sheet value Acc. to AoA	Balance sheet value Acc. to IFRS	Value adjustment
Tangible fixed assets	1 328 583	1 253 017	(75 566)
Equity	1 277 167	1 112 150	(165 017)
Deferred tax provision	235 935	288 498	52 563

The following table presents the differences as of 31 December 2019:

ZE PAK

	Balance sheet value Acc. to AoA	Balance sheet value Acc. to IFRS	Value adjustment
Tangible fixed assets	455 901	426 483	29 418
Equity	1 292 048	1 171 621	(120 427)
Deferred tax provision	112 842	173 319	60 477

EPII

	Balance sheet value Acc. to AoA	Balance sheet value Acc. to IFRS	Value adjustment
Tangible fixed assets	1 001 061	1 001 247	186
Equity	916 751	885 009	(31 742)
Deferred tax provision	186 524	178 861	(7 663)

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

	31 December 2020	31 December 2019 ZE PAK data	31 December 2019 EPII data
AoA net profit	(182 414)	(46 339)	(259 233)
Adjustment of the tangible fixed assets	(12 227)	(25 589)	557
IAS 19 adjustment – actuarial profit (loss)	641	2 747	8
IFRS 9 adjustment – Impairment loss of assets	-	2 120	-
IFRS 16 adjustments – Leasing	(790)	(1 552)	-
Correction of spare parts	(1 650)	(2 727)	-

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Valuation of loans	1 768	-	715
External financing costs	51	-	(20)
	<i>31 December 2020</i>	<i>31 December 2019</i>	<i>31 December 2019</i>
		<i>ZE PAK data</i>	<i>EPII data</i>
AoA capital	1 277 167	1 292 048	916 751
Adjustment of the tangible fixed assets	(106 093)	(81 119)	(12 850)
IAS 9 adjustment – impairment of assets	(41)	(41)	-
IFRS 16 adjustment– Leasing	(37 330)	(36 540)	-
Spare parts adjustment	(4 378)	(2 727)	-
Valuation of EPII loans	(17 679)	-	(19 447)
EPII external financing costs	504	-	555

4. Assumption of continuation of economic activity

The financial statements of ZE PAK SA have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. 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 ("Management Board") notes that in 2020 the Company incurred a net loss of PLN 182,414 thousand. The amount of the loss in the amount of PLN 151,108 thousand was significantly affected by write-downs on non-financial assets as well as impairment losses on shares and interests in subsidiaries in the amount of PLN 148,441 thousand. The write-offs were non-cash. On the other hand, the result at the EBITDA level in 2020 amounted to PLN 119 813 thousand.

The amount of one-off events in the form of write-downs on assets and inventories was influenced by decisions taken by the Management Board in 2020 in the context of the planned period of exploitation of mining assets and the activity of coal-based generation assets. Resignation from efforts to launch the Ościsłowo field and shortening the expected period of operation of coal-fired power units means that in the scenario under consideration, due to the abundance of deposits, the operation period of coal-fired units 1, 2 and 5 at the Pańków power plant would be reduced by 2024, while a block with a capacity of 474 MW (former Pańków II Power Plant) could operate no longer than until 2030. Shortening the operating period means, on the one hand, the need 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.

In 2020, incl. Good weather conditions for wind energy (especially in the early months of the year) and restrictions imposed on the economy resulting from the state of the pandemic, as well as the deterioration of the relationship between the quoted prices of electricity and carbon dioxide emission allowances adversely affected the Company's ability to sell electricity. There was a 27.84% decrease in the total volume of electricity sales from own production and sales of purchased energy. In the case of sales of electricity from own production, the decrease was 14.31% and the decrease in sales of purchased energy was 67.71%. When analysing the impact of restrictions imposed on the economy during consecutive periods of increasing number of cases, it can be seen that each successive wave of the pandemic caused a smaller impact on energy demand. A negative scenario cannot be clearly ruled out, however, taking into account the adaptation processes that took place in the economy in the past year and the progressive vaccination campaign, it can be assumed that the economic situation in the current year (and thus the situation on the energy market) should not be so vulnerable to the impact of a pandemic.

As at December 31, 2020, the current assets and the value of acquired CO2 emission allowances exceed the value of short-term liabilities and provisions, including provisions related to CO2 emission allowances, by PLN 118,259 thousand. The Management Board has also made a detailed analysis of the cash flow forecast 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 Company's current operations and the gradual acquisition of financing for new investments. According to the assumptions, in the first quarter of 2021, financing was obtained for the biomass project at the Konin Power Plant in the amount of PLN 160 million (more about it in point 3.1).

Despite the above-described circumstances that may pose a risk to the continued operations of the Company, the Management Board does not identify any significant uncertainty as to the continuation of the Company's operations.

5. Merger of commercial companies

In the financial year for which the financial statements were prepared, on December 1, 2020, the Company merged with PAK Infrastruktura sp. z o.o. and on December 30, 2020 with Elektrownia Pańków II sp. z o.o. under Art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring all assets of the Companies to ZE PAK SA, which holds 100%

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of the shares of the acquired company. The merger took place pursuant to Art. 515 § 1 point 1 of the Commercial Companies Code, i.e. without increasing the share capital of the acquiring company and using a simplified merger procedure, pursuant to Art. 516 of the Commercial Companies Code, and in particular without an expert examining the merger plan.

The merger was carried out pursuant to Art. 44c of the Accounting Act using the pooling of interests method. In this report, the data was transformed as at December 31, 2019. The adjustments resulting from the merger are presented in note 5 of the additional information and explanations to the financial statements.

Below, the data of the companies from the beginning of the financial year in which the merger took place until the merger date:

<i>Name of the Company</i>	<i>PAK Infrastruktura sp. z o.o.</i>	<i>Elektrownia Pątnów II sp. z o.o.</i>
<i>Merger date</i>	<i>1 December 2020</i>	<i>30 December 2020</i>
<i>Core business</i>	<i>Service activity</i>	<i>Electricity generation</i>
A. Net products, goods and materials sales revenues	15 386	839 893
B. Costs of sold products, goods and materials	15 162	769 967
C. Gross profit (loss) on sales (A–B)	224	69 926
D. Selling costs	-	253
E. Administrative costs	69	6 692
F. Sales profit (loss) (C–D–E)	155	62 981
G. Other operating revenues	-	12 166
H. Other operating costs	-	335 859
I. Profit (loss) on operating activities (F+G–H)	155	(260 712)
J. Financial revenues	667	648
K. Financial costs	-	2 453
L. Gross profit (loss) (I+J–K)	822	(262 517)
M. Income tax	156	(46 263)
N. Other mandatory profit reductions (loss increases)	-	-
O. Net profit (loss) (L–M–N)	666	(216 254)

Statement of changes in equity for the period from January 1, 2020 to the merger date:

<i>Name of the Company</i>	<i>PAK Infrastruktura sp. z o.o.</i>	<i>Elektrownia Pątnów II sp. z o.o.</i>
<i>Statement for the period</i>	<i>1 January to 30 November 2020</i>	<i>1 January to 29 December 2020</i>
I. Equity at the beginning of the period (OB)	61 674	916 752
I.a. Equity at the beginning of the period (OB), after adjustments	61 674	916 752
1. Share capital at the beginning of the period	60 392	750 500
1.1. Changes in share capital	-	-
a) increase	-	-
b) decrease	-	-
1.2. Share capital at the end of the period	60 392	750 500
2. Reserve capital at the beginning of the period	-	534 015
2.1. Changes in reserve capital	-	-
a) increase	-	-
b) decrease	-	-
2.2. Reserve capital at the end of the period	-	534 015
3. Capital from revaluation at the beginning of the period – changes of accountancy policies	-	-
3.1. Changes of capital from revaluation	-	-
a) increases	-	-
b) decreases	-	-
3.2. Capital from revaluation at the end of the period	-	-
4. Other reserves at the beginning of the period	-	-
4.1. Changes in other reserves	-	-
a) increases	-	-
b) decreases	-	-
4.2. Other reserves at the end of the period	-	-

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5.	Profit (loss) from previous years at the beginning of the period	1 282	(367 763)
5.1.	Profit from previous years at the beginning of the period	1 282	-
5.2.	Profit from previous years at the beginning of the period, after adjustments	1 282	-
	a) increase	-	-
	b) decrease	1 282	-
	– dividend payment	1 282	-
5.3.	Profit from previous years at the end of the period	-	-
5.4.	Loss from previous years at the beginning of the period	-	(367 763)
5.5.	Loss from previous years at the beginning of the period, after adjustments	-	(367 763)
	a) increase	-	-
	– transfer of loss from previous years to cover	-	-
	b) decrease	-	-
5.6.	Loss from previous years at the end of the period	-	(367 763)
5.7.	Profit (loss) from previous years at the end of the period	-	(367 763)
6.	Net result	666	(216 254)
	a) net profit	666	-
	b) net loss	-	(216 254)
	d) profit impairments	-	-
II.	Equity at the end of the period (CB)	61 058	700 498
III.	Equity after proposed result distribution (cover of loss)	61 058	700 498

6. Accepted principles (policy) of accounting

The company operates based on the following legal acts:

1. The Accounting Act of September 29, 1994 (unified text Journal of Laws of 2021, item 217, as amended) - hereinafter referred to as "AoA", "Act"),
2. Act of February 15, 1992 on corporate income tax (Journal of Laws of 2020, item 1406, as amended),
3. Act of July 29, 2005 on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies (consolidated text, Journal of Laws of 2020, item 2080), as amended;
4. Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for obtaining equivalent information required by the law of a non-member state (consolidated text, Journal of Laws of 2018, item 757, as amended),
5. Regulation of the Minister of Finance of October 5, 2020 on the scope of information disclosed in financial statements and consolidated financial statements required in the prospectus for issuers based in the territory of the Republic of Poland, for which Polish accounting principles are applicable (Journal of Laws of 2020, item 2000).

The company introduced the following regulations for use in the field of valuation of assets and liabilities:

1. Regulation No. 35/2003 of the President of the Management Board of ZE PAK SA in Konin of July 1, 2003 regarding the economy tangible fixed assets,
2. Regulation No. 34/2003 of the President of the Management Board of ZE PAK SA in Konin of 1 July 2003 regarding the Company Account Plan for ZE PAK SA.

The financial statements were prepared in accordance with the historical cost convention, which was modified in the case of the following issues:

- Intangible assets,
- Tangible assets,
- investments in subsidiary entities and other long-term investments,
- other short-term investments (excluding cash and financial assets),
- financial instruments

The Company uses the following methods for the valuation of assets and liabilities and the measurement of the financial result:

Tangible fixed assets

The initial value of fixed assets is recognized in the accounting books according to the purchase prices or costs incurred for their creation, expansion, or modernization. After the initial recognition, the value of the fixed assets is reduced by redemption and write-downs resulting from permanent loss in value.

Re-estimation takes place on the basis of separate provisions. The re-estimation result is transferred onto the capital from revaluation. After the sale or liquidation of the fixed asset, the amount remaining in the capital from the revaluation is transferred onto the supplementary capital. The last re-estimation took place on 1 January 1995.

Costs incurred after putting a fixed asset into use, such as costs of repairs, inspections, maintenance fees, affect the financial result of the financial year in which they were incurred. However, if it is possible to prove that these costs increase the expected future economic benefits due to the possession of a given fixed asset over the initially assumed benefits, then they increase the initial value of the fixed asset.

Fixed assets, except for land, are depreciated on a straight-line basis over the period corresponding to their estimated useful lives or over the shorter of the two periods: economic utility or right to use, which is as follows:

- buildings, premises and civil and water engineering structures from 2 to 27 years,
- technical equipment and machines from 2 to 27 years,
- means of transport from 2 to 10 years,
- other fixed assets from 2 to 27 years.

Estimates concerning the period of economic use and the depreciation method are subject to a review at the end of each financial year in order to verify, whether the used methods and the depreciation period are consistent with the expected term structure of economic benefits provided by this fixed asset.

In 2020, as a result of a strategy change, the company adjusted depreciation rates in accordance with the expected period of operation of individual power plants from January 1, 2021:

- Elektrownia Państwów I – period of operation till 2024,
- Elektrownia Państwów II – period of operation till 2030,
- Elektrownia Konin – period of operation till 2047.

As at the balance sheet date, the Company always assesses whether the balance sheet value of the presented assets does not exceed the value of the anticipated future economic benefits. If there are indications to this, the carrying amount of assets is reduced to their recoverable amount. The impairment losses are recognized in other operating expenses.

Impairment losses related to fixed assets, the valuation of which has been updated on the basis of separate regulations, reduce the differences due to the revaluation recognized in the revaluation reserve. Any excess of the write-down over the revaluation differences is included in other operating costs.

Fixed assets under construction are valued in the amount of total costs directly related to their purchase or production, including financial costs, less impairment write-offs. Investment materials are also shown under construction in progress. Fixed assets under construction are not depreciated until their construction is completed and they are put into use.

Borrowing costs related to the construction, adaptation, assembly or improvement of fixed assets or intangible assets, throughout the period of construction, adaptation, assembly or improvement are recognized in the value of these assets, if the liabilities were incurred for this purpose. Other borrowing costs are recognized in the profit and loss account.

Permanent impairment of assets

At each balance sheet date, the Company assesses whether there is objective evidence indicating a permanent impairment of an asset or group of assets. If such evidence exists, the Company determines the estimated recoverable amount of the asset and makes an impairment loss, in an amount equal to the difference between the recoverable amount and the carrying amount. The loss resulting from impairment is recognized in the profit and loss account for the current period. In the case when the revaluation of assets was made before, the loss reduces the amount of capitals from revaluation and then is recognized in the profit and loss account for the current period.

Intangible assets

Intangible assets are recognized if it is plausible that, in the future, they will cause inflow of economic benefits to the Company that can be directly associated with these assets. The initial recognition of the intangible assets' value takes place according to purchase prices or production cost. After the initial recognition, the intangible assets are valued according to purchase prices or production cost reduced by redemption and write-downs resulting from permanent loss in value. The intangible assets are depreciated with the straight line method in the period corresponding to the estimated period of their economic use. The expected period of economic use is as follows:

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

The intangible assets of an initial value of less than PLN 3,500 are depreciated once in the month of putting into service.

Estimates concerning the period of economic use and the depreciation method are subject to a review at the end of each financial year in order to verify, whether the used methods and the depreciation period are consistent with the expected term structure of economic benefits provided by given intangible assets.

As of the balance sheet date, the Company assesses every time whether the balance sheet value of the recognised assets does not exceed the value of the expected future economic benefits. If there is an indication of such a situation, the balance sheet value of the assets is reduced to recoverable amount. Write-downs resulting from permanent loss in value are recognised in other operating costs.

Emission allowances and their equivalents purchased by the Company for its own needs are disclosed as intangible assets. These rights are valued at the purchase price for redemption.

Long-term receivables

The long-term receivables include, among others:

- receivables due to paid security deposits (e.g. within lease agreements),
- receivables from entities, with whom a bank conciliation or an arrangement was concluded.

The long-term receivables, as well as other receivables, are valued in accordance with Art. 28 of the Act on accounting during the year, which on the day of purchase or creation – according to the face value and as of the balance sheet date – in the amount of required payment, with caution, reduced by the impairment write-downs made in justified cases.

Long-term investments

The long-term investments are property resources controlled by the entity, which will cause inflow of economic benefits to the entity in the future. The investments may be non-financial assets and, then, occur as:

- real estate,
- intangible assets,

or they may be financial assets and, then, occur as:

- shares,
- capital contributions in subsidiaries,
- other securities (long-term bills, government bonds, etc.),
- granted long-term loans,
- other long-term assets (bills of exchange, payable orders, deposits, commercial papers, additional payments to capital).

As of the balance sheet date, the long-term investments are valued according to purchase price reduced by write-downs resulting from permanent loss in value.

The investments in the subsidiaries that are controlled entities, co-subsidiaries, and associated party entities are valued according to the historical expense reduced by possible loss in value.

Short-term investments (excluding cash and financial instruments)

The short-term investments, excluding cash and financial instruments, are valued according to the market price (value), and the short-term investments, for which there is no active market, in other way of a determined fair value.

The effects of increase or decrease in the value of the short-term investments valued according to the market price (value) are classified respectively as financial expense or income.

Financial assets

Financial assets, at the time of entry into the books of accounting, are valued according to the cost (purchase price), which is the fair value of the payment. Transaction costs are recognised in the initial value of these financial instruments. Financial assets are entered into the books of accounting on the transaction date.

