ZMIENIAMY SIĘ
DLA WAS

ZEPAK
Energia dla Ciebie

ZE PAK SA CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE 6-MONTH PERIOD ENDED ON 30 JUNE 2022

29/9/2022

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(in PLN thousand)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 6-month period concluded on 30 June 2022

	Note	*6-month period ended on 30 June 2022 (not audited)*	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Continuing operation					
Sales revenues, including:	*11.1*	**1 956 363**	**960 077**	**985 718**	**523 304**
Revenues from contracts with clients		*1 873 336*	*915 301*	*876 616*	*469 287*
Other revenues		*83 027*	*44 776*	*109 102*	*54 017*
Prime cost	*11.6*	(1 745 874)	(887 276)	(931 053)	(482 406)
Gross profit/(loss) from sales		**210 489**	**72 801**	**54 665**	**40 898**
Other operating revenues	*11.2*	40 717	18 474	28 440	20 611
Selling costs	*11.6*	(6 192)	(2 778)	(2 513)	(807)
Overheads	*11.6*	(61 537)	(31 705)	(53 491)	(26 222)
Other operating costs	*11.3*	(7 391)	1 064	(11 501)	(10 804)
Profit/(loss) from operating activities		**176 086**	**57 856**	**15 600**	**23 676**
Financial revenues	*11.4*	30 387	13 654	1 117	(537)
Financial costs	*11.5*	(25 291)	(16 963)	(6 274)	(2 708)
Gross profit/(loss)		**181 182**	**54 547**	**10 443**	**20 431**
Income tax (tax load)	*12*	(28 603)	(5 450)	9 546	7 565
Net profit/(loss) from continuing operations		**152 579**	**49 097**	**19 989**	**27 996**
Net profit/(loss) for the period		**152 579**	**49 097**	**19 989**	**27 996**
Profit/(loss) attributable to parent company shareholders		152 579	49 097	19 989	27 996
Profit/(loss) attributable to non-controlling interests		-	-	-	-

Profit/(loss) per share (in PLN):	*Note*	*6-month period ended on 30 June 2022 (not audited)*	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Basic/diluted profit/(loss) for financial period from continuing operations, attributable to parent company shareholders	*13*	3.00	0.97	0.39	0.55

(in PLN thousand)

CONSOLIDATED TOTAL INCOME STATEMENT

for the 6-month period concluded on 30 June 2022

	Note	*6-month period ended on 30 June 2022 (not audited)*	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Net profit for the period		**152 579**	**49 097**	**19 989**	**27 996**
Other comprehensive income					
Items subject to reclassification to profit(loss) in subsequent reporting periods:					
Exchange rate differences related to foreign unit conversion		2	(23)	(44)	(58)
Income tax on other comprehensive income		-	-	-	-
Net other comprehensive income subject to reclassification to profit/(loss) in subsequent reporting periods		2	(23)	(44)	(58)
Items not subject to reclassification to profit(loss) in subsequent reporting periods:					
Actuarial profits/(losses) on post-employment employee benefits		(60)	155	(27)	(20)
Income tax on other comprehensive income	*12.1*	11	(30)	(13)	(10)
Net other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		(49)	125	(40)	(30)
Net other comprehensive income		**(47)**	**102**	**(84)**	**(88)**
Comprehensive income for the period		**152 532**	**49 199**	**19 905**	**27 908**
Comprehensive income attributable to parent company shareholders		152 532	49 199	19 905	27 908
Comprehensive income attributable to non-controlling interests		-	-	-	-

(in PLN thousand)

CONSOLIDATED FINANCIAL STANDING STATEMENT

as at 30 June 2022

	Note	*30 June 2022 (not audited)*	*31 December 2021*
ASSETS			
Fixed assets			
Tangible fixed assets	*14*	1 302 605	1 182 258
Right-of-use assets	*15*	44 533	45 856
Goodwill	*18.1*	75 243	-
Investment property		1 796	1 810
Intangible assets	*16*	5 249	2 383
Other long-term financial assets	*18.1*	13 997	22 622
Other long-term non-financial assets	*18.2*	16 633	9 998
Long-term derivative financial instruments (assets)		25 488	-
Deferred tax assets	*12.2*	7 990	8 769
Total fixed assets		**1 493 534**	**1 273 696**
Current assets			
Emission allowances	*16*	-	-
Inventory	*19*	87 726	74 241
Trade and other receivables	*20*	909 594	1 394 784
Income tax receivables		2 227	81
Short-term derivative financial instruments (assets)		397	10 540
Other short-term financial assets	*18.1*	4 647	150
Other short-term non-financial assets	*18.2*	110 230	50 129
Long-term receivables due from customers under contracts		1 610	1 472
Cash and cash equivalents	*21*	927 391	506 669
Total current assets		**2 043 822**	**2 038 066**
TOTAL ASSETS		**3 537 356**	**3 311 762**

(in PLN thousand)

	Note	*30 June 2022 (not audited)*	*31 December 2021*
LIABILITIES AND EQUITY			
Equity			
Share capital		101 647	101 647
Supplementary capital		1 133 179	1 131 326
Other reserve capitals		3 472	3 472
Retained earnings / Accumulated losses		(593 426)	(711 828)
Exchange rate differences related to foreign unit conversion		13	10
Equity attributable to parent company shareholders		**644 885**	**524 627**
Non-controlling interest equity		478 730	(395)
Total equity		**1 123 615**	**524 232**
Long-term liabilities			
Interest-bearing loans and borrowings	*23*	609 380	249 226
Long-term employee benefits		26 867	27 155
Long-term trade liabilities and other financial liabilities (long-term)		2 847	467
Long-term lease liabilities	*15*	37 963	41 515
Subsidies and long-term deferred income	*25.5*	4 294	4 317
Other long-term provision accruals	*24*	450 069	439 105
Deferred income tax provisions	*12.2*	59 199	32 802
Total long-term liabilities		**1 190 619**	**794 587**
Short-term liabilities			
Short-term trade liabilities and other financial liabilities (short-term)	*25.1*	159 802	251 887
Short-term lease liabilities	*15*	6 315	6 316
Current portion of interest-bearing loans and borrowings	*23*	414 642	202 545
Short-term derivatives (liabilities)		-	3 606
Other non-financial liabilities	*25.2*	50 036	200 723
Income tax liabilities		51	663
Short-term employee benefits		4 380	4 371
Subsidies and short-term deferred income		46	46
Contract-related amounts due to customers under long-term contracts		2 518	3 680
Other short-term provisions and accruals	*24*	585 332	1 319 106
Total short-term liabilities		**1 223 122**	**1 992 943**
Total liabilities		**2 413 741**	**2 787 530**
TOTAL LIABILITIES AND EQUITY		**3 537 356**	**3 311 762**

(in PLN thousand)

CONSOLIDATED CASH FLOW STATEMENT

for the 6-month period concluded on 30 June 2022

	Note	*Period ended 30 June 2022 (not audited)*	*Period ended 30 June 2021 (not audited)*
Cash flows from operating activities			
Gross profit/(loss)		181 182	10 443
Adjustments for:			
Depreciation and amortization	*21*	22 639	66 653
Interest and shares in profits		9 727	1 010
(Profit)/loss due to exchange rate differences		(12)	257
(Profit)/loss on investment activities		(13 850)	(10 075)
(Increase)/decrease in receivables	*21*	424 964	(183 452)
(Increase)/decrease in inventories	*21*	(13 485)	627
Increase/(decrease) in liabilities, except for loans and borrowings	*21*	(270 127)	162 827
Change in provisions, prepayments/accruals and employee benefits	*21*	532 993	222 601
Income tax paid		(4 190)	1 479
Expenses on CO_2 emission allowances		(1 295 924)	(633 759)
Other		(8 806)	(2 742)
Net cash from operating activities		**(434 889)**	**(364 131)**
Cash flows from investment activities			
Sale of tangible fixed assets and intangible assets		18 595	11 792
Acquisition of tangible fixed assets and intangible assets		(135 060)	(265 539)
Expenses and proceeds related to other financial assets		(8 151)	-
Acquisition of subsidiaries		(65 949)	-
Other		(54)	(9)
Net cash from investment activities		**(190 619)**	**(253 756)**
Cash flows from financial activities			
Proceeds on account of increased share value		478 730	-
Repayment of lease liabilities		-	(161)
Proceeds from loans, borrowings and debt securities		591 237	261 133
Repayment of loans, borrowings and debt securities		(18 803)	(54 422)
Interest paid		(5 064)	(1 270)
Net cash from financial activities		**1 046 100**	**205 280**
Net increase/(decrease) in cash and cash equivalents		**420 592**	**(412 607)**
Cash at beginning of period		**506 669**	**497 601**
Closing cash balance		**927 261**	**84 994**

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 6-month period ended on 30 June 2022 (not audited)

	Share capital	*Supplementary capital*	*Other reserve capitals*	*Retained profits/Accumulated losses*	*Exchange rate differences related to foreign unit conversion*	*Total*	*Non-controlling interest equity*	*Total equity*
As at 1 January 2022	**101 647**	**1 131 326**	**3 472**	**(711 828)**	**10**	**524 627**	**(395)**	**524 232**
Net profit for the period	-	-	-	152 579	-	152 579	-	152 579
Total other comprehensive income	-	-	-	(49)	2	(47)	-	(47)
Comprehensive income for the period	**-**	**-**	**-**	**152 530**	**2**	**152 532**	**-**	**152 532**
Company acquisition	-	-	-	(31 843)		(31 843)	-	(31 843)
Fixed asset liquidation	-	1 853	-	(1 853)	-	-	-	-
Transfer of profits by non-controlling interests to retained earnings	-	-	-	(395)	-	(395)	395	-
Other changes	-	-	-	(37)	1	(36)	478 730*	478 694
As at 30 June 2022	**101 647**	**1 133 179**	**3 472**	**(593 426)**	**13**	**644 885**	**478 730**	**1 123 615**

**advance payment for the purchase of shares in PAK-PCE Biopaliwa i Wodór sp. z o.o. paid by Cyfrowy Polsat SA.*

(in PLN thousand)

CONSOLIDATED STATEMENT OF EQUITY CHANGES

for the 6-month period ended on 30 June 2021 (not audited)

	Share capital	*Supplementary capital*	*Other reserve capitals*	*Retained profits/Accumulated losses*	*Exchange rate differences related to foreign unit conversion*	*Total*	*Non-controlling interest equity*	*Total equity*
As at 1 January 2021	**101 647**	**1 124 376**	**3 472**	**(278 324)**	**43**	**951 214**	**(1 751)**	**949 463**
Net profit for the period	-	-	-	19 989	-	19 989	-	19 989
Total other comprehensive income	-	-	-	(40)	(44)	(84)	-	(84)
Comprehensive income for the period	**-**	**-**	**-**	**19 949**	**(44)**	**19 905**	**-**	**19 905**
Transfer of profits by non-controlling interests to retained earnings	-	-	-	(1 751)	-	(1 751)	1 751	-
Other changes	-	-	-	(9)	-	(9)	-	(9)
As at 30 June 2021	**101 647**	**1 124 376**	**3 472**	**(260 135)**	**(1)**	**969 359**	**-**	**969 359**

ADDITIONAL EXPLANATORY NOTES

1. General

The ZE PAK SA Capital Group ("Group", "Capital Group", "ZE PAK SA Group") consists of ZE PAK SA ("parent company", "Company", "ZE PAK SA") and its subsidiaries (see Note 2).

The interim condensed consolidated financial statement of the Group covers the 6-month period ended on 30 June 2022 and contains comparative data for the 6-month period ended on 30 June 2021 and the data as of 31 December 2021. The interim condensed, consolidated statement on comprehensive income, consolidated profit and loss account, and additional explanatory notes present additional financial information for the 3-month period ended on 30 June 2022 and comparative data for the 3-month period ended on 30 June 2021.

The parent company is entered into the Register of Entrepreneurs of the National Court Register kept by the District Court Poznań – Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register, under the KRS number 0000021374.

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

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

The main activities of the Group are:

1) generation and sale of electricity,

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

3) lignite extraction.

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

The Company has personal ties with other entities through Mr Zygmunt Solorz.

