ZMIENIAMY SIĘ
DLA WAS

ZE PAK SA

FINANCIAL STATEMENTS FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2021

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

28 KWIETNIA 2022

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(in thousand PLN)

BALANCE SHEET

Assets

	Note	*As of 31 December 2021*	*As of 31 December 2020*
A. Fixed assets		**842 868**	**1 497 850**
I. Intangible assets	6	**1 917**	**5 944**
1. Development expenses		-	-
2. Goodwill		-	-
3. Other intangible assets		1 917	5 944
4. Prepayments for intangible assets		-	-
II. Tangible fixed assets	7	**660 059**	**1 328 583**
1. Tangible assets		450 232	1 236 329
a) land (including perpetual usufruct)		1 685	1 695
b) buildings, premises and constructions		107 942	362 697
c) plant and machinery		339 815	869 948
d) motor vehicles		147	1 069
e) other		643	920
2. Construction in progress		187 291	65 303
3. Prepayments for construction in progress		22 536	26 951
III. Long-term receivables		-	-
1. from affiliates		-	-
2. from others, of which entity has capital engagement		-	-
3. from others		-	-
IV. Long-term investment	8.1	**176 354**	**157 707**
1. Property		-	-
2. Intangible fixed assets		-	-
3. Long-term financial assets		176 354	157 707
a) in affiliates		170 527	157 555
– shares		161 850	155 755
– other securities		-	-
– loans granted		6 147	1 300
– other long-term financial assets		2 530	500
b) in other entities of which entity has capital engagement		-	-
– shares		-	-
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		-	-
c) in other entities		5 827	152
– shares		152	152
– other securities		-	-
– loans granted		-	-
– other long-term financial assets		5 675	-
4. Other long-term investments		-	-
V. Long-term prepayments and deferred costs	10	**4 538**	**5 616**
1. Deferred tax assets		-	-
2. Other prepayments and deferred costs		4 538	5 616
B. Current assets		**1 858 904**	**953 859**
I. Inventories	23	**57 225**	**71 865**
1. Raw materials		23 852	49 175
2. Semi-finished goods and work-in-progress		-	-
3. Finished products		-	-

(in thousand PLN)

4. Goods		33 373	22 690
5. Inventory prepayments		-	-
II. Short-term receivables	9	**1 356 364**	**378 705**
1. Receivables from affiliates	40.2	28 226	18 582
a) trade receivables, due in:		28 171	18 580
– up to 12 months		28 171	18 580
– over 12 months		-	-
b) other		55	2
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		1 328 138	360 123
a) trade receivables, due in:		171 531	43 813
– up to 12 months		171 531	43 813
– over 12 months		-	-
b) taxation, subsidy, customs duty, social security, health insurance and other debtors		11 585	30 305
c) other		1 145 022	286 005
d) submitted to court		-	-
III. Short-term investments	8.2	**445 020**	**502 636**
1. Short-term financial assets		445 020	502 636
a) in affiliates		33 075	46 419
– shares		-	-
– other securities		-	-
– loans granted		33 075	39 419
– other short-term financial assets		-	7 000
b) in other entities		-	6 550
– shares		-	-
– other securities		-	-
– loans granted		-	-
– other short-term financial assets		-	6 550
c) cash and other monetary assets	33	411 945	449 667
– cash on hand and cash at bank		411 945	449 667
– other cash and cash equivalents		-	-
– other monetary assets		-	-
2. Other short-term investments		-	-
IV. Short-term prepayments and deferred costs	10	**295**	**653**
C. Unpaid share capital (basic)		**-**	**-**
D. Own shares		**-**	**-**
Total assets		**2 701 772**	**2 451 709**

Konin, 28 April 2022

(in thousand PLN)

Liabilities and equity

		Note	As of 31 December 2021	As of 31 December 2020
A.	**Equity**		**864 837**	**1 277 167**
I.	**Equity capital**	11	**101 647**	**101 647**
II.	**Reserve capital, including:**		**1 665 340**	**1 658 391**
	– surplus of sales value (issue value) over nominal value of shares		380 030	380 030
III.	**Revaluation reserve, including:**		**110 122**	**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**		**(713 809)**	**(531 395)**
VI.	**Net profit (loss) for the period**		**(301 935)**	**(182 414)**
VII.	**Deductions from net profit during the period (negative value)**		**-**	**-**
B.	**Liabilities and provisions for liabilities**		**1 836 935**	**1 174 542**
I.	**Provisions for liabilities**	13	**1 371 098**	**994 741**
	1. Deferred tax liability	25	10 618	235 935
	2. Provision for retirement benefits and similar obligations		23 138	24 302
	– long-term		9 715	10 713
	– short-term		13 423	13 589
	3. Other provisions		1 337 342	734 504
	– long-term		95 520	85 764
	– short-term		1 241 822	648 740
II.	**Long-term liabilities**		**107 378**	**2 648**
	1. To affiliates		-	-
	2. To other entities of which entity has capital engagement		-	-
	3. To other entities		107 378	2 648
	a) loans and credits		107 030	-
	b) debt securities issued		-	-
	c) other financial liabilities		-	449
	d) bills of exchange		-	-
	e) other		348	2 199
III.	**Short-term liabilities**	16	**356 335**	**175 443**
	1. To affiliates	40.2	19 099	11 583
	a) trade liabilities:		15 826	10 784
	– up to 12 months		15 826	10 784
	– over 12 months		-	-
	b) other		3 273	799
	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		332 480	159 013
	a) loans and credits		13 249	-
	b) debt securities issued		-	-
	c) other financial liabilities		4 057	294
	d) trade liabilities:		58 662	46 438
	– up to 12 months		58 662	46 438
	– over 12 months		-	-
	e) advance payments received		-	-

	f) bills of exchange	-	-
	g) taxation, customs duty and social security creditors	163 040	39 547
	h) payroll	4 468	5 334
	i) other	89 004	67 400
	4. Special funds	4 756	4 847
IV.	**Accruals and deferred income**	**2 124**	**1 710**
	1. Negative goodwill	-	-
	2. Other accruals and deferred income	2 124	1 710
	– long-term	271	317
	– short-term	1 853	1 393
Total Liabilities and equity		**2 701 772**	**2 451 709**

Konin, 28 April 2022

(in thousand PLN)

PROFIT AND LOSS ACCOUNT (calculation type)

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020*
A. Net sales of finished goods, goods for resale and raw materials, of which:	20	**2 246 878**	**1 846 683**
– from affiliates	40.2	122 331	90 092
I. Net sales of finished products		2 013 759	1 674 435
II. Net sales of goods for resale and raw materials		233 119	172 248
B. Cost of finished products, goods for resale and raw materials sold, of which:		**2 112 566**	**1 822 441**
– to affiliates		130 945	65 681
I. Cost of finished products sold	26	1 813 084	1 675 706
II. Cost of goods for resale and raw materials sold		299 482	146 735
C. Gross profit (loss) on sales (A–B)		**134 312**	**24 242**
D. Selling expenses	26	2 357	1 670
E. Administrative expenses	26	51 955	47 401
F. Profit (loss) on sales (C–D–E)		**80 000**	**(24 829)**
G. Other operating income	27	19 440	69 297
I. Gains on the sale of non-financial fixed assets		13 372	2 553
II. Grants		46	6 919
III. Revaluation of non-financial assets		-	-
IV. Other operating income		6 022	59 825
H. Other operating expenses	28	621 463	159 013
I. Loss on the sale of non-financial fixed assets		-	-
II. Impairment of non-financial assets		617 847	151 108
III. Other		3 616	7 905
I. Operating profit (loss) (F+G–H)		**(522 023)**	**(114 545)**
J. Financial income	29	7 601	9 171
I. Dividends and shares in profits, including:		46	3 195
a) from affiliates, including:		-	3 137
– of which the entity has capital engagement		-	3 137
b) from others, including:		46	58
– of which the entity has capital engagement		-	-
II. Interest, including:		1 132	2 397
– from affiliates		983	802
III. Profit on the disposal of financial assets, including:		-	-
– affiliates		-	-
IV Revaluation of investments		5 676	-
V. Other		747	3 579
K Financial costs	30	12 821	150 441
I. Interest, including:		863	980
– to affiliates		75	-
II. Loss on the disposal of financial assets, including:		-	-
– in affiliates		-	-
III. Impairment of investments		7 184	148 441
IV. Other		4 774	1 020
L. Gross profit (loss) (I+J–K)		**(527 243)**	**(255 815)**
M. Corporate profits tax	25	(225 308)	(73 401)
N. Other tax charges		-	-
O. Net profit (loss) (L–M–N)		**(301 935)**	**(182 414)**

Konin, 28 April 2022

(in thousand PLN)

STATEMENT OF CASH FLOW (indirect method)

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020*
A. Cash flow from operating activities			
I. Net profit (loss)		**(301 935)**	(182 414)
II. Adjustments, total		283 033	421 838
1. Depreciation	26	110 713	93 358
2. Foreign exchange gains (losses)		(509)	470
3. Interest and shares in profits (dividends)		(405)	(2 992)
4. Profit (loss) on investing activities	34	572 478	292 322
5. Change in provisions	34	1 018 973	607 548
6. Change in inventories		14 639	8 208
7. Change in receivables	34	(933 531)	(70 853)
8. Change in short-term liabilities, except for loans and borrowings	34	201 636	25 718
9. Change in prepayments, accruals and deferred income		1 759	2 145
10. Other adjustments	34	(702 720)	(534 086)
III. Net cash flow from operating activities (I±II)		**(18 902)**	**239 424**
B. Cash flow from investing activities			
I. Inflows		51 566	5 271
1. Sale of intangible assets and tangible fixed assets		38 018	-
2. Sale of investments in property and intangible assets		-	-
3. From financial assets, including:	34	13 548	5 271
a) in affiliates		13 502	5 213
b) in others		46	58
– disposal of financial assets		-	-
– dividends and share in profits		46	58
– repayment of long-term loans granted		-	-
– interests		-	-
– other inflows from financial assets		-	-
4. Other investing inflows		-	-
II. Outflows		190 264	123 155
1. Purchase of intangible assets and tangible fixed assets	34	170 922	55 445
2. Investments in property and intangible assets		-	-
3. For financial assets, including:		19 342	67 710
a) in affiliates	34	19 342	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)		**(138 698)**	**(117 884)**
C. Cash flow from financing activities			
I. Inflows		135 279	-
1. Net inflows from issue of shares, issue of other capital instruments and additional payments to capital		-	-
2. Loans and credits		135 279	-
3. Issue of debt securities		-	-
4. Other financial inflows		-	-
II. Outflows		15 910	1 099
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		15 000	-
5. Redemption of debt securities		-	-
6. Relating to other financial liabilities		-	-

(in thousand PLN)

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

7. Finance lease payments		297	123
8. Interest paid		613	976
9. Other financial outflows		-	-
III. Net cash flow from financial activities (I-II)		**119 369**	**(1 099)**
D. Total net cash flow (A.III±B.III±C.III)		**(38 231)**	**120 441**
E. Balance sheet change in cash and cash equivalents,, including:		(37 722)	119 971
– change in cash and cash equivalents due to foreign exchange gains/losses		509	(470)
F. Cash and cash equivalents at the beginning of the period	*33*	**450 137**	**329 696**
G. Cash and cash equivalents at the end of the period (F±D), including	*33*	**411 906**	**450 137**
– of restricted use		8 684	9 181

Konin, 28 April 2022

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020*
I. Equity at the beginning of the period (OB)		**1 277 167**	**1 459 581**
– changes in accounting policy		-	-
– correction of prior period error		-	-
I.a. Equity at the beginning of the period (OB), after adjustments		**1 277 167**	**1 459 581**
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	11	**101 647**	**101 647**
2. Reserve capital at the beginning of the period		1 658 391	1 658 391
2.1. Changes in reserve capital		6 949	-
a) increases		6 949	-
– issue of shares		-	-
– profit distribution		-	-
– liquidation of fixed assets		6 949	-
b) decreases		-	-
– cover of loss		-	-
2.2. Reserve capital at the end of the period		**1 665 340**	**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		117 344	-
– liquidation of fixed assets		6 949	-
– impairment loss on fixed assets	7	110 395	-
3.2. Capital from revaluation at the end of the period		**110 122**	**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)	(531 395)
5.1. Profit from previous years at the beginning of the period		-	-
– changes of accountancy rules		-	-
– error adjustments		-	-
5.2. Profit from previous years at the beginning of the period, after adjustments		-	-
a) increases		-	-
– distribution of profits from previous years		-	-
b) decreases		-	-
– distribution of profit for reserve capital		-	-
– dividend payment		-	-
5.3. Profit from previous years at the end of the period		-	-
5.4. Loss from previous years at the beginning of the period		(531 395)	(531 395)
– changes of accountancy rules		-	-
– error adjustments		-	-
5.5. Loss from previous years at the beginning of the period, after adjustments		(531 395)	(531 395)
a) increases	13.1	(182 414)	-
– transfer of loss from previous years to cover	13.1	(182 414)	-
b) decreases		-	-

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY (cont.)