After initial recognition, financial assets are classified into one of four categories and valued in the following way:

<i>Category</i>	<i>Valuation method</i>
1. Financial assets maintained to the maturity date	According to the adjusted purchase price (depreciated cost) determined with the effective interest method

2. Granted loans and receivables	According to the adjusted purchase price (depreciated cost) determined with the effective interest method. Receivables of a short maturity date, for which no interest rate was determined, valued according to the required payment
3. Financial assets destined for trade	According to the fair value, and profits/losses due to revaluation are recognised in the income statement
4. Available-for-sale financial assets	According to the fair value and profits/losses due to revaluation are recognised in the income statement until the investment sale or reduction of its value. At this moment, the total profit or loss due to revaluation is transferred to the income statement

The fair value of financial instruments traded on the active market is determined in relation to the prices quoted on this market as of the balance sheet date. In case of the lack of a quoted market price, the fair value is estimated on the basis of the quoted market price of a similar instrument, or on the basis of expected cash flows.

Permanent loss in value of financial assets

As of each balance sheet date, the Company assesses whether there is objective evidence of permanent loss in value of a component or a group of financial assets. If such evidence exists, the Company estimates the estimated, possible to recover value of the component of assets and makes an impairment write down resulting from the loss in value, in the amount equal to the difference between the value possible to recover and the balance sheet value. Impairment write-downs against the value of a financial asset component or a portfolio of similar financial assets are determined:

- in case of financial assets valued at the depreciated purchase cost – as the difference between the value of these assets resulting from the books of accounting as of the valuation date and the amount possible to recover. The amount possible to recover is the present value of the future cash flows expected by the entity, discounted with the effective interest rate previously used by the entity, valuing revalued financial assets' component or a portfolio of similar financial assets' components,
- in case of the financial assets valued at the fair value – as the difference between the purchase price of an assets' component and its fair value determined as of the valuation date. However, the fair value of debt financial instruments as of the valuation date is understood as the present value of expected future cash flows expected by the entity, discounted with a current market interest rate used for similar financial instruments. The loss cumulated to this day recognised in the capital (fund) from revaluation is classified as finance costs in the amount not lesser than the one indicated in the write-down reduced by the part directly classified as financial costs,
- in case of other financial assets – as the difference between the value of the assets' component resulting from the books of accounting and the present value of future cash flows expected by the entity, discounted with the current market interest rate used for similar financial instruments.

Leasing

The Company is a party of lease agreements, under which it conveys in return for payment to use or taking profits, the foreign fixed assets or intangible assets for an agreed period.

In case of lease agreements, under which there is transfer of, substantially, all the risks and profits resulting from ownership of assets covered by the agreement, the leased assets are recognized as the fixed asset. At the same time, a liability in the amount equal to the current value of minimum lease payments, determined as of the inception the lease date. Lease payments are divided between the financial costs and reduction of balance of the liability in a way allowing obtaining a constant interest rate on the remaining unpaid liability. Financing costs are recognised directly in the income statement.

The fixed assets subject to a financial lease agreement are depreciated in the way specified for own fixed assets. However, if there is uncertainty as transfer of property rights for the subject of the agreement, the fixed assets used under financial lease agreements are then depreciated for the shorter of the two periods: the expected period of use or the lease term. Lease payments under the agreements, which do not meet the conditions of a financial lease agreement, are recognized as costs in the income statement with the straight line methods for the lease term.

If a sale and sale-and-lease-back is a financial lease, then that part of the amount of sales revenue, which exceeds the value recognised in the balance sheet, is deferred in time and depreciated during the period of the lease agreement. If a sale and sale-and-lease-back are operating lease and if the transaction was concluded at prices corresponding to the fair value, any profits and losses arising resulting from that are recognised in the income statement. If the sale price is lower than the fair value, profits and losses resulting from that are recognised in the income statement, except for compensation of the loss with the future lease payments lower than market prices. In such a situation, the loss is

deferred in time and settlement in proportion to the lease payments for the period of the expected use of the assets' component. If the sale price exceeds the fair value, the amount exceeding the fair value is deferred in time and settled in revenues for a period of the expected use of the assets' component.

Short- and long-term receivables

Trade receivables are recognised in the required amount reduced by impairment write-downs. The receivables value is adjusted taking into account the probability of their payment with the impairment write down. The impairment write-downs are classified respectively as other operating costs or financial costs – depending on the type of receivable subject to the impairment write-down. The redeemed, expired, or non-collectible receivables reduce previously made impairment write-downs against their value. The redeemed, expired, or non-collectible receivables, for which no impairment write-downs against their value were made, or the write-downs were not made in full, are classified as other operating costs or financial costs.

Inventory

Inventory is valued at the lower of the two values: the purchase price (or production cost) and the net sale price. The particular components of the inventory are valued using “weighted average” method.

The net sale price is a sale price possible to achieve as of the balance sheet date without the tax on goods and services and the excise tax, reduced by rebates, discounts, etc. and the costs related to accommodation of the component for sale and making this sale.

The Company makes the impairment write-downs against possessed inventories. For replacement parts with a value of over PLN 100,000, which do not rotate over 3 years, 100% write-offs are created. The impairment write-downs against inventories increase other operating costs.

The In the Company, the constant inventory procedure is applied for material stocks. Because the inventory is located in the guarded area and is in a continuous quantity/quality register, each material item must be counted at least once every two years, last inventory of the production fuel took place according to the status as of 31 December 2020.

Energy certificates obtained free of charge from energy production in renewable sources, gas and cogeneration are presented as goods and carried at fair value as at the end of the month in which they were produced. As at the balance sheet date, the Company measures these inventories at cost (i.e. the initial value) not higher than the net selling price by analysing the value of inventories for impairment. Any impairment loss is presented in the cost of sales.

Assets components internally generated

The cost of internal generation of assets includes costs remaining within the direct relationship with a given product and the justified part of costs related indirectly to their production.

Direct costs include:

- the value of used direct materials,
- direct payments,
- wearing out of specialist tools,
- other costs incurred in relation to bring the product to the form and place, in which it is on the day of valuation.

Other costs incurred in bringing the product to the form and location in which it is on the day of the valuation.

A reasonable, appropriate to the period of manufacture of the product part of the indirect costs includes variable indirect production costs corresponding to the level of these costs at the normal use of production capacities. The normal level of production capacities use is the average, in line with expectations in typical conditions production volume for a given number of periods, taking into account the scheduled overhauls.

Production costs, which are the basis of assets valuation, do not include general overheads, sale costs, other operating costs, and financial costs of financial operations. The transfer of generation costs to the assets of ZE PAK S.A. takes place no later than on the balance sheet date.

Cash accumulated on bank accounts

Domestic cash is shown at nominal value. Cash funds accumulated on bank accounts are confirmed on the basis of bank confirmation of balances. The cash position shown in the cash flow statement consists of cash in hand and bank deposits with a maturity of no more than 3 months, which were not treated as investment activities.

Equities

In the Company, there are the following capitals, which, in the balance sheet, are shown according to the face value, namely:

1. Share capital,
2. Supplementary capital,
3. Capital from revaluation,
4. Other reserve capitals.

The share capital is shown in the amount complying with the Company's Articles of Association and the entry into the National Court Register.

The supplementary capital is created from the profit division, an excess from the sale of shares over their nominal value, from the transfer from the Staff Fund, and from the transfer from the reserve capital from revaluation.

Provisions

Provisions are recognized when the Company has an existing obligation (legal or customary) resulting from past events and when it is certain or highly probable that fulfilment of this obligation will result in the necessity of outflow of resources, and when it is possible to reliably estimate the amount of such liability.

Provisions for property decommissioning costs are included in the amount of forecasted liquidation costs in the current value of these costs. These provisions are recognized second-to-side as accrued expenses and settled over time for the remaining period of operation of the equipment designated for liquidation. In the case of devices excluded from traffic, the provisions for the costs of their liquidation are created in the burden of other operating costs. In the reserve position, the Company also recognizes a provision for future costs of land reclamation, on which the Company collects waste.

Provision for leaves, retirement benefits and post-death benefits

The employees of the Company are entitled to holiday leaves defined in the provisions of the Labour Code. The company creates provisions at the expense of unused holidays, which the employees have acquired until the balance sheet date.

According to the company's remuneration system, employees are entitled to retirement bonuses at the time of retirement and post-mortem benefits. The reserve for severance pay that will be paid in the future is created on the basis of independent actuarial calculations.

Provision for the costs of reclamation of ash landfills

The obligation to reclaim the area of ash landfills is created at the start of their operation. The provision is created based on reports of independent experts estimating reclamation costs at the request of the Company's Management Board. Estimates of projected restoration costs are updated periodically, however, for each reporting date the amount of the provision is verified in accordance with the current assumptions regarding the discount rate and inflation. In addition, the Company recognizes assets for the ash landfill, which is accounted for using the straight-line method over its lifetime. In subsequent periods, this asset is amortized using the straight-line method over the estimated period of operation of a given ash storage site. At the same time, in subsequent periods, the Group recognizes the increase in the provision resulting from the effect of unwinding the discount in correspondence with financial costs. The utilization of the provision is settled at the end of each reporting period in correspondence with operating costs. Subsequent possible changes to the estimated costs of reclamation adjust the value of the asset and the provision.

Provision for CO₂ emission allowances

The reserve for liabilities related to the deficit of CO₂ emission rights is created by the Company in the period in which the actual emission exceeds the allocated rights. The cost of the created provision is presented in the income statement in the cost of sales. On the date of redemption of allowances, emission allowances classified as other intangible assets are derecognised in correspondence with the provision for CO₂ emissions liabilities. The value of the redemption is adjusted for the realized exchange differences as of the day of purchasing the allowances.

The provision is created:

- in the part covered by allowances held as at the balance sheet date - in the value of held allowances, i.e. purchased at the balance sheet value, received at zero value,
- in the part not covered by allowances held as at the balance sheet date - at the lower value of the market value of the rights necessary to meet the obligation as at the balance sheet date and possible penalty.
- in the part not covered by rights held as at the balance sheet date - at values measured as at the balance sheet day at the average exchange rate of the National Bank of Poland for forward CO₂ purchase transactions.

Provision for the return of CO2 emission allowances

The provision for the return of CO₂ emission allowances The Company creates at the time of probable commitment. Due to the suspension of investments reported to KPI, we estimated the potential risk of return of the above mentioned allowances. The amount is converted according to the euro exchange rate as at the day of preparing the financial statements. The provision is created to cover other operating expenses.

Assets and liabilities expressed in foreign currencies

As at December 31, 2020, assets and liabilities denominated in currencies other than PLN are converted into PLN using the average NBP exchange rate as at the balance sheet date. Foreign exchange rates resulting from the conversion are recognized respectively in the financial revenues (costs) or, in cases specified by law, capitalized in the value of assets.

The following rates have been accepted for the purposes of the valuation:

	<u>31 December 2020</u>	<u>31 December 2019</u>
EUR	4,6148	4,2585
USD	3,7584	3,7977

Exchange rates

Exchange rates regarding settlements denominated in foreign currencies, created as at the date of their valuation and when paying receivables and liabilities in foreign currencies, are included respectively in financial revenues or costs, and in justified cases - to the cost of products or the purchase price of goods, as well as the purchase price or the cost of producing fixed assets, fixed assets under construction or intangible assets. In the income statement, exchange rates are recognized after offsetting.

Bank credits and loans

At the moment of initial recognition, bank loans and credits are recognized at the cost representing the value of cash received and including the costs of obtaining a loan / credit. Then, all bank loans and borrowings, with the exception of liabilities held for trading, are measured at adjusted purchase price (amortized cost) using the effective interest rate. Liabilities held for trading are measured at fair value. Profit or loss on revaluation to fair value is recognized in the profit and loss account for the current period.

Special funds

The Company has the following special funds:

- Social Benefits Fund (ZFSS),
- Staff Fund.

The Act of 4 March 1994 on the Company Social Benefits Fund (unified text Journal of Laws of 2020 item 1070, as amended) constitutes that the Company Social Benefits Fund is made up of employers employing at least 50 full-time employees. The company creates such a fund and makes periodic write-offs to the amount agreed with the Trade Unions. In accordance with the agreement signed with the Trade Unions, the Company administers the Inter-Enterprise Social Benefits Fund of the Company and its subsidiaries. The balance of the Fund is the accumulated revenues of the Fund reduced by non-recoverable expenses from the Fund. The Company shows separately the balance of the Fund and the Fund's assets in the balance sheet.

Accruals

Loans received for financing pro-ecological investments, and then cancelled by granting subsidies, are recognized as other accrued income and settled in the income statement in subsequent periods, in proportion to the depreciation of fixed assets purchased or produced as part of financed investments.

The company makes accrued expenses to allocate costs related to the period to a given period. Prepayments include expenses relating to periods later than the period in which they were incurred, including insurance costs, subscriptions, bill of exchange discount.

Pre-paid accruals also include a part of the estimated costs of future reclamation of ash landfills used by the Company. These costs are included in the discounted value and relate to the expenditure that the Company will have to incur to complete the ash storage.

In addition, prepaid expenses consist of the amount of the provision created for the liquidation of the Company's assets to be settled.

Passive prepayments include the value of certificates of origin of energy generated in renewable energy sources, in combination with thermal energy, in cogeneration using natural gas and certificates resulting from energy efficiency,

which the entity is obliged to redeem in connection with the delivery of electricity to final customers. The provision for the obligation to submit for certificates of origin of energy produced in renewable energy sources or in highly efficient cogeneration and energy efficiency is included:

- in the part covered with certificates of origin held as at the balance sheet date - in the value of certificates held,
- in the part not covered by the certificates of origin as at the balance sheet date - at the lower value of the market value of the certificates necessary to meet the obligation as at the balance sheet day and possible replacement fee.

Accruals include contractual penalties, compensation from the insurance company, interest increasing the principal amount, negative goodwill and subsidies received for the production of fixed assets.

In the item of accruals, the Company also presents deferred income related to the settlement of results on leaseback.

Revenues from the sale of goods, products and services, interest and dividends

Revenues from sales include amounts due or received from the sale of goods and services (reduced by refunds, rebates and discounts). Sales revenues are shown in net value, i.e. decreased by VAT due. Revenues from the sale of purchased electricity are recognized as revenues from the sale of goods. The value of revenues from sales of purchased electricity is recognized according to the average price of bilateral contracts.

Revenues from the sale of products also include revenues from the sale of green and red certificates. At the time of production, certificates of origin intended for sale are recognized in sales revenues, therefore, in order to prevent inflating revenues at the time of their sale, the cost of selling certificates is recognized as an adjustment to sales revenues.

Interest income is recognized at the time of accrual (using the effective interest rate), if their receipt is unquestionable.

Dividends due are classified as financial revenues as at the date of adoption of a resolution on profit distribution by the competent authority of the relevant company, unless a different date for the right to dividend is specified in the resolution.

Revenues from the sale of electricity include the value of compensation in the amount of stranded costs. Revenue from compensation is recognized successively to the earned compensation rights at the end of each financial year, until the end of their validity period. At each moment of revenue recognition, the Company determines the ratio of estimated stranded costs to the total sum of the received, returned and expected discounted annual advances (including the annual advances received so far). The amount of revenue for a given financial year is the product of the ratio and the amounts of advance payments received so far, corrected by annual adjustments, less revenue from compensations recognized in previous years. The difference between the total amount of revenue recognized and the total amount of advances received up to the total amount of stranded costs is recognized by the Company as:

- a) receivables, in the event of a negative difference between the total amount of received advances and the recognized revenues from compensations,
- b) liabilities, where there is a positive difference between the total amount of advances received and the recognized compensation income.

Operational costs

The company keeps a cost record in a generic and calculation format and prepares a calculative profit and loss account.

General production costs

The general production costs are settled statistically for sold electricity and heat and other works and services in proportion to direct wages charged to energy sold, other works and services.

Corporate Income Tax

The basis for calculating income tax is gross profit adjusted for permanent and temporary differences between income determined for tax purposes and balance sheet financial result. Transitional income tax differences are recognized in the balance sheet as provisions for deferred income tax (positive difference) or are included in active accruals (negative differences).