(in PLN thousand)

2. Composition of the Group

The Group consists of ZE PAK SA and the following subsidiaries:

Unit	*Registered office*	*Scope of activity*	*Group's share in capital, %*	
			As at 30 June 2022	*As at 31 December 2021*
"PAK – Polska Czysta Energia" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holdings	100.00%	100.00%
"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100.00%	100.00%
"PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machinery	100.00%	100.00%
Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Renovation and construction services	100.00%*	100.00%*
"PAK – Volt" SA	04-028 Warsaw Al. Stanów Zjednoczonych 61	Electricity sales	100.00%*	100.00%
"PAK – PCE Polski Autobus Wodorowy" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Bus manufacturing	100.00%*	100.00%*
"PAK – PCE Fotowoltaika" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%
"PAK – PCE Biogaz" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PAK – PCE Biopaliwa i Wodór" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Electricity generation	51.00%*	100.00%*
"PAK – PCE Wiatr" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PG Hydrogen" sp. z o.o.	02-673 Warsaw ul. Konstruktorska 4	Manufacturing of engines and turbines, excluding aviation and automotive engines	52.00%*	52.00%*
"Exion Hydrogen Polskie Elektrolizery" sp. z o.o.	80-701 Gdańsk ul. Ku Ujściu 19	Design and manufacturing of electrolysers	80.00%*	80.00%
"Exion Hydrogen Belgium" BV	Slachthuisstraat 120 Bus 12 2300 Turnhout	Design and manufacturing of electrolysers	80.00%*	80.00%*
"Farma Wiatrowa Kazimierz Biskupi" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Design and construction of wind farms	100.00%*	100.00%*
"PCE – OZE 1" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PCE – OZE 2" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PCE – OZE 3" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PCE – OZE 4" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PCE – OZE 5" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PCE – OZE 6" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%*	100.00%*
"PAK CCGT" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%
"MESE" sp. z o.o.	04-028 Warsaw Al. Stanów Zjednoczonych 61A		90.00%*	90.00%*

(in PLN thousand)

"Park Wiatrowy Pałczyn 1" sp. z o.o.	70-419 Szczecin ul. Pl. Rodła 8	Electricity generation – wind energy	100.00%*	100.00%*
"Park Wiatrowy Pałczyn 2" sp. z o.o.	70-419 Szczecin ul. Pl. Rodła 8	Electricity generation – wind energy	100.00%*	100.00%*
"PAK Pątnów" sp. z o.o.**	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	-
"Orsted Polska OF SPV 1" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 2" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 3" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 4" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 5" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 6" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 7" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 8" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 9" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"Orsted Polska OF SPV 10" sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation - offshore wind energy	50.00%	-
"PAK – PCE FW Okonek" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	100.00%*	-
"PAK – PCE FW Jastrowie" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	100.00%*	-
"Farma Wiatrowa Przyrów" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation – wind energy	100.00%*	-
"Great Wind" sp. z o.o.	02-797 Warsaw ul. Franciszka Klimczaka 1	Electricity generation – wind energy	100.00%*	-
"PAK Kopalnia Węgla Brunatnego Adamów" SA under liquidation	62-700 Turek Warenka 23	Lignite extraction	100.00%	100.00%
"Aquakon" sp. z o.o. under liquidation	62-610 Sompolno Police	Company under liquidation	99.08%*	99.08%*

* *Entities where ZE PAK SA has an indirect share in the capital.*

As of 30 June 2022, share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

Conclusions of a preliminary contract for the sale of PAK – Polska Czysta Energia sp. z o.o. shares

On 20 December 2021, as a result of conducted negotiations, the Company concluded a preliminary contract covering 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, constituting 67% of the share capital of PAK – PCE sp. z o.o. A structure of special purposes vehicles (SPV) has been gradually constructed around PAK – PCE sp. z o.o. They are supposed to be responsible for the overall implementation of the strategy in the RES energy generation sector. Owing to the planned sales of the majority stake in PAK – PCE sp. z o.o., to the Cyfrowy Polsat Group, it is planned to obtain a financially strong partner that will be able to ensure the implementation of a very wide range of prospective investment projects in the field of renewable energy sources, as well as generation and utilization of "green" hydrogen. Due to the planned transaction, in 2022 the Company will become a minority shareholder, i.e., own 33% of the PAK – PCE sp. z o.o. structure. On 30 March 2022, the aforementioned preliminary contract for the sales of shares was supplemented by a concluded appendix, which stipulated a change in the long stop date, until which the parties assumed meeting all contract condition precedents were met and Cyfrowy Polsat SA made an advance payment to the Company against the sale of PAK – PCE sp. z o.o. shares, to the maximum amount constituting the total of the baseline price set out in the share sale contract, i.e., PLN 193.1 MM and the amount constituting the sale price of additional shares in PAK – PCE sp. z o.o., to be created under the contract as part of the additional obligation set out in the contract and then sold to the buyer, i.e., PLN 607.4 MM, which can be corrected as a result of the working capital settlement pursuant to the contract. As part of the concluded transaction, the Company undertook to dispose of the organized part of the enterprise within the Company, which consists, in particular, land properties owned or under perpetual usufruct of the Company, with generating assets, electrical switching stations with transmission infrastructure, workshops, office and other buildings, auxiliary infrastructure, contracts and some employees, required to conduct business activities by the Konin Power Plant (ZCP Konin) for the benefit of PAK – PCE Biopaliwa i Wodór sp. z o.o., which was approved by the Extraordinary General Meeting of ZE PAK SA on 22 April 2022. Pursuant to IFRS 5, assets that satisfy the criteria to be classified as held for sale are measured at the lower of two values - balance sheet value and fair value reduced by sale-related costs. The unit classifies a fixed asset (or a group for disposal) as held for sale, if its balance sheet value is recovered primarily through a sales transaction, and not further utilization. Such a situation is the case when an asset (or group for disposal) is available for immediate sale in the current condition, taking into account only normal and customary sales conditions for such assets (or groups for disposal) and its sale is highly probable. As at the balance sheet date, the Group did not measure assets for sale, since they are unavailable for immediate sale. Pursuant to the concluded Contract, the implemented sale transaction requires changes in the Group that involve separating an organized part of the enterprise and changes in the Group structure that involve transferring disposable company shares to PAK-PCE sp. z.o.o.

3. Parent company's Management Board composition

At the date of signing the report, the Management Board of ZE PAK SA includes:

- Piotr Woźny – President of the Management Board,
- Zygmunt Artwik – Vice President of the Management Board,
- Maciej Nietopiel – Vice President of the Management Board,
- Andrzej Janiszowski – Vice President of the Management Board,
- Katarzyna Sobierajska – Vice President of the Management Board.

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

This interim condensed consolidated financial statement was developed in accordance with the International Accounting Standard No. 34 “Interim Financial Reporting” approved by the EU (“IAS 34”).

The interim condensed consolidated financial statement does not include all information and disclosures required in the annual financial statement and shall be read together with the consolidated financial statement of the Group for the year ended on 31 December 2021, authorised for issue on 28 April 2022.

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

The balance sheet value of the recognised hedged assets and liabilities is adjusted with fair value changes, which may be attributed to the risk against which such assets and liabilities are hedged.

This interim condensed consolidated financial statement is presented in Polish zloty (“PLN”), and all the values, unless indicated otherwise, are expressed in thousands of PLN.

4.1. Going concern assumption

This interim condensed consolidated financial statement was developed with assumed of the Group's activities in the foreseeable future, i.e., at least for the next 12 months after the date of this financial statement.

5. New standards and interpretations, which have been issued, but are not yet effective

In relation to the consolidated financial statement, the Group did not decide to apply the following, published standards, interpretations or amendments to applicable standards, prior to their effective date:

- **IFRS 17 “Insurance contracts” and amendments to IFRS 17**

IFRS 17 “Insurance contracts” was issued by the International Accounting Standards Board on 18 May 2017, whereas amendments to IFRS 17 were published on 25 June 2020. The new amended standard applies to annual periods beginning on 1 January 2023 or after this date.

IFRS 17 “Insurance contracts” will replace the currently applicable IFRS 4, which permits a variety of practices with regard to insurance contract settlement. IFRS 17 will fundamentally change the accounting of all entities dealing with insurance and investment contracts.

- **Amendments to IAS 1 “Presentation of financial statements”**

The Board published amendments to IAS 1, which clarify the issue of presenting liabilities as long- and short-term. The published amendments apply to financial statements for the periods commencing on 1 January 2023 or after this date.

As at the day of this consolidated financial statement, the amendment has not yet been approved by the European Union.

- **Annual improvements to IFRS 2018 - 2020**

The “Annual improvements to IFRS 2018 - 2020” amend the following standards: IFRS 1 “First-time adoption of the International Financial Reporting Standards”, IFRS 9 “Financial instruments”, IAS 41 “Agriculture” and illustrative examples to IFRS 16 “Leases”.

The amendment contains explanations and clarify guidelines of the standards in terms of recognition and measurement.

- **Amendments to IAS 1 “Presentation of financial statements” and guidelines of the IFRS Board on disclosures regarding accounting policies in practice**

The amendment to IAS 1 introduces a requirement to disclose significant information on accounting principles defined within the standard. The amendment clarifies that information on accounting policies is significant if, in the event of its absence, financial statement users would be unable to understand less important information included in such a financial statement. Furthermore, the change in the Board's guidance on applying the concept of materiality in practice has also been revised, to ensure guidelines on the application of the materiality concept to accounting principle disclosures. The amendment shall come into force on 1 January 2023.

- **Amendments to IAS 8 “Accounting policies, changes in accounting estimated and errors”**

In February 2021, the Board published an amendment to IAS 8 “Accounting policies, changes in accounting estimates and errors” with regard to definitions of accounting values. The amendment to IAS 8 explains how units should distinguish between a change in accounting principles and estimates. The amendment shall come into force on 1 January 2023.

- **Amendments to IAS 12 “Income tax”**

The amendments to IAS 12 how to settle deferred tax on such transactions as lease and decommissioning-related liabilities. Prior to amending the standard, there were doubts as to whether an exemption from recognizing deferred tax identified for the first time applied to such transactions, i.e., when both deferred tax assets and liabilities are recognized. The amendments introduced in IAS 12 explain that the exemption does not apply and that units are obliged to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions, which upon their initial recognition give rise to the same taxable and deductible temporary differences.

The amendment applies to financial statements for the periods commencing on 1 January 2023 or after this date. As at the date of this consolidated financial statement, these amendments have not yet been approved by the European Union.

- **Amendments to IFRS 17 “Insurance contracts”**

The amendment concerns transitional requirements related to the first-time application of IFRS 17 “Insurance contracts” and IFRS 9 “Financial instruments”. The amendment introduces an option to improve the usefulness of information for investors regarding the first-time application of the new standard.

The amendment only applies to insurers changing to the new standard and does not affect any other requirements set out in IFRS 17,

As at the date of this consolidated financial statement, these amendments have not yet been approved by the European Union.

- **IFRS 14 "Regulatory deferral accounts"**

This standard permits units that develop a financial statement pursuant to IFRS for the first time (on or after 1 January 2016) to recognize amounts resulting from activities with regulated prices, in accordance with previously applied accounting principles. Pursuant to IFRS 14, and to improve comparability with units that already apply IFRS and do not report such amounts, the amount resulting from activities with regulated prices shall be subject to presentation as part of a separate item, in both the financial position statement and the profit and loss account, as well as the statement of other comprehensive income.

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

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

The amendments solve the issue of the current inconsistency between IFRS 10 and IAS 28. Accounting treatment depends on whether non-pecuniary assets sold or contributed to an affiliate or a joint venture constitute a "business".

In the event of non-pecuniary assets constituting a "business", the investor shall report the full profit or loss on a transaction. However, should the assets fail to meet the definition of a "business", the investor shall recognize the profit or loss on the transaction only to the extent of the portion constituting interests of other investors.

The amendments were published on 11 September 2014. As at the date of this consolidated financial statement, the approval of this amendment has been postponed by the European Union.

At the date of approval of this consolidated financial statement for publication, the Management Board has not yet completed its work on evaluating the impact of introducing the aforementioned standards and interpretations on the Group's accounting principles (policy) in relation to the Group's operations or financial result.

The effective dates are dates arising from the wording of the standards announced by the International Financial Reporting Council. The dates of standard application within the European Union may differ from the dates of application arising from the wording of the standards and shall be announced upon approval for application by the European Union. The Group has not decided on an earlier application of any standard, interpretation or amendment, which has been published but has not yet come into force pursuant to the EU legislation.