– cover of loss from reserve capital		-	-
5.6. Loss from previous years at the end of the period		(713 809)	(531 395)
5.7. Profit (loss) from previous years at the end of the period		**(713 809)**	**(531 395)**
6. Net result		(301 935)	(182 414)
a) net profit PAK Infrastruktura sp. z o.o.		-	-
b) net loss	*13.1*	(301 935)	(182 414)
c) result impairments		-	-
II. Equity at the end of the period (CB)		**864 837**	**1 277 167**
III. Equity after proposed result distribution (cover of loss)		**864 837**	**1 277 167**

Konin, 28 April 2022

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 Ordinary General Meeting of ZE PAK SA on June 28, 2021 adopted a Resolution on the change of the Company's name as of October 1, 2021 from the current: Zespół Elektrowni Pątnów - Adamów - Konin Spółka Akcyjna to the current ZE PAK Spółka Akcyjna.

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 ZE PAK SA.

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 2021 began in the following composition:

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

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) Andrzej Janiszowski – Vice President of the Management Board,
4) Maciej Nietopiel – 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 2021, 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 above 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.

(in thousand PLN)

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 2021:

	Balance sheet value Acc. to AoA	*Balance sheet value Acc. to IFRS*	*Value adjustment*
Tangible fixed assets	660 059	639 408	(20 651)
Equity	864 837	838 393	(26 444)
Deferred tax provision	10 618	10 609	9

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

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

	31 December 2021	*31 December 2020*
AoA net profit	(301 935)	(182 414)
Adjustment of the tangible fixed assets	117 021	(12 227)
IAS 19 adjustment – actuarial profit (loss)	(454)	641
IFRS 9 adjustment – Impairment loss of assets	-	-
IFRS 16 adjustments – Leasing	(790)	(790)
Correction of spare parts	4 377	(1 650)
Valuation of loans	17 679	1 768
External financing costs	(504)	51

	31 December 2021	*31 December 2020*
AoA capital	864 837	1 277 167
Adjustment of the tangible fixed assets	32 479	(106 093)
IAS 9 adjustment – impairment of assets	(41)	(41)
IFRS 16 adjustment– Leasing	(37 330)	(37 330)
Spare parts adjustment	(4 377)	(4 378)
Valuation of EPII loans	(17 679)	(17 679)
EPII external financing costs	504	504

4. Assumptions of continuation of economic activity

The financial statements 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 (the "Management Board") notes that:

1. In 2021, the Company incurred a net loss of PLN 301,935 thousand. The amount of loss in the amount of PLN 617,847 thousand was influenced by write-downs on non-current assets, inventories and receivables. The write-offs were non-cash. On the other hand, the result at the EBITDA level in 2021 was PLN 166,494 thousand. The amount

of one-off events in the form of impairment losses on assets and inventories was influenced by the change in the base scenario in terms of shortening the expected life of mining assets and the activity of coal-based generation assets. The current scenario assumed the operation of coal-fired units 1, 2 and 5 at the Pątnów power plant until 2024, while the 474 MW unit (former Pątnów II Power Plant) was to be operated no longer than until 2030. Currently, the base scenario is the operation of all of the Company's coal-fired units until the end of 2024, i.e. until these assets are supported in the form of the capacity market mechanism. The company perceives the current market situation in terms of the relationship between energy prices and CO_2 emission allowances as highly volatile and risky, the dynamics of these changes has become even stronger in the last year. Coal mining and production after 2024 will have to involve a number of investments, including enabling further exploitation of the Tomisławice open pit and adjusting the 474 MW unit to environmental requirements. The company sees the possibility of incurring such investments and extending the operation of coal assets after 2024, however, it definitely makes such measures conditional on the introduction of a support mechanism after 2024, which would reduce the risk of operations of the Company's generation assets to be discontinued. Due to the fact that currently no such mechanism exists, after 2024, following the principle of reasonable expectations, the Company shortened the expected lifetime of its coal mining and production assets. At the same time, the Company does not rule out a change in the expected lifetime of coal assets in the event that a satisfactory form of the support mechanism is established after 2024.

2. As at 31 December 2021, the current assets and the value of acquired CO_2 emission allowances exceed by PLN 245,471 thousand the value of short-term liabilities and provisions, including bank loans and provisions related to CO_2 emission allowances. During the year, the liquidity situation gradually improved and at the end of the year there was a surplus of current assets and the value of acquired CO_2 emission allowances over short-term liabilities and short-term provisions in the amount of PLN 127 212 thousand compared to that reported as at December 31, 2020.

The Management Board has analysed the cash flow forecasts in detail 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.

5. Merger of commercial companies

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

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 2021, item 2427, 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 2021, item 2140), 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.

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:

- software licenses - 2 years,
- licenses - 5 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:

	Category	*Valuation method*
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 2021.

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:

- Share capital,
- Supplementary capital,
- Capital from revaluation,
- 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 CO_2 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 thousand PLN)

- 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 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 CO_2 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.

Provision for liquidation of tangible fixed assets

The provision for the liquidation of tangible fixed assets is created in the amount resulting from the offers received for the liquidation of fixed assets. The company updates the value of the provision for each balance sheet date. The value of the provision for the liquidation of tangible fixed assets is discounted at each balance sheet date.

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:

	31 December 2021	*31 December 2020*
EUR	4.5994	4.6148
USD	4.0600	3.7584

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 (ZFŚS),
- Staff Fund.

The Act of 4 March 1994 on the Company Social Benefits Fund (unified text Journal of Laws of 2021 item 2445, 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.

Starting from January 1, 2021, the Company recognizes revenues from the capacity market. Revenues from the capacity market are revenues from the performance of capacity contracts (obligations) concluded as a result of Auction 2021 (primary market) and the performance of the capacity obligation resulting from agreements concluded on the secondary market. The capacity market is a market mechanism aimed at ensuring stable electricity supplies in the long term. After the end of each month, the Company is entitled to remuneration from PSE SA for the performance of the capacity obligation.

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, 28 April 2022

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 28 April 2022 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 28 April 2022, 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, the Company did not change the accounting principles, and therefore it was not required to present numerical information ensuring comparability of the financial statements for the preceding year with the financial statements for the current financial year.

(in thousand PLN)

6. Intangible assets

Year ended 31 December 2021

	Concessions, patents, licenses and similar values	*Other intangible assets*	*Advances for intangible assets*	*Total*
Initial value				
Opening balance	22 831	3 568	-	26 399
Increases, including:	134	707 200	-	707 334
– Acquisition	-	707 200	-	707 200
– Other	-	-	-	-
– Transfers	134	-	-	134
Decreases, including:	1 342	710 765	-	712 107
– Redemption of CO2 emission rights	-	642 615	-	642 5
-- IRGiT SA security	-	44 128		44 128
– Liquidation	1 342	-	-	1 342
– sale	-	24 022	-	24 022
Closing balance	**21 623**	**3**	**-**	**21 626**
Redemption				
Opening balance	19 174	3	-	19 177
Increase, including:	596	-	-	596
– Depreciation of a period	596	-	-	596
– Other	-	-	-	-
– Transfers	-	-	-	-
Decrease, including:	1 342	-	-	1 342
– Sale	-	-	-	-
– liquidation	1 342	-	-	1 342
Closing balance	**18 428**	**3**	**-**	**18 431**
Impairment write-downs				
Opening balance	1 278	-	-	1 278
Increases	-	-	-	-
Decreases, including:	-	-	-	-
– use	-	-	-	-
– impairment adjustment	-	-	-	-
Closing balance	**1 278**	**-**	**-**	**1 278**
Net value				
Opening balance	2 379	3 565	-	5 944
Closing balance	**1 917**	**-**	**-**	**1 917**

(in thousand PLN)

Year ended 31 December 2020

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

Ownership structure of intangible assets:

	31 December 2021	*31 December 2020*
Own	**1 917**	5 944
Used on the basis of a rental, lease or other contract, including lease agreements	-	-
Total	**1 917**	**5 944**

(in thousand PLN)

7. Tangible fixed assets

Year ended 31 December 2021

	Lands (including the right to perpetual usufruct of land)	*Buildings, premises and objects engineering land and water*	*Machines and technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advances for fixed assets under construction*	*Total*
Initial value								
Opening balance	1 924	2 054 624	5 783 015	4 397	11 450	81 642	26 951	7 964 003
Increase, including:	8	555	12 022	126	133	124 291	3 265	140 400
– Acquisition	8	-	37	6	45	137 173	3 265	140 534
– Transfers for fixed assets	-	555	11 985	120	88	(12 882)	-	(134)
Decrease, including:	8	4 823	8 084	183	210	236	7 680	21 224
– Liquidation and sale	8	4 823	8 084	183	210	236	-	13 44
-- Sale of receivables	-	-	-	-	-	-	1 537	1 537
– Other	-	-	-	-	-	-	6 143	6 143
Closing balance	**1 924**	**2 050 356**	**5 786 953**	**4 340**	**11 373**	**205 697**	**22 536**	**8 083 179**
Redemption								
Opening balance	229	991 399	3 143 563	2 560	9 892	-	-	4 147 643
Increase, including:	10	31 847	77 912	225	137	-	-	110 131
– Depreciation of the period	10	31 847	77 912	211	137	-	-	110 117
– Other	-	-	-	14	-	-	-	14
Decrease, including:	-	1 202	3 092	-	184	-	-	4 478
– Liquidation and sale	-	1 202	3 092	-	184	-	-	4 478
– Other	-	-	-	-	-	-	-	-
Closing balance	**239**	**1 022 044**	**3 218 383**	**2 785**	**9 845**	**-**	**-**	**4 253 296**
Impairment write-downs								
Opening balance	-	700 528	1 769 504	768	638	16 339	-	2 487 777
Increase, including:	-	223 042	464 107	803	247	2 067	-	690 266
– Transfers for fixed assets	-	-	-	-	-	-	-	-
– Impairment write-down	-	223 042	464 107	803	247	2 067	-	690 266
Decrease	-	3 200	4 856	163	-	-	-	8 219
Closing balance	**-**	**920 370**	**2 228 755**	**1 408**	**885**	**18 406**	**-**	**3 169 824**
Net value								
Opening balance	1 695	362 697	869 948	1 069	920	65 303	26 951	1 328 583
Closing balance	**1 685**	**107 942**	**339 815**	**147**	**643**	**187 291**	**22 536**	**660 059**

(in thousand PLN)

Year ended 31 December 2020

	Lands (including the right to perpetual usufruct of land)	*Buildings, premises and objects engineering land and water*	*Machines and technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Advances for fixed assets under construction*	*Total*
Initial value								
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
– Other	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**
Redemption								
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**
Impairment write-downs								
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**
Net value								
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**

(in thousand PLN)

Ownership structure of tangible fixed assets:

	31 December 2021	*31 December 2020*
Own	660 059	1 327 922
Used on the basis of a rental, lease or other contract, including lease agreements	-	661
Total	**660 059**	**1 328 583**

The carrying amount of land in perpetual usufruct as at December 31, 2021 was PLN 1,685 thousand (as at December 31, 2020, this value was PLN 1,695 thousand).