Deferred Income Tax

Deferred income tax is determined using the balance sheet liability method in relation to all temporary differences existing as at the balance sheet date between the tax value of assets and liabilities and their balance sheet value shown in the financial statements. Provision for deferred income tax is created in relation to all positive temporary differences, unless the provision for deferred income tax arises as a result of amortization of goodwill or initial recognition of an

asset or liability in a transaction that is not a business combination, and at the time it is concluded it has no effect either on the gross financial result or on taxable income or tax loss.

The deferred tax asset is recognized in relation to all negative temporary differences and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow to use the above mentioned differences and losses.

In case of negative temporary differences due to shares in subsidiaries or affiliates and shares in jointly controlled entities, the deferred income tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above-mentioned temporary differences will be reversed and taxable income will be generated that will allow deduction of negative temporary differences.

The carrying value of a deferred tax asset is verified as at each balance sheet date and is subject to a corresponding reduction in so far as it has ceased to be probable that taxable income will be sufficient to partially or fully realize the deferred tax asset.

Deferred income tax assets and reserves for deferred income tax are valued using tax rates, which, according to the regulations enacted by the balance sheet date, will apply in the period when the asset will be realized or the provision will be terminated. Deferred tax assets and provisions for deferred tax are presented in the balance sheet at their value after offsetting.

Konin, 19 April 2021

ADDITIONAL INFORMATION AND CLARIFICATION TO THE FINANCIAL STATEMENTS

1. Information on significant events concerning previous years recognized in the financial statements for the financial year

Until the day of signing the financial statements for the financial year that is until 19 April 2021 there were no events regarding previous years, which should be included in the financial statements for the financial year.

2. Information on significant events that occurred after the balance sheet date and not included in the financial statements

After the balance sheet date until the day of signing the financial statements for the financial year, i.e. until 19 April 2021, no events occurred that should be recognized in the financial statements for the financial year.

3. Changes in accounting principles (policy) in the financial year

The financial statements for the current and previous financial year were prepared using identical accounting principles (policy) as well as the methods of data presentation in the financial statements.

4. Error adjustment and transformation of comparative data

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

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

In the current period, in connection with the merger of companies using the pooling of interests method, the data in this report has been restated as if the merger took place at the beginning of the previous financial year. The presentation of numerical information ensures the comparability of the data in the financial statements for the preceding year with the statements for the current financial year.

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

BALANCE SHEET – ASSETS

	<i>Published data ZE PAK SA</i>	<i>Published data Elektrownia Pątnów II sp. z o.o.</i>	<i>Published data PAK Infrastruktura sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
<i>As at 31 December 2019</i>					
A. Fixed assets	1 519 635	1 094 192	30 547	1 833 479	(810 895)
I. Intangible assets	2 195	93 131	-	95 326	-
1. Development expenses	-	-	-	-	-
2. Goodwill	-	-	-	-	-
3. Other intangible assets	2 195	93 131	-	95 326	-
4. Prepayments for intangible assets	-	-	-	-	-
II. Tangible fixed assets	455 901	1 001 061	27 845	1 484 807	-
1. Tangible assets	436 863	1 000 181	27 845	1 464 889	-
a) land (including perpetual usufruct)	10 114	418	4	10 536	-
b) buildings, premises and constructions	128 846	324 758	10 680	464 284	-
c) plant and machinery	296 537	674 321	17 161	988 019	-
d) motor vehicles	492	558	-	1 050	-
e) other	874	126	-	1 000	-
2. Construction in progress	17 478	880	-	18 358	-
3. Prepayments for construction in progress	1 560	-	-	1 560	-
III. Long-term receivables	-	-	-	-	-
1. from affiliates	-	-	-	-	-
2. from others, of which entity has capital engagement	-	-	-	-	-
3. from others	-	-	-	-	-
IV. Long-term investment	1 054 533	-	2 700	246 340	(810 893)
1. Property	-	-	-	-	-
2. Intangible fixed assets	-	-	-	-	-
3. Long-term financial assets	1 054 533	-	2 700	246 340	(810 893)
a) in affiliates	1 054 381	-	2 700	246 188	(810 893)
– shares	1 049 381	-	-	238 488	(810 893)
– other securities	-	-	-	-	-
– loans granted	-	-	2 700	2 700	-
– other long-term financial assets	5 000	-	-	5 000	-
b) in other entities of which entity has capital engagement	-	-	-	-	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

	<i>Published data</i> ZE PAK SA	<i>Published data</i> Elektrownia Pańńów II <i>sp. z o.o.</i>	<i>Published data</i> PAK Infrastruktura <i>sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
- loans granted	-	-	-	-	-
- other long-term financial assets	-	-	-	-	-
c) in other entities	152	-	-	152	-
- shares	152	-	-	152	-
- other securities	-	-	-	-	-
- loans granted	-	-	-	-	-
- other long-term financial assets	-	-	-	-	-
4. Other long-term investments	-	-	-	-	-
V. Long-term prepayments and deferred costs	7 006	-	2	7 006	(2)
1. Deferred tax assets	-	-	2	-	(2)
2. Other prepayments and deferred costs	7 006	-	-	7 006	-
B. Current assets	472 399	255 097	35 475	746 952	(16 019)
I. Inventories	77 524	2 549	-	80 073	-
1. Raw materials	52 628	2 549	-	55 177	-
2. Semi-finished goods and work-in-progress	-	-	-	-	-
3. Finished products	-	-	-	-	-
4. Goods	24 893	-	-	24 893	-
5. Inventory prepayments	3	-	-	3	-
II. Short-term receivables	180 780	141 251	1 940	307 852	(16 019)
1. Receivables from affiliates	115 897	57	1 693	100 528	(17 119)
a) trade receivables, due in:	112 472	57	1 693	100 479	(13 743)
- up to 12 months	112 472	57	1 693	100 479	(13 743)
- over 12 months	-	-	-	-	-
b) other	3 425	-	-	49	(3 376)
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	64 783	141 194	247	207 324	1 100
a) trade receivables, due in:	36 541	26 076	-	62 617	-
- up to 12 months	36 541	26 076	-	62 617	-
- over 12 months	-	-	-	-	-
b) taxation, subsidy, customs duty, social security, health insurance and other	7 529	52 946	247	60 722	-

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA
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(in thousand PLN)

	<i>Published data</i> ZE PAK SA	<i>Published data</i> Elektrownia Pańńów II sp. z o.o.	<i>Published data</i> PAK Infrastruktura sp. z o.o.	<i>Transformed data</i>	<i>Merger exemptions</i>
debtors					
c) other	20 713	62 172	-	83 985	1 100
d) submitted to court	-		-	-	
III. Short-term investments	213 818	110 773	33 534	358 125	-
1. Short-term financial assets	213 818	110 773	33 534	358 125	-
a) in affiliates	2 000	-	26 429	28 429	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	26 429	26 429	-
– other short-term financial assets	2 000	-	-	2 000	-
b) in other entities	-	-	-	-	-
– shares	-	-	-	-	-
– other securities	-	-	-	-	-
– loans granted	-	-	-	-	-
– other short-term financial assets	-	-	-	-	-
c) cash and other monetary assets	211 818	110 773	7 105	329 696	-
– cash on hand and cash at bank	211 818	110 773	7 105	329 696	-
– other cash and cash equivalents	-	-	-	-	-
– other monetary assets	-	-	-	-	-
2. Other short-term investments	-	-	-	-	-
IV. Short-term prepayments and deferred costs	377	524	1	902	-
C. Unpaid share capital (basic)	-	-	-	-	-
D. Own shares	-	-	-	-	-
Total assets	1 992 034	1 349 289	66 022	2 580 431	(826 914)

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

BALANCE SHEET – LIABILITIES AND EQUITY

	<i>Published data ZE PAK SA</i>	<i>Published data Elektrownia Pątnów II sp. z o.o.</i>	<i>Published data PAK Infrastruktura sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
<i>As at 31 December 2019</i>					
A. Equity	1 292 048	916 751	61 675	1 459 581	(810 893)
I. Equity capital	101 647	750 500	60 393	101 647	(810 893)
II. Reserve capital, including:	1 124 377	534 014	-	1 658 391	-
– surplus of sales value (issue value) over nominal value of shares	380 030	-	-	380 030	-
III. Revaluation reserve, including:	227 466	-	-	227 466	-
– for fair value revaluation	-	-	-	-	-
IV. Other reserves, including:	3 472	-	-	3 472	-
– created in accordance with the company's articles of association	-	-	-	-	-
– for own shares	-	-	-	-	-
V. Profits (losses) from previous years	(118 575)	(108 530)	-	(148 275)	78 830
VI. Net profit (loss) for the period	(46 339)	(259 233)	1 282	(383 120)	(78 830)
VII. Deductions from net profit during the period (negative value)	-	-	-	-	-
B. Liabilities and provisions for liabilities	699 986	432 538	4 347	1 120 850	(16 021)
I. Provisions for liabilities	593 521	408 871	2 894	1 005 284	(2)
1. Deferred tax liability	112 842	186 524	2 894	302 258	(2)
2. Provision for retirement benefits and similar obligations	25 771	30	-	25 801	-
– long-term	11 155	30	-	11 185	-
– short-term	14 616	-	-	14 616	-
3. Other provisions	454 908	222 317	-	677 225	-
– long-term	82 111	-	-	82 111	-
– short-term	372 797	222 317	-	595 114	-
II. Long-term liabilities	2 291	119	-	2 410	-
1. To affiliates	-	-	-	-	-
2. To other entities of which entity has capital engagement	-	-	-	-	-
3. To other entities	2 291	119	-	2 410	-
a) loans and credits	-	-	-	-	-
b) debt securities issued	-	-	-	-	-
c) other financial liabilities	291	-	-	291	-
d) bills of exchange	-	-	-	-	-
e) other	2 000	119	-	2 119	-
III. Short-term liabilities	103 925	23 377	1 443	111 626	(16 019)

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

	<i>Published data</i> ZE PAK SA	<i>Published data</i> Elektrownia Państw II <i>sp. z o.o.</i>	<i>Published data</i> PAK Infrastruktura <i>sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
1. To affiliates	20 212	14 719	1 308	19 120	(17 119)
a) trade liabilities:	14 222	11 344	1 308	13 131	(13 743)
– up to 12 months	14 222	11 344	1 308	13 131	(13 743)
– over 12 months	-	-	-	-	-
b) other	5 990	3 375	-	5 989	(3 376)
2. 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	78 092	8 658	135	87 985	1 100
a) loans and credits	-	-	-	-	-
b) debt securities issued	-	-	-	-	-
c) other financial liabilities	1 694	206	-	1 900	-
d) trade liabilities:	27 203	3 216	14	30 433	-
– up to 12 months	27 203	3 216	14	30 433	-
– over 12 months	-	-	-	-	-
e) advance payments received	-	-	-	-	-
f) bills of exchange	-	-	-	-	-
g) taxation, customs duty and social security creditors	41 377	4 653	121	46 151	-
h) payroll	3 905	52	-	3 957	-
i) other	3 913	531	-	5 544	1 100
4. Special funds	4 521	-	-	4 521	-
IV. Accruals and deferred income	1 349	171	10	1 530	-
1. Negative goodwill	-	-	-	-	-
2. Other accruals and deferred income	1 349	171	10	1 530	-
– long-term	363	-	-	363	-
– short-term	986	171	10	1 167	-
Total Liabilities and equity	1 992 034	1 349 289	66 022	2 580 431	(826 914)

ZESPÓŁ ELEKTROWNI PĄTNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

PROFIT AND LOSS ACCOUNT (calculation type)

	<i>Published data</i> ZE PAK SA	<i>Published data</i> Elektrownia Pątnów II <i>sp. z o.o.</i>	<i>Published data</i> PAK Infrastruktura <i>sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
	<i>Data as at 31 December 2019</i>				
A. Net sales of finished goods, goods for resale and raw materials, of which:	1 429 854	1 039 267	16 513	2 383 635	(101 999)
– from affiliates	327 649	563	16 513	243 436	(101 289)
I. Net sales of finished products	1 198 948	756 576	16 513	1 871 013	(101 024)
II. Net sales of goods for resale and raw materials	230 906	282 691	-	512 622	(975)
B. Cost of finished products, goods for resale and raw materials sold, of which:	1 292 902	890 631	15 878	2 097 412	(101 999)
– to affiliates	328 423	-	15 878	256 964	(87 337)
I. Cost of finished products sold	1 102 335	673 305	15 878	1 690 494	(101 024)
II. Cost of goods for resale and raw materials sold	190 567	217 326	-	406 918	(975)
C. Gross profit (loss) on sales (A–B)	136 952	148 636	635	286 223	-
D. Selling expenses	1 565	477	-	2 042	-
E. Administrative expenses	47 887	6 452	76	54 415	-
F. Profit (loss) on sales (C–D–E)	87 500	141 707	559	229 766	-
G. Other operating income	3 604	-	-	3 604	-
I. Gains on the sale of non-financial fixed assets	1 088	-	-	1 088	-
II. Grants	46	-	-	46	-
III. Revaluation of non-financial assets	-	-	-	-	-
IV. Other operating income	2 470	-	-	2 470	-
H. Other operating expenses	132 689	461 057	-	593 746	-
I. Loss on the sale of non-financial fixed assets	-	-	-	-	-
II. Impairment of non-financial assets	128 487	461 000	-	589 487	-
III. Other	4 202	57	-	4 259	-
I. Operating profit (loss) (F+G–H)	(41 585)	(319 350)	559	(360 376)	-
J. Financial income	81 963	2 341	1 024	4 663	(80 665)
I. Dividends and shares in profits, including:	78 868	-	-	38	(78 830)
a) from affiliates, including:	78 830	-	-	-	(78 830)
– of which the entity has capital engagement	78 830	-	-	-	(78 830)
b) from others, including:	38	-	-	38	-
– of which the entity has capital engagement	-	-	-	-	-
II. Interest, including:	1 402	1 674	1 024	3 760	(340)

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	<i>Published data</i> ZE PAK SA	<i>Published data</i> Elektrownia Pańńów II <i>sp. z o.o.</i>	<i>Published data</i> PAK Infrastruktura <i>sp. z o.o.</i>	<i>Transformed data</i>	<i>Merger exemptions</i>
– from affiliates	340	-	969	969	(340)
III. Profit on the disposal of financial assets, including:	-	-	-	-	-
– affiliates	-	-	-	-	-
IV Revaluation of investments	-	667	-	667	-
V. Other	1 693	-	-	198	(1 495)
K Financial costs	13 151	4 643	-	15 959	(1 835)
I. Interest, including:	9 684	998	-	10 342	(340)
– to affiliates	-	340	-	-	(340)
II. Loss on the disposal of financial assets, including:	-	-	-	-	-
– in affiliates	-	-	-	-	-
III. Impairment of investments	1 571	-	-	1 571	-
IV. Other	1 896	3 645	-	4 046	(1 495)
L. Gross profit (loss) (I+J–K)	27 227	(321 652)	1 583	(371 672)	(78 830)
M. Corporate profits tax	73 566	(62 419)	301	11 448	-
N. Other tax charges	-	-	-	-	-
O. Net profit (loss) (L–M–N)	(46 339)	(259 233)	1 282	(383 120)	(78 830)

6. Intangible assets

Year ended 31 December 2020

	<i>Concessions, patents, licenses and similar values</i>	<i>Other intangible assets</i>	<i>Advances for intangible assets</i>	<i>Total</i>
<i>Initial value</i>				
Opening balance	21 949	93 221	-	115 170
Increases, including:	908	571 937	-	572 845
– Acquisition	-	571 937	-	571 937
– Other	-	-	-	-
– Transfers	908	-	-	908
Decreases, including:	26	661 590	-	661 616
– Redemption of CO2 emission rights	-	618 090	-	618 090
– Liquidation	26	-	-	26
– sale	-	43 500	-	43 500
Closing balance	22 831	3 568	-	26 399
<i>Redemption</i>				
Opening balance	18 563	3	-	18 566
Increase, including:	637	-	-	637
– Depreciation of a period	637	-	-	637
– Other	-	-	-	-
– Transfers	-	-	-	-
Decrease, including:	26	-	-	26
– Sale	-	-	-	-
– liquidation	26	-	-	26
Closing balance	19 174	3	-	19 177
<i>Impairment write-downs</i>				
Opening balance	1 278	-	-	1 278
Increases	-	-	-	-
Decreases, including:	-	-	-	-
– use	-	-	-	-
– impairment adjustment	-	-	-	-
Closing balance	1 278	-	-	1 278
<i>Net value</i>				
Opening balance	2 108	93 218	-	95 326
Closing balance	2 379	3 565	-	5 944

Year ended 31 December 2019 (transformed data)

	<i>Concessions, patents, licenses and similar values</i>	<i>Other intangible assets</i>	<i>Advances for intangible assets</i>	<i>Total</i>
<i>Initial value</i>				
Opening balance	21 685	66 821	-	88 506
Increases, including:	264	530 407	-	530 671
– acquisition	-	304 505	-	304 505
– acquisition of EPII	-	225 902	-	225 902
– transfers	264	-	-	264
Decreases, including:	-	504 007	-	504 007
– Redemption of CO2 emission rights	-	334 714	-	334 714
– Redemption of CO2 emission rights (EPII)	-	157 353	-	157 353
– liquidation	-	11 940	-	11 940
Closing balance	21 949	93 221	-	115 170
<i>Redemption</i>				
Opening balance	17 586	3	-	17 589
Increases, including:	977	-	-	977
– depreciation of a period	975	-	-	975
– depreciation of EPII	2	-	-	2
– transfers	-	-	-	-
Decreases, including:	-	-	-	-
– sale	-	-	-	-
– liquidation	-	-	-	-
Closing balance	18 563	3	-	18 566
<i>Impairment write-downs</i>				
Opening balance	1 278	-	-	1 278
Increases	-	-	-	-
Decreases, including:	-	-	-	-
– use	-	-	-	-
– impairment adjustment	-	-	-	-
Closing balance	1 278	-	-	1 278
<i>Net value</i>				
Opening balance	2 821	66 818	-	69 639
Closing balance	2 108	93 218	-	95 326

Ownership structure of intangible assets:

	<i>31 December 2020</i>	<i>31 December 2019</i>
Own	5 944	95 326
Used on the basis of a rental, lease or other contract, including lease agreements	-	-
Total	5 944	95 326

The other intangible assets item includes purchased CO₂ emission rights. The change in the carrying amount results mainly from the redemption of these rights.