6. Essential accounting principles (policy)

Accounting principles (policy) applied for the development of the interim condensed consolidated financial statement are in line with the ones applied for the development of the Group's annual consolidated financial statement for the year commenced on 1 January 2021.

7. Essential values based on professional judgement and estimates

The scope of essential values based on professional judgement and estimates has been presented in the consolidated financial statement for 31 December 2021 and has not changed during the current period.

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

The situation associated with adverse outcomes of the COVID-19 pandemic has been gradually improving over subsequent months. Since 16 May 2022, the state of epidemic in Poland was liberated through transformation into a state of an epidemic threat. Given the previous experience, we do not expect the introduction of drastic restrictions and restraints hampering economic activity. The past two years have proven that the Company is adequately prepared for operation under pandemic conditions. The solutions developed in terms of employee protection, preventing production continuity disruptions and protecting the financial standing enable an assumption that in the event of an unfavourable scenario coming into life, the Group's operations are not burdened with an excessive risk.

7.2. War in Ukraine

On 24 February 2022, Russian troops entered Ukraine, thus triggering an armed conflict between these countries. An armed conflict in the immediate vicinity of Polish borders largely affects the social, economic and political situation, both in Poland and the entire region. Its impact is also significant from the perspective of the geopolitical balance of global forces.

Despite the fact that the Company concentrates its activities on the domestic market and there are no direct links with Russia and Ukraine, the impact of an armed conflict on the Company's operation is perceptible through indirect channels. Due to the fact that both countries play an important role as manufacturers and exporters of a wide range of goods, one of the first outcomes of the conflict was a significantly increased volatility on commodity and financial markets. This particularly applies the energy raw material and agricultural sectors. The inability to forecast all consequences of the armed conflict in eastern Europe also makes investors less eager to take risks,

High volatility of commodity markets (especially the energy and CO_2 allowances markets) means that the Company risks having to replenish open position margins on the futures markets.

In extreme situations, this may lead to issues related to ensuring adequate liquidity. Whereas a lower propensity to take risk in financial markets may lead to a worse measurement of assets and foreign currencies in such markets as Poland, which are in the immediate vicinity of war zones. This, in turn, may mean worse measurement of the Company's assets and increased operating expenses.

The scope of sanctions imposed on such countries as Russia or Belarus is also important from the perspective of Company's activities. This is due to the impact such sanctions have on trade in relation to specific goods, energy raw materials in particular. Russia is one of the largest gas and oil suppliers for Europe. Reduced supply of these raw materials clearly translates to electricity price level in Europe and Poland, primarily due to the cross-border electricity exchange. On the other hand, Belarus is a large supplier of biomass for the energy sector in Poland, and despite the fact that the Company has never imported biomass for its systems from Belarus, the absence of imports from that direction will lead to increased biomass prices on the domestic market, which also affects the prices of biomass supplied for the Group's systems.

It is impossible in the current situation to predict neither the scale of the ongoing armed conflict nor its duration or all of its consequences that can directly or indirectly affect the Company's activities. The Company monitors the development of the situation on an ongoing basis. It also undertakes actions mitigating adverse consequences of the unstable situation. The Company has increased, among others, the availability of various forms of hedging its positions within the futures energy and CO_2 emission allowance markets. It also conducts talks with biomass suppliers in order to work out solutions related to biomass supplies that are satisfactory for both sides. In the current situation, the Company evaluates the impact that the armed conflict has on its activities as moderate. No additional adjustments and provisions on account of the situation in Ukraine were disclosed in this statement.

7.3. Other essential values based on professional judgement and estimates

Valuation of energy certificates

The Group recognises energy certificates of origin (green certificates) on account of energy production from renewable energy, gas, and peak-load co-generation sources according to the fair value at the end of the month, during which they were produced. At the balance sheet date, the Group evaluates certificates of origin to the achievable net value – for green certificates on 30 June 2022 at PLN 173.31 per MWh. Price data is derived from the listings on the Towarowa Giełda Energii SA. A write-down against the certificate value is created in case the sale price possible to achieve, diminished by the disposition costs, is lower than the historical production cost. The write-down amount as at 30 June 2022 is PLN 4 236 thousand. The impairment write-down value reduces the value of inventories on account of certificates of origin and increases sales prime costs. Legal regulations concerning the market of energy renewable sources are a source of uncertainty.

Provisions for liabilities on account of greenhouse gas emissions (EUA)

The Group recognizes provisions for liabilities on account of greenhouse gas emissions. A new settlement period for emission allowances started on 1 January 2021. It will end on 31 December 2030. The assumption of this period is free allocation of emission allowances (EUA) resulting from thermal energy production only pursuant to Art. 10a of Directive 2009/29/EC. Significant fluctuations of CO_2 emission allowance prices and legal regulations associated with EU's climate policy are a source of uncertainty.

Emission within the ZE PAK SA Group during the 6-month period ended on 30 June 2022 amounted to 1 741 466 tons of CO_2.

Loss provision

There was a need to create a provision associated with the contract for the sale of electricity in H2 2022 to one of external recipients ("Provision)". The created Revision arises from the need to incur costs essential to perform the electricity sales contract, which exceed the expected proceeds from its implementation. The contract relates to the sale of electricity generated by a biomass unit while the costs that imposed the need to create the provision are directly associated with the increase in biomass purchase prices.

The aforementioned Revision resulted in a reduced EBITDA and net result of the Group for H1 2022 by approx. PLN 31 MM.

8. Change of estimates

Except for the ones described in the financial statement, there were no significant changes in the estimates and estimation methodologies during the 6-month period ended on 30 June 2022 that would affect the current or future periods.

9. Seasonality of activities

The demand for electricity and heat, among consumers in particular, is subject to seasonal fluctuations. The practice so far has shown that electricity consumption was higher in the winter (mainly due to low temperatures and shorter days) and lower in the summer (due to the holiday period, higher ambient temperatures, and a longer day). A systematic increase in the demand for electricity in the summer has been recorded over the last few years, which is mainly caused by the rising number of operated air conditioners and cooling devices

Regardless of the aforementioned factors, the meteorological conditions are becoming increasingly important for the Group's production volume. In the past, the Group’s activity was not significantly based on demand seasonality, and was continuous (basically) all-year-round, owing to low unit operating costs. Currently, given the increasing share of RES the energy production segment, including, primarily, wind sources and photovoltaics, when estimating the Group's production volume, weather conditions, with particular emphasis on wind in Q1 and Q4, and sun in Q2 and Q3 are gaining importance. However, the risk associated with seasonality and meteorological conditions is not crucial for the Group’s activities.

10. Operating segments

For management purposes, the Group was divided into parts based on products manufactured and services provided.

Therefore, the following operating segments were distinguished:

- The Generation Segment covering production of electricity from both conventional sources (including co-generation) and through biomass combustion and co-combustion. Basic fuels used by the Generation Segment are lignite and biomass. The Generation Segment covers following entities:
  - ZE PAK SA
  - PAK – Polska Czysta Energia sp. z o.o.
  - PAK – PCE Fotowoltaika sp. z o.o.
  - PAK – PCE Biogaz sp. z o.o.
  - PAK – PCE Biopaliwa i Wodór sp. z o.o.
  - PAK – PCE Wiatr sp. z o.o.
  - 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.
  - PAK CCGT sp. z o.o.
  - Park Wiatrowy Pałczyn 1 sp. z o.o.
  - Park Wiatrowy Pałczyn 2 sp. z o.o.
  - Farma Wiatrowa Kazimierz Biskupi sp. z o.o.
  - Farma Wiatrowa Przyrów sp. z o.o.
  - Great Wind sp. z o.o.

(in PLN thousand)

- The Extraction Segment, which covers lignite mining. The following entities operate under the Extraction Segment within the ZE PAK SA Capital Group:
    - “PAK Kopalnia Węgla Brunatnego Konin” SA
    - “PAK Kopalnia Węgla Brunatnego Adamów” SA under liquidation
- The Renovation Segment, which provides construction and repair services. This Segment covers activities of the “Przedsiębiorstwo Remontowe PAK SERWIS Sp. z o.o.” company.
- The Sales Segment provides electricity sales services. The “PAK-Volt SA” company belongs to the Sales Segment.

The ZE PAK SA Group also conducts other types of activities, which have been included in the “Other” column. It contains the activities of other companies throughout H1 2022.

Transaction prices used in transactions between operating segments are determined on a commercial basis, similarly to transactions with non-related parties. None of the Group’s operating segments has been merged with another segment, in order to create the aforementioned operating segments for reporting purposes.

Revenues from transactions between segments are eliminated in the consolidation process.

The body making key decisions within the Group is the Management Board of ZE PAK SA. The Management Board separately monitors the segments’ operating activity results in order to decide on allocation of resources, evaluation of allocation's outcomes, and activity results. The basis to assess operating results is the profit or loss from operating activities and EBITDA. EBITDA shall be viewed as a supplement and not replacement for the operating results reported pursuant to IFRS. EBITDA is a useful indicator of the ability to incur and service debt. The EBITDA level is not defined by the IFRS and can be calculated differently by other entities. The reconciliation and definitions applied by the ZE PAK SA Group for determining these measures are presented below.

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

Total EBITDA for the entire ZE PAK SA Capital Group:

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Net profit/(Loss)	152 579	19 989
Financial revenues	- 30 387	- 1 117
Financial costs	+ 25 291	+ 6 274
Income tax	+ 28 603	- 9 546
Depreciation and impairment write-downs	+ 22 639	+ 67 576
EBITDA	198 725	83 176

The tables below show results for segments for the 6-month periods ended on 30 June 2022 and 30 June 2021.

(in PLN thousand)

6-month period ended on 30 June 2022 (not audited)

	Generation	**Extraction**	**Renovation**	**Sales**	**Other**	**Consolidation adjustments**	**Total**
Revenues from sales to external clients	1 341 961	1 277	23 500	584 788	4 837	-	1 956 363
Revenues from inter-segment sales	79 687	268 864	60 022	288	66 266	(475 127)	-
Sales revenues	**1 421 648**	**270 141**	**83 522**	**585 076**	**71 103**	**(475 127)**	**1 956 363**
Prime cost	(1 286 767)	(226 978)	(73 474)	(568 395)	(63 205)	472 945	(1 745 874)
Gross profit/(loss) from sales	**134 881**	**43 163**	**10 048**	**16 681**	**7 898**	**(2 182)**	**210 489**
Other operating revenues	18 249	20 521	64	197	4 238	(2 552)	40 717
Selling costs	(908)	-	-	(3 634)	(1 650)	-	(6 192)
Overheads	(29 416)	(18 985)	(5 247)	(1 889)	(6 000)	-	(61 537)
Other operating costs	(5 379)	(876)	(132)	(181)	(738)	(85)	(7 391)
Financial revenues	33 892	2 298	340	191	155	(6 489)	30 387
Financial costs	(19 381)	(8 738)	(212)	(2 402)	(1 047)	6 489	(25 291)
Gross profit/(loss)	**131 938**	**37 383**	**4 861**	**8 963**	**2 856**	**(4 819)**	**181 182**
Income tax (tax load)	(26 858)	(5)	(1 277)	(293)	(1 070)	900	(28 603)
Net profit/(loss) from continuing operations	**105 080**	**37 378**	**3 584**	**8 670**	**1 786**	**(3 919)**	**152 579**
Profit/(loss) from operating activities, excl. financial operations and income tax	**117 427**	**43 823**	**4 733**	**11 174**	**3 748**	**(4 819)**	**176 086**
Depreciation and amortization	16 960	2 416	1 279	6	2 091	(113)	22 639
Impairment write-down	-	-	-	-	-	-	-
EBITDA	**134 387**	**46 239**	**6 012**	**11 180**	**5 839**	**(4 932)**	**198 725**

(in PLN thousand)

6-month period ended on 30 June 2021 (not audited)