Capital expenditures made by ZE PAK SA in 2021 amounted to PLN 137 173 thousand (in 2020 PLN 67 739 thousand respectively), of which PLN 125,455,000 was spent on environmental protection (no expenditure was made in 2020 on environmental protection). Additionally, the Company made advance payments in the amount of PLN 3 265 thousand for fixed assets under construction.

The investment outlays planned for 2022 amount to PLN 150 000 thousand, including PLN 117 742 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, ZE PAK 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 Pątnów I.

On December 30, 2020, ZE PAK SA and Elektrownia Pątnów II sp. z o.o. in the manner specified in art. 492 §1 point 1 of the Commercial Companies Code, i.e. by transferring all assets of Elektrownia Pątnów II sp. z o.o. (acquired company) to the company ZE PAK SA.

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

- CGU Elektrownia Pątnów for lignite-based energy (including units 1, 2, 5 and unit 9);
- CGU Konin Power Plant for green energy based on biomass.

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.

The main reasons for conducting the tests were:

- the periodic maintenance of the ZE PAK SA stock market capitalization below the carrying amount of net assets in 2021;
- the adoption and publication of the "Fit for 55" package by the European Commission in July 2021, which includes the reduction of greenhouse gases in the European Union by 55% by 2030 (previously by 40%);
- dynamic changes in electricity prices, CO2 emission allowances and market interest rates;

(in thousand PLN)

- adoption by the Council of Ministers on March 29, 2022 of the assumptions for updating the "Polish Energy Policy until 2040" (PEP 2040), including those concerning the acceleration of the development of renewable energy sources in all sectors;
- verification of strategic assumptions and shortening the operation of unit 9 at the Pątnów Power Plant until 2024.

An analysis of individual centres generating economic benefits was carried out:

- CGU related to the production of electricity, the so-called black, i.e. "CGU Elektrownia Pątnów" - the base operation scenario provides for the operation of all units of the Pątnów Power Plant by the end of 2024. The existing scenario assumed the operation of coal-fired units 1, 2 and 5 at the Pątnów power plant until 2024, while the 474 MW unit (former Pątnów II power plant) was to be operated no longer than until 2030. Currently, the base scenario is the operation of all the Group's coal-fired units until the end of 2024, i.e. until these assets are supported in the form of the capacity market mechanism. The Company perceives the current market situation in terms of the relationship between energy prices and CO2 emission allowances as highly volatile and risky, and the dynamics of these changes has become even stronger in the last year. Coal mining and production after 2024 will have to involve a number of investments, including enabling further exploitation of the Tomisławice open pit and adjusting the 474 MW unit to environmental requirements. The company sees the possibility of incurring such investments and extending the operation of coal assets after 2024, however, it definitely makes such measures conditional on the introduction of a support mechanism after 2024, which would reduce the risk of operating the Group's coal generation assets to be phased out. Due to the fact that currently the Group's coal units cannot participate in such a mechanism after 2024, guided by the principle of reasonable expectations, the Company shortened the expected lifetime of its coal mining and generation assets. At the same time, the Company does not rule out a change in the expected lifetime of coal assets in the event that a satisfactory form of the support mechanism is established after 2024.

  Due to the shortening of the period of operation of the unit included in "CGU Elektrownia Pątnów", the Company decided that there were circumstances to conduct tests for "CGU Elektrownia Pątnów".
- CGU 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 part of 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 non-controllable wind farm modules and photovoltaic; hence the company withdrew from testing these assets.

The following assumptions were adopted to estimate the value in use of property, plant and equipment of the CGU Power Plant Pątnów segment:

- revenues from the capacity market in the years 2022-2024 were assumed based on the auction results, a share in the secondary capacity market was also assumed;
- for block 9, the participation of this unit in the program of stranded costs (LTC) was assumed;
- selling prices of electricity and purchase prices of CO2 emission allowances, for the years 2022-2024 were adopted on the basis of the current market levels;
- the weighted average cost of capital after tax (WACC) in the projection period was assumed at the level of 7.95%;
- with regard to BAT conclusions in the case of ZE PAK SA for units 1, 2, 5, it was assumed that deviations from the required emission limit values would be obtained due to the assumed short lifetime of generation assets, while for unit 9 a periodic exemption until 2024 was assumed.

Based on the tests, it was found that there was a need to make a write-off in the CGU Elektrownia Pątnów segment in the amount of PLN 654 662 thousand up to the value of the land.

Below are the results of the tests performed for CGU Elektrownia Pątnów, for which impairment was found:

Test value	**PLN 691 851,0**	**thousand**	**Value after write-off PLN 1 684,8 thousand**
Confirmed loss	**PLN 690 266,2**	**thousand**	

As part of the identified impairment of PLN 690,266 thousand, the amount of the impairment loss of PLN 579,871 thousand was recognized in the profit and loss account under other operating expenses in the item "Revaluation of non-financial assets", and the amount of PLN 110,395 thousand reduced the value of equity in the balance sheet own in the item "Revaluation capital (fund)". The revaluation capital (fund) was created during the revaluation of fixed assets carried out on January 1, 1995 pursuant to the Regulation of the Minister of Finance of January 20, 1995 on the depreciation of fixed assets and intangible assets, as well as the revaluation of fixed assets (Journal Of 1995 No. 7 item 34, as amended).

(in thousand PLN)

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.

CGU Elektrownia Pątnów.	(+) increase by 1,0 p.p.	(-) decrease by 1,0 p.p.
weighted average cost of capital	(PLN 8 million)	PLN 11 million
	(+) increase by 1%	(-) decrease by 1%.
change in sales revenues (electricity price)	PLN 27 million	(PLN 27 million)
	(+) increase by 5%	(-) decrease by 5%.
change in cost of sales (price of 1 EUA)	(PLN 103 million)	PLN 102 million
	(+) increase by 10%	(-) decrease by 10%
change of the capacity market rate for 1 MW	PLN 32 million	(PLN 32 million)

The results of the sensitivity analysis showed that the costs of purchasing CO2 emission allowances had the most significant impact on the value in use of the tested assets. In the optimistic scenario, if the 5% decrease in CO2 costs is taken into account, and the other assumptions remain unchanged, the amount of the reversed write-down for CGU Elektrownia Pątnów (blocks 1, 2, 5 and 9) would be PLN 102 million.

8. Investment projects

8.1. Long-term investments

Year ended 31 December 2021

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Future contracts valuation*	*Total*
Opening 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)
Increase, including:	13 279	6 147	2 030	75 848	5 675	102 979
− Acquisition	13 279	6 000	2 030	75 848	5 675	102 832
− Values update, incl.	-	147	-	-	-	147
Decrease, including:	7 184	1 300	-	75 848	-	84 332
− Repayment	-	1 300	-	-	-	1 300
− Sale	-	-	-	-	-	-
− Values update, incl.	7 184	-	-	46 360	-	53 544
• PAK KWB Konin	6 396	-	-	-	-	6 396
• PAK – VOLT	788	-	-	-	-	788
• Huta Łaziska SA in arrangement bankruptcy	-	-	-	46 360		46 360
− other (reclassification into short-term part)	-	-	-	29 488	-	29 488
Closing balance, including	**161 850**	**6 147**	**2 530**	**152**	**5 675**	**176 354**
Gross value	427 121	6 147	2 530	201	5 675	441 674
Impairment write-downs	(265 271)	-	-	(49)	-	(265 320)

(in thousand PLN)

In the item Shares and stocks in related entities, there was a compulsory buyout of shares in both mines and a purchase of shares in Exion Hydrogen Polskie Elekrolizery sp. z o.o. and the formation of a new company, which are presented below together with the amounts of the contributed shares:

- PAK KWB Konin SA PLN 6 396 thousand
- PAK KWB Adamów SA in liquidation PLN 788 thousand
- Exion Hydrogen Polskie Elekrolizery sp. z o.o. PLN 40 thousand,
- PAK CCGT sp. z o.o. PLN 5 thousand,
- PAK – PCE Polski Autobus Wodorowy sp. z o.o. PLN 6 050 thousand.

Revaluation write-offs were created for the shares of both mines in the amount of PLN 7,184 thousand.

On March 23, 2021, the shares in PAK-PCE Polski Autobus Wodorowy sp. z o.o. were increased by PLN 6,050 thousand.

In March 2021, loans were granted to PAK - PCE Fotowoltaika sp. z o.o., in the total amount of PLN 6,000 thousand, with interest at WIBOR 3M plus margin, with a maturity date of December 31, 2035.

On September 14, 2021, overdue receivables with interest due from Huta Łaziska SA in arrangement bankruptcy were converted into shares in the amount of 7,584,847 with a nominal value of PLN 10 each. The company recognized capitalized interest in the amount of PLN 46 360 thousand. The shares of Huta Łaziska SA in arrangement bankruptcy were fully covered by a revaluation write-off.

Changes in the impairment losses on shares are presented in *Note 40*.

Year ended on 31 December 2020

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Total*
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	11 507	-	-	-	11 507
• PAK Infrastruktura sp. z o.o.	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, including:	148 441	-	-	-	148 441
• PAK KWB Konin SA	121 691	-	-	-	121 691
• PAK – VOLT SA	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)

8.2. Short-term investments

Year ended 31 December 2021

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Future contracts valuation*	*Total*
Opening balance, including:	-	39 419	7 000	-	6 550	52 969
Gross value	-	39 419	7 000	-	6 550	52 969
Impairment write-downs	-	-	-	-	-	-
Increase, including:	-	65	-	-	-	65
– Acquisition	-	62	-	-	-	62
– Values update	-	3	-	-	-	3

(in thousand PLN)

– other (reclassification from long-term part)	-	-	-	-	-	-
Decrease, including:	-	6 409	7 000	-	6 550	19 959
– Repayment	-	6 409	7 000	-	6 550	19 959
– Sale	-	-	-	-	-	-
– Values update	-	-	-	-	-	-
– other (reclassification into short-term part)	-	-	-	-	-	-
Closing balance, including	**-**	**33 075**	**-**	**-**	**-**	**33 075**
Gross value	-	33 075	-	-	-	33 075
Impairment write-downs	-	-	-	-	-	-

The additional payment in the amount of PLN 7,000 thousand was repaid on July 29, 2021.