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7. Tangible fixed assets

Year ended 31 December 2020

	<i>Lands (including the right to perpetual usufruct of land)</i>	<i>Buildings, premises and objects engineering land and water</i>	<i>Machines and technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advances for fixed assets under construction</i>	<i>Total</i>
<i>Initial value</i>								
Opening balance	10 754	2 067 940	5 823 328	4 021	11 725	48 494	1 560	7 967 822
Increase, including:	123	11 802	20 440	886	238	34 323	25 391	93 203
– Acquisition	-	-	57	886	38	67 739	25 391	94 111
– Other	-	-	-	-	-	-	-	-
– Transfers for fixed assets	123	11 802	20 383	-	200	(33 416)	-	(908)
Decrease, including:	8 953	25 118	60 753	510	513	1 175	-	97 022
– Liquidation and sale	-	24 711	55 694	510	513	46	-	81 474
– apport	8 953	407	5 059	-	-	1 129	-	15 548
Closing balance	1 924	2 054 624	5 783 015	4 397	11 450	81 642	26 951	7 964 003
<i>Redemption</i>								
Opening balance	218	986 578	3 136 928	2 386	10 128	-	-	4 136 238
Increase, including:	11	29 547	62 497	600	277	-	-	92 932
– Depreciation of the period	11	29 547	62 497	389	277	-	-	92 721
– Other	-	-	-	211	-	-	-	211
Decrease, including:	-	24 726	55 862	426	513	-	-	81 527
– Liquidation and sale	-	24 711	55 673	426	513	-	-	81 323
– Other	-	15	189	-	-	-	-	204
Closing balance	229	991 399	3 143 563	2 560	9 892	-	-	4 147 643
<i>Impairment write-downs</i>								
Opening balance	-	617 078	1 698 381	585	597	30 136	-	2 346 777
Increase, including:	-	147 268	303 305	183	41	(13 797)	-	437 000
– Transfers for fixed assets	-	5 525	8 272	-	-	(13 797)	-	-
– Impairment write-down	-	141 743	295 033	183	41	-	-	437 000
Decrease	-	63 818	232 182	-	-	-	-	296 000
Closing balance	-	700 528	1 769 504	768	638	16 339	-	2 487 777
<i>Net value</i>								
Opening balance	10 536	464 284	988 019	1 050	1 000	18 358	1 560	1 484 807
Closing balance	1 695	362 697	869 948	1 069	920	65 303	26 951	1 328 583

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Year ended 31 December 2019 (transformed data)

	<i>Lands (including the right to perpetual usufruct of land)</i>	<i>Buildings, premises and objects engineering land and water</i>	<i>Machines and technical equipment</i>	<i>Means of transport</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advances for fixed assets under construction</i>	<i>Total</i>
<i>Initial value</i>								
Opening balance	1 916	2 065 834	5 817 067	4 655	11 704	126 914	-	8 028 090
Increase, including:	8 838	2 106	6 457	206	72	1 766	1 560	21 005
– Acquisition	-	-	44	206	36	19 423	1 560	21 269
– Other	-	-	-	-	-	-	-	-
– Transfers for fixed assets	8 838	2 106	6 413	-	36	(17 657)	-	(264)
Decrease, including:	-	-	196	840	51	80 186	-	81 273
– Liquidation and sale	-	-	196	840	51	-	-	1 087
– Other	-	-	-	-	-	80 186	-	80 186
Closing balance	10 754	2 067 940	5 823 328	4 021	11 725	48 494	1 560	7 967 822
<i>Redemption</i>								
Opening balance	208	958 018	3 071 781	2 635	9 845	-	-	4 042 487
Increase, including:	10	28 560	65 343	294	334	-	-	94 541
– Depreciation of the period	10	28 560	65 343	249	334	-	-	94 496
– Other	-	-	-	45	-	-	-	45
Decrease, including:	-	-	196	543	51	-	-	790
– Liquidation and sale	-	-	196	543	51	-	-	790
– Other	-	-	-	-	-	-	-	-
Closing balance	218	986 578	3 136 928	2 386	10 128	-	-	4 136 238
<i>Impairment write-downs</i>								
Opening balance	-	433 945	1 311 772	327	597	78 532	-	1 825 173
Increase, including:	-	183 133	386 609	258	-	16 001	-	586 001
– Transfers for fixed assets	-	-	-	-	-	-	-	-
– Impairment write-down	-	183 133	386 609	258	--	16 001	-	586 001
Decrease	-	-	-	-	-	64 397	-	64 397
Closing balance	-	617 078	1 698 381	585	597	30 136	-	2 346 777
<i>Net value</i>								
Opening balance	1 708	673 871	1 433 514	1 693	1 262	48 382	-	2 160 430
Closing balance	10 536	464 284	988 019	1 050	1 000	18 358	1 560	1 484 807

Ownership structure of tangible fixed assets:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Own	1 327 922	1 484 411
Used on the basis of a rental, lease or other contract, including lease agreements	661	396
Total	<u>1 328 583</u>	<u>1 484 807</u>

The carrying amount of land in perpetual usufruct as at December 31, 2020 was PLN 1,695 thousand (as at December 31, 2019, this value was PLN 1,767 thousand).

Capital expenditures made by ZE PAK SA in 2020 amounted to PLN 67 739 thousand (in 2019 PLN 19 423 thousand respectively), no expenditure was made on environmental protection (no expenditure was made in 2019 on environmental protection). Additionally, the Company made advance payments in the amount of PLN 25,391 thousand for fixed assets under construction.

The investment outlays planned for 2021 amount to PLN 177,270 thousand, including PLN 156,485 thousand for environmental protection.

Value impairment test of property fixed assets

According to NAS No. 4, the units generating economic benefits are the smallest identifiable groups of assets which generate cash inflows of the current use that are largely independent of the cash inflows from other assets or groups of assets. If there are any prerequisites that a given asset may be impaired, a recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the unit generating economic benefits, to which the asset belongs.

While distinguishing the units generating economic benefits within the Company's assets, it was primarily important to analyse the autonomy of generated economic benefits in terms of the Company functioning.

ZE PAK S.A., apart from the manufacturing operation, within which it is responsible for ensuring a certain level of efficiency of the generating units and implementations of production schedules, is focused on significant operational and financial functions at the Capital Group level.

On December 1, 2020, Zespół Elektrowni Państw - Adamów - Konin SA was merged with 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 Państw I.

On December 30, 2020, the Państw-Adamów-Konin SA Power Plant Complex and Elektrownia Państw 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 Państw II sp. z o.o. (acquired company) to the company ZE PAK SA.

Three centres generating economic benefits have been established within ZE PAK SA

- For the coal part (Państw I power plant and Państw II power plant);
- For green energy based on biomass (Konin power plant).

An additional factor determining the separation of the CGU was the update of the strategy of 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.

In accordance with Article 7 paragraph 1 and Article 28 of the Act of 29 September 1994 on accountancy and the National Accounting Standard No. 4 "Value impairment of assets" at the end of every reporting period, the Company's Management Board evaluates whether there are any prerequisites indicating that there may have occurred a loss in the value of components of fixed assets. In case of statement that there are such prerequisites, the Company estimates a recoverable value of assets' components. Therefore, the Company always analyses the prerequisites that might affect a loss in the value of any of the assets' components, and determines the units generating economic benefits within the Company. Due to the periodic stock market capitalization of the Parent Company in 2020 below the carrying amount of net assets, the Management Board of ZE PAK SA analysed which area of the Company's operations may be affected by impairment. An analysis of individual centres generating economic benefits was carried out:

- related to the production of the so-called black energy - Państw I power plant and Państw II power plant - in the Company's opinion, most of the generation assets have already been written off, their useful life has been significantly shortened, i.e. for Państw I power plant by 2024, for Państw II power plant by 2030 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, the unmodernised units 3 and 6 were shut down. Modernized units 1, 2 and 5 of Państw I power

plant remained in operation. These assumptions resulted from the updated strategy, hence the Company does not see any further need to test these assets;

- related to green energy, i.e. Konin power plant - green energy from biomass - in line with the adopted strategy, it is the Company's development branch and the most profitable one. 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 company withdrew from testing these assets.

In addition, the Company took into account the fact that the share price of ZE PAK SA from the last quarter of 2020 to April 2021 increased by nearly 30%, and compared to April 2020, even by over 45%. Additionally, the Company 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 be a clear vision of Poland's energy transformation strategy, was published on March 10, 2021 in Monitor Polski. The theses and directions of development contained 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 December 31, 2020, assuming that the assumptions and results adopted for the test as at June 30, 2020 remain valid.

In 2020, ZE PAK SA Group 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 the ZE PAK SA Group intends to exist. The financial projections were updated with the assumption that the base model for the coal segment operation assumes the use of currently exploited open pits and no new investments in this area. Energy production in coal-fired units at Pałnów I power plant by 2024 and the operation of unit 9 (Pałnów II power plant) by 2030 were assumed. The new strategy was one of the main rationale for testing.

Below there is presented a description of the assumptions adopted to estimate the value in use of property, plant and equipment and the results of the test as at June 30, 2020 in relation to the Group's non-current assets:

- Electricity production from Pałnów I power plant was planned until 2024, the operation of unit 9 (Pałnów II power plant) until 2030, production from biomass at Konin power plant was planned until 2047.
- Heat production was established until 2047 in connection with the exploitation of the biomass block until this year, from which heat is generated to the city of Konin.
- The production assumptions result from the adopted investment and renovation program.
- Inflows from the capacity market in the years 2021-2024 were assumed based on the results of the auction, and a share in the secondary capacity market was also assumed.
- Electricity sale prices were adopted on the basis of elaborations prepared for ZE PAK SA by an independent external consultant, taking into account own estimates, based on the current market situation for the first years of the forecast.
- Heat sales prices were adopted on the basis of currently carried out deliveries together with the forecasted steady increase in subsequent years.
- Forecasts of prices of CO2 emission allowances, adopted on the basis of assumptions from the document of the Ministry of Energy - "National plan for energy and climate for 2021-2030" (Project - v. 3.1 of 4 January 2019), taking into account own estimates, based on current market situation for the first years of the forecast.
- The purchase costs of lignite purchased for production were determined on the basis of the delivery schedule and prices agreed with the respective schedules included in the financial projections of mining companies.
- Biomass purchase costs were set at the level of contracted prices for 2020 together with the forecasted steady increase in subsequent years.
- The forecast of the margin on the biomass block was estimated assuming support mechanisms;

It is assumed that the margin will fall at constant prices after 2027, with the price of biomass rising. Submitted for public consultation, the "Poland's Energy Policy until 2040" and "National plan for energy and climate for 2021-2030" outline a clear direction for the further development of renewable energy, which is necessary to meet the indicators adopted by Poland that meet the renewable energy obligation. For this goal to be achieved, and in the following years at least maintained Poland as an EU member state must ensure the maintenance of

existing renewable energy sources, including existing biomass units, which in the next few years will end their participation in the support system, and due to their good technical condition will be able to continue working. The factor giving today such powers to adopt the above thinking are the current provisions on statistical transfer, which on the one hand impose penalties on a Member State that fails to fulfil the obligation, and on the other hand the provisions already contained in the RES Act, which signal the organization of auctions by the ERO for units that after the end of the support period, they will be able to continue participating in the newly created mechanisms. They are authorized by the provisions of the applicable RES Act. The provisions of the Act also give the opportunity to extend the support of renewable energy installations for more than 15 years. It is also important that the Ministry of Energy withdrew from the proposal to change the rules for determining the substitution fee. The Ministry took into account the recommendations of the renewable energy industry and international chambers of commerce, banks and representatives of conventional energy, which alarmed about the harmful effects of these provisions for existing RES installations. According to TGPE, this would hamper the planning of biomass units, which would hit Polish producers. As a consequence, the gap in achieving the renewable energy target would widen.

- The company has assumed the use of free CO₂ emission allowances in the amount resulting from art. 10a of Directive 2003/87 / EC of the European Parliament and of the Council of October 13, 2003.
- In terms of BAT conclusions, it was assumed to obtain deviations from the required emission limit values for ZE PAK and EP II. Państw II Power Plant sp. z o.o. received the decision of the Marshal of the Wielkopolska Province of April 29, 2020 on adjusting the integrated permit of Elektrownia Państw II Sp. z o.o., operating an installation for combustion of fuels - Block 9, to the requirements of BAT conclusions and to grant a derogation from the emission limit values specified in BAT conclusions pursuant to Art. 204 paragraph 2 of the Environmental Protection Law in the field of NO₂, Hg, SO₂ and dust emissions - until August 17, 2024. The decision was made immediately enforceable due to the important social interest and the exceptionally important interest of the Applicant. Regarding ZE PAK SA - on October 2, 2020, the Company received a decision of the Marshal of the Wielkopolska Province on adjusting the integrated permit of Państw-Konin Power Plant to the requirements of BAT conclusions and granting a derogation from the emission limit values specified in BAT conclusions pursuant to Art. 204 paragraph 2 of the Environmental Protection Law. Derogations from the emission limit values resulting from BAT conclusions regarding Hg and SO₂ emissions for units 1, 2, 5 at Państw Power Plant until their decommissioning, i.e. by 31 December 2030, and in the scope of Hg emissions for EKM boilers No. 85 and 86 of Konin Power Plant until their decommissioning, i.e. by 31 December 2022.
- In the case of Elektrownia Państw II sp. z o.o. the participation of this unit in the stranded costs scheme (LTC) was accepted.
- The effects of labour cost optimization resulting from the implemented etatization policy have been taken into account,
- The weighted average cost of capital after tax (WACC) in the projection period was assumed for CGU Elektrownia Państw I and CGU Państw II at the level of 6.98% and for CGU ZE PAK El. Konin 5.61%
- In terms of BAT conclusions, in case of ZE PAK SA, it was assumed that there would be deviations from the required emission limit values due to the assumed short lifetime of generating assets.

The recoverable amount was estimated based on value in use by using the discounted cash flow method based on prepared financial projections.

The test was performed as at 30 June 2020.

For ZE PAK SA, it was necessary to make a write-off for CGU - Elektrownia Państw I in the amount of PLN 110,000 thousand, and for CGU Elektrownia Państw II in the amount of PLN 327,000 thousand, while for CGU - Elektrownia Konin a decrease in the amount of PLN 296,000 thousand. In summary, in 2020, the Company reversed impairment allowances in the amount of PLN 296,000 thousand and made new allowances in the amount of PLN 437,000 thousand, which is a difference of PLN 141,000 thousand and was presented in Note 27 Other operating expenses.