	Generation	**Extraction**	**Renovation**	**Sales**	**Other**	**Consolidation adjustments**	**Total**
Revenues from sales to external clients	836 820	7 252	25 251	113 591	2 804	-	985 718
Revenues from inter-segment sales	61 314	201 763	76 102	-	69 955	(409 134)	-
Sales revenues	**898 134**	**209 015**	**101 353**	**113 591**	**72 759**	**(409 134)**	**985 718**
Prime cost	(838 525)	(228 566)	(87 247)	(109 359)	(70 816)	403 460	(931 053)
Gross profit/(loss) from sales	**59 609**	**(19 551)**	**14 106**	**4 232**	**1 943**	**(5 674)**	**54 665**
Other operating revenues	17 467	9 829	416	1 709	165	(1 146)	28 440
Selling costs	(1 028)	-	-	(1 304)	(181)	-	(2 513)
Overheads	(21 920)	(21 759)	(4 848)	(1 468)	(3 496)	-	(53 491)
Other operating costs	(9 745)	(1 560)	(88)	(99)	(93)	84	(11 501)
Financial revenues	1 533	-	-	-	-	(416)	1 117
Financial costs	(9 685)	(3 671)	(287)	(158)	(114)	7 641	(6 274)
Gross profit/(loss)	**36 231**	**(36 712)**	**9 299**	**2 912**	**(1 776)**	**489**	**10 443**
Income tax (tax load)	14 244	(2 979)	(1 882)	(1 207)	73	1 297	9 546
Net profit/(loss) from continuing operations	**50 475**	**(39 691)**	**7 417**	**1 705**	**(1 703)**	**1 786**	**19 989**
Profit/(loss) from operating activities, excl. financial operations and income tax	**44 383**	**(33 041)**	**9 586**	**3 070**	**(1 662)**	**(6 736)**	**15 600**
Depreciation and amortization	56 774	6 999	1 324	5	1 993	481	67 576
Impairment write-down	-	-	-	-	-	-	-
EBITDA	**101 157**	**(26 042)**	**10 910**	**3 075**	**331**	**(6 255)**	**83 176**

(in PLN thousand)

11. Revenues and costs

11.1. Sales revenues

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Material structure				
Revenues from the sale of goods and services, including:				
Revenues from the sale of own-production electricity	899 538	416 672	523 322	301 634
Revenues from sales of electric energy from trade	795 309	412 846	191 501	82 144
Revenues from the sale of thermal energy	29 926	11 463	28 672	10 632
Capacity market revenues	84 071	40 479	91 803	48 973
Other sales revenues	50 246	22 978	22 788	11 117
Revenues from contracts for construction services	16 419	11 922	19 187	14 938
Total revenues from the sale of goods and services	**1 875 509**	**916 360**	**877 273**	**469 438**
Excise duty	(2 173)	(1 059)	(657)	(151)
Total revenues from the sale of goods and services, including excise duty tax	**1 873 336**	**915 301**	**876 616**	**469 287**
Property rights on energy certificates of origin	30 140	9 704	31 490	17 592
Compensation for termination of long-term contracts	52 887	35 072	77 612	36 425
Total sales revenues	1 956 363	960 077	985 718	523 304

Revenues from the capacity market are revenues from the readiness to supply electricity to the grid or for specified-capacity supplies.

The main components of the "Other sales revenues" item in H1 2022 are the sales of materials and other goods in the amount of PLN 10 209 thousand, and workshop and service work in the amount of PLN 5 358 thousand.

11.2. Other operating revenues

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Revenues from the sale of CO_2 allowances	-	-	6 186	6 186
Compensation revenues	116	98	367	79
Utilization of a forward contract hedging the purchase of CO_2 emission allowances	-	-	5 515	1 629
Redemption of a receivable impairment write-down	484	458	316	(256)
Subsidy settlement	23	11	923	911
Profit from sales of non-financial fixed assets	17 114	10 021	9 555	8 646
Termination of the cost and loss provision, and liability redemption	255	(2)	1 816	1 816
Revenues from scrap sales and demolition	18 230	6 290	3 762	1 966
Sales of other materials	4 306	1 598		
Other	189	-	-	(366)

(in PLN thousand)

Other total operating revenues	40 717	18 474	28 440	20 611

11.3. Other operating costs

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Loss on sale of tangible fixed assets	500	494	9	4
Provision creation	275	137	976	884
Receivables impairment write-down	497	486	9 028	9 028
Penalties and compensation	50	50	451	440
Donations	1 100	57	57	23
Costs of shortages and damages	804	182	-	-
Costs of fixed asset liquidation	-	(3 678)	-	-
Other	4 165	1 208	980	425
Total other operating expenses	7 391	(1 064)	11 501	10 804

11.4. Financial revenues

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Revenues from interest	4 794	1 314	21	-
Positive foreign exchange differences	2 161	1 255	1 095	(538)
Measurement of exchange rate (forward) and interest rate (IRS) hedging instruments	20 314	9 269	-	-
Other	3 118	1 816	1	1
Total financial revenues	30 387	13 654	1 117	(537)

11.5. Financial costs

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Interest	18 093	12 770	2 908	1 222
Negative foreign exchange differences	35	(34)	204	179
Power unit decommissioning provision discount	130	65	152	76
Land reclamation provision discount	4 730	2 365	2 596	1 036
Other	2 303	1 797	414	195
Total financial costs	25 291	16 963	6 274	2 708

The main component of the “Other” item is the measurement of credit with an amortized costs of PLN 1 596 thousand.

(in PLN thousand)

11.6. Costs by type

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Depreciation and amortization	22 639	11 870	67 576	33 762
Impairment write-downs against inventory	5 554	2 352	-	(30)
Consumption of materials	199 575	106 103	163 487	81 710
Outsourcing	52 834	31 747	41 151	25 027
Taxes and fees excluding excise tax	65 157	32 509	73 750	35 136
CO_2 emission costs	495 243	251 850	230 260	135 103
Employee benefits	195 931	102 755	188 552	96 795
Other costs by type	45 047	35 272	17 970	12 908
Value of sold goods and materials and of sold energy purchased in trade	762 518	370 861	220 683	97 554
Total costs by type	1 844 498	945 319	1 003 429	517 965
Items recognized in prime cost of sales	1 745 874	887 276	931 053	482 406
Items recognized in selling costs	6 192	2 778	2 513	807
Items recognized in overheads	61 537	31 705	53 491	26 222
Change in product stock	30 816	23 427	16 157	8 320
Costs of generating house-load services	79	133	215	210

12. Income tax

12.1. Tax load

The tax load main components for the 6-month period ended on 30 June 2022 and 30 June 2021 are as follows:

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Recognized in profit or loss				
Current income tax				
Current income tax liabilities	1 498	(489)	2 975	1 415
Deferred income tax				
Associated with the creation and reversal of temporary differences	27 098	5 939	(12 530)	(8 981)
Other changes	7	-	9	1
Tax load in consolidated profit or loss	**28 603**	**5 450**	**(9 546)**	**(7 565)**

(in PLN thousand)

Included in the consolidated statement of comprehensive income				
Tax on actuarial profit/loss	11	(30)	(13)	(10)
Tax benefit/(tax load) recognized in other comprehensive income	**11**	**(30)**	**(13)**	**(10)**

12.2. Deferred income tax

Deferred income tax results from the following positions:

	30 June 2022 (not audited)	*31 December 2021*
Deferred tax assets		
Balance sheet provisions	8 752	10 238
Interest and foreign exchange differences	817	938
Valuation of uncompleted construction service contracts	1 408	1 934
Tax loss from previous years	25 686	41 410
Inventories value impairment write-down	237	3 263
Liability value impairment write-down	2 262	2 347
Fixed asset impairment write-down	3 026	-
Settlements with employees	861	573
Other	3 169	3 252
Total	46 218	63 955
Deferred tax provisions		
Difference between the balance sheet and tax value of fixed assets	62 425	60 183
Receivable on account of LTC	20 614	14 861
Energy certificates	4 534	6 322
Interest and foreign exchange differences	14	967
Valuation of uncompleted construction service contracts	1 237	1 544
Other	8 603	4 111
Total	97 427	87 988
After consolidating *balances at Capital Group company level, deferred tax is presented as*:		
Assets:	**7 990**	**8 769**
Provision:	**59 199**	**32 802**

13. Earnings per share

Basic profit per a single share is calculated through dividing the net profit for the period per ordinary shareholders of the parent company by the weighted average number of issued ordinary shares occurring throughout the entire period,

Diluted earnings per share is calculated through dividing the net earnings per period attributable to ordinary shareholders by the weighted average number of ordinary shares issued within the period, adjusted by the weighted average of ordinary shares that would be issued when converting all dilutive potential equity instruments into ordinary shares.

The data regarding earnings and shares used to calculate the basic and diluted earnings per share is shown below:

(in PLN thousand)

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Net profit/(loss) from continuing operations attributable to parent company shareholders	152 579	49 097	19 989	27 996
Profit from discontinued operations attributable to parent company shareholders	-	-	-	-
Net profit/(loss) attributable to parent company shareholders, applied to calculate diluted earnings per share	152 579	49 097	19 989	27 996
Weighted average number of ordinary shares, applied to calculate the basic and diluted earnings per share (in units)	50 823 547	50 823 547	50 823 547	50 823 547

The table below shows profit/(loss) per share in PLN, for the 6-month period ended on 30 June 2022 and 30 June 2021, presented in the income statement.

	6-month period ended on 30 June 2022 (not audited)	*3-month period ended on 30 June 2022 (not audited)*	*6-month period ended on 30 June 2021 (not audited)*	*3-month period ended on 30 June 2021 (not audited)*
Basic on profit/(loss) for the financial year, attributable to parent company shareholders	3,00	0,97	0,39	0,55
Diluted on profit/(loss) for the financial year, attributable to parent company shareholders	3,00	0,97	0,39	0,55

In the period between the balance sheet date and the date of this financial statement, there were no other changes in the amount of ordinary shares or potential ordinary shares.

(in PLN thousand)

14. Tangible fixed assets

6-month period ended on 30 June 2022 (not audited)

	*Lands, including perpetual usufruct rights**	*Buildings and structures*	*Technical equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets in construction*	*Total*
Gross value as at 1 January 2022	247 822	2 079 896	5 027 263	54 855	34 901	314 069	7 758 806
Direct purchase	560	164	1 248	688	651	141 794	145 105
Renovations	-	-	(144)	-	-	-	(144)
Transfer from fixed assets under construction	5 548	22 162	200 400	-	1 055	(229 165)	-
Sales and liquidation	(1 046)	(33 352)	(181 906)	(11 956)	(1 150)	-	(229 410)
Reclassification	8	(8)	-	-	-	1 637	1 637
Other changes	-	-	-	-	-	(21 470)	(21 470)
Gross value as at 30 June 2022	252 892	2 068 862	5 046 861	43 587	35 457	206 865	7 654 524
Redemption and impairment write-downs as at 1 January 2022	53 041	1 882 107	4 474 644	51 483	24 933	90 340	6 576 548
Impairment write-down for the period	2 271	4 075	13 102	714	707	(122)	20 747
Impairment write-down (status change)	-	4 179	1 354	-	-	(5 533)	-
Sales and liquidation	(900)	(33 352)	(179 013)	(9 496)	(1 145)	-	(223 906)
Other changes	-	-	-	-	-	(21 470)	(21 470)
Redemption and impairment write-downs as at 30 June 2022	54 412	1 857 009	4 310 087	42 701	24 495	63 215	6 351 919
Net value as at 1 January 2022	194 781	197 789	552 619	3 372	9 968	223 729	1 182 258
Net value as at 30 June 2022	198 480	211 853	736 774	886	10 962	143 650	1 302 605

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

(in PLN thousand)

6-month period ended on 30 June 2021 (not audited)

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

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

14.1. Value impairment test involving the assets of the ZE PAK SA Capital Group

Identification of cash-generating units (CGUs)

According to IAS 36: "A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If there is any indication that an asset may be impaired, 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 cash-generating unit to which the asset belongs (the asset's cash-generating unit)."

When distinguishing CGUs within the Group's company's, the independent generation of cash flows in terms of the functioning of individual companies was analysed and additional premises, used to updated financial projections were taken into account.

On 30 December 2020, ZE PAK SA merged with Elektrownia Pątnów II sp. z o.o. in a manner pursuant to Art. 492(1) cl. 1 of CCC, i.e., the entire assets of Elektrownia Pątnów II sp. z o.o. (acquired company) were transferred to ZE PAK SA. The following CGU was separated within ZE PAK SA:

- "CGU Pątnów Power Plant" for lignite-based energy (covering units No. 1, 2, 5 and 9);
- "CGU Konin Power Plant" for biomass-based green energy.

As at 30 June 2022, the PAK KWB Konin SA lignite mine is operating within the Jóźwin, Tomisławice and Drzewce open pits.