The balance of the item Loans granted to related entities includes the following items:

- loan granted to PAK – VOLT SA PLN 8 000 thousand
  (interest rate according to WIBOR 3M plus margin, maturity on December 16, 2022)
- loan granted to PAK KWB Konin SA PLN 25 000 thousand
  (interest rate according to WIBOR 3M plus margin, maturity on December 16, 2022)
- loan granted to PG Hydrogen sp. z o.o. PLN 75 thousand
  (interest rate according to WIBOR 3M plus margin, maturity on December 16, 2022)

Year ended 31 December 2020

	Shares and stock in affiliates	*Granted loans to affiliates*	*Other assets in affiliated companies*	*Shares and stock in other entities*	*Future contracts valuation*	*Total*
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	-	-	-	-	-	-

9. Short-term receivables

	Year ended 31 December 2021	*Year ended 31 December 2020*
Receivables due to deliveries and services , including:	199 702	62 393
– From related entities	28 171	18 580
– From other entities	171 531	43 813
Receivables from taxes, subsidies, customs, social and health insurance and other public law titles, including:	11 585	30 305
– Corporate tax	-	19 416
– VAT tax	11 585	10 889
Other, including:	1 145 077	286 007
– LTC termination receivables	78 214	83 908
– Advances, deposits and security deposits, incl.:	1 064 117	198 915
• advance payment for the purchase of CO_2 for EDF	826 544	94 570
• IRGiT	146 255	-
• EDF	50 255	88 903

(in thousand PLN)

• PSE SA	40 862	14 720
• Energa Operator	-	570
• other	201	152
– receivables under loans and other benefits of the Company Social Benefits Fund	2 624	3 161
– other	122	23
Total short-receivables	**1 356 364**	**378 705**

After the balance sheet date, as a result of the implementation of contracts for the purchase of CO2 emission allowances, we settled deposits and advances with Polenergia Obrót SA and EDF Trading Limited. Deposits with IRGiT SA were settled.

10. Active accruals

	31 December 2021	*31 December 2020*
Long-term active accruals		
Assets due to deferred income tax	-	-
Other, including:	4 538	5 616
– the costs of implementing the license	-	-
– ash storage facility	4 537	5 615
– other	1	1
Long-term total (after write-off)	**4 538**	**5 616**
Short-term active accruals		
Subscription	7	14
PPE participation fee	149	104
The costs of implementing the license	127	122
Property insurance	7	326
Other	5	87
Short-term total	**295**	**653**

11. Share capital

31 December 2021

	pcs	*PLN*	*%*	*pcs*	*%*
Shareholders	*Number of shares*	*Value per one share*	*Share in the share capital*	*Number of votes*	*Share total number of votes*
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 2020

	pcs	*PLN*	*%*	*pcs*	*%*
Shareholders	*Number of shares*	*Value per one share*	*Share in the share capital*	*Number of votes*	*Share total number of votes*
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.*

(in thousand PLN)

12. Interest-bearing bank credits and loans and other financial liabilities

	31 December 2021	*31 December 2020*
Long term		
Finance lease liabilities and lease contracts with option to purchase	-	449
Obligations	-	-
Total loans, including:	107 0	-
– working capital loans	-	-
– investment loans	107 030	-
Other obligations	348	2 199
Total long-term	**107 378**	**2 648**
Short term		
Finance lease liabilities and lease contracts with option to purchase	39	294
Obligations	-	-
Total loans, including:	-	-
Overdraft	-	-
Other loans:	13 249	-
– working capital loans	-	-
– investment loans	13 249	-
Other obligations	5 788	-
Total short term	**19 076**	**294**

The maturity structure of long-term liabilities:

Long term	*up to 1 year*	*1-3 years*	*3-5 years*	*Over 5 years*	*31 December 2021*
Finance lease liabilities and lease contracts with option to purchase	-	-	-	-	-
Obligations	-	-	-	-	-
Total loans, including:	-				107 030
working capital loans	-	-	-	-	-
investment loans	-	40 136	26 758	40 136	107 030
Other obligations	348	-	-	-	348
Total long-term	348	40 136	26 758	40 136	107 378

On January 29, 2021, the Company concluded a loan agreement with Bank Polska Kasa Opieki SA, under which the Company was granted a loan in the 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 at the Konin power plant to biomass combustion. The modernized 50 MWe installation will produce electricity and serve as a backup for the currently operating biomass unit, supplying in warmth the city of Konin. Upon completion of the project, approximately 100 MWe (2x50 MWe) of power will be available at the Konin power plant 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 resources, in the amount of at least 20% of the project costs, but not less than PLN 52.8 million.

The balance of the investment loan granted by Bank Polska Kasa Opieki SA as at December 31, 2021 is PLN 122 279 thousand. The maturity date is December 31, 2030. The loan bears interest at WIBOR 3M plus the bank's margin.

13. Profit sharing / cover of loss

13.1 Cover of loss for the previous year

The General Meeting held on June 28, 2021 adopted a resolution to cover the net loss in the amount of PLN 182,414 thousand from deferred profits.

13.2 Cover of loss for the current year

The net loss for the financial year 2021 was PLN 301,935 thousand. The Management Board of ZE PAK SA as at the date of publication of the financial statements did not make a decision on the proposal to cover the loss.

(in thousand PLN)

14. Reserves

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

Year ended 31 December 2021

	Deferred income tax	*Provision for retirement benefits and similar*	*Provision for CO_2 emission allowances*	*Reserve for the return of CO_2 emission allowances*	*Reclamation provision*	*Liquidation provision*	*Other reserves*	*Total*
As of 1 January 2021	235 935	24 302	640 438	7 038	67 313	18 451	1 264	994 741
Increase	-	13 083	1 233 478	59	7 593	2 163	-	1 256 376
Use	-	(13 687)	(640 438)	-	-	-	-	(654 125)
Termination	(225 317)	(560)	(17)	-	-	-	-	(225 894)
As of 31 December 2021, incl.:	**10 618**	**23 138**	**1 233 461**	**7 097**	**74 906**	**20 614**	**1 264**	**1 371 098**
Long-term	10 618	9 715	-	-	74 906	20 614	-	115 853
Short-term	-	13 423	1 233 461	7 097		-	1 264	1 255 245

Year ended 31 December 2020

	Deferred income tax	*Provision for retirement benefits and similar*	*Provision for CO_2 emission allowances*	*Reserve for the return of CO_2 emission allowances*	*Reclamation provision*	*Liquidation provision*	*Other reserves*	*Total*
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

(in thousand PLN)

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

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

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

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

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

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

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

15. Impairment write-downs on receivables

	Year ended 31 December 2021	*Year ended 31 December 2020*
As of 1 January	40 077	39 980
Increase	9 023	105
Use	1	8
Termination	29 489	-
As of 31 December	**19 610**	**40 077**

Reversal of the write-down of receivables concerns Huta Łaziska SA in arrangement bankruptcy. In addition, we have made a write-off of receivables from the company MK Explosion sp. z o.o. in the amount of PLN 9,020 thousand.

16. Short-term liabilities

	Year ended 31 December 2021	*Year ended 31 December 2020*
Trade liabilities, including:	74 488	57 222
− From related entities	15 826	10 784
− From other entities	58 662	46 438
Credits and loans	13 249	-
Other financial liabilities	4 057	294
Liabilities due to taxes, customs, social and health insurance and other public law titles, including:	163 040	39 547
− Corporate tax	-	-
− Income tax from individuals	1 806	1 563
− Excise tax	6	7
− VAT tax	145 092	19 976

– Property tax	-	4
– Department of social services	5 818	6 283
– charges for the economic use of the environment	10 318	11 714
Payroll liabilities	4 468	5 334
Other, including:	92 277	68 199
– liability under the Company Social Benefits Fund	1 699	1 675
– payroll deduction	892	935
– investment commitments for the modernization of K-7 unit and the delivery of hydrogen production equipment	10 714	46 180
– deposits, including:	78 789	19 224
• Polenergia.	-	16 909
• PGE Dom Maklerski SA	78 287	-
• MK Explosion sp. z o.o.	-	2 050
• other	502	265
– other	183	185
Special funds	4 756	4 847
Total short-term liabilities	**356 335**	**175 443**

17. Liabilities secured on the assets of the unit

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

Contract	*Type of security*	*31 December 2021 Security amount (PLN thousand)*	*Currency*	*31 December 2020 Security amount (PLN thousand)*	*Currency*
Term investment loan agreement with Pekao SA in the amount of PLN 160,000 thousand for ZE PAK SA	First-class financial and registered pledge on ZE PAK's bank accounts at Pekao SA	Up to the amount of 192 000	PLN	-	-
	First-class mortgage on the real estate of Konin Power Plant	Up to the amount of 192 000	PLN	-	-
	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to the amount of 160 000	PLN	-	-
	Transfer of current and future claims, rights or receivables of the Assignor under insurance contracts and contracts for the supply of heat	Up to the amount of 160 000	PLN	-	-
	A declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed	Up to the amount of 192 000	PLN	-	-
Agreement for a multi-purpose credit limit in Pekao SA in the amount of PLN 100,000 thousand for ZE PAK SA	A declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed	Up to the amount of 150 000	PLN	Up to the amount of 150 000	PLN
	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to the amount of 100 000	PLN	Up to the amount of 100 000	PLN

(in thousand PLN)

Agreement on opening a guarantee line in Pekao SA in the amount of PLN 80,000 thousand for ZE PAK SA	A declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed	Up to the amount of 120 000	PLN	Up to the amount of 120 000	PLN
	Power of attorney to bank accounts maintained at Bank Pekao SA	Up to the amount of 80 000	PLN	Up to the amount of 80 000	PLN
Agreement for an overdraft facility in Santander Bank Polska SA in the amount of PLN 45,000 thousand for ZE PAK SA	A declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed	Up to the amount of 54 000	PLN	-	-
Agreement for a guarantee limit in Santander Bank Polska SA in the amount of PLN 50,000 thousand for ZE PAK SA	A declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed	Up to the amount of 60 000	PLN	-	-

18. Contingent liabilities

	31 December 2021	*31 December 2020*
Due to guarantees and sureties granted to:	167 739	201 634
– Affiliated companies, including:	-	125 578
– For subsidiaries	-	125 578
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities	167 739	76 056
From other titles for:	356	306
– Affiliated companies, including:	-	-
– For subsidiaries	-	-
– For the parent company	-	-
– other units in which the issuer has equity exposure	-	-
– other entities, including:	356	306
– for a partner of a subsidiary	-	-
– for a significant investor	-	-
– for other entities	-	-
– for employees	356	306
Total contingent liabilities	**168 095**	**201 940**

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 Pątnów I, Pątnów 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 Pątnów. The termination of operation of all units in Pątnów can be determined at the end of 2024. 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.

(in thousand PLN)

19. Other contracts not included in the balance sheet

As at December 31, 2021 and December 31, 2020, the Company did not have any significant contracts not included in the balance sheet.

20. Material and territorial structure of sales

The material structure of sales revenues in 2021 and 2020 was as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Revenues from electricity sale, including:	1 477 437	1 356 856
− Affiliated companies	67 715	54 006
− Other entities	1 409 722	1 302 850
Revenues from the capacity market, including:	185 793	-
− Affiliated companies	-	-
− Other entities	185 793	-
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:

	31 December 2021	*31 December 2020*
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**

21. Impairment write-downs of fixed assets

In the current reporting period, the Company made write-offs updating the value of fixed assets in the amount of PLN 690,266 thousand. The write-offs were recognized in the amount of PLN 579 871 thousand in other operating expenses, and the amount of PLN 110 395 thousand was charged to the revaluation reserve.