Sensitivity analysis

Changes of financial parameters underlying the evaluation of the recoverable amount would change the present value of the discounted cash flow with the amounts presented below.

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ZE PAK CGU Elektrownia Pątnów I

	(+) <i>increase by 1,0 p.p.</i>	(-) <i>decrease by 1,0 p.p.</i>
Change in weighted average cost of capital	PLN (3) m	PLN 3 m
	(+) <i>increase by 1%</i>	(-) <i>decrease by 1%</i>
Change in sales revenues (electricity price)	PLN 23 m	PLN (23) m
	(+) <i>increase by 5%</i>	(-) <i>decrease by 5%</i>
Change in cost of sales (price of 1 EUA)	PLN (42) m	PLN 42 m

ZE PAK CGU Elektrownia Konin

	(+) <i>increase by 1,0 p.p.</i>	(-) <i>decrease by 1,0 p.p.</i>
Change in weighted average cost of capital	PLN (122) m	PLN 145 m
	(+) <i>increase by 1%</i>	(-) <i>decrease by 1%</i>
Change in sales revenues (electricity price)	PLN 25 m	PLN (25) m
	(+) <i>increase by 5%</i>	(-) <i>decrease by 5%</i>
Change in cost of sales (price of 1 EUA)	PLN (0) m	PLN 0 m
	(+) <i>increase by 5%</i>	(-) <i>decrease by 5%</i>
Change of biomass price (PLN/GJ)	PLN (113) m	PLN 113 m

In the absence of support in the form of green certificates after 2027, the price of biomass should be 2.60% lower to maintain the value after the write-down is reversed.

ZE PAK CGU Elektrownia Pątnów II

	(+) <i>increase by 1,0 p.p.</i>	(-) <i>decrease by 1,0 p.p.</i>
Change in weighted average cost of capital	PLN (63) m	PLN 70 m
	(+) <i>increase by 1%</i>	(-) <i>decrease by 1%</i>
Change in sales revenues (electricity price)	PLN 71 m	PLN (76) m
	(+) <i>increase by 5%</i>	(-) <i>decrease by 5%</i>
Change in cost of sales (price of 1 EUA)	PLN (113) m	PLN 106 m

In the case of an increase in sales revenues by approximately 6.45% in the forecast horizon, with the other parameters of the model unchanged, as well as in the case of a decrease in the weighted average cost of capital by 5.2 pp. with the other model parameters unchanged, the recoverable amount of the CGU would be equal to the carrying amount.

8. Investment projects

8.1. Long-term investments

Year ended 31 December 2020

	<i>Shares and stock in affiliates</i>	<i>Granted loans to affiliates</i>	<i>Other assets in affiliated companies</i>	<i>Shares and stock in other entities</i>	<i>Total</i>
Opening balance, including:	238 488	2 700	5 000	152	246 340
Gross value	359 641	2 700	5 000	201	367 542
Impairment write-downs	(121 153)	-	-	(49)	(121 202)
Increase, including:	65 708	-	500	-	66 208
– Acquisition	54 201	-	500	-	54 701
– Values update, incl.	11 507	-	-	-	11 507
• PAK Infrastruktura	11 507	-	-	-	11 507
– other (change between long- and short-term classification)	-	-	-	-	-
Decrease, including:	148 441	1 400	5 000	-	154 841
– Repayment	-	-	-	-	-
– Sale	-	-	-	-	-
– Values update, incl.	148 441	-	-	-	148 441
• PAK KWB Konin	121 691	-	-	-	121 691
• PAK – VOLT	26 750	-	-	-	26 750
– other (reclassification into short-term part)	-	1 400	5 000	-	6 400
Closing balance, including	155 755	1 300	500	152	157 707
Gross value	413 842	1 300	500	201	415 843
Impairment write-downs	(258 087)	-	-	(49)	(258 136)

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In the item *Shares and stocks* in related entities, new companies were established, which are presented below, together with the amounts of the contributed shares:

- PAK-PCE Fotowoltaika sp. z o.o. PLN 48 000 thousand,
- PAK Polska Czysta Energia sp. z o.o. PLN 51 thousand,
- PAK-PCE Biopaliwa i Wodór sp. z o.o. PLN 50 thousand,
- PAK-PCE Wiatr sp. z o.o. PLN 50 thousand,
- PAK-PCE Biogaz sp. z o.o. PLN 50 thousand.

On September 29, 2020, the shares in PAK-PCE Polski Autobus Wodorowy sp. z o.o. were increased in the amount of PLN 6,000 thousand.

Changes in share revaluation write-offs are presented in Note 40.

Year ended 31 December 2019 (transformed data)

	<i>Shares and stock in affiliates</i>	<i>Granted loans to affiliates</i>	<i>Other assets in affiliated companies</i>	<i>Shares and stock in other entities</i>	<i>Total</i>
Opening balance, including:	317 659	29 100	5 000	152	351 911
Gross value	359 453	29 100	5 000	201	393 754
Impairment write-downs	(41 794)	-	-	(49)	(41 843)
Increase, including:	188	-	-	-	188
– Acquisition	188	-	-	-	188
– Values update	-	-	-	-	-
– other (change between long- and short-term classification)	-	-	-	-	-
Decrease, including:	79 359	26 400	-	-	105 759
– Repayment	-	1 400	-	-	1 400
– Sale	-	-	-	-	-
– Values update	79 359	-	-	-	79 359
– other (reclassification into short-term part)	-	25 000	-	-	25 000
Closing balance, including	238 488	2 700	5 000	152	246 340
Gross value	359 641	2 700	5 000	201	367 542
Impairment write-downs	(121 153)	-	-	(49)	(121 202)

8.2. Short-term investments

Year ended 31 December 2020

	<i>Shares and stock in affiliates</i>	<i>Granted loans to affiliates</i>	<i>Other assets in affiliated companies</i>	<i>Shares and stock in other entities</i>	<i>Future contracts valuation</i>	<i>Total</i>
Opening balance, including:	-	26 429	2 000	-	-	28 429
Gross value	-	26 429	2 000	-	-	28 429
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	14 400	5 000	-	6 550	25 950
– Acquisition	-	13 000	-	-	6 550	19 550
– Values update	-	-	-	-	-	-
– other (reclassification from long-term part)	-	1 400	5 000	-	-	6 400
Decrease, including:	-	1 410	-	-	-	1 410
– Repayment	-	1 410	-	-	-	1 410
– Sale	-	-	-	-	-	-
– Values update	-	-	-	-	-	-
– other (reclassification into short-term part)	-	-	-	-	-	-
Closing balance, including	-	39 419	7 000	-	6 550	52 969
Gross value	-	39 419	7 000	-	6 550	52 969
Impairment write-downs	-	-	-	-	-	-

The item *Other assets* in related entities shows a returnable payment in the amount of PLN 7,000 thousand for the related entity PAK Górnictwo sp. z o.o. In accordance with the Resolution of the Extraordinary Meeting of

Shareholders No. 104/2017 of March 13, 2017, the additional payment was paid on March 23, 2017. On May 27, 2020, by Resolution of the Extraordinary Meeting of Shareholders No. 188/2020, the payment schedule was changed. The amount of PLN 7,000 thousand will be repaid by April 30, 2021.

The following items are included in the balance of the item Loans granted to related entities:

- loan granted to PAK – VOLT SA PLN 13 000 thousand,
- loan granted to PAK KWB Konin SA PLN 25 000 thousand,
- PAK Górnictwo sp. z o.o. PLN 2 709 thousand,
- PG Hydrogen sp. z o.o. PLN 10 thousand.

Year ended 31 December 2019 (transformed data)

	<i>Shares and stock in affiliates</i>	<i>Granted loans to affiliates</i>	<i>Other assets in affiliated companies</i>	<i>Shares and stock in other entities</i>	<i>Other assets in other entities</i>	<i>Total</i>
Opening balance, including:	-	1 642	2 000	-	19	3 661
Gross value	-	1 642	2 000	-	19	3 661
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	26 400	-	-	-	26 400
– Acquisition	-	-	-	-	-	-
– Values update	-	-	-	-	-	-
– other (reclassification from long-term part)	-	26 400	-	-	-	26 400
Decrease, including:	-	1 613	-	-	19	1 632
– Repayment	-	1 613	-	-	-	1 613
– Sale	-	-	-	-	-	-
– Values update	-	-	-	-	19	19
– other (reclassification into short-term part)	-	-	-	-	-	-
Closing balance, including	-	26 429	2 000	-	-	28 429
Gross value	-	26 429	2 000	-	-	28 429
Impairment write-downs	-	-	-	-	-	-

9. Short-term receivables

	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019 (transformed data)</i>
Receivables due to deliveries and services , including:	62 393	163 096
– From related entities	18 580	100 479
– From other entities	43 813	62 617
Receivables from taxes, subsidies, customs, social and health insurance and other public law titles, including:	30 305	60 722
– Corporate tax	19 416	29 190
– VAT tax	10 889	31 532
Other, including:	286 007	84 034
– LTC termination receivables	83 908	47 045
– Advances, deposits and security deposits, incl.:	198 915	33 778
• advance payment for the purchase of CO ₂ for EDF	64 583	-
• IRGiT	94 570	11 483
• EDF	24 320	-
• PSE SA	14 720	22 220
• Energa Operator	570	-
• other	152	75
– receivables under loans and other benefits of the Company Social Benefits Fund	3 161	3211
– other	23	-
Total short-receivables	378 705	307 852

10. Active accruals

	31 December 2020	31 December 2019 (transformed data)
<i>Long-term active accruals</i>		
Assets due to deferred income tax	-	-
Other, including:	5 616	7 006
– the costs of implementing the license	-	121
– ash storage facility	5 615	6 884
– other	1	1
Long-term total (after write-off)	5 616	7 006
<i>Short-term active accruals</i>		
Subscription	14	8
PPE participation fee	104	200
The costs of implementing the license	122	209
Property insurance	326	291
Other	87	194
Short-term total	653	902

11. Share capital

31 December 2020

Shareholders	<i>pcs</i>	<i>PLN</i>	<i>%</i>	<i>pcs</i>	<i>%</i>
	<i>Number of shares</i>	<i>Value per one share</i>	<i>Share in the share capital</i>	<i>Number of votes</i>	<i>Share total number of votes</i>
Zygmunt Solorz (indirectly) through: Argumenol Investment Company Limited	33 523 911	2,00	65,96	33 523 911	65,96
Nationale-Nederlanden OFE	4 503 242	2,00	8,86	4 503 242	8,86
OFE PZU „Złota Jesień”	4 635 719	2,00	9,12	4 635 719	9,12
Other	8 160 675	2,00	16,06	8 160 675	16,06
Total	50 823 547	-	100,00	50 823 547	100,00

* According to information possessed by the Company based on the delivered notices of purchase / sale of shares.

31 December 2019

Shareholders	<i>pcs</i>	<i>PLN</i>	<i>%</i>	<i>pcs</i>	<i>%</i>
	<i>Number of shares</i>	<i>Value per one share</i>	<i>Share in the share capital</i>	<i>Number of votes</i>	<i>Share total number of votes</i>
Zygmunt Solorz (indirectly) through: Elektrim SA, Embud 2 sp. z o.o. S.K.A., Argumenol Investment Company Limited	29 592 734	2,00	58,23	29 592 734	58,23
Nationale-Nederlanden OFE	4 503 242	2,00	8,86	4 503 242	8,86
OFE PZU „Złota Jesień”	4 635 719	2,00	9,12	4 635 719	9,12
Other	12 091 852	2,00	23,79	12 091 852	23,79
Total	50 823 547	-	100,00	50 823 547	100,00

* According to information possessed by the Company based on the delivered notices of purchase / sale of shares.

12. Profit sharing / cover of loss

12.1 Cover of loss for the previous year

The Ordinary General Meeting, which was held on June 19 2020, adopted a resolution of covering the net loss in the amount of PLN 46 339 thousand from profits of future periods.

12.2 Cover of loss for the current year

The net loss for the financial year 2020 was PLN 182 414 thousand. The Management Board of ZE PAK SA as at the date of publishing of the financial statements did not make a decision on the proposal to cover the loss.

13. Reserves

In the reporting periods covered by the financial statements, the following changes occurred in the state of reserves:

Year ended 31 December 2020

	<i>Deferred income tax</i>	<i>Provision for retirement benefits and similar</i>	<i>Provision for CO₂ emission allowances</i>	<i>Reserve for the return of CO₂ emission allowances</i>	<i>Reclamation provision</i>	<i>Liquidation provision</i>	<i>Other reserves</i>	<i>Total</i>
As of 1 January 2020	302 258	25 801	587 488	6 362	63 921	18 190	1 264	1 005 284
Increase	-	10 579	671 040	676	3 608	261	-	686 164
Use	-	(12 078)	(618 090)	-	(216)	-	-	(630 384)
Termination	(66 323)	-	-	-	-	-	-	(66 323)
As of 31 December 2020, incl.:	235 935	24 302	640 438	7 038	67 313	18 451	1 264	994 741
Long-term	235 935	10 713	-	-	67 313	18 451	-	332 412
Short-term	-	13 589	640 438	7 038	-	-	1 264	662 329

Year ended 31 December 2019 (transformed data)

	<i>Deferred income tax</i>	<i>Provision for retirement benefits and similar</i>	<i>Provision for CO₂ emission allowances</i>	<i>Reserve for the return of CO₂ emission allowances</i>	<i>Reclamation provision</i>	<i>Liquidation provision</i>	<i>Other reserves</i>	<i>Total</i>
As of 1 January 2019	282 396	19 910	492 105	30 640	63 656	17 391	1 264	907 362
Increase	75 319	14 939	587 451	-	481	799	-	678 989
Use	(55 457)	(9 048)	(492 068)	(24 278)	(216)	-	-	(581 067)
Termination	-	-	-	-	-	-	-	-
As of 31 December 2019, incl.:	302 258	25 801	587 488	6 362	63 921	18 190	1 264	1 005 284
Long-term	302 258	11 185	-	-	63 921	18 190	-	395 554
Short-term	-	14 616	587 488	6 362	-	-	1 264	609 730

In connection with the suspension of investments in blocks 3 and 4 and the gas-steam block, the Company's Management Board estimated the potential risk of returning free CO2 emission allowances in the amount of approx. EUR 6.5 million together with interest, which is PLN 30 640 thousand.

On December 28, 2019, the Company returned the free CO2 emission allowances received for investments related to units 3 and 4 in the amount of PLN 24 342 thousand.

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 Państw 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.

14. Impairment write-downs on receivables

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
As of 1 January	39 980	39 459
Increase	105	522
Use	8	1
Termination	-	-
As of 31 December	40 077	39 980

The revaluation write-off of receivables mainly concerns Huta Łaziska SA. Bailiff proceedings are currently under way. The company has declared bankruptcy in arrangement.

15. Short-term liabilities

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Trade liabilities, including:	57 222	43 564
– From related entities	10 784	13 131
– From other entities	46 438	30 433
Other financial liabilities	294	1 900
Liabilities due to taxes, customs, social and health insurance and other public law	39 547	46 151

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titles, including:		
– Corporate tax	-	49
– Income tax from individuals	1 563	1 365
– Excise tax	7	10
– VAT tax	19 976	21 143
– Property tax	4	-
– Department of social services	6 283	5 268
– charges for the economic use of the environment	11 714	18 316
Payroll liabilities	5 334	3 957
Other, including:	68 199	11 533
– liability under the Company Social Benefits Fund	1 675	1 672
– payroll deduction	935	979
– investment commitments for the modernization of K-7 unit and the delivery of hydrogen production equipment	46 180	7 532
– deposits, including:	19 224	1 100
• Polenergia.	16 909	-
• MK Explosion	2 050	-
• other	265	1 100
– other	185	250
Special funds	4 847	4 521
Total short-term liabilities	175 443	111 626

16. Liabilities secured on the assets of the unit

The company had the following types of liabilities secured on its assets:

Registered pledges regarding the syndicated loan agreement were released by the District Court Poznań Nowe Miasto and Wilda VII Economic Department - Register of Pledges on February 19, 2020. As at December 31, 2020, the Company has no security on its assets.