Regarding PAK KWB Adamów SA – on 14 September 2020, the General Meeting of the Company adopted a resolution on the dissolution and liquidation of PAK KWB Adamów. In the light of the above, no test for this company were conducted. A significant part of this company's assets has been so written-off, and the fixed assets reported in the consolidated financial statement mainly includes land, measured at fair value.

In relation to these companies, as cash-generating units, there were no identified groups of assets generating independent cash inflows, since the revenues generated by individual asset groups are, for some reason, very closely connected with each other. As a result, a mine is expected to provide power plants with a certain amount of coal; it is irrelevant, from which open pit it originates from. As a result, coal is supplied to power plants from several open pits interchangeably. Also, the organisational structure and registration systems are subordinated to such an established production target. An additional factor that determines CGU separation was the update strategy of the ZE PAK SA Group, which assumed accelerating the decommissioning of coal-related activities on one hand, and developing RES-related operations on the other.

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

- fixed assets (generating) of ZE PAK SA – Pątnów Power Plant ("CGU Pątnów Power Plant" – black energy) – units No. 1, 2, 5 (so-called Pątnów I Power Plant) and unit No. 9 (formerly the so-called Pątnów II Power Plant) recognized as a single CGU due to process and commercial links;
- fixed assets (generating) of ZE PAK SA – Konin Power Plant ("CGU Konin Power Plant" – green biomass energy);
- fixed assets (extraction) and mining assets of PAK KWB Konin SA related to Jóźwin, Tomisławice and Drzewce open pits ("CGU PAK KWB Konin").

Moreover, the remaining CGUs were separated within the following segments: Renovations, Sales, and Others.

Analysis of the premises to conduct value impairment tests as at 30 June 2022

Pursuant to IAS 36, at the end of every reporting period, the Management Board evaluates whether there are any premises indicating that fixed assets may have been impaired. In case of identifying such premises, the Group estimates a recoverable value of such assets. Therefore, in each case the Group analyses the premises that might affect an asset value impairment, and determines cash-generating units within the Group's companies.

The Management Board took into account the following premises:

- periodic maintenance of Parent Company's stock market capitalization in 2021 and H1 2022 below the net asset carrying amount;

- European Commission's adoption and publishing in July 2021 of the “Fit for 55” package, which assumes, among others, greenhouse gas reduction in the European Union by 55% by 2030 (previously 40%);
- dynamic changes in the prices of electricity, CO_2 emission allowance and market interest rates;
- adoption by the Council of Ministers on 29 March 2022 of the assumptions to the updated “Polish Energy Policy until 2040” (PEP 2040), including in terms of accelerating RES development in all sectors;
- verification of strategic assumptions and shortening the operation of unit 9 at Pątnów Power Plant until 2024.

Individual CGUs were analysed:

- CGUs associated with generating the so-called black electricity, i.e., “CGU Pątnów Power Plant) – baseline operation scenarios assume operation of all Pątnów Power Plant units until the end of 2024. The previous scenario assumed the operation of coal-fired units No. 1, 2 and 5 at the Pątnów Power Plant until 2024, and the 474 MW unit (formerly Pątnów II Power Plant) was supposed to operate longer than until 2030. The Group has adopted a baseline operating scenario for its coal-fired units until 2024, which is the deadline until which these assets are eligible for support in the form of the capacity market mechanism. The Company perceives the current market situation in terms of the relationship between the prices of energy and CO_2 emission allowances as highly volatile and risky. The coal extraction and generation activity after 2024 will have to entail undertaking a number of investments, including ones enabling further operation of the Tomisławice open pit and adapting the 474 MW unit to environmental requirements. The Company sees opportunities in incurring such investment outlays and extending the operation of such coal-related assets after 2024, however, closely associates taking such actions on introducing a support mechanism after 2024 that would mitigate the risk of operating the Group’s generation assets planned for decommissioning. Due to the fact that the Group's coal-fired units cannot currently participate in such a mechanism after 2024, the Company, guided by the principle of reasonable expectations, shortened the operating period of coal related extraction and generation assets. Simultaneously, the Company does not rule out changing the expected operating period of coal assets if a satisfactory support mechanism is established after 2024. Based on the conducted tests as at 31 December 2021 and taking into account the aforementioned factors, it was concluded that there was a need for a write-off in the “CGU Pątnów Power Plant” segment in the amount of PLN 654 661.9, i.e., up to the land value. Therefore, the Group waived testing these assets as at 30 June 2022, deciding that the adopted test assumptions for 31 December 2021 remain valid.
- CGUs associated with coal extraction – mining assets have been already written-off up to the land fair value, therefore, the Group does not recognize a need to test these assets;
- CGUs associated with green electricity generation, i.e., “CGU Konin Power Plant” – renewable biomass energy. Generating energy from a renewable source is in line with EU’s climate policy that is aimed at a radical reconstruction of the economy towards a growing utilization of renewable energy sources. Furthermore, there is an evident growing demand for generation from biomass units for qualification reasons – as a RES that stabilizes the production of non-controllable wind and PV farm modules. Furthermore, it should be emphasized that the sale value of Konin Power Plant in the form of OPE to Cyfrowy Polsat significantly exceeds the asset book value. Therefore, the Group decided to waive testing these assets.

15. Right-of-use assets and lease liabilities

As of 1 January 2019, the Group been applying IFRS 16 “Leases” for the first time. According to this standard, the groups balance sheet recognizes right-of-use assets and lease liabilities.

The Group as a lessee

The Group is a party to lease agreements in terms of underlying assets, such as:

- land, including perpetual usufruct rights,
- motor vehicles,
- machines.

Lease agreements are concluded for a period of 4 to 14 years and indefinitely, and the perpetual usufruct rights have been granted for a period of 40 to 100 years. Lease fees are indexed pursuant to the act on land management.

The lease period for motor vehicles is 2 to 5 years.
The lease period for machinery is 2 to 5 years. The agreement is based on the underlying asset after the lease period ends.

(in PLN thousand)

All lease agreements are concluded in PLN.

Lease liability maturity analysis:

	30 June 2022 (not audited)	*31 December 2021*
Up to 1 year	6 315	6 315
1 - 3 years	13 788	14 208
3 - 5 years	7 941	8 364
Over 5 years	122 381	124 039
Total, acc. to non-discounted payments	150 425	152 926
Book value	44 278	47 830

Amounts recognized in the cash flow statement

	6-month period ended on 30 June 2022 (not audited)	*Year ended 31 December 2021*
Total cash outflow	6 062	6 330

Right-of-use

Right-of-use assets include assets utilized pursuant to land lease agreements, perpetual usufruct right to land and financial lease at PAK KWB Konin SA, PAK KWB Adamów SA under liquidation and ZE PAK SA.

	6-month period ended on 30 June 2022 (not audited)	*Year concluded on 31 December 2021*
Gross value as at 1 January	67 296	67 296
Redemption on 1 January	(21 440)	(18 086)
Net value as at 1 January	45 856	49 210
Depreciation for the period	(1 323)	(3 354)
As at the end of the period	44 533	45 856

Additional qualitative and quantitative information in terms of lease-related activities

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

- variable lease fees,
- lease extension and lease termination option,
- guaranteed residual value, and
- non-commenced leases, to which the lessee is obliged.

Variable lease fees

Current lease agreements do not contain variable lease fees

Extension option

Until the date of publishing this statement, the Group did not conclude any lease agreements that contain extension options.

(in PLN thousand)

16. Intangible assets

Long-term intangible assets – period of 6 months concluded on 30 June 2022 (not audited)

	Patents and licenses	*Computer software*	*Other intangibles*	*Total*
Gross value as at 1 January 2022	22 294	2 134	599	25 027
Reductions	-	(13)	-	(13)
Increases	179	-	3 256	3 435
Gross value as at 30 June 2022	22 473	2 121	3 855	28 449
Redemption and impairment write-downs as at 1 January 2022	20 144	2 134	366	22 644
Impairment write-down for the period	569	-	-	569
Impairment write-down	-	-	-	-
Reductions	-	(13)	-	(13)
Redemption and impairment write-downs as at 30 June 2022	20 713	2 121	366	23 200
Net value as at 1 January 2022	2 150	-	243	2 382
Net value as at 30 June 2022	1 760	-	3 489	5 249

(in PLN thousand)

Long-term intangible assets – period of 6 months concluded on 30 June 2021 (not audited)

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

(in PLN thousand)

Emission allowances

	30 June 2022 (not audited)	*30 June 2021 (not audited)*
	Certified emission reduction units (EUA)	*Certified emission reduction units (EUA)*
Gross value as at 1 January	-	3 565
Purchase	1 340 053	648 054
Sales	(71 328)	(8 989)
Transferred as collateral to IRGIT	(12 582)	-
EUA redemption	(1 256 143)	(642 615)
Net value as at 1 January	-	3 565
Net value as at 30 June	-	15

17. Assets concerning overburden stripping and other mining assets

	30 June 2022 (not audited)	*31 December 2021*
Balance as at 1 January	-	52 291
Impairment write-down	-	(43 769)
Depreciation for the period	-	(8 522)
As at the end of the period	-	-

Due to the change of the ZE PAK SA Group's strategy in 2021, the goodwill of the assets regarding the stripping and other mining assets was fully written-off.

18. Other assets

18.1. Other financial assets and goodwill

	30 June 2022 (not audited)	*31 December 2021*
Deposits	3 780	1
MPDF* deposits and investments	4 510	3 983
Shares	4 216	345
Goodwill arising from a preliminary acquisition settlement, including:	75 243	14 107
Farma Wiatrowa Kazimierz Biskupi sp. z o.o.	*14 107*	*14 107*
Farma Wiatrowa Przyrów sp. z o.o.	*15 541*	-
Great Wind sp. z o.o.	*45 595*	-
Other	6 138	4 337
Other total financial assets and goodwill	93 887	22 772
Short-term	4 647	150
Long-term	89 240	22 622
Including goodwill from acquisition initial settlement	*75 243*	-

**MPDF – mining plant decommissioning fund*

Establishing a mining plant decommissioning fund results from the Geological and Mining Law act.

(in PLN thousand)

The acquisition of the Kazimierz Biskupi Wind Farm in 2021 at PLN 14 107 thousand was recognized as goodwill.

On 3 March 2022, PAK-Polska Czysta Energia sp. z o.o. acquired 100% of shares in Farma Wiatrowa Przyrów sp. z o.o., and on 10 June 2022, 100% shares in Great Wind sp. z o.o. On 8 March 2022, ZE PAK SA acquired shares in 5 companies - 50% shares in each (companies named Ørsted Polska OF SPV 1 sp. z o.o., Ørsted Polska OF SPV 2 sp. z o.o., Ørsted Polska OF SPV 3 sp. z o.o., Ørsted Polska OF SPV 4 sp. z o.o. and Ørsted Polska OF SPV 5 sp. z o.o.). On 13 April 2022, the Company and Ørsted Wind Power A/S (ORS) concluded an additional sales agreement regarding shares in another 5 project companies, resulting in the Company acquiring from ORS 50% of the shares in the share capital of the following companies: Ørsted Polska OF SPV 6 sp. z o.o., Ørsted Polska OF SPV 7 sp. z o.o., Ørsted Polska OF SPV 8 sp. z o.o., Mawzorino Investments sp. z o.o. (company name changed to Ørsted Polska OF SPV 9 sp. z o.o.) and Ørsted Polska OF SPV 10 sp. z o.o. Shares in Ørsted Polska OF SPV 1 – 10 are measured with the equity method and recognized in the shares item of other financial assets.

	Farma Wiatrowa Przyrów sp. z o.o.	*Great Wind sp. z o.o.*	*Ørsted Polska OF SPV 1 – 10*	*Total*
	100%	*100%*	*50%*	
Net cash acquired with the subsidiary	28	-	-	28
Cash paid	16 210	45 868	3 870	65 948
Net cash outflow	16 182	45 868	3 870	65 920

Since the acquisition date, Farma Wiatrowa Przyrów sp. z o.o. generated a PLN 16 thousand loss, and Great Wind sp. z o.o. generated a PLN 2 thousand loss. The losses were disclosed in the comprehensive income statement for the reporting period (data prior to consolidation exclusions). The acquired companies did not generate any revenue for the period from the acquisition date to the end of the reporting period.

For practical reasons, the acquisition of the aforementioned companies is a preliminary settlement and will be subject to verification within 12 months from the acquisition date.