22. 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, 2021 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.

23. Inventories

	31 December 2021	*31 December 2020*
Materials	23 852	49 175
Semi-finished products and products in progress	-	-
Products	-	-

Goods, including:	33 373	22 690
− Green certificates	33 307	21 757
− Red certificates	-	-
− Yellow certificates	-	-
− White certificates	66	933
− Purple certificates	-	-
− Blue certificates	-	-
Advances for deliveries	-	-
Total inventories	**57 225**	**71 865**
Total impairment write-downs for inventories, including:	78 170	49 218
− Materials	73 307	45 586
− goods	4 863	3 632

24. 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 any type of activity.

On December 20, 2021, as a result of negotiations, the Company concluded a preliminary share sale agreement regarding the sale by the Company to Cyfrowy Polsat SA of shares in PAK - Polska Czysta Energia sp. z o.o. (PAK - PCE sp. z o.o.) with its seat in Konin, representing 67% of the share capital PAK - PCE sp. z o.o. Around PAK - PCE sp. z o.o. the structure of special purpose vehicles, which are to be responsible for the overall implementation of the strategy in the area of energy production from renewable sources, is successively being built. Thanks to the planned transaction of sale to Cyfrowy Polsat Group of the majority stake in the structure of PAK - PCE sp. z o.o., it is planned to acquire a strong capital partner that will be able to guarantee the implementation of a very wide range of prospective investment projects in the area of renewable energy sources and production and use " green” hydrogen. As a result of the planned transaction, in 2022 the Company will become a minority shareholder, i.e. 33% of the structure of PAK - PCE sp. z o.o. On March 30, 2022, an annex was concluded to the above preliminary share sale agreement, based on which it was decided to change the end date (the so-called long stop date) by which the parties assumed the fulfilment of all conditions precedent to the agreement and to make a prepayment by Cyfrowy Polsat SA to Companies against the sale price for the shares of PAK - PCE sp. z o.o. up to the maximum amount being the sum of: the base price specified in the agreement for the shares, i.e. the amount of PLN 193.1 million and the amount constituting the selling price of additional shares in PAK - PCE sp. z o.o., which, in accordance with the agreement, will be created as part of the performance of the additional obligation indicated in the contract and then sold to the buyer, i.e. the amount of PLN 607.4 million, which may be adjusted in connection with the settlement of the working capital in accordance with the contract. As part of the concluded transaction, the Company undertook to sell an organized part of the Company's enterprise, which includes in particular: land owned or perpetual usufruct by the Company, on which there are production assets, electrical switchboards with transmission infrastructure, workshops, office buildings and other, accompanying infrastructure, contracts and some employees necessary for the conduct of business by the Konin Power Plant (ZCP Konin) for the company PAK - PCE Biopaliwa i Wodór sp. z o.o., for which on April 22, 2022 it was approved by the Extraordinary General Meeting of ZE PAK SA.

On March 10, 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on consenting to the target regulation of an organized part of the enterprise including a group of assets and non-property assets and a team of employees necessary to conduct business activities within the Pątnów Power Plant, which consists in independent and comprehensive production electricity and heat using Pątnów 1 Power Plant (644 MW installed capacity) and Pątnów 2 Power Plant (474 MW installed capacity), hereinafter referred to as "ZCP Pątnów", which will be sold in two stages - lease of ZCP Pątnów to PAK Pątnów sp. z o.o. with headquarters in Konin and contributing ZCP Pątnów in kind to PAK Pątnów sp. z o.o. based in Konin.

25. Income tax

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

	Year ended 31 December 2021	*Year ended 31 December 2020*
Gross profit (loss)	**(527 243)**	**(255 815)**
Revenues of the current year not included in the taxable income	(83 964)	(116 284)
Revenues of the current year not included in the net result of the fiscal year	17	325
The costs of the current year permanently not recognized as tax deductible costs	7 989	4 650
The costs of the current year transitionally not recognized as tax deductible costs	763 877	366 837
The costs of the previous year recognized as tax-deductible expenses in the current	(11 422)	(13 611)

(in thousand PLN)

year		
The costs of the current year recognized as tax deductible expenses not recognized in profit / loss account	(34 218)	(55 386)
Other differences	(21 344)	25 106
Tax income (loss)	**93 692**	**(44 178)**
− Use of income loss	93 667	-
− Donations to deduct	25	-
Tax basis income	**-**	**-**
Tax rate	**19%**	**19%**
Income tax (current)	**-**	**-**
Income tax refund from previous years	-	(7 089)
Income tax on dividends	9	11
Change in the provision / asset of differed income tax	(225 317)	(66 323)
Total income tax	**(225 308)**	**(73 401)**

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.

(in thousand PLN)

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

	Balance sheet		*Profit and loss account for the period ended*	
	31 December 2021	*31 December 2020*	*31 December 2021*	*31 December 2020*
Deferred income tax reserve				
Accelerated tax depreciation	41 100	243 624	(202 524)	(98 601)
Receivables from Zarządca Rozliczeń for LTC	14 861	15 943	(1 082)	7 004
Loan valuation	-	3	(3)	3
Cash valuation	185	779	(594)	756
Certificates on stock	6 322	4 311	2 011	(417)
Other	1 930	1 245	685	1 150
Deferred income tax reserve	**64 398**	**265 905**	**(201 507)**	**(90 105)**
Deferred income tax assets				
Provisions for employee benefits	4 396	4 618	(222)	278
Other reserves	76	48	28	24
Reserves for property liquidation	-	3 506	(3 506)	(50)
Reserves for reclamation	23	23	-	39
Reserve for the return of CO_2 allowances	1 348	1 337	11	(128)
Unpaid social security contributions XI-XII	534	592	(58)	(72)
Impairment loss on fixed assets under construction	-	-	-	-
Impairment write-down on inventory	-	8 662	(8 662)	(679)
Impairment write-down on certificates	136	83	53	3
Impairment write-down on receivables	2 199	485	1 714	(18)
Impairment write-down on financial property	3 027	9	3 018	15 078
Leaseback	-	-	-	77
Valuation of the forward contract	-	-	-	291
Valuation of loans and credits	-	-	-	-
Tax loss asset	41 410	10 192	31 218	9 126
Other	631	415	216	(187)
Deferred income tax assets	**53 780**	**29 970**	**23 810**	**23 782**
Net provision of deferred income tax	10 618	235 935	(225 317)	(66 323)
Provision for deferred income tax charged to the financial result	**-**	**-**	**(225 317)**	**(66 323)**

(in thousand PLN)

26. Costs by type

	Year ended 31 December 2021	*Year ended 31 December 2020*
Depreciation	110 713	93 358
Usage of materials and energy	626 314	648 046
External service	159 489	140 439
Tax and fees	839 071	720 068
Remuneration	92 663	93 239
Social security contribution and other benefits,	21 271	21 335
– Including retirement	8 096	8 281
Other costs by type	10 075	10 161
Total costs by type	**1 859 596**	**1 726 646**
Change in products	7 841	(1 839)
The cost of manufacturing products for the entity's own needs (negative value)	(41)	(30)
Costs of sale (negative value)	(2 357)	(1 670)
Administrative costs (negative value)	(51 955)	(47 401)
Costs of manufacturing products sold	(1 813 084)	(1 675 706)

27. Other operating revenues

	Year ended 31 December 2021	*Year ended 31 December 2020*
Profit from disposal of non-financial fixed assets, including:	13 372	2 553
– Profit from disposal of tangible and intangible fixed assets	13 997	2 658
– Net value of fixed assets and liquidation costs	(625)	(105)
Grants, including:	46	6 919
– Co-financing from FGŚP (Covid-19)	-	6 873
Other operating revenues, including:	6 022	59 825
– Contribution difference PAK Infrastruktura	-	11 507
– Surplus contribution PAK Fotowoltaika	-	285
– Received compensations and contractual penalties	36	56
– remuneration for surety from related entities	484	808
– profit from the realized forward contract for the purchase of CO2 allowances	-	33 102
– remuneration from Elektrownia Adamów liquidation	4 576	13 03
- actuarial gains	560	-
– other	366	264
Total other operating revenues	**19 440**	**69 297**

28. Other operating costs

	Year ended 31 December 2021	*Year ended 31 December 2020*
Revaluation of non-financial assets, including:	617 847	151 108
– Impairment write-downs on receivables	9 024	105
– Impairment write-downs on inventories	27 721	3 570
– Impairment write-downs on fixed assets	577 804	141 000
– Impairment write-downs on fixed assets under construction	2 067	-
– Impairment write-down on certificates	1 231	6 433
Other operating costs, including:	3 616	7 905
– costs of contentious and enforcement proceedings	170	9
-- costs of decommissioning the fixed assets of the Adamów Power Plant	1 514	-
– adjustment of transfer prices	170	1 300
– provision for the return of CO_2 allowances	59	676
-- loss on the realized forward contract for the purchase of CO_2 allowances	559	-
– provision for reclamation	-	3 099
– result on abandoned investments	-	45
– material and financial donations transferred	40	98
– Damage costs due to equipment failures	189	410

(in thousand PLN)

– Costs of inventory liquidation	19	1 128
– Paid compensations and penalties	463	110
– Actuarial losses	-	792
– Other operating costs	433	238
Total other operating costs	**621 463**	**159 013**

29. Financial revenues

	Year ended 31 December 2021	*Year ended 31 December 2020*
Profits from dividends and share in profits, including:	46	3 195
– profits from participation in affiliates, including:	-	3 195
• PAK Serwis sp. z o.o.	-	3 137
– profits from participation in other entities	46	58
Interest, including:	1 132	2 397
– interest on loans granted to affiliates	983	802
• PAK Górnictwo sp. z o.o.	32	82
• PAK – VOLT SA	209	11
• PAK KWB Konin SA	554	709
• PAK – PCE Polski Autobus Wodorowy sp. z o.o.	38	-
• PAK – PCE Fotowoltaika sp. z o.o.	147	-
• PG Hydrogen sp. z o.o.	3	-
– remaining interest from affiliates	-	-
– interest on other contractors	1	-
– bank interest	148	1 595
Revaluation of investment, including:	5 676	-
– impairment write-down on financial assets	5 676	-
Other, including:	747	3 579
– realized positive exchange rates	-	3 550
– other	747	29
Total financial revenues	**7 601**	**9 171**

30. Financial costs

	Year ended 31 December 2021	*Year ended 31 December 2020*
Loss on disposal of investment	-	-
Interest, including:	863	980
– Interest for affiliates	75	-
– Interest for other entities	238	4
– Budget interest	11	-
– Bank interest	512	957
– Other interest (including those from lease liabilities)	27	19
Revaluation of financial assets, including:	7 184	148 441
– Write-down of shares in PAK KWB Konin SA	7 184	121 691
– Write-down of shares in PAK – VOLT SA	-	26 750
Other, including:	4 774	1 020
– realized negative exchange differences	2 428	-
– other financial costs	139	263
– discount of the reserves	2 207	757
Total financial costs	**12 821**	**150 441**

31. The cost of producing fixed assets under construction

	Year ended 31 December 2021	*Year ended 31 December 2020*
The cost of producing fixed assets under construction, including:	137 173	67 739
– interest on liabilities (taken out to finance the production of fixed assets)	3 061	-
– exchange rates on liabilities (taken out to finance the production of fixed assets)	8	-

(in thousand PLN)

32. 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, 2021, i.e. until April 28, 2022, 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.