17. Contingent liabilities

	<u>31 December 2020</u>	<u>31 December 2019</u>
Due to guarantees and sureties granted to:	201 634	166 959
– Affiliated companies, including:	125 578	136 959
– For subsidiaries	125 578	136 959
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities	76 056	30 000
From other titles for:	306	2 041 508
– Affiliated companies, including:	-	-
– For subsidiaries	-	-
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities, including:	306	2 041 508
– for a partner of a subsidiary	-	-
– for a significant investor	-	-
– for other entities	-	2 040 000
– for employees	306	1 508
Total contingent liabilities	201 940	2 208 467

The amount of PLN 2 040 000 thousand related to collateral of the syndicated loan of March 13, 2014 for the amount of PLN 667 million. The main security items include: registered and financial pledge on shares of ZE PAK SA in PAK Infrastructure, assignment from electricity sales contracts and assignment from the insurance policy of Pałnów Power Plant. On February 19, 2020, all registered pledges were deleted.

Contingent liability for decommissioning of power plants in the light of the integrated permits held

The obligation to carry out liquidation and land reclamation results from integrated permits for operating fuel combustion installations at Pałnów I, Pałnów II, Konin and Adamów power plants belonging to ZE PAK SA. In the event of termination of activities, the abovementioned entities are obliged to carry out the liquidation of all facilities and

equipment of the installation in accordance with the requirements arising from the provisions of the construction law. The area of installations after their liquidation should be managed according to the arrangements made with the local government body. In particular, a project for decommissioning facilities and equipment should be prepared taking 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 Pałnów. The termination of operation of older units in Pałnów can be determined at the end of 2024, and the newer unit with a capacity of 474 MW (former Pałnów 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 the 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.

18. Other contracts not included in the balance sheet

As at December 31, 2020 and as at December 31, 2019, the Company did not have any significant contracts not included in the balance sheet.

19. Material and territorial structure of sales

The material structure of sales revenues in 2020 and 2019 was as follows:

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Revenues from electricity sale, including:	1 356 856	1 602 989
– Affiliated companies	54 006	170 900
– Other entities	1 302 850	1 432 089
Revenues from certificates of origins, including:	55 709	54 447
– Affiliated companies	-	-
– Other entities	55 709	54 447
Revenues from sale of heat, including:	48 835	46 242
– Affiliated companies	37	36
– Other entities	48 798	46 206
Revenues from sale of services, including:	32 962	23 547
– Affiliated companies	30 704	21 536
– Other entities	2 258	2 011
Revenues from electricity from resale, including:	165 776	511 079
– Affiliated companies	252	49 485
– Other entities	165 524	461 594
Revenues from other sales, including:	6 472	1 543
– Affiliated companies	5 173	768
– Other entities	1 299	775
LTC termination revenues:	180 073	143 788
Total net sale revenues	1 846 683	2 383 635

Structure of revenues from the sale:

	<i>31 December 2020</i>	<i>31 December 2019</i>
Revenues achieved in domestic turnover	1 846 667	2 383 508
Revenue generated in foreign trade	16	127
Total	1 846 683	2 383 635

20. Impairment write-downs of fixed assets

In the current reporting period, the Company made revaluation write-offs for fixed assets in the amount of PLN 141,000 thousand. The write-offs were included in other operating costs.

21. Interest and exchange differences, which increased the purchase price of goods or the cost of manufacturing products in the financial year

Both in the financial year ended on December 31, 2020 and in the previous year, the Company did not increase the purchase price of goods or the cost of producing products with interest or exchange rate differences.

22. Inventories

	<i>31 December 2020</i>	<i>31 December 2019</i> <i>(transformed data)</i>
Materials	49 175	55 178
Semi-finished products and products in progress	-	-
Products	-	-
Goods, including:	22 690	24 892
– Green certificates	21 757	24 886
– Red certificates	-	-
– Yellow certificates	-	-
– White certificates	933	-
– Purple certificates	-	-
– Blue certificates	-	6
Advances for deliveries	-	3
Total inventories	71 865	80 073
Total impairment write-downs for inventories, including:	49 218	42 116
– Materials	45 586	42 016
– goods	3 632	100

23. Information on revenues, costs and results of discontinued operations in the financial year or to be discontinued in the following year

In the financial year, the Company did not discontinue and in the next year it does not plan to discontinue any type of activity.

24. Income tax

Reconciliation of the gross profit to the tax base is as follows:

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i>
Gross profit (loss)	(255 815)	27 227
Revenues of the current year not included in the taxable income	(116 284)	(163 476)
Revenues of the current year not included in the net result of the fiscal year	325	119
The costs of the current year permanently not recognized as tax deductible costs	4 650	3 802
The costs of the current year transitionally not recognized as tax deductible costs	366 837	195 922
The costs of the previous year recognized as tax-deductible expenses in the current year	(13 611)	(11 092)
The costs of the current year recognized as tax deductible expenses not recognized in profit / loss account	(55 386)	(113 773)
Other differences	25 106	(22 841)
Tax income (loss)	(44 178)	(84 112)
– Use of income loss	-	-
– Donations to deduct	-	-
Tax basis income	-	-
Tax rate	19%	19%
Income tax (current)	-	-
Income tax refund from previous years	(7 089)	(1 760)
Income tax on dividends	11	7
Change in the provision / asset of differed income tax	(66 323)	75 319
Total income tax	(73 401)	(73 566)

Regulations regarding value added tax, corporate income tax and social security burdens are subject to frequent changes. These frequent changes result in the lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applicable. The binding provisions also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities as well as state authorities and enterprises.

Tax settlements and other areas of activity (for example, customs or currency issues) may be subject to control by authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from control must be paid together with high interest. These conditions mean that the tax risk in Poland is higher than in countries with a more mature tax system.

As a consequence, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax control authority.

As of 15 July 2016, amendments to the Tax Code were introduced to take into account the provisions of the General Anti-Abuse Regulation (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an act performed primarily to obtain a tax advantage that is contrary to the circumstances under consideration with the subject and purpose of the tax act. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Any occurrence of (i) unjustified dividing of operations, (ii) involving intermediary entities in the absence of economic or financial justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for the existence of artificial activities subject to the GAAR provisions. The new regulations will require much greater judgment in assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out prior to the entry into force of the GAAR clause, but for which, after the date of entry into force, the benefits were or are still being achieved. The implementation of the aforementioned provisions will enable the Polish tax inspection authorities to question the legal arrangements and arrangements made by legal taxpayers, such as the restructuring and reorganizing of the group.

The Company recognizes and measures assets and liabilities due to current and deferred income tax when applying AoA requirements. Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, including uncertainty assessments related to tax settlements.

When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of the transaction, the Company recognizes these settlements taking into account the uncertainty assessment.

The initiation of tax proceedings against Elektrownia Pątnów II sp. z o.o. on the settlement of corporate income tax for 2016

In 2017, the audit of the corporate income tax for 2016 was carried out in the company Elektrownia Pątnów II sp. z o.o. In the opinion of Elektrownia Pątnów II sp. z o.o. all returns / repayments from Elektrownia Pątnów II sp. o.o. for Zarządca Rozliczeń SA arising from the LTC Act should constitute tax deductible costs when the repayments are actually made. Elektrownia Pątnów II sp. z o.o. had the right to include these costs in the settlement for the tax year in which the settlement was / will be made to Zarządca Rozliczeń SA. This is determined by the regulation contained in art. 42 section 4 of the LTC Act. The company's above-mentioned opinion is also in line with broad court decisions in this area.

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 January 18, 2018, the Provincial Administrative Court in Poznań responded to the abovementioned complaint of Elektrownia Pątnów II sp. o.o., issued a verdict abrogating the contested Interpretations of the Director of the National Tax Information dated 20 April 2017. In the justification of the judgment, the WSA shared the position of Elektrownia Pątnów II sp. z o.o. that in the present case, contrary to the tax authority's position, general rules defining the day of tax deductible costs, which were set out in the Act on Corporate Income Tax (hereinafter 'u.p.d.o.p'), cannot be applied, in particular in art. 15. In the present case, the provision of Article 42 section 4 of the LTC Act as "Lex Specialis" to the provisions of the Law on u.p.d.o.p.

The verdict of the Provincial Administrative Court in Poznań confirmed that the Pątnów II Power Plant sp. Z o.o. proceeded correctly including all refunds / repayments from Elektrownia Pątnów II sp. o.o. to Zarządca Rozliczeń SA under the LTC Act to the tax deductible costs at the time of actual repayment.

For Elektrownia Pątnów II sp. Z o.o. the above sentence meant lowering the tax risk and confirming the correct tax asset settlement for the years 2014-2016. The above verdict of the Provincial Administrative Court, at the same time, constituted a security for the position of Elektrownia Pątnów II sp. z o.o., which disagreed with the result of the 2016 tax audit carried out in 2017 on the basis of income tax from legal persons.

In the minutes of the inspection of October 31, 2017, the Head of the Second Wielkopolska Tax Office in Kalisz shared the position expressed by the Director of the National Tax Information in the interpretation of 20 April 2017.

On November 14, 2017, Elektrownia Pątnów II sp. z o.o. raised objections to the aforementioned tax inspection protocol and disagreed with the position of the tax authorities, in the scope of the Tax Office's questioning of the manner of recognition as tax-deductible costs, expenses due to the return of funds to cover stranded costs by Zarządca Rozliczeń SA. At the same time, Elektrownia Pątnów II sp. z o.o. indicated that the most reasonable solution would be to abstain from all actions in this case until a judicial decision on the complaint regarding the individual interpretation of tax law, issued by the Director of the National Tax Information dated 20 April 2017, was obtained.

On 27 March 2018, the Director of the National Tax Information filed a cassation complaint from the Judgment of the Provincial Administrative Court in Poznań of January 18, 2018.

With reference to the above, on 17 April 2018 Elektrownia Pątnów II sp. Z o.o. received the decision of the Head of the Second Wielkopolska Tax Office in Kalisz to initiate tax proceedings regarding the settlement of the corporate income tax for 2016.

As at the date of the report, Elektrownia Pątnów II sp. Z o.o. expects that in the next step, the Head of the Second Wielkopolska Tax Office in Kalisz will suspend the tax proceedings initiated in April 2018 pending resolution of the matter concerning the recognition by the Tax Office of the method of recognition in 2016 as tax deductible expenses, expenses due to the return of the Clearing Administrator funds to cover stranded costs.

On 25 June 2018 Elektrownia Pątnów II sp. z o.o. was given the decision of the Head of the Second Wielkopolska Tax Office on suspension of the tax proceeding initiated in April 2018, on the settlement of the corporate income tax for 2016, until the issue is resolved by the Supreme Administrative Court.

On August 25, 2020, the Supreme Administrative Court dismissed the cassation appeal of the Director of the National Tax Information, as a result of which, on December 29, 2020, the Head of the Second Wielkopolska Tax Office in Kalisz discontinued the tax proceedings initiated against the Company regarding the settlement of corporate income tax for 2016.

Thus, at the end of 2020, both tax proceedings and court proceedings were completed with a positive result for Elektrownia Pątnów II sp. z o.o.

Tax audit towards Zespół Elektrowni Pątnów-Adamów-Konin SA on the settlement of corporate income tax for 2018

On June 9, 2020, the Director of the Second Wielkopolska Tax Office in Kalisz initiated a tax audit against Zespół Elektrowni Pątnów-Adamów-Konin SA in the field of corporate income tax settlement for 2018.

As a result of the audit, the tax authority questioned the tax qualification of selected types of intangible costs and depreciation, as a result of which the Company reduced the tax loss previously shown in the CIT-8 tax declaration of the Company for 2018 by the amount of PLN 3 805 thousand.

The audit was completed on August 11, 2020.

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Deferred income tax provisions / assets consist of differences from the following titles:

	<i>Balance sheet</i>		<i>Profit and loss account for the period ended</i>	
	<i>31 December 2020</i>	<i>31 December 2019</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<i>Deferred income tax reserve</i>				
Accelerated tax depreciation	243 624	342 225	(98 601)	(59 997)
Receivables from Zarządca Rozliczeń for LTC	15 943	8 939	7 004	(2 023)
Purchased EUA	-	-	-	(12 695)
Loan valuation	3	-	3	(671)
Cash valuation	779	23	756	(310)
Certificates on stock	4 311	4 728	(417)	780
Other	1 245	95	1 150	67
Deferred income tax reserve	265 905	356 010	(90 105)	(74 849)
<i>Deferred income tax assets</i>				
Provisions for employee benefits	4 618	4 896	278	(1 124)
Other reserves	48	72	24	69
Reserves for property liquidation	3 506	3 456	(50)	(152)
Reserves for reclamation	23	62	39	41
Reserve for the return of CO ₂ allowances	1 337	1 209	(128)	4 613
Provision for CO ₂ allowances	-	-	-	93 500
Unpaid social security contributions XI-XII	592	520	(72)	(138)
Impairment loss on fixed assets under construction	-	-	-	1 251
Impairment write-down on inventory	8 662	7 983	(679)	(6 175)
Impairment write-down on certificates	83	86	3	69
Impairment write-down on receivables	485	467	(18)	(100)
Impairment write-down on financial property	9	15 087	15 078	603
Leaseback	-	77	77	7
Valuation of the forward contract	-	291	291	(291)
Valuation of loans and credits	-	-	-	3 840
Tax loss asset	10 192	19 318	9 126	(1 329)
Other	415	228	(187)	(89)
Deferred income tax assets	29 970	53 752	23 782	94 595
Net provision of deferred income tax	235 935	302 258	(66 323)	19 746
Provision for deferred income tax charged to the financial result	-	-	(66 323)	19 746

25. Costs by type

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Depreciation	93 358	95 473
Usage of materials and energy	648 046	771 924
External service	140 439	125 358
Tax and fees	720 068	642 131
Remuneration	93 239	80 777
Social security contribution and other benefits,	21 335	19 310
– Including retirement	8 281	7 158
Other costs by type	10 161	9 283
Total costs by type	1 726 646	1 744 256
Change in products	(1 839)	2 751
The cost of manufacturing products for the entity's own needs (negative value)	(30)	(56)
Costs of sale (negative value)	(1 670)	(2 042)
Administrative costs (negative value)	(47 401)	(54 415)
Costs of manufacturing products sold	(1 675 706)	(1 690 494)

26. Other operating revenues

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Profit from disposal of non-financial fixed assets, including:	2 553	1 088
– Profit from disposal of tangible and intangible fixed assets	2 658	1 384
– Net value of fixed assets and liquidation costs	(105)	(296)
Grants, including:	6 919	46
– Co-financing from FGŚP (Covid-19)	6 873	-
Other operating revenues, including:	59 825	2 470
– Contribution difference PAK Infrastruktura	11 507	-
– Surplus contribution PAK Fotowoltaika	285	-
– Received compensations and contractual penalties	56	1 056
– remuneration for surety from related entities	808	755
– profit from the realized forward contract for the purchase of CO2 allowances	33 102	-
– remuneration from Elektrownia Adamów liquidation	13 803	-
– other	264	659
Total other operating revenues	69 297	3 604

27. Other operating costs

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Revaluation of non-financial assets, including:	151 108	589 487
– Impairment write-downs on receivables	105	522
– Impairment write-downs on inventories	3 570	1 224
– Impairment write-downs on fixed assets	141 000	570 000
– Impairment write-downs on fixed assets under construction	-	16 001
– Impairment write-down on certificates	6 433	1 740
Other operating costs, including:	7 905	4 259
– costs of contentious and enforcement proceedings	9	26
– Adjustment of 2019 transfer prices	1 300	-
– provision for the return of CO2 allowances	676	-
– provision for reclamation	3 099	-
– result on abandoned investments	45	82
– material and financial donations transferred	98	102
– Damage costs due to equipment failures	410	424
– Costs of inventory liquidation	1 128	16

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– Paid compensations and penalties	110	33
– Actuarial losses	792	3 392
– Other operating costs	238	184
Total other operating costs	159 013	593 746

28. Financial revenues

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Profits from dividends and share in profits, including:	3 195	38
– profits from participation in affiliates, including:	3 195	-
• PAK Serwis sp. z o.o.	3 137	-
– profits from participation in other entities	58	38
Interest, including:	2 397	3 760
– interest on loans granted to affiliates	802	969
• PAK Górnictwo sp. z o.o.	82	168
• PAK – VOLT SA	11	-
• PAK KWB Konin SA	709	801
– remaining interest from affiliates	-	-
– interest on other contractors	-	-
– bank interest	1 595	2 791
Revaluation of investment, including:	-	667
– impairment write-down on financial assets	-	667
Other, including:	3 579	423
– realized positive exchange rates	3 550	-
– other	29	423
Total financial revenues	9 171	4 888

29. Financial costs

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Loss on disposal of investment	-	-
Interest, including:	980	10 342
– Interest for affiliates	-	-
– Interest for other entities	4	21
– Budget interest	-	1 752
– Bank interest	957	8 547
– Other interest (including those from lease liabilities)	19	22
Revaluation of financial assets, including:	148 441	1 571
– Write-down of shares in PAK KWB Konin SA	121 691	-
– Write-down of shares in PAK – VOLT SA	26 750	-
– revaluation of financial assets held for resale	-	1 571
Other, including:	1 020	4 271
– loss on the realized forward contract	-	1 208
– realized negative exchange differences	-	1 298
– other financial costs	263	486
– discount of the reserves	757	1 279
Total financial costs	150 441	16 184

30. The cost of producing fixed assets under construction

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i>
The cost of producing fixed assets under construction, including:	67 739	19 423
– interest on liabilities (taken out to finance the production of fixed assets)	-	-
– exchange rates on liabilities (taken out to finance the production of fixed assets)	-	-

31. Income and costs of extraordinary value or which occurred incidentally

Until the date of publication of the financial statements for the period ended December 31, 2020, i.e. until April 19, 2021, there were no other significant events concerning prior years that have not been and should have been included in the financial statements for the financial year.