18.2. Other non-financial assets

	30 June 2022 (not audited)	*31 December 2021*
VAT receivables	90 827	39 992
Insurance	109	46
Other budget receivables	144	3
Other prepayments and accruals	5 279	2 000
Research and development work	8 929	5 485
Advance payments for supplies	3 003	1 105
Advance payments for capital work in progress	15 601	8 944
Other	2 971	2 552
Other total non-financial assets	126 863	60 127
short-term	110 230	50 129
long-term	16 633	9 998

The largest components in the "Other prepayments and accruals" items are settlement associated with the CSBF (Company Social Benefit Fund) in the amount of

PLN 3 172 thousand, and the costs of announcements, measurements, tenders in the amount of PLN 993 thousand.

(in PLN thousand)

19. Inventory

	30 June 2022 (not audited)	*31 December 2021*
Production fuel	15 504	9 410
Spare parts and other materials	33 558	26 262
Energy certificates of origin	38 664	38 569
Total inventories according to the lower of two values: purchase price (production cost) and obtainable net value	87 726	74 241

Energy certificates of origin associated to energy production from renewable energy sources are reported according to fair value at the end of the month, in which the renewable sources energy was produced.

As at 30 June 2022, the Group held 53 686.796 MWh of green certificates associated with generated green energy verified by ERO. From 1 January 2022 until 30 June 2022, the Group received 182 869.054 MWh of certificates for the generation in October, November and December 2021, and January, February and March 2022. An application for issuing certificates of origin for generation of 22 343.604 MWh in April 2022 was submitted during this period. Certificates of origin were obtained on an ongoing basis. 146 052.826 MWh were sold in this period at the TGE SA, resulting in a revenue of PLN 33 411 thousand.

Spare parts constitute inventories for the purposes of ongoing repairs and servicing.

20. Trade and other receivables

	30 June 2022 (not audited)	*31 December 2021*
Trade receivables	176 124	222 477
Compensation receivables in connection with LTC termination	108 562	78 748
Receivables related to hedging energy purchases on the balancing market	5 308	2 558
Other receivables	619 600	1 091 001
Net receivables	909 594	1 394 784
Receivables impairment write-down	24 912	25 327
Gross receivables	934 506	1 420 111

The *other receivables* row as at 30 June 2022 the Group primarily reports receivables related to margins for transactions on the Polish Power Exchange (TGE) and purchasing CO_2 emission allowance units (EUAs) in the amount of PLN 458 350 thousand.

The Group analyses and mitigates the credit risk associated with cash through ongoing monitoring of financial institution ratings and mitigates the risk of concentrated surplus cash in a single financial institution, through its internal risk management rules. The entire receivable impairment write-down concerns individual receivables.

The Group has an appropriate policy in terms of selling only to verified clients. The top management believes that this removes additional credit risk above the risk determined by the bad debt impairment write-down, relevant to the Group's trade receivables.

21. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash in bank and in hand as well as short-term deposits with the original maturity date that does not exceed three months.

Cash at bank bear interest at volatile rates, which depend on the interest rate on one-day bank deposits. Short-term deposits are submitted for various periods; from one day to three months, depending on the current Group's demand for cash and bear fixed interest rates. The fair value of cash and cash equivalents as at 30 June 2022 amounts to PLN 927 391 thousand (as at 30 June 2021: PLN 84 997 thousand).

(in PLN thousand)

The "Proceeds on disposal of shares" in the amount of PLN 478 730 thousand, which is a component of the cash flow from financing activities contains funds on account of purchasing shares in PAK-PCE Biopaliwa i Wodór sp. z o.o. paid by Cyfrowy Polsat SA.

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

Cash structure

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Cash at bank and in hand	927 391	84 902
Short-term deposits	-	95
Total balance of cash and cash equivalents reported in the balance sheet:	927 391	84 997
Foreign exchange differences	(130)	(3)
Total balance of cash and cash equivalents reported in the cash flow statement:	927 261	84 994

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
<u>Depreciation and amortization:</u>		
Depreciation and amortization demonstrated in the income statement	22 639	67 576
Subsidy settlement	-	(923)
Depreciation and amortization demonstrated in the cash flow statement	22 639	66 653

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
<u>Receivables:</u>		
Balance sheet change in trade and other receivables	485 190	(187 610)
Balance sheet change in other long-term and short-term non-financial liabilities	(66 736)	(21 594)
Balance sheet date in receivables due from customers under long-term contracts	(138)	(1 207)
Change in advance payments for fixed assets in construction	6 658	25 036
Other changes	(10)	1 923
Change in the receivables demonstrated in the cash flow statement	424 964	(183 452)

(in PLN thousand)

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Liabilities:		
Balance sheet change in trade liabilities and other long- and short-term financial liabilities	(93 310)	141 966
Balance sheet change in other non-financial liabilities	(150 686)	(1 368)
Balance sheet date in receivables due to ordering parties under long-term contracts	(1 162)	(859)
Change in liabilities due to investment account settlements	(14 461)	22 504
Redemption of debt securities	-	-
New lease agreements and repayment of lease liabilities	-	584
Other changes	(10 508)	-
Change in the liabilities demonstrated in the cash flow statement	(270 127)	162 827

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Change in provisions, prepayments/accruals and employee benefits		
Change in provisions and prepayments/accruals	(722 785)	(421 120)
Change in long- and short-term employee benefits	(305)	482
Change in provision for CER unit redemption	1 256 143	642 615
Change in provision and other items recognized as other comprehensive income	(60)	(27)
Other changes	-	651
Change in provisions, prepayments/accruals and employee benefits	532 993	222 601

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Inventory		
The balance sheet change in inventory	(13 485)	627
Change in inventory demonstrated in the cash flow statement	(13 485)	627

22. Dividends paid and proposed for payment

ZE PAK SA did not pay or declare any dividend in the 6-month period in 2022.

(in PLN thousand)

23. Interest-bearing bank credits and loans

Long-term	*Due date*	*30 June 2022 (not audited)*	*31 December 2021*
Investment loan at Pekao SA in the amount of PLN 160 000 thousand, interest rate at WIBOR 3M + bank margin (ZE PAK SA)	31/12/2030	123 850	107 030
Term investment loan from the consortium of PKO BP, Pekao SA and mBank SA banks in the amount of PLN 138 000 thousand, interest rate at WIBOR 1 M + bank margin (PAK – PCE Fotowoltaika sp. z o.o.)	31/12/2035	119 264	124 173
Loan from Cyfrowy Polsat SA up to PLN 60 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M or EURIBOR 3M + bank margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	61 053	10 932
Loan from Cyfrowy Polsat SA up to EUR 15 000 thousand or its equivalent in PLN, interest rate at WIBOR 1Y or EURIBOR 1Y + margin (Exion Hydrogen Polskie Elektrolizery sp. z o.o.)	31/12/2026	14 143	7 053
Loan from Cyfrowy Polsat SA up to PLN 69 600 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	5 117	-
Loan from Cyfrowy Polsat SA up to PLN 34 000 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	7 106	-
Loan from Cyfrowy Polsat SA up to PLN 11 500 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	11 776	-
Loan from Cyfrowy Polsat SA up to PLN 11 500 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	6 869	-
Loan from Cyfrowy Polsat SA up to PLN 11 500 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	196 824	-
Loan from Cyfrowy Polsat SA up to PLN 11 500 thousand or its equivalent in EUR, interest rate at WIBOR 3M + bank margin or EURIBOR 3M + margin (PAK – Polska Czysta Energia sp. z o.o.)	31/12/2025	63 378	-
TOTAL		**609 380**	**249 226**

Short-term	*Due date*	*30 June 2022 (not audited)*	*31 December 2021*
Loan from Cyfrowy Polsat SA in the amount of PLN 86 000 thousand, interest rate at WIBOR 3M + bank margin (PAK – Volt S.A.)	30/06/2023	70 480	-
Investment loan at Pekao SA in the amount of PLN 160 000 thousand, interest rate at WIBOR 3M + bank margin (ZE PAK SA)	31/12/2030	30 324	13 249

(in PLN thousand)

Term investment loan from the consortium of PKO BP, Pekao SA and mBank SA banks in the amount of PLN 138 000 thousand, interest rate at WIBOR 1 M + bank margin (PAK – PCE Fotowoltaika sp. z o.o.)	31/12/2035	16 815	13 068
VAT working capital facility at PKO BP and Pekao SA in the amount of PLN 37 000 thousand, interest rate at WIBOR 1M + bank margin (PAK – PCE Fotowoltaika sp. z o.o.)	30/06/2022	-	1 841
Overdraft facility at Santander Bank Polska SA in the amount of PLN 10 000 thousand, interest rate at WIBOR 1M + bank margin (PAK-Volt SA)	30/06/2022	-	195
Bank loan at EFG Bank AG Zurich in the amount of PLN 300 000 thousand, interest rate at WIBOR + bank margin (PAK – Polska Czysta Energia sp. z o.o.)	On demand	296 963	174 135
Loan in the amount of PLN 58 thousand from Galeon sp. z o.o., interest rate at WIBOR 6M (PG Hydrogen sp.z o.o.)	6/9/2022	60	57
TOTAL		**414 642**	**202 545**

A collateral from a third party related to the main shareholder was obtained for the loan at EFG Bank AG Zurich in the amount of PLN 300 000 thousand granted to PAK-Polska Czysta Energia sp. z o.o.

Change in band loans and borrowings for the 6-month period ended on 30 June 2022 (not audited)

	Bank loans	*Investment loans*	*Loans*	*Total*
Balance on 1 January	174 332	259 361	18 078	451 771
Raising	122 827	39 646	428 764	591 237
Repayment, incl.:	(195)	(13 635)	(10 037)	(23 867)
Capital repayment	*(195)*	*(8 571)*	*(10 037)*	*(18 803)*
Interest repayment	-	*(5 014)*		*(5 014)*
Commission paid	-	*(50)*		*(50)*
Valuation change	-	(183)		(183)
As at the end of the period	296 964	290 253	436 805	1 024 022

Change in loans and borrowings for the year ended on 31 December 2021

	Bank loans	*Investment loans*	*Loans*	*Total*
Balance on 1 January	55 003	-	-	55 003
Raising	175 011	303 294	18 078	496 383
Repayment, incl.:	(55 682)	(43 098)	-	(98 780)

(in PLN thousand)

Capital repayment	*(55 003)*	*(40 036)*	-	*(95 039)*
Interest repayment	*(679)*	*(1 862)*	-	*(2 541)*
Commission paid	-	*(1 200)*	-	*(1 200)*
Valuation change	-	(835)	-	(835)
As at the end of the year	174 332	259 361	18 078	451 771

24. Provisions as well as prepayments and accruals

24.1. Accruals

	30 June 2022 (not audited)	*31 December 2021*
Provision for bonuses and holiday leaves	17 465	24 378
Insurance company compensation	804	804
Financial statement audit	-	290
Other	12 254	1 728
Total	30 523	27 200
short-term	22 838	27 200
long-term	7 685	-

Provisions for retirement benefits and other post-employment benefits are reported by the Group in item “Employee benefits” of the financial position statement, broken down into long- and short-term.

The main components of the “Other” item are provisions for fees related to the economic use of the environment, amounting to PLN 5 162 thousand and a provision for the penalty for exceeding the amount of ash released into the atmosphere in 2015, amounting to PLN 1 190 thousand. At the request of the Group, the Provincial Inspector for Environmental Protection set a date to defer the payment of the aforementioned penalty at 31 March 2023, pursuant to the implementation of individual stages of the “Preparation of Adamów Power Plant lands for new investments” project.