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

	Year ended 31 December 2021	*Year ended 31 December 2020*
Cash at bank accounts, including:	411 939	449 661
− Cash on VAT accounts	4 905	5 886
Cash on hand	6	6
Other cash	-	-
Total cash	**411 945**	**449 667**
Cash in PLN currency	183 148	419 231
Cash in foreign currency (after conversion)	228 797	30 436
Cash in EUR currency	49 745	6 595
Exchange differences	(39)	470
Cash in the Cash Flow Statement	**411 906**	**450 137**

34. 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

	Year ended 31 December 2021	*Year ended 31 December 2020*
Investment activity		
− profit (loss) on disposal of investments	(13 978)	(2 658)
− valuation of forward contract	-	16 430
− Impairment write-downs on fixed assets	579 265	141 184
− Impairment write-downs on the value of financial assets	7 184	136 934
− other	7	432
Profit (loss) on investing activities in the cash flow statement	**572 478**	**292 322**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Accruals		
Balance sheet change in accruals	1 436	1 639
− change of accrued expenses	414	180
− change of special funds	(91)	326
Change in accruals in the cash flow statement	**1 759**	**2 145**

	Year ended 31 December 2021	*Year ended 31 December 20210*
Reserves		
Balance sheet change in provisions	376 357	(10 542)
− change in the EUA redemption reserve	642 616	618 090
Change in provisions in the cash flow statement	**1 018 973**	**607 548**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Liabilities		
Balance sheet change in short-term and long-term liabilities and loans	285 713	65 177
− change in liabilities due to loans	(120 279)	-
− change in leasing liabilities	291	116
− change in investment liabilities	39 516	(39 575)
- change in financial liabilities	(3 605)	-
Change in liabilities in the cash flow statement	**201 636**	**25 718**

(in thousand PLN)

	Year ended 31 December 2021	*Year ended 31 December 2020*
Receivables		
Balance sheet change in receivables	(977 659)	(70 853)
– transfer of CO_2 emission allowances to security	44 128	-
Change in receivables in the cash flow statement	**(933 531)**	**(70 853)**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Other adjustments		
Balance change in the status of other adjustments	-	-
– purchase of CO_2 emission allowances	(707 199)	(525 779)
– derivative liability	4 479	(8 307)
Change in other adjustments in the cash flow statement	**(702 720)**	**(534 086)**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Proceeds from investment activities		
– dividends received from related parties	-	3 137
– repayment of loans from related parties	7 700	1 283
– interest received from related entities	833	793
– dividends received from other entities	46	58
- change in capital subsidies	4 969	-
Inflows from financial assets in the cash flow statement	**13 548**	**5 271**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase of intangible assets and property, plant and equipment		
– capital expenditure on property, plant and equipment	137 173	68 720
– change in investment liabilities	38 031	(39 574)
– change in advance payments for fixed assets under construction	(4 415)	25 391
– expenditure on intangible assets	134	908
Purchase of intangible assets and property, plant and equipment in cash flow statement	**170 923**	**55 445**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Expenditure on financial assets in related entities		
Balance sheet change in expenditure on financial assets in related entities	-	-
– acquisition of shares in newly established companies	45	54 00
- acquisition of shares and stocks in subsidiaries	13 235	-
– granting loans to related entities	6 062	13 010
Expenditure on financial assets in related entities in cash flow statement	**19 342**	**67 710**

35. Information on average employment divided into professional groups

	Year ended 31 December 2021	*Year ended 31 December 2020*
Group of employed		
Management	5	5
Administration	66	162
Sales department	18	23
Production department	526	481
Others	316	325
Total employment	**931**	**996**

(in thousand PLN)

36. Information on the audit firm's remuneration paid or payable for the financial year

The table below presents the remuneration of the entity authorized to audit financial statements paid or due for the year ended 31 December 2021 and 31 December 2020, divided into types of services:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Statutory audit within the meaning of Article 2 point 1 of the Act on Statutory Auditors	450	360
Other certified services	28	-
Tax advisory services	-	-
Other services	-	-
Total, including:	**478**	**360**
− Due at the balance sheet day	240	150
− Paid out at the balance sheet day	238	210

37. 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:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Remuneration		
Management Board	4 376	4 709
Supervisory Board	1 244	1 133
Total remuneration	**5 620**	**5 842**

38. 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, 2021 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.

39. Information on joint ventures that are not consolidated

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

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

40.1. Capital Group

a) 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.

a) The company is a parent company and prepares consolidated financial statements. The Capital Group of ZE PAK SA ("Group", "Capital Group" or "ZE PAK SA Group") consists of ZEPAK SA ("parent Company" or „Company") and its subsidiaries. The consolidated financial statements of the Group cover the year ended on December 31, 2021 and contain comparative data for the year ended December 31, 2020. 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:

(in thousand PLN)

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 2021	*As at 31 December 2020*
„PAK Polska Czysta Energia" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holding companies	100,00%	100,00%
„PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100,00%	97,68%*
„PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machines	100,00%	100,00%
Przedsiębiorstwo Remontowe „PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Construction and repair services	100,00%*	100,00%*
„PAK-Volt" SA	00-834 Warszawa ul. Pańska 77/79	Trade of electricity	100,00%	100,00%
„PAK – PCE Polski Autobus Wodorowy" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Production of buses	100,00%*	100,00%*
„PAK – PCE Fotowoltaika" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	100,00%
„PAK – PCE Biogaz" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PAK – PCE Biopaliwa i Wodór" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Generation of electricity	100,00%*	100,00%*
„PAK – PCE Wiatr" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	100,00%*
„PG Hydrogen" sp. z o.o.	02-673 Warszawa ul. Konstruktorska 4	Manufacture of engines and turbines, except aircraft, car and motorcycle engines	52,00%*	52,00%*
„Exion Hydrogen Polskie Elektrolizery" sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61	Design and production of electrolysers	80,00%	-
„Exion Hydrogen Belgium" BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and production of electrolysers	80,00%*	-
„PAK CCGT" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%	-
„Farma Wiatrowa Kazimierz Biskupi" sp. z o.o.	00-195 Warszawa ul. Zygmunta Słomińskiego 5	Design and construction of wind farms	100,00%*	-
„PCE – OZE 1" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„PCE – OZE 2" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„PCE – OZE 3" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„PCE – OZE 4" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„PCE – OZE 5" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„PCE – OZE 6" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Generation of electricity	100,00%*	-
„MESE" sp. z o.o.	04-028 Warszawa Al. Stanów Zjednoczonych 61A		90,00%*	-

(in thousand PLN)

„Park Wiatrowy Pałczyn 1" sp. z o.o.	70-419 Szczecin ul. Pl. Rodła 8	Generation of electricity	100,00%*	-
„Park Wiatrowy Pałczyn 2" sp. z o.o.	70-419 Szczecin ul. Pl. Rodła 8	Generation of electricity	100,00%*	-
„PAK Kopalnia Węgla Brunatnego Adamów" SA in liquidation	62-700 Turek Warenka 23	The company is in liquidation	100,00%	99,35%*
„Aquakon" sp. z o.o. in liquidation	62-610 Sompolno Police	The company is in liquidation	99,08%*	96,20%*

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

As at December 31, 2021, the share in the total number of votes held by the Group in its subsidiaries is equal to the Group's share in the capital of these entities.

40.2. 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:

PAK Kopalnia Węgla Brunatnego Konin SA

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	476 561	520 077
Sale	14 148	15 129
Other operating revenues	1 600	-
Interests – financial costs	-	-
Interests – financial revenues	554	709
Received dividends and profit shares	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	6 957	11 683
Liabilities for deliveries, works and services	-	-
Loans granted	25 000	25 000
Loans received	-	-
Other receivables	-	-
Other liabilities	-	48

PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	182	296
Sale	4 612	4 098
Investment purchase	-	-
Other operating revenues	-	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	956	908
Liabilities for deliveries, works and services	31	172
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	106 777	90 795
Sale	8 067	8 004
Other operating revenues	14	-
Other operating costs	-	1 300
Interests – financial costs	75	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	3 137

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	595	1 253
Liabilities for deliveries, works and services	14 249	9 375
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	3 277	799

PAK Górnictwo sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	6 206	6 159
Sale	22 494	8 655
Interests – financial revenues	32	82
Other operating revenues	2	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	1 943	2 338
Liabilities for deliveries, works and services	1 346	1 037
Loans granted	-	-
Loans received	-	2 709
Other receivables	-	-
Other liabilities	-	-

PAK – VOLT SA

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	70 269	54 063
Other operating income	15	-
Interests – financial costs	-	-
Interests – financial revenues	209	11
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	12 514	2 347
Liabilities for deliveries, works and services	200	200
Loans granted	8 000	13 000
Loans received	-	-
Other receivables	-	2
Other liabilities	-	-

(in thousand PLN)

PAK – Polska Czysta Energia sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	127	1
Other operating income	610	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	887	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PG Hydrogen sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	-	-
Interests – financial costs	-	-
Interests – financial revenues	3	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	-	-
Liabilities for deliveries, works and services	-	-
Loans granted	72	10
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK – PCE Fotowoltaika sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	1 503	2
Other operating income	958	-
Interests – financial costs	-	-
Interests – financial revenues	147	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	3 935	-
Liabilities for deliveries, works and services	-	-
Loans granted	6 147	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

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

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	964	126
Interests – financial costs	-	-
Interests – financial revenues	38	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	287	48
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PCE – OZE 1 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PCE – OZE 2 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

PCE – OZE 3 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PCE – OZE 4 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PCE – OZE 5 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

PCE – OZE 6 sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	20	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	25	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

PAK CCGT sp. z o.o.

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	-	-
Sale	7	-
Interests – financial costs	-	-
Interests – financial revenues	-	-
Received dividends and share in profit	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	9	-
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

Aquakon sp. z o.o. in liquidation

	Year ended 31 December 2021	*Year ended 31 December 2020*
Purchase	3	2
Sale	19	14
Interests – financial costs	-	-
Interests – financial revenues	-	-

	31 December 2021	*31 December 2020*
Receivables due to deliveries, works and services	2	3
Liabilities for deliveries, works and services	-	-
Loans granted	-	-
Loans received	-	-
Other receivables	-	-
Other liabilities	-	-

(in thousand PLN)