32. The structure of cash received in the cash flow statement

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Cash at bank accounts, including:	449 661	329 694
– Cash on VAT accounts	5 886	7 416
Cash on hand	6	2
Other cash	-	-
Total cash	449 667	329 696
Cash in PLN currency	419 231	329 696
Cash in foreign currency (after conversion)	30 436	-
Cash in EUR currency	6 595	-
Exchange differences	470	-
Cash in the Cash Flow Statement	450 137	329 696

33. The reasons for differences between changes in the balance of certain items in the balance sheet and changes in the same items reported in the cash flow statement

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
<i>Investment activity</i>		
– profit (loss) on disposal of investments	(2 658)	(1 088)
– valuation of forward contract	16 430	(423)
– Impairment write-downs on fixed assets	141 184	586 001
– Impairment write-downs on the value of financial assets	136 934	-
– other	432	155
Profit (loss) on investing activities in the cash flow statement	292 322	584 645

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
<i>Reserves</i>		
Balance sheet change in provisions	(10 542)	97 913
– change in the EUA redemption reserve	618 090	492 068
Change in provisions in the cash flow statement	607 548	589 981

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
<i>Inventories</i>		
Balance change in inventories	8 208	(22 008)
– value of materials transferred from fixed assets under construction	-	15 836
Change in receivables in the cash flow statement	8 208	(6 172)

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
<i>Liabilities</i>		
Balance sheet change in short-term and long-term liabilities and loans	65 177	(324 556)
– change in liabilities due to loans	-	304 857
– change in leasing liabilities	116	(154)

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– change in investment liabilities	(39 575)	(5 301)
– other	-	(801)
Change in liabilities in the cash flow statement	25 718	(25 955)
	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
		<i>(transformed data)</i>
<i>Other adjustments</i>		
Balance change in the status of other adjustments	-	-
– purchase of CO ₂ emission allowances	(525 779)	(530 409)
– derivative liability	(8 307)	856
– balance sheet change in capital from revaluation of derivative instruments	-	457
Change in other adjustments in the cash flow statement	(534 086)	(529 096)
	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
		<i>(transformed data)</i>
<i>Proceeds from investment activities</i>		
– dividends received from related parties	3 137	-
– repayment of loans from related parties	1 283	1 400
– interest received from related entities	793	1 182
– dividends received from other entities	58	38
Inflows from financial assets in the cash flow statement	5 271	2 620
	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
		<i>(transformed data)</i>
<i>Purchase of intangible assets and property, plant and equipment</i>		
– capital expenditure on property, plant and equipment	68 720	19 445
– change in investment liabilities	(39 574)	(5 301)
– change in advance payments for fixed assets under construction	25 391	1 560
– expenditure on intangible assets	908	263
Purchase of intangible assets and property, plant and equipment in cash flow statement	55 445	15 967
	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
		<i>(transformed data)</i>
<i>Expenditure on financial assets in related entities</i>		
Balance sheet change in expenditure on financial assets in related entities	-	-
– acquisition of shares in newly established companies	54 700	-
– granting loans to related entities	13 010	-
Expenditure on financial assets in related entities in cash flow statement	67 710	-

34. Information on average employment divided into professional groups

	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>
		<i>(transformed data)</i>
<i>Group of employed</i>		
Management	5	5
Administration	162	105
Sales department	23	30
Production department	481	524
Others	325	302
Total employment	996	966

35. Information on the remuneration of an audit firm

The table below presents the remuneration of the entity authorized to audit financial statements paid or due for the year ended 31 December 2020 and 31 December 2019, divided into types of services:

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
Audit of an annual financial statements	360	345
Other certified services	-	-
Tax advisory services	-	-
Other services	-	-
Total, including:	360	345
– Due at the balance sheet day	150	128
– Paid out at the balance sheet day	210	217

36. Information on remuneration, including remuneration from profits and pensions paid or due to persons who are members of management and supervisory bodies

The remuneration of persons who are members of the managing and supervising or administering bodies of the Company amounted to:

	<i>Year ended</i> <i>31 December 2020</i>	<i>Year ended</i> <i>31 December 2019</i> <i>(transformed data)</i>
<i>Remuneration</i>		
Management Board	4 709	2 757
Supervisory Board	1 133	1 118
Total remuneration	5 842	3 875

37. Information on loans and benefits of a similar nature granted to persons who are members of the managing and supervising bodies

In both the financial year ended December 31, 2020 and the previous year, the Company did not grant any loans and benefits of a similar nature to persons who are members of the management and supervisory bodies.

38. Information on joint ventures that are not consolidated

The company did not undertake joint ventures that are not consolidated.

39. Information on the capital group and transactions with related entities

39.1. Capital Group

The company operates within the Elektrim SA Capital Group.

The consolidated financial statements at the highest level of the capital group, which includes the Company as a subsidiary, is prepared by Elektrim SA with its registered office in Warsaw. The duration of the parent company and entities belonging to the Capital Group is indefinite. This report is available at the Company's headquarters in Warsaw at 77/79 Pańska Street.

The company is a parent company and prepares consolidated financial statements. The Capital Group of Zespół Elektrowni Państw - Adamów - Konin SA ("Group", "Capital Group", "ZE PAK SA Group") consists of Państw - Adamów - Konin SA Power Plant ("parent Company", "Company", "ZE PAK SA") and its subsidiaries. The consolidated financial statements of the Group cover the year ended on December 31, 2020 and contain comparative data for the year ended December 31, 2019. The consolidated financial statements are available at the Company's headquarters in Konin at 45 Kazimierska str.

The duration of the parent company and entities comprising the Capital Group is indefinite.

The basic subject of the Group's operations is:

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- 1) Generation and sale of electricity,
- 2) Production and sale of heat (water steam and hot water),
- 3) Lignite mining.

The consolidated financial statements include the Reports of the following companies:

Entity	Registered office	Scope of operations	Group's share in the capital in %	
			As at 31 December 2020	As at 31 December 2019
„Elektrownia Pątnów II” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electric Energy production and distribution from the 464 MW power unit	-	100,00%*
PAK Kopalnia Węgla Brunatnego Konin SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	97,68%*	97,68%*
PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation	62-700 Turek Warenka 23	Lignite extraction	99,35%	99,35%
Przedsiębiorstwo Remontowe „PAK SERWIS” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%*	100,00%
„PAK GÓRNICZWO” sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Mechanical, renovation, assembly services, land reclamation, production and trade of mineral waters	100,00%	100,00%
PAK – VOLT SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
„PAK Infrastruktura” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Holding activity	-	100,00%
PAK Polski Autobus Wodorowy sp. z o.o.**	62-510 Konin ul. Kazimierska 45	General construction of engineering objects, not classified elsewhere	100,00%*	100,00%
„Aquakon” sp. z o.o. in liquidation	62-610 Sompolno Police	Buying and selling real estate	98,92%*	98,92%*
PAK-PCE Fotowoltaika sp. z o.o.***	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	-
PAK-PCE Biogaz sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
PAK-PCE Wiatr sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
PAK-PCE Biopaliwa i Wodór sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
PAK-PCE Polska Czysta Energia sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central offices	100,00%	-
PG Hydrogen sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Engines production	52,00%*	-

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

** Change of the name, previously PAK Adamów sp. z o.o.

*** Change of the name, previously PAK-PCE Polski Autobus Wodorowy sp. z o.o.

On December 1, 2020, there was a merger of PAK Infrastruktura sp. z o.o. (acquired company) and ZE PAK SA (acquiring company) pursuant to Article 492 § 1 point 1 of the Commercial Companies Code by transferring all assets of PAK Infrastruktura sp. z o.o. for ZE PAK SA.

On December 30, 2020, there was a merger of Elektrownia Pątnów II sp. z o.o. (acquired company) and ZE PAK SA (acquiring company) pursuant to Article 492 § 1 point 1 of the Commercial Companies Code by transferring all the assets of Elektrownia Pątnów II sp. z o.o. for ZE PAK SA.

As of 31 December 2020, 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.

39.2. Transactions with affiliated entities

Transactions with related entities were made on market terms. The volume of transactions with entities under the control of the parent company amounted to:

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PAK Kopalnia Węgla Brunatnego Konin SA

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	520 077	625 912
Sale	15 129	10 344
Other operating revenues	-	1 476
Interests – financial costs	-	-
Interests – financial revenues	709	801
Received dividends and share in profit	-	-
	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	11 683	30 959
Liabilities for deliveries, works and services	-	-
Loans granted	25 000	25 005
Loans received	-	-
Other receivables	-	-
Other liabilities	-	48

PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	296	148
Sale	4 098	2 678
Investment purchase	-	14 162
Other operating revenues	-	277
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-
	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	908	757
Liabilities for deliveries, works and services	172	19
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	5 965

Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	90 795	74 525
Sale	8 004	6 991
Other operating revenues	-	203
Other operating costs	1 300	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	3 137	-
	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	1 253	1 441
Liabilities for deliveries, works and services	9 375	11 643
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	799	-

PAK Górnictwo sp. z o.o.

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	6 159	6 774
Sale	8 655	3 394

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Interests – financial revenues	82	168
Other operating revenues	-	146

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	2 338	1 698
Liabilities for deliveries, works and services	1 037	1 293
Loans granted	-	-
Loans received	2 709	4 100
Other receivables	-	-
Other liabilities	-	1

PAK – VOLT SA

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Purchase	-	6
Sale	54 063	220 015
Interests – financial costs	-	-
Interests – financial revenues	11	-
Received dividends and share in profit	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	2 347	65 671
Liabilities for deliveries, works and services	200	200
Loans granted	-	-
Loans received	13 000	-
Other receivables	2	-
Other liabilities	-	-

PAK-PCE sp. z o.o.

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Purchase	-	-
Sale	1	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PG Hydrogen sp. z o.o.

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Purchase	-	-
Sale	-	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	10	-

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Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK-PCE Fotowoltaika sp. z o.o.

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	-	-
Sale	2	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK-PCE Polski Autobus Wodorowy sp. z o.o.

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	-	-
Sale	126	5
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	48	1
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

Aquakon sp. z o.o. in liquidation

	<i>Year ended</i> <u>31 December 2020</u>	<i>Year ended</i> <u>31 December 2019</u>
Purchase	2	7
Sale	14	9
Interests – financial costs	-	-
Interests – financial revenues	-	-

	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables due to deliveries, works and services	3	1
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

40. List of companies in which the Company has a capital interest or 20% in the total number of votes in the company's governing body

As at 31 December 2020

Name of entity	Seat	Number of shares	Balance value of shares**	Share in equity (%)	Net profit (loss) for the year ended 31 December 2020*	Equity capitals as at 31 December 2020*
1. PAK KWB Konin SA	Kleczew	23 906 202	-	97,68	(151 219)	(51 683)
2. PAK KWB Adamów SA in liquidation	Turek	11 921 833	-	99,35	(472)	(50 812)
3. Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 755	100,00	3 538	27 961
4. PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	10 710	24 341
5. PAK – VOLT SA	Warszawa	2 950 000	91 750	100,00	(7 642)	20 533
6. PAK-PCE Fotowoltaika sp. z o.o.	Konin	958 000	48 000	100,00	(265)	47 735
7. PAK-Polska Czysta Energia sp. z o.o.	Konin	780 565	16 005	100,00	(25)	39 053
8. PAK-PCE Biogaz sp. z o.o.	Konin	1 000	50	100,00	(2)	48
9. PAK-PCE Wiatr sp. z o.o.	Konin	1 000	50	100,00	(2)	48
10. PAK-PCE Biopaliwa i Wodór sp. z o.o.	Konin	1 000	50	100,00	(2)	48
11. PAK Polski Autobus Wodorowy sp. z o.o. (former: PAK Adamów sp. z o.o.)	Konin	121 000	6 050	100,00	(356)	6 178
12. PG Hydrogen sp. z o.o.	Warszawa	26	-	52,00	(6)	(6)
13. Aquakon sp. z o.o. in liquidation	Police	5 070	1 536	98,92	318	3802

* Companies' data is not final.

** The balance sheet value of shares results from direct and indirect involvement in capital.

As at 31 December 2019

Name of entity	Seat	Number of shares	Balance value of shares*	Share in equity (%)	Net profit (loss) for the year ended on December 31 2019	Equity capitals as at December 31 2019
1. PAK KWB Konin SA	Kleczew	23 906 202	125 244	97,68	(58 788)	99 535
2. PAK KWB Adamów SA	Turek	11 921 833	-	99,35	14 112	(50 340)
3. Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 755	100,00	3 137	27 518
4. PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	(3 125)	13 625
5. PAK – VOLT SA	Warszawa	2 950 000	118 500	100,00	3 001	28 174
6. PAK Polski Autobus Wodorowy sp. z o.o. (former: PAK Adamów sp. z o.o.)	Konin	1 000	50	100,00	(5)	36
7. Aquakon sp. z o.o. in liquidation	Police	5 070	1 536	98,92	7	3484

* The balance sheet value of shares results from direct and indirect involvement in capital.

All shares in subsidiaries as at December 31, 2020 and as at December 31, 2019 were not preferential.

At the end of each period, the Company's Management Board assesses whether there are any indications that the value of shares / stocks in subsidiaries may have been impaired. In 2020 there were premises indicating possible impairment of shares, such as:

- the value of the equity of the subsidiaries PAK - VOLT SA and PAK KWB Konin SA is lower than the value of shares,

- in PAK KWB Konin SA, it was found necessary to make impairment losses on generating assets.

In connection with the above, as at June 30, 2020, a test for the impairment of shares in PAK KWB Konin SA was carried out, on the basis of which the impairment of shares in the amount of PLN 121 691 thousand was found. The value of PAK KWB Konin SA shares after the write-off is PLN 0. On December 31, 2020, a share impairment test was carried out in PAK - VOLT SA - as a result of the test, shares were found to be impaired in the amount of PLN 26 750 thousand. After the write-off, the value of PAK-VOLT SA shares is PLN 91,750 thousand.

41. Information on meeting the requirements of art. 44 of the Energy Law

The core business of the Company is the generation of electricity. Pursuant to Art. 44 of the Energy Law, the Company is only required to separate electricity generation from a unit entitled to receive funds to cover stranded costs. Other generating units, the energy activity of which does not have to be separated in accordance with Art. 44 sec. 2 have been shown in other activities.

Article 44 paragraph 1 of the Energy Law Act, in order to ensure equal treatment of recipients and eliminate cross-subsidies, obliges energy companies to keep accounting records in a way that allows separate calculation of costs and revenues, profits and losses for business operations in the supply of gaseous fuels or energy, including costs fixed, variable costs and revenues, separately for the production, transmission, distribution and trade in gaseous fuels or energy, storage of gaseous fuels and liquefied natural gas or regasification of liquefied natural gas, as well as for groups of customers defined in the tariff and not related to mentioned above.

In order to meet the aforementioned requirement, the Company keeps an accounting register enabling the separate calculation of costs and revenues, profits and losses for particular types of activities listed in art. 44 item 1 of the Energy Law. In terms of revenues, revenues related to the sale of electricity, heat energy, property rights and system services were separated. In terms of costs, the Company keeps records ensuring the division of costs into variable and permanent. Variable costs depend on the volume of electricity and heat production; these are costs of coal, biomass, auxiliary liquid fuels like mazout or heating oil and limestone flour, costs of chemicals consumption for technological purposes, fees for economic use of the environment in the field of water, post-production waste and emissions of volatile pollutants into the air, costs of purchasing allowances for CO₂ emissions. Costs dependent on the production volume also include costs related to the sale of energy: excise duty, statutory fees related to certification and participation in open energy markets. Other costs are fixed costs. The basis for the settlement of costs for individual activities are distribution keys based on which the type costs are accounted for at the own cost of generating electricity and heat and other activities.

Article 44 paragraph 2 of the Energy Law Act, in order to meet the requirements to ensure equal treatment of recipients and eliminating cross-subsidies between activities, obliges energy enterprises as part of disclosures in the additional information of the annual financial statements to present relevant balance sheet items and profit and loss account separately for individual types of business activity in the scope of transmission or distribution of electricity, transmission, distribution or storage of gaseous fuels, trade in gaseous fuels, liquefaction of natural gas or regasification of liquefied natural gas, as well as indication of the principles of allocation of assets and liabilities and costs and revenues for each of these activities.

Article 44 (1) 2a of the Energy Law, an energy company engaged in the production of electricity with the right to receive funds to cover stranded costs pursuant to the Act of 29 June 2007 on the principles of covering costs incurred by producers in connection with the early termination of long-term power and electricity sales contracts, as part of the disclosures in the notes to the annual financial statements referred to in paragraph 1a, presents the relevant balance sheet items and profit and loss accounts separately for the electricity generation business for generating units within the meaning of this Act for which the period has not ended adjustments within the meaning of this Act, and indicates the principles of allocation of assets and liabilities as well as costs and revenues to each of these activities.

As part of its operations, the company has identified the obligation to separate electricity generation by the generating unit, unit no. 9 with a capacity of 474 MW (former Pańnów II Power Plant), where we are entitled to receive funds to cover stranded costs pursuant to the Act of June 29, 2007 on the principles of covering costs incurred by generators in connection with the early termination of long-term power and electricity sales contracts referred to in Art. 44 sec. 2a of the Energy Law.

In order to meet the above-mentioned requirement, the Company keeps accounting records that enable separate calculation of costs and revenues, profits and losses for individual types of activities listed in Art. 44 sec. 1 and 2a of the Energy Law. In terms of revenues, separate revenues were made for the sale of electricity from the generation unit covered by the PPAs and for other activities, i.e. generation of electricity from other units and units and the sale of other services and materials.

Profit and loss account

The company prepares the Profit and Loss Account in accordance with the provisions of the Accounting Act and keeps a register of costs by type. Revenues from the sale of electricity, revenues from LTC contracts, revenues from system services and the costs of their production in block 9 are presented in the profit and loss account in the column *Activity of block No. 9*. Revenues from the sale of electricity in other generating units and revenues from system services provided by other units and the production costs of other generation units as well as other revenues from services and materials are presented in the *Remaining activity* column. The company keeps a register of simple costs by type and recognizes the costs incurred in a given reporting period and this period as part of its business activities. Costs by nature are divided into variable costs and fixed costs.

Variable costs depend on the volume of electricity production, they are the costs of coal consumption, auxiliary liquid fuels such as light fuel oil and limestone meal, costs of chemicals for technological purposes, fees for economic use of the environment in the field of water, post-production waste and volatile pollutant emissions to air, costs of purchasing CO2 emission allowances.

Production-related costs also include costs related to the sale of energy: excise duty, statutory fees related to certification and participation in open energy markets. The remaining costs are fixed costs. The costs are recorded in the accounts of team 5 (cost centres). The basis for the settlement of costs for individual activities are the division keys on the basis of which costs by type are settled at the cost of generating electricity and other service activities. Variable costs are accounted for using the "physical cost allocation method". Fixed costs are accounted for by the division into produced energy and system services. The calculation of the key for distribution of fixed costs was adopted on the basis of the "Industry cost instruction for the energy sector". The separation of costs for the remaining activities is carried out using the key participation of individual organizational units in the operation and provision of services for recipients.

Condensed income statement for individual activities for 2020 and 2019

Year ended 31 December 2020	Total	Activity of unit no. 9*	Other activities	Unassigned items
Sale revenues	1 846 683	836 812	1 009 871	-
Costs of products, goods and materials	(1 822 441)	(712 823)	(1 109 618)	-
Selling expenses	(1 670)	(204)	(1 466)	-
Administrative expenses	(47 401)	-	-	(47 401)
Other operating revenues	69 297	14 486	18 616	36 195
Other operating costs	(159 013)	(327 000)	179 567	(11 580)
Operating profit (loss)	(114 545)	(188 729)	96 970	(22 786)
Financial income	9 171	-	-	9 171
Financial costs	(150 441)	-	-	(150 441)
Gross profit (loss)	(255 815)	(255 732)	147 543	(147 626)
Corporate profits tax	(73 401)	-	-	(73 401)
Net profit (loss)	(182 414)	(255 732)	147 543	(74 225)

Year ended 31 December 2019	Total	Activity of unit no. 9*	Other activities	Unassigned items
Sale revenues	2 383 635	1 038 562	1 345 073	-
Costs of products, goods and materials	(2 097 412)	(890 633)	(1 206 779)	-
Selling expenses	(2 042)	(476)	(1 566)	-
Administrative expenses	(54 415)	-	-	(54 415)
Other operating revenues	3 604	-	-	3 604
Other operating costs	(593 746)	(461 000)	(111 964)	(20 782)
Operating profit (loss)	(360 376)	(313 547)	24 764	(71 593)
Financial income	4 663	-	-	4 663
Financial costs	(15 959)	-	-	(15 959)
Gross profit (loss)	(371 672)	(313 547)	24 764	(82 889)
Corporate profits tax	11 448	-	-	11 448
Net profit (loss)	(383 120)	(313 547)	24 764	(94 337)

* The block is covered by a compensation scheme in connection with the early termination of long-term power and electricity sales contracts

Balance sheet

The balance sheet presents selected items for which the figures can be reliably presented.

Intangible assets and tangible fixed assets were divided according to the key of revenues from sales recorded in individual activities, taking into account the division into electricity and other activities. Intangible assets in the form of CO₂ emission allowances - were separated based on actual acquisition. Fixed assets under construction and advances for fixed assets under construction were separated based on a detailed analysis of the economic content of individual accounting entries and balances of individual accounts included in a given balance sheet item.

Inventories were separated based on a detailed analysis of the economic content of individual accounting entries and balances of individual accounts included in this balance sheet item.

Short-term receivables represent only trade receivables and were broken down based on the revenues recorded on the analytical accounts appropriate for the given types of activity.

The item of provisions and accruals is limited to the provision for the cost of purchasing emission rights and it was separated based on registered costs.

Short-term liabilities were separated based on a detailed analysis of the economic content of individual accounting entries and balances of individual accounts included in this balance sheet item.

Assets and liabilities related to the operation of the unit covered by the LTC system are presented in the column "Activity of block No. 9". Other assets related to the activities of other electricity generating units are presented in the column *Other activities*.

Selected balance sheet items broken down into types of activity

<i>31 December 2020</i>	<i>Total</i>	<i>Activity of unit no. 9*</i>	<i>Other activities</i>	<i>Unassigned items</i>
<i>Assets</i>				
A. Fixed assets	1 334 527	616 616	717 911	-
I. Intangible assets	5 944	244	5 700	-
2. CO ₂ emission allowances	3 565	244	3 321	-
3. Other intangible assets	2 379	-	2 379	-
II. Tangible fixed assets	1 328 583	616 372	712 211	-
1. Tangible assets	1 236 329	615 099	621 230	-
a) land (including perpetual usufruct)	1 695	411	1 284	-
b) buildings, premises and constructions	362 697	199 426	163 271	-
c) plant and machinery	869 948	414 842	455 106	-
d) motor vehicles	1 069	343	726	-
e) other	920	77	843	-
2. Construction in progress	65 303	1 273	64 030	-
3. Prepayments for construction in progress	26 951	-	26 951	-
B. Current assets	420 265	173 877	246 388	-
I. Inventories	71 865	1 732	70 133	-
1. Materials	49 175	1 732	47 443	-
4. Goods	22 690	-	22 690	-
3. Finished products	-	-	-	-
II. Short-term receivables	348 400	172 145	176 255	-
a) trade receivables, with the repayment period:	62 393	10 327	52 066	-
b) other	286 007	161 818	124 189	-
<i>Liabilities and equity</i>				
VI. Net profit (loss)	(182 414)	(255 732)	147 543	(74 225)
3. other reserves	734 504	284 706	449 798	-
III. Short-term liabilities	57 222	7 422	49 800	-
a) trade liabilities, with the repayment period:	57 222	7 422	49 800	-

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31 December 2019	Total	Activity of unit no. 9*	Other activities	Unassigned items
<i>Assets</i>				
A. Fixed assets	1 833 479	1 093 512	486 621	-
I. Intangible assets	95 326	93 129	2 197	-
2. CO ₂ emission allowances	93 218	93 129	89	-
3. Other intangible assets	2 108	-	2 108	-
II. Tangible fixed assets	1 484 807	1 000 383	484 424	-
1. Tangible assets	1 464 889	999 502	465 387	-
a) land (including perpetual usufruct)	10 536	417	10 119	-
b) buildings, premises and constructions	464 284	324 537	139 747	-
c) plant and machinery	988 019	673 864	314 155	-
d) motor vehicles	1 050	559	491	-
e) other	1 000	125	875	-
2. Construction in progress	18 358	881	17 477	-
3. Prepayments for construction in progress	1 560	-	1 560	-
B. Current assets	327 200	90 781	236 419	-
I. Inventories	80 070	2 549	77 521	-
1. Materials	55 177	2 549	52 628	-
4. Goods	24 893	-	24 893	-
3. Finished products	247 130	88 232	158 898	-
II. Short-term receivables	163 096	26 060	137 036	-
a) trade receivables, with the repayment period:	84 034	62 172	21 862	-
<i>Liabilities and equity</i>	-			
VI. Net profit (loss)	(383 120)	(313 547)	24 764	(94 337)
3. other reserves	677 225	222 316	454 909	-
III. Short-term liabilities	43 564	7 097	36 467	-
a) trade liabilities, with the repayment period:	43 564	7 097	36467	-

42. Withdrawal from the preparation of consolidated financial statements in accordance with the requirements of the European Single Electronic Format (ESEF)

Pursuant to the Act of February 25, 2021, amending the Banking Law and certain other acts (Journal of Laws of April 13, 2021, item 680), Art. 24, the Group took advantage of the exemption from the obligation to prepare consolidated financial statements for 2020 in accordance with the requirements of the European Single Electronic Format (ESEF).

43. Impact of a COVID-19 disease pandemic on the Company'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. With the arrival of the fall months and the increase in susceptibility to viral infections, the epidemic situation has worsened again and restrictions have been introduced that affect a wide scale of economic activity.

Successive readings of economic indicators confirmed 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 within the period of months of 2020 decreased by 4.07%, with drops of over even ten percent in individual months, in the first half of the year. The decrease in electricity production from lignite in this period was even greater and amounted to 8.51%. 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 Company's potential future financial results and its financial condition.

Within the period of twelve months, among others, good weather conditions for wind energy (especially in the early 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 28.54% decrease in the total volume of electricity sales (understood as the sum of energy sales from own production and sales of energy from trading). In the case of the sale of electricity from own production, the decrease was 21.76% and the decrease in the sale of purchased energy was as much as 55.95%. The decrease in electricity sales and the realized lower margins had a negative impact on the financial results achieved in the Group.

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 operations, in 2020 the Company took advantage of the "anti-crisis shield" program in the form of co-financing in the amount of PLN 6.9 million from the Guaranteed Benefits Fund Workers.

When analysing the course of the pandemic in the past year and the negative effects it caused in the economy, it should be noted that each subsequent wave of the increase in the incidence, and thus the return of restrictions affecting economic activity, did not cause such severe economic consequences as in the first phase, i.e. at the turn of the 1st and the second quarter of 2020. This is evidenced by the dynamics of change in electricity demand in Poland, which in the second quarter of 2020 was -8.5%, while e.g. in the fourth quarter it was + 2.4% compared to the comparable quarter of the previous year. It seems that the adaptation processes launched in the economy played a key role. As time passes, more and more people who have already experienced the disease and have acquired immunity, as well as the number of vaccinated people, should have a positive effect on the situation. However, the scenario of a sharp increase in the number of infected people or new virus strains and the return of drastic restrictions on economic activity cannot be definitely rejected. The risk of a negative scenario and its impact on the Group's operations is difficult to estimate.

44. Significant events after the balance sheet date

Loan agreement for financing an investment project at Konin Power Plant (adaptation to biomass combustion)

On January 29, 2021 the Company concluded a loan agreement with Bank Polska Kasa Opieki SA, on the basis of which the Company will be granted a loan in a total amount of up to PLN 160 million, intended for financing the investment project. The aim of the project is to adapt the existing coal-fired unit located on the premises of Konin power plant to biomass combustion. The modernized 50 MWe installation will produce electricity and act as a backup for the already operating biomass unit, supplying heat to the city of Konin. After the completion of the project, the power generation at Konin Power Plant will be approx. 100MWe (2x50MWe) using biomass as the primary fuel.

Pursuant to the agreement, the loan amount is up to PLN 160 million, and the Company undertook to contribute its own share from its own funds, in the amount of at least 20% of the project costs, but not less than PLN 52.8 million. The loan may be used no later than December 31, 2021. The borrower is obliged to repay the loan with interest and other amounts due under the terms of the agreement, with the full repayment of the loan by December 31, 2030.

In order to secure the repayment of receivables, the Company has established collaterals, i.e. a mortgage on the indicated properties of Konin Power Plant; financial and registration pledge on bank accounts maintained by the Company at Bank Pekao S.A. and power of attorney to each of the above bank accounts; transfer as security under insurance policies of the property of Konin Power Plant and assignment of receivables from heat supply contracts for

the city of Konin and the Company's declaration of submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure.

Signing a letter of intent with PGW Wody Polskie

In 2020, ZE PAK SA, in cooperation with Państwowe Gospodarstwo Wodne Wody Polskie, began intensive activities aimed at improving water conditions in the area of operation of the mines belonging to the Group. On February 9, 2021, ZE PAK SA and PGW Wody Polskie signed a Letter of Intent regulating the already started activities aimed at increasing retention in Eastern Wielkopolska. ZE PAK SA, together with PGW Wody Polskie, prepared an integrated program for the reconstruction of water relations, covering both post-mining excavations, rivers and canals flowing through the areas in the vicinity of the open-pit mines, as well as wetlands from the nearby Gniezno and Kujawskie Lakelands. Retention is to be increased by finding the most advantageous variants of further shaping the catchment areas of rivers and lakes occurring in the area of operation of mines owned by ZE PAK SA, using post-mining workings to conduct retention and flood management and establishing cooperation in the scope of the possibility of using the considered post-mining workings for the purposes of producing energy from renewable sources.

In total, there are over 30 investment tasks to be implemented under the program, for which investor cost estimates are currently being prepared. The cost of these works is estimated at over PLN 120 million and will be spread over the next 10 years. Some of these investment tasks will be financed as part of the reclamation obligations imposed on companies from the ZE PAK SA Capital Group. The agreement concluded with PGW Wody Polskie also provides for the implementation of a number of investments aimed at improving water relations in Eastern Wielkopolska, the source of financing of which may be the National Reconstruction Plan and the Just Transition Fund. The implementation of the envisaged tasks will significantly shorten the period of improvement of water relations in the region as compared to the current assumptions in this regard.

Konin, 19 April 2021

SIGNATURES:

Piotr Woźny
President of the Management Board

Zygmunt Artwik
Vice President of the Management Board

Andrzej Janiszowski
Vice President of the Management Board

Maciej Nietopiel
Vice President of the Management Board

ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SA
The financial statements for the period of 12 months ended 31 December 2020
(in thousand PLN)

Katarzyna Sobierajska
Vice President of the Management Board

Aneta Desecka
Chief Accountant