(in PLN thousand)

24.2. Changes in provisions

	EUA redemption provision	*Provision for the return of free CO_2 emission allowances*	*Provision for fixed asset liquidation costs*	*Provision for liquidation of ash storage yards*	*Provision for the redemption of energy certificates of origin*	*Provision for reclaiming mining areas*	*Other*	*Total*
As at 1 January 2022	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
increase	-	275	130	-	1 810	5 922	42 510	50 647
decrease, incl.:	(760 900)	-	-	-	(364)	(15 049)	(467)	(776 780)
utilization	*(760 900)*	-	-	-	*(364)*	*(1 242)*	-	*(762 506)*
termination	-	-	-	-	-	*(13 807)*	*(467)*	*(14 274)*
As at 30 June 2022	472 634	7 372	20 744	74 906	14 499	352 923	61 800	1 004 878
Long-term	-	-	20 744	74 906	-	335 032	11 702	442 384
Short-term	472 634	7 372	-	-	14 499	17 891	50 098	562 494
As at 1 January 2021	640 512	7 038	18 451	67 313	11 245	351 779	18 942	1 115 280
increase	1 233 460	59	2 163	9 031	12 616	30 224	7 161	1 294 714
decrease, incl.:	(640 438)	-	-	(1 438)	(10 808)	(19 953)	(6 346)	(678 983)
utilization	*(640 438)*	-	-	*(1 438)*	*(10 808)*	(19 953)	(43)	(656 327)
termination	-	-	-	-	-	-	(6 303)	(22 656)
As at 31 December 2021	1 233 534	7 097	20 614	74 906	13 053	362 050	19 757	1 731 011
Long-term	-	-	20 614	74 906	-	342 454	1 131	439 105
Short-term	1 233 534	7 097	-	-	13 053	19 596	18 626	1 291 906

24.3. Description of essential provision titles

24.3.1. Provisions for liabilities on account of greenhouse gas emissions (EUA)

The Group recognizes the provision for redeeming GHG emission allowances. As at 30 June 2022, the created provision amounted to PLN 472 634 thousand.

Carbon dioxide allowances

A new settlement period for emission allowances started on 1 January 2021. It will end on 31 December 2030. The assumption of this period is free allocation of emission allowances (EUA) resulting from thermal energy production only pursuant to Art. 10a of Directive 2009/29/EC. In 2022, the Group will receive a negligible amount of free CO_2 emission allowances, i.e., 11 825 EUAs, resulting from allocation to heat generation. Therefore, virtually the entire amount of emission allowances required by the ZE PAK SA Group must be purchased on the secondary market.

As at 1 January 2022, the ZE PAK SA Group held 408 264 EUAs. EUAs were held by IRGIT in KOBIZE as collateral for electricity trading. In Q1 2022, ZE PAK SA purchased concluded futures contracts for MAR2022 in the amount of 4 355 000 EUAs. EUA balance as at 31 March 2022 was 4 763 264 EUAs, including 4 355 000 EUAs in the KOBIZE account and 408 264 in the IRGIT account. In 2022, ZE PAK received 165 000 EUAs under contracts purchased for the purposes of 2021 and 11 825 EUAs as free EUAs received on account of thermal energy generation by the Konin Power Plant. CO_2 emissions at ZE PAK in 2021 amounted to 4 871 977 tonnes. In order to write-off CO_2 emission, ZE PAK applied for a return of 340 152 EUAs to IRGIT. Thus, ZE PAK held 4 871 977 EUAs in KOBIZE accounts. After writing-off CO_2 emissions for 2021, there were zero EUAs in the KOBIZE account, and 68 113 EUA deposited in the IRGIT account – corresponding to EUA amounts as at 30 June 2022.

The provision is established in correlation to the prime cost of sales.

Carbon dioxide allowances in the 6-month period ended on 30 June 2022 (not audited)

		ZE PAK S.A.	
	CO_2 emission (in tonnes)*	1 741 466	
		Volume (in tonnes)	*amount (PLN thousand)*
EUAs	Balance at the start of the period	-	-
	Acquired	4 520 000	1 340 053
	Received free	11 825	-
	Sales and transfer for collateral	(340 152)	(83 910)
	Return on IRGIT collateral	340 152	-
	Redemption	(4 871 977)	(1 256 143)
	Balance at the end of the period	-	-
	Left to be acquired	1 741 466	472 634

Carbon dioxide allowances in the 6-month period ended on 30 June 2021 (not audited)

		ZE PAK S.A.	
	CO_2 emission (in tonnes)*	2 090 125	
		Volume (in tonnes)	*amount (PLN thousand)*
EUAs	Balance at the start of the period	88 998	3 565
	Acquired	5 521 000	648 054
	Transferred as collateral to IRGIT	(23 987)	-
	Sales	(75 000)	(8 989)
	Redemption	(5 510 871)	(642 615)
	Balance at the end of the period	140	15
	Left to be acquired	2 089 985	228 142

**Physical redemption of the emission allowances for a given year is conducted in the first months of the next year.*

24.3.2. Provision for reclamation of ash dumps and costs of fixed asset liquidation

The Group is creating a provision for future costs of land reclamation, pursuant to the legal obligation arising from the "Integrated permits." The grounds to estimate provision amount is data developed by a third-party expert. The provision amount is estimated and verified at each balance sheet date, pursuant to estimated costs to be incurred in the future and discounts. As at 30 June 2022, the created provision amounted to PLN 74 906 thousand.

Due to the legal obligation to liquidate fixed assets after their period of use, the Group is creating a provision for projected future costs, which will be required to be incurred in relation to the fulfilment of this obligation. As of 30 June 2022, the provision due to this amounted to PLN 20 744 thousand. The provision is established in correlation to the prime cost of sales. A change in the strategy and the associated electricity generation shortening based on lignite combustion will lead to an earlier start of the ash dump reclamation process.

24.3.3. Reclamation provisions and other related to mining activity

PAK KWB Konin SA and PAK KWB Adamów SA under liquidation are obliged to reclaim areas of extraction works pursuant to the Geological and Mining Law act. Therefore, the Group is creating a provision both for area reclamation costs related to current coal extraction within a given open pit and for the reclamation of a final excavation pursuant to the coal extraction progress of individual open pits at the balance sheet date.

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

PAK KWB Konin SA and PAK KWB Adamów SA, within their activities, are obliged to restore the original condition or to rebuild damages caused by mining operations. Therefore, the Group establishes a provision for projected costs that it is obliged to incur under concluded agreements. Estimates concerning projected costs related to mining plant operations are updated at every reporting date.

The provision for the liquidation of facilities and reclamation of mining areas, and related to the preparation of mining areas at PAK KWB Konin SA and PAK KWB Adamów SA under liquidation, according to the status as at 30 June 2022 amounted to PLN 352 923 thousand and decreased relative to the year ended on 31 December 2021 by PLN 9 127 thousand. Calculating the provision, the Group adopted the following assumptions: discount rate at the level of 3.71%, inflation rate at the level of 5.8%.

The provision is established in correlation to the prime cost of sales. The discount rate recognized in the financial costs is PLN 4 730 thousand.

24.3.4. Provision for the redemption of energy certificates of origin

In association to the sales of electricity to final consumers, the Group is obliged to redeem a specified number of certificates of origin concerning energy from renewable energy sources, gas, and peak load co-generation. As of 30 June 2022, the provision due to this amounted to PLN 14 499 thousand. The provision is established in correlation to the prime cost of sales.

24.3.5. Other provisions

The main items in other provisions as at 30 June 2022 at PAK KWB Konin are provision for mining damage in the amount of PLN 329 thousand, provision for pending court proceedings in the amount of PLN 1 275 thousand, provision for mining use remuneration in the amount of PLN 1 001 thousand; at PAK KWB Adamów SA under liquidation these are provision for permanent exclusion of lands for the final reservoir after the Adamów open pit in the amount from forestry production of PLN 15 828 thousand and provision for court proceedings in the amount of PLN 523 thousand. The provisions for mining damage and the provision for fixed exclusion from production are established in correlation with the prime cost of sales, and the provisions for pending court proceedings in correlation with other operating costs. The main component at PAK-PCE sp. z o.o. is deferred revenues associated with purchasing receivables in the amount of PLN 10 571 thousand. At ZE PAK SA, it is the provision resulting from the need to incur costs necessary to perform the electricity sales contract, which exceed expected proceeds from the performance. Provision in the amount of PLN 31 473 thousand. The contract relates to the sale of electricity generated by a biomass unit while the costs that imposed the need to create the provision are directly associated with the increase in biomass purchase prices.

(in PLN thousand)

25. Trade liabilities, other liabilities, and prepayments and accruals

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

	30 June 2022 (not audited)	*31 December 2021*
Short-term liabilities to other units - over 12 months	1 110	-
Other	1 737	467
Total	2 847	467

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

	30 June 2022 (not audited)	*31 December 2021*
Trade liabilities:	118 575	142 717
Other liabilities		
Investment liabilities	21 106	9 689
Employee remuneration liabilities	15 239	15 187
Security liabilities	338	79 028
Other liabilities	4 544	5 266
Total	159 802	251 887

In the row “Other liabilities” as at 30 June 2022, the Group primarily reports liabilities related to settlements with employees and pay-roll deductions amounting to PLN 1 772 thousand, as well as settlements with CSBF in the amount of PLN 343 thousand, bid bonds in the amount of PLN 1 273 thousand and advance payments in the amount of PLN 378 thousand.

Principles and payment terms regarding the financial liabilities above

Trade liabilities do not bear interest and are usually settled within either 14-day or 30-day periods. Interest-related liabilities are usually settled within either monthly or quarterly periods during the entire financial year.

25.3. Other non-financial liabilities

	30 June 2022 (not audited)	*31 December 2021*
VAT liabilities	21 470	155 539
Environmental fee liabilities	1 995	10 486
Excise duty liabilities	1 029	544
Social insurance liabilities	17 625	19 264
Personal income tax	2 747	4 712
Other budget liabilities	-	3 174
Advance payments for supplies	843	550
Service fee	3 337	5 726
Other	990	728

(in PLN thousand)

Total	50 036	200 723

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

Liabilities related to mining fees concern charges for extracted mineral pursuant to the Geological and Mining Law. The settlement period is half a year.

The main components of the “Other” item are surplus of liabilities over CSBF assets in the amount of PLN 636 thousand and liabilities towards PFRON in the amount of PLN 287 thousand.

25.4. Derivative financial instruments

	30 June 2022 (not audited)	*31 December 2021*
Interest rate hedging instruments (IRS SWAP) (assets)	25 885	10 540
Exchange rate hedging instruments (forwards) (liabilities)	-	3 606
long-term – assets	25 488	-
short-term – assets	397	10 540
long-term – liabilities	-	3 606

25.5. Subsidies and long-term deferred income

	30 June 2022 (not audited)	*31 December 2021*
Long-term subsidies	248	271
Other	4 046	4 046
Total	4 294	4 317

The main component of the “Other” item are lands received from the District Starosty and Commune free-of-charge in the amount of PLN 3 895 thousand.

26. Contingent liabilities and the description of essential legal proceedings

In addition to the liabilities described in the notes 26.2, 27 and 28, as at 30 June 2022, the Group did not have other contingent liabilities, granted guarantees, and sureties.

26.1. Legal proceedings

Appealing against individual tax law interpretation in terms of refunds of negative adjustments to the Zarządca Rozliczeń SA, resulting from the LTC Act

On 7 July 2017, Elektrownia Pątnów II sp. z o.o. filed with the Provincial Administrative Court in Poznań (through the Director of the National Tax and Customs Information Office) an appeal against an individual tax law interpretation, issued by the Director of the National Tax and Customs Information Office of 20 April 2017 regarding the payment to Zarządca Rozliczeń SA, pursuant to an agreement concluded by the parties, of liabilities on account of returning a negative adjustment of stranded costs for 2008 and other future repayments (negative adjustments) by Elektrownia Pątnów II sp. z o.o. to Zarządca Rozliczeń SA, the validity of which arises from the Act of 29 June 2007 on principles of covering costs incurred by producers in relation to pre-mature termination of long-term contracts for the sales of power and electricity (Dz. U. of 2017, item 569, as am., hereinafter: “LTC Act”).

On 10 August 2017, the Director of the National Tax and Customs Information Office submitted responses to the aforementioned complaint to the Provincial Administrative Court in Poznań.

According to Elektrownia Pątnów sp. z o.o., all returns/repayments from Elektrownia Pątnów II sp. z o.o. to Zarządca Rozliczeń SA, pursuant to the LTC act, constitute tax-deductible costs upon the actual repayment. The Company is entitled to recognize these costs in the tax settlement for the fiscal year when the payment to Zarządca Rozliczeń SA was/will be made. This is determined by the regulation set out in Art. 42(4) of the LTC Act.

The aforementioned opinion is also consistent with the broad jurisprudence in this respect.

The Director of the National Tax and Customs Information Office is of a different opinion. When issuing an individual interpretation, he found the position of the company to be incorrect and stated that repayments to Zarządca Rozliczeń SA pursuant to the agreement concluded in the years 2014-2017 (regarding repayments made), in 2017 (in terms of future repayment not yet made) and other payments from the company to Zarządca Rozliczeń SA, the validity of which arises from the LTC Act constitute/will constitute tax-deductible costs at the day they are incurred, i.e., posting in accounting books.