41. 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 2021

	Name of entity	*Seat*	*Number of shares*	*Balance value of shares***	*Share in equity (%)*	*Net profit (loss) for the year ended 31 December 2021**	*Equity capitals as at 31 December 2021**
1.	PAK KWB Konin SA	Kleczew	24 750 000	-	100,00	(188 499)	(256 382)
2.	PAK KWB Adamów SA in liquidation	Turek	12 000 000	-	100,00	44 275	(6 947)
3.	Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 755	100,00	10 831	36 222
4.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	3 893	24 946
5.	PAK – VOLT SA	Warszawa	2 950 000	91 750	100,00	(3 590)	16 943
6.	PAK – PCE Fotowoltaika sp. z o.o.	Konin	958 000	48 000	100,00	(1 336)	46 399
7.	PAK – Polska Czysta Energia sp. z o.o.	Konin	902 565	22 060	100,00	1 144	45 989
8.	PAK – PCE Biogaz sp. z o.o.	Konin	1 000	50	100,00	(8)	40
9.	PAK – PCE Wiatr sp. z o.o.	Konin	1 000	50	100,00	(9)	39
10.	PAK – PCE Biopaliwa i Wodór sp. z o.o.	Konin	1 000	50	100,00	(21)	27
11.	PCE – OZE 1 sp. z o.o.	Konin	100	5	100,00	(88)	(83)
12.	PCE – OZE 2 sp. z o.o.	Konin	100	5	100,00	(297)	(292)
13.	PCE – OZE 3 sp. z o.o.	Konin	100	5	100,00	(68)	(63)
14.	PCE – OZE 4 sp. z o.o.	Konin	100	5	100,00	(64)	(59)
15.	PCE – OZE 5 sp. z o.o.	Konin	100	5	100,00	(324)	(319)
16.	PCE – OZE 6 sp. z o.o.	Konin	100	5	100,00	(226)	(221)
17.	PAK CCGT sp. z o.o.	Konin	100	5	100,00	(9)	(4)
18.	FW Kazimierz Biskupi sp. z o.o.	Konin	330 200	30 464	100,00	(298)	16 192
19.	PW Pałczyn 1 sp. z o.o.	Szczecin	50	5	100,00	(5)	(16)
20.	PW Pałczyn 2 sp. z o.o.	Szczecin	50	5	100,00	(5)	(16)
21.	MESE sp. z o.o.	Warszawa	90	1	90,00	(3)	(4)
22.	PAK – PCE Polski Autobus Wodorowy sp. z o.o.	Konin	121 000	12 100	100,00	(1 215)	17 513
23.	PG Hydrogen sp. z o.o.	Warszawa	26	-	52,00	(17)	(23)
24.	Exion Hydrogen Polskie Elektrolizery sp. z o.o.	Warszawa	80	40	80,00	(789)	(743)
25.	Aquakon sp. z o.o. in liquidation	Police	5 070	1 536	99,08	97	3899

* *Companies' data is not final.*

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

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 on December 31 2020*	*Equity capitals as at December 31 2020*
1.	PAK KWB Konin SA	Kleczew	23 906 202	-	97,68	(167 419)	(67 883)
2.	PAK KWB Adamów SA in liquidation	Turek	11 921 833	-	99,35	(472)	(51 222)
3.	Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.	Konin	189 419	9 755	100,00	3 538	27 961

(in thousand PLN)

4.	PAK Górnictwo sp. z o.o.	Konin	141 000	-	100,00	14 429	28 053
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 – PCE 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	3	52,00	(8)	(6)
13.	Aquakon sp. z o.o. in liquidation	Police	5 070	1 536	98,92	318	3802

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

All shares in subsidiaries as at December 31, 2021 and as at December 31, 2020 were not preferential.

At the end of each period, the Management Board of the Company assesses whether there are any indications that the shares / stocks in subsidiaries may be impaired. Due to the fact that in the previous years there were indications of a possible impairment of shares in the subsidiaries PAK KWB Konin SA and PAK KWB Adamów SA in liquidation, it is in connection with the acquisition of shares of the above-mentioned companies in 2021, as part of the compulsory buyout of shares, the Company made write-offs updating the value of the acquired shares to zero.

In connection with the contribution of shares in PAK - VOLT SA to PAK - Polska Czysta Energia sp. z o.o. and the planned sale of shares in PAK - Polska Czysta Energia sp. z o.o. to Cyfrowy Polsat SA for the purposes of the sale of shares in Deloitte Advisory sp. z o.o. prepared the valuation of the shares of PAK - VOLT SA, the value of which exceeds the value of the company's shares in the balance sheet. Therefore, no changes have been made to the current valuation of the share value of PAK - VOLT SA, which as at December 31, 2021 amounts to PLN 91 750 thousand.

42. 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.

(in thousand PLN)

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 Pątnów 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 CO_2 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 2021 and 2020

Year ended 31 December 2021	*Total*	*Activity of unit no. 9**	*Other activities*
Sale revenues	2 246 878	1 077 863	1 169 015
Costs of products, goods and materials	(2 112 566)	(934 467)	(1 178 099)
Selling expenses	(2 357)	(380)	(1 977)
Administrative expenses	(51 955)	(3 596)	(48 359)
Other operating revenues	19 440	-	19 440
Other operating costs	(621 463)	(557 205)	(64 258)
Operating profit (loss)	**(522 023)**	**(417 785)**	**(104 238)**
Financial income	7 601	-	7 601
Financial costs	(12 821)	-	(12 821)

(in thousand PLN)

Gross profit (loss)	**(527 243)**	**(417 785)**	**(109 458)**
Corporate profits tax	(225 308)	-	(225 308)
Net profit (loss)	**(301 935)**	**(417 785)**	**115 850**

Year ended 31 December 2020	*Total*	*Activity of unit no. 9**	*Other activities*
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	54 811
Other operating costs	(159 013)	(327 000)	167 987
Operating profit (loss)	**(114 545)**	**(188 729)**	**74 184**
Financial income	9 171	-	9 171
Financial costs	(150 441)	-	(150 441)
Gross profit (loss)	**(255 815)**	**(188 729)**	**(67 086)**
Corporate profits tax	(73 401)	-	(73 401)
Net profit (loss)	**(182 414)**	**(188 729)**	**6 315**

** 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

31 December 2021	*Total*	*Activity of unit no. 9**	*Other activities*
Assets			
A. Fixed assets	**661 976**	**405**	**661 571**
I. Intangible assets	**1 917**	**-**	**1 917**
2. CO_2 emission allowances	-	-	-
3. Other intangible assets	1 917	-	1 917
II. Tangible fixed assets	**660 059**	**405**	**659 654**
1. Tangible assets	450 232	405	449 827
a) land (including perpetual usufruct)	1 685	405	1 280
b) buildings, premises and	107 942	-	107 942

(in thousand PLN)

constructions			
c) plant and machinery	339 815	-	339 815
d) motor vehicles	147	-	147
e) other	643	-	643
2. Construction in progress	187 291	-	187 291
3. Prepayments for construction in progress	22 536	-	22 536
B. Current assets	**1 373 778**	**640 936**	**732 842**
I. Inventories	**57 225**	**1 964**	**55 261**
1. Materials	23 852	1 964	21 888
4. Goods	33 373	-	33 373
3. Finished products	-	-	-
II. Short-term receivables	**1 316 553**	**638 972**	**677 581**
a) trade receivables, with the repayment period:	171 531	67 408	104 123
b) other	1 145 022	571 564	573 458
Liabilities and equity	-		
VI. Net profit (loss)	**(301 935)**	**(417 875)**	**114 850**
3. other reserves	1 337 342	559 570	777 772
III. Short-term liabilities	**147 666**	**62 251**	**85 415**
a) trade liabilities, with the repayment period:	58 662	25 948	32 714
b) other	89 004	36 303	52 701

31 December 2020	*Total*	*Activity of unit no. 9**	*Other activities*
Assets			
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**
II. Short-term receivables	62 393	10 327	52 066
a) trade receivables, with the repayment period:			
b) other	286 007	161 818	124 189
Liabilities and equity	-		
VI. Net profit (loss)	**(182 414)**	**(255 732)**	**73 318**

(in thousand PLN)

	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

43. Objectives and principles of financial risk management

The main financial instruments used by ZE PAK SA include bank loans, loans received from related entities and other institutions, cash and short-term deposits. The main purpose of these financial instruments is to obtain funds for the activities of ZE PAK SA. The company also has other financial instruments, such as trade receivables and liabilities that arise directly in the course of its business.

The main types of risk resulting from financial instruments of ZE PAK SA include the interest rate risk and currency risk. The Management Board verifies and agrees on the principles of managing each of these types of risk. The Company also monitors the risk of market prices with respect to all of its financial instruments.

Despite the fact that the Company operates in the territory of Poland, where it incurs costs and generates revenues in PLN, there are several important factors that make financial results dependent on the level of WIBOR interest rates and the EUR / PLN exchange rate. The most important include:

- transactions related to the purchase of EUAs settled in euro,
- The company uses debt financing based on a variable interest rate.

Interest rate risk

The potential exposure of ZE PAK SA to the risk of changes in interest rates relates primarily to financial liabilities.

ZE PAK SA has financial liabilities, mainly credits and loans with variable interest. The Company's exposure to the risk caused by changes in interest rates relates mainly to long-term financial liabilities related to the financing of investments.

Interest on financial instruments with a variable interest rate is updated in periods of less than one year. Interest on fixed interest rate financial instruments is fixed throughout the period until their maturity / maturity date.

In order to minimize the interest rate risk, the Company has entered into an interest rate swap contract with one of the banks, under which it agrees to exchange, at specified intervals, the difference between the amount of interest accrued at a fixed and floating interest rate on the agreed principal amount. This transaction is aimed at securing the contracted financial liabilities and concerns 50% of the ZE PAK SA term loan for the modernization of the K7 boiler at the Konin Power Plant, based on the variable WIBOR rate. An IRS type instrument was used for security.

Currency risk

ZE PAK SA is exposed to currency risk in connection with the concluded transactions.

As at December 31, 2021, ZE PAK SA used instruments to mitigate the risk resulting from changes in exchange rates, e.g. for some of the flows related to the purchase of CO_2 emission allowances. Forward transactions are used to hedge the exchange rate. The Management Board monitors the financial and market conditions on an ongoing basis, and if necessary, they can decide to use financial instruments to hedge against foreign exchange risk. In accordance with the rules applied in ZE PAK SA, the transactions are of a hedging nature and are matched to the hedged item in terms of volume and maturity date.

(in thousand PLN)

Financial instruments

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

	31 December 2021	*Level 1*	*Level 2*	*Level 3*
Derivatives securing assets	-	-	5 675	-
Derivative instruments securing liabilities	-	-	3 606	-

	31 December 2020	*Level 1*	*Level 2*	*Level 3*
Derivatives securing assets	-	-	6 550	-
Derivative instruments securing liabilities	-	-	-	-

The fair value of financial instruments other than derivative instruments as at December 31, 2021 and December 31, 2020 did not differ significantly from the carrying amounts, mainly due to the fact that the discount effect for short-term instruments is not significant and the fact that the transactions are concluded on the basis of market; for this reason, the fair value of these instruments was presented in the amount of their carrying amount.

The valuation of interest-bearing loans and credits after initial recognition is made according to the amortized cost method, taking into account the contractual costs related to obtaining a given credit or loan, as well as the discount and bonuses obtained.

44. Impact of a COVID-19 disease pandemic on the Company's operations

The situation related to the negative consequences of the COVID-19 pandemic gradually improved over the course of the following months of 2021. The severity of the incidence occurred with the beginning of the fall-winter season, which usually favours greater exposure to various types of illnesses. However, the propensity to introduce severe restrictions reducing economic activity was significantly lower than it was in 2020, when the pandemic first appeared. Healthcare system efficiency was also significantly better than in the first year of the pandemic.

Taking into account last year's experience, one should not expect the introduction of drastic restrictions and restrictions hampering economic activity. The past year proved that, despite the on-going pandemic, the economic activity indicators recorded positive readings, this also concerned the increase in electricity demand and an increase in its prices. The Company assumes that in the event of a worsening of the pandemic situation, the introduced restrictions and restrictions will be temporary and their introduction will be gradual depending on the severity of the disease and the ability of the healthcare system to care for the infected.

The company assumes that over time, COVID-19 will begin to be treated like other viruses currently occurring, thus the consequences of the pandemic situation will be much less severe than it was in the first year of the pandemic. Although a negative scenario and subsequent waves of increased disease cannot be ruled out, the adaptability of enterprises is at a much higher level than it was in 2020.

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

45. Events after the balance sheet date

The war in Ukraine

On February 24, 2022, Russian troops entered Ukraine, and thus an armed conflict broke out between these countries. The armed conflict in the immediate vicinity of Poland's borders has a very large impact on the social, economic and political situation both in Poland and in the entire region. The impact of this conflict is also significant from the point of view of the geopolitical balance of power in the world.