On 18 January 2018, the company won the aforementioned dispute against the Director of the Tax and Customs Information Office before the Court of Appeal in Poznań. The court judgement means that the company was correct in recognizing tax-deductible costs on account of the aforementioned reason.

In March 2018, the Director of the National Tax and Customs Information Office appealed against the court judgement.

On 25 August 2020, the Supreme Administrative Court held a hearing, as a result of which the court dismissed the cassation appeal of the Director of the National Tax and Customs Information Office, hence agreeing with the arguments of Elektrownia Pątnów II sp. z o.o.

In consequence, the case is returned to the Director of the National Tax and Customs Information Office, who is obliged to issue an individual interpretation in line with the judgement of the Supreme Administrative Court, which is favourable for the Company.

On 12 March 2021, the Director of the National Tax and Customs Information Office issued an individual interpretation in line with the judgement of the Supreme Administrative Court.

The case was closed.

Proceedings in the case of an environmental decision issued with respect to PAK KWB Konin SA concerning the Tomisławice lignite deposit

PAK KWB Konin SA is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of the Wierzbinek Commune issued an environmental decision regarding the lignite open pit. On 5 December 2008, this decision was contested by nine physical persons supported by the Greenpeace organisation due to alleged major infringement of the legal regulations. On 25 March 2009, the Self-government Appeal Court dismissed to overrule the environmental decision. The plaintiffs applied for a judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, was a gross breach of legal regulations. PAK KWB Konin SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and handed over the case for the judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast by PAK KWB Konin S.A. On 7 January 2013, PAK KWB Konin S.A. submitted a cassation appeal against the described decision.

After examination during a hearing on 7 October 2014, the Supreme Administrative Court dismissed PAK KWB Konin SA's cassation appeal against the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 revoking the decision of the Self-government Appeal Court in Konin of 25 March 2009 dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast.

Dismissal of the cassation appeal by PAK KWB Konin SA means that the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 became legally binding, and the case regarding the statement of invalidity of the environmental decision will be examined again by the Self-government Appeal Court. On 18 January 2019, the Self-government Appeal Court in Konin issued a decision refusing to deem the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid. Next, the Court upheld its decision against which an appeal at the Provincial Administrative Court in Poznań had been filed.

Therefore, the decision of the Self-government Appeal Court means that the environmental decision issued by the Head of the Wierzbinek Commune still remains in legal circulation. The decision is not binding and final. A petition for a judicial review by the Self-government Appeal Court in Konin was submitted.

On 19 June 2020, the Company was informed that a closed-door hearing at the Provincial Administrative Court in Poznań resulted in a judgement dismissing the appeal against the decision of the Self-government Appeal Court in Konin regarding the refusal to deem the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid.

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

The Greenpeace Polska Foundation with its registered office in Warsaw and Józef Imbiorski filed a cassation appeal against the judgement of the Provincial Administrative Court in Poznań of 18 June 2020 to the Supreme Administrative Court. On 26 October 2020, PAK KWB Konin submitted a response to the cassation appeal, filing for dismissal. A hearing date in this case has still to be set.

BAT conclusions entering into force

The Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions for establishing best available techniques (BAT) conclusions for large combustion plants, under Directive 2010/75/EU of the European Parliament and of the Council is in force as of 18 August 2021. Integrated permits for all energy combustion facilities currently operated at ZE PAK SA have been adapted to the requirements of BAT Conclusions, taking into account individual deviations from limit emission values. The Company conducts its generation activities in line with the permissible emission limits arising from the IED Directive and BAT Conclusions. Constant emission monitoring systems, expanded according to BAT 4 requirements, constitute grounds for the verification of ZE PAK SA's fulfilment of the requirements set out in the Commission Implementing Decision (EU) 2017/1442 on emissions of pollutants into the air. At the date of signing this statement, there are no pending court proceedings associated with BAT.

26.2. Contingent liabilities associated with power plant decommissioning

The obligation to conduct decommissioning and land reclaiming arises from integrated permits for operating fuel combustion systems at Pątnów and Konin power plants belonging to ZE PAK SA. In the event of terminating their activities, the aforementioned entities shall be obliged to decommission all facilities and equipment of the system, in accordance with the requirements set out in the construction law. After decommissioning, the area of the plant shall be developed pursuant to arrangements with the local government authority. In particular, a facility and equipment decommissioning schedule shall be prepared and should take into account environmental protection requirements, primarily in relation to waste management.

The Adamów Power Plant has already terminated its activities and is currently undergoing the decommissioning of the system located therein. The end date for the operation of systems located in Pątnów can also be specified, due to announced strategic directions. The end period for the operation of older units at Pątnów can be set at the end of 2024, and the newer 474 MW unit (former Pątnów II Power Plant), assuming an effective support system is in place, could be operated until 2030 at the latest. Based on experience associated with decommissioning the Adamów power plant, the interest and value of placed bids, it should be reasonably assumed that the value of dismantled equipment, scrap and aggregate from decommissioned plants is able to cover the unit decommissioning and reclaiming costs.

27. Securities of liability payments

In order to secure the payment of liabilities, the Group employs numerous forms of securities. Mortgages and registered pledges are the most common ones.

As at 30 June 2022 and 31 December 2021, the Group had the following liabilities secured within its assets and other securities of liability payments:

(in PLN thousand)

Liabilities secured by assets

Contract	*Security type*	*30/6/2022 Security amount*	*Currency*	*31/12/2021 Security amount*	*Currency*
Agreement with Alior Bank SA of 25 July 2019 for a non-revolving credit in the amount of PLN 66 700 thousand for PAK KWB Konin SA	Registered pledge on machinery and equipment*	-	-	Up to 141 400	PLN
Debt limit agreement with Alior Bank SA of 20 November 2013 for the amount of PLN 4 000 thousand for PAK KWB Konin SA	Power of attorney covering bank accounts at Alior Bank SA	Up to 4 000	PLN	Up to 4 000	PLN
	Security deposit in cash	Up to 4 000	PLN	Up to 4 000	PLN
Term investment loan agreement at Pekao SA for PLN 160 000 thousand for ZE PAK SA**	First priority financial and registered pledge on ZE PAK's bank accounts at Pekao SA	Up to 192 000	PLN	Up to 192 000	PLN
	First priority mortgage on Konin Power Plant real estate	Up to 192 000	PLN	Up to 192 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 160 000	PLN	Up to 160 000	PLN
	Transfer of future and current claims, rights and receivables of the Assignor on account of insurance and heat supply contracts	Up to 160 000	PLN	Up to 160 000	PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 192 000	PLN	Up to 192 000	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 25 000 thousand for PAK PCE Biopaliwa i Wodór Sp. z o.o.	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 37 500	PLN	-	-
	Power of attorney covering bank accounts at Pekao SA	Up to 25 000	PLN	-	-
Multi-purpose credit limit agreement at Pekao SA for PLN 65 000 thousand for ZE PAK SA	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 150 000	PLN	Up to 150 000	PLN

(in PLN thousand)

	Power of attorney covering bank accounts at Pekao SA	Up to 65 000	PLN	Up to 100 000	PLN
Bank guarantee line agreement at Pekao SA for PLN 80 000 thousand for ZE PAK SA	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 120 000	PLN
	Power of attorney covering bank accounts at Pekao SA	Up to 80 000	PLN	Up to 80 000	PLN
Overdraft facility agreement at Santander Bank Polska SA for PLN 45 000 thousand for ZE PAK SA	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	-	-	Up to 54 000	PLN
Bank guarantee limit agreement at Santander Bank Polska SA for PLN 100 000 thousand for ZE PAK SA	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 120 000	PLN	Up to 60 000	PLN
Bank guarantee agreement at mBank SA for PLN 1 650 thousand for Farma Wiatrowa Kazimierz Biskupi Sp. z o.o.	Security deposit in cash	Up to 1 650	PLN	Up to 1 650	PLN
Multi-purpose credit limit agreement at Pekao SA for PLN 20 000 thousand for PR PAK SERWIS Sp. z o.o.	Power of attorney covering bank accounts at Pekao SA	Up to 20 000	PLN	Up to 20 000	PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure in the form of a notarial deed	Up to 30 000	PLN	Up to 30 000	PLN
	Transfer of receivables from commercial contracts for a minimum of 50% of the limit amount	Up to 124 986	PLN	Up to 149 094	PLN
Framework agreement at mBank SA for PLN 3 300 thousand for PR PAK SERWIS Sp. z o.o.	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure by PR PAK SERWIS Sp. z o.o.	Up to 15 000	PLN	Up to 15 000	PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5	Up to 11 000	PLN	Up to 11 000	PLN

(in PLN thousand)

	of the Code of Civil Procedure by ZE PAK SA				
Term investment loan and VAT loan agreement at PKO BP SA, Pekao SA and mBank SA for PLN 175 000 thousand for PAK – PCE Fotowoltaika Sp. z o.o.	First priority financial and registered pledge on PAK – PCE Fotowoltaika's bank accounts at PKO BP, Pekao SA and mBank SA	Up to 262 500	PLN	Up to 262 500	PLN
	First priority contractual joint mortgage on PAK – PCE Fotowoltaika's real estate	Up to 262 500	PLN	Up to 262 500	PLN
	Second priority mortgage on PAK – PCE Fotowoltaika's real estate to secure IRS hedging contract liabilities and associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 12 000 (PKO BP SA) Up to 12 000 (Pekao SA) Up to 7 500 (mBank SA)	PLN PLN PLN	Up to 12 000 (PKO BP SA) Up to 12 000 (Pekao SA) Up to 7 500 (mBank SA)	PLN PLN PLN
	First priority registered pledge on assets of PAK – PCE Fotowoltaika at PKO BP SA	Up to 262 500	PLN	Up to 262 500	PLN
	First priority financial and registered pledge on all PAK – PCE Fotowoltaika's share capital shares at PKO BP, Pekao SA and mBank SA	Up to 262 500	PLN	Up to 262 500	PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure (as a guarantor) for securing liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions	Up to 10 000	PLN	Up to 10 000	PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil Procedure to PAK – PCE Fotowoltaika, for securing liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 117 750 (PKO BP SA) Up to 117 750 (Pekao SA) Up to 58 500 (mBank SA)	PLN PLN PLN	Up to 117 750 (PKO BP SA) Up to 117 750 (Pekao SA) Up to 58 500 (mBank SA)	PLN PLN PLN
	Declaration by PAK – Polska Czysta Energia to the writ of execution on shares at PAK – PCE Fotowoltaika pursuant to Art. 777(1) cl. 5 of the Code of Civil	Up to 117 750 (PKO BP SA) Up to 117 750 (Pekao SA)	PLN PLN	-	-

(in PLN thousand)

	Procedure, for securing liabilities under a syndicated loan agreement and IRS hedging contracts with associated transactions at PKO BP SA, Pekao SA and mBank SA	Up to 58 500 (mBank SA)	PLN		
	Power of attorney to PAK – PCE Fotowoltaika's bank accounts at Pekao SA, PKO BP SA and mBank SA	Up to 175 000	PLN	Up to 175 000	PLN

*on 22 March 2022, the District Court Poznań – Nowe Miasto and Wilda in Poznań, 7th Commercial Division – Register of Pledges, deleted registered pledges on machines and equipment of PAK KWB Konin SA, following the repayment of the loan on 25 July 2019 granted by Alior Bank SA

** on 1 July 2022, the loan was transferred to PAK PCE Biopaliwa i Wodór sp. z o.o.

Other securities of liability payments

Granted guarantees

Guarantee type	*30 June 2022 (not audited)* *Security amount*	*Currency*	*31 December 2021* *Security amount*	*Currency*
Performance bond	4 101	PLN	3 386	PLN
Bid bond payment guarantee	-	PLN	50	PLN
Defect and failure removal guarantee	3 803 652	PLN EUR	4 273 577	PLN EUR
Payment guarantees (including TGE/IRGIT transaction securing guarantees)	105 650 175 161	PLN EUR	485 650 30 559	PLN EUR

Furthermore, the Group employs sales contract assignments, insurance policy assignments, power of attorneys to bank accounts and declaration to the writ of execution as securities for liability repayment.

The table below shows the total granted sureties.

	30 June 2022 (not audited)	*Currency*	*31/12/2021*	*Currency*
Intra-group sureties	-	PLN	62 400	PLN
Sureties granted to extra-Group entities	