Although the Company focuses its activities on the domestic market and there are no direct links with Russia and Ukraine, the impact of the armed conflict on the Company's activities is felt through indirect channels. Due to the fact that both countries play a significant role as producers and exporters of a wide range of goods, one of the first consequences of the conflict was the significantly increased volatility in the commodity and financial markets. This applies in particular to the energy resources sector and the agricultural sector. The impossibility of foreseeing all the consequences of the armed conflict in Eastern Europe also makes investors less willing to take risks.

High volatility on the commodity markets (especially on the energy market and the CO2 emission allowance market) means for the Company the risk of having to replenish the deposits securing open positions on the futures market. In extreme situations, this may lead to problems with ensuring adequate liquidity. In turn, a lower propensity to risk in financial markets may lead to a lower valuation of assets and currencies in markets such as Poland, in the immediate vicinity of war zones, which may mean a worse valuation of the Company's assets and increased operating costs.

The scope of sanctions imposed on countries such as Russia or Belarus is also important from the point of view of the Company's operations, due to the impact of these sanctions on trade in relation to specific goods, especially energy resources. Russia is one of the largest suppliers of gas and oil to Europe. The reduction in the supply of these raw materials translates significantly into the level of electricity prices in Europe and also in Poland, mainly due to the cross-border exchange of electricity. On the other hand, Belarus is an important supplier of biomass for the energy sector in Poland, and although the Company has never imported biomass from Belarus to its installations, the lack of imports from this direction will affect the increase in biomass prices on the domestic market, which will certainly also affect supplies carried out by the Company.

In the present situation, it is impossible to precisely predict the scale of the on-going armed conflict or its duration, and it is also impossible to predict all the consequences of this conflict that may directly or indirectly affect the Company's operations. The development of the situation is monitored by the Company on an on-going basis, and measures are also taken to mitigate the unfavourable consequences of the unstable situation. The company has increased, among others availability of various forms of securing one's positions on the forward energy and CO2 emission allowances market, talks are also conducted with biomass suppliers in order to develop mutually satisfactory solutions in the field of biomass supply. In the current situation, the Company assesses the degree of the impact of the consequences of the armed conflict on its operations as moderate. This report does not disclose additional adjustments and provisions for the situation in Ukraine.

Acquisition of project companies and conclusion of a shareholders' agreement with Ørsted Wind Power A/S

On March 8, 2022, the Company concluded a share sale agreement with Ørsted Wind Power A / S based in Fredericia, Denmark (ORS), relating to 5 project companies, as a result of which the Company acquired from ORS 50% of the share capital of the companies: Orsted Polska OF SPV 1 sp. z o.o., Orsted Polska OF SPV 2 sp. z o.o., Orsted Polska OF SPV 3 sp. z o.o., Orsted Polska OF SPV 4 sp. z o.o. and Orsted Polska OF SPV 5 sp. z o.o. (Joint Venture Companies). The parties obtained the consent of the President of the Office of Competition and Consumer Protection to implement the concentration, consisting in the creation by ORS and the Company of five joint entrepreneurs on December 16, 2021.

On March 8, 2022, the parties also concluded a shareholders' agreement specifying the principles of corporate governance in Join Venture Companies and the terms of further cooperation.

The parties plan to jointly submit applications for the issuance of permits for the construction and use of artificial islands, structures and devices in the sea areas of the Republic of Poland for offshore wind farm projects in the next deciding proceedings, conducted in accordance with Art. 27d et seq. the Act of March 21, 1991 on the maritime areas of the Republic of Poland and maritime administration.

Changes in the composition of the Supervisory Board of the Company

On March 10, 2022, the Extraordinary General Meeting of Shareholders of the Company appointed three new members to the composition of the Supervisory Board of the Company: Mr. Jarosław Grzesiak, Mr. Tobias Solorz and Mr. Piotr Żak. Resolutions on appointment entered into force upon adoption.

On March 30, 2022, Mr. Leszek Wysłocki resigned from membership in the Supervisory Board of the Company.

Consent to the target regulation of an organized part of the enterprise of ZE PAK SA related to energy activities carried out under the PAK Pątnów Power Plant for PAK Pątnów, i.e. lease and then in-kind contribution to PAK Pątnów sp. z o.o.

On March 10, 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on consenting to the target regulation of an organized part of the enterprise including a group of assets and non-property assets and a team of employees necessary to conduct business activities within the Pątnów Power Plant, which consists in independent and comprehensive production electricity and heat using Pątnów 1 Power Plant (644 MW installed capacity) and Pątnów 2 Power Plant (474 MW installed capacity), hereinafter referred to as "**ZCP Pątnów**", which will be sold in two stages - lease of ZCP Pątnów to PAK Pątnów sp. z o.o. with headquarters in Konin and contributing ZCP Pątnów in kind to PAK Pątnów sp. z o.o. based in Konin.

The Extraordinary General Meeting of ZE PAK SA authorized the Management Board of the Company to take all steps necessary to implement the adopted Resolution.

Conclusion of a preliminary agreement for the sale of shares in PAK - Polska Czysta Energia sp. z o.o.

On December 20, 2021, as a result of negotiations, the Company concluded a preliminary share sale agreement regarding the sale by the Company to Cyfrowy Polsat SA of shares in PAK - Polska Czysta Energia sp. z o.o. with its seat in Konin, representing 67% of the share capital of PAK - Polska Czysta Energia sp. z o.o.

Base selling price for the Shares of PAK - PCE sp. z o.o. was set at PLN 193,104,000.00, while the total amount of inflows to be obtained by the Company as a result of the transactions described below is PLN 800,459,000.00.

The selling price of shares in PAK - PCE sp. z o.o. was determined, inter alia, on the basis of the valuations prepared by Deloitte Advisory sp. z o.o. and may be reduced by the value of unauthorized outflows of funds made to the Company and its related entities in the period from September 30, 2021 until the transfer to Cyfrowy Polsat of the legal title to shares in PAK - PCE sp. z o.o., and increased by interest accrued for the Locked period Box according to the average interest rate on cash deposits in banks maintaining current bank accounts of ZE PAK SA for the period closest to the Locked Box period.

The selling price for the shares of PAK - PCE sp. z o.o. was established in relation to the assets that are already in the structure of PAK - PCE sp. z o.o., as well as to the assets that the Company undertook to contribute to the structure of PAK - PCE sp. z o.o. before the sale of shares in PAK - PCE sp. z o.o.

The closing of the transaction under the agreement was conditional on the fulfilment of the conditions precedent in the form of: (i) a satisfactory for Cyfrowy Polsat result of examination of documentation, in particular legal and tax PAK - PCE sp. z o.o. of its subsidiaries, (ii) obtaining by Cyfrowy Polsat and the Company approvals of Supervisory Boards for the transaction. In addition, closing the transaction will depend on the fulfilment of additional conditions precedent specified in the contract, i.e. in particular: making a contribution in kind to PAK - PCE sp. z o.o. in connection with the increase in the share capital of PAK - PCE sp. z o.o. as part of the transaction, 960,000 shares in the share capital of PAK - PCE Fotowoltaika sp. z o.o .; 800 shares in the share capital of Exion Hydrogen Polskie Elektrolizery sp. z o.o .; 2,950,000 shares in the share capital of PAK - Volt SA, and receivables resulting from loans granted to companies PCE-OZE 1 sp. z o.o., PCE-OZE 2 sp. z o.o., PCE-OZE 3 sp. z o.o., PCE-OZE 4 sp. z o.o., PCE-OZE 5 sp. z o.o., PCE-OZE 6 sp. z o.o. by PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation for the purchase by these entities of real estate from PAK Kopalnia Węgla Brunatnego Adamów SA in liquidation.

On March 30, 2022, an annex was concluded to the above preliminary share sale agreement, on the basis of which it was decided to change the end date (the so-called long stop date) by which the parties assumed the fulfilment of all conditions precedent to the agreement and to make a prepayment by Cyfrowy Polsat to the Company against the selling price for the shares of PAK - PCE sp. z o.o. up to the maximum amount being the sum of: the base price specified in the agreement for the shares, i.e. the amount of PLN 193,104,000 and the amount constituting the selling price of additional shares in PAK - PCE sp. z o.o., which, in accordance with the agreement, will be created as part of the performance of the additional obligation indicated in contract and then sold to the buyer, i.e. the amount of PLN 607 355 000, which may be adjusted in connection with the settlement of the working capital in accordance with the contract.

The change of the end date in the contract is related to the fact that the Company and Cyfrowy Polsat learned about the impossibility of meeting one of the conditions precedent of the contract in the originally assumed date, i.e. until March 31, 2022. Therefore, under the annex, the end date was moved to September 30, 2022.

Consent for the lease of an organized and sale of a part of the ZE PAK SA enterprise related to energy activities conducted under the Konin Power Plant

On April 22, 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on granting consent to the lease of an organized part of the Company's enterprise, which includes in particular: land real estate owned or in perpetual usufruct by the Company, on which generation assets are located, electrical switchboards with transmission infrastructure, workshops, office buildings and others, accompanying infrastructure, contracts and some employees necessary for running a business by the Konin Power Plant (**ZCP Konin**), for the company PAK - PCE Biopaliwa i Wodór sp. z o.o.

Also on April 22, 2022, the Extraordinary General Meeting of ZE PAK SA adopted a resolution on granting consent to the disposal of an organized part of the Company's enterprise, which includes in particular: land property or perpetual usufruct of the Company, on which production assets are located, electrical switchboards with transmission infrastructure, workshops, office buildings and others, accompanying infrastructure, contracts and some employees necessary for running a business by the Konin Power Plant (**ZCP Konin**) for the company PAK - PCE Biopaliwa i Wodór sp. z o.o.

Acquisition of further project companies from Ørsted Wind Power A / S

On April 13, 2022, ZE PAK SA concluded with Ørsted Wind Power A / S based in Fredericia, Denmark (ORS) an additional sale agreement regarding shares in another 5 project companies, as a result of which the Company will acquire 50% of shares in the share capital from ORS z o.o., Orsted Polska OF SPV 6 sp. z o.o., Orsted Polska OF SPV 7 sp. z o.o., Orsted Polska OF SPV 8 sp. z o.o., Mawzorino Investments sp. z o.o. and Orsted Polska OF SPV 10 sp. z o.o. ("Joint Venture Companies") upon entering the selling price of the shares in the ORS bank account. The total price for shares in Joint Venture Companies was EUR 170,000. The parties obtained the consent of the President of the Office of Competition and Consumer Protection to implement a concentration consisting in the creation by ORS and the Company of five joint entrepreneurs on April 7, 2022.

On the date of transferring the ownership title to 50% of the shares in the Joint Venture Companies to the Company, the Company and ORS will conclude the Amended Shareholders 'Agreement, which will amend the Shareholders' Agreement concluded on March 8, 2021, in order to cover the Joint Venture Companies with the corporate governance rules agreed in the Agreement Partners.

The parties plan to jointly submit applications for the issuance of permits for the construction and use of artificial islands, structures and devices in the maritime areas of the Republic of Poland for offshore wind farm projects in the next adjudication procedure, conducted in accordance with Art. 27d et seq. the Act of March 21, 1991 on the maritime areas of the Republic of Poland and maritime administration.

Konin, 28 April 2022

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 ....

Katarzyna Sobierajska
Vice President of the Management Board ....

Aneta Desecka
Chief Accountant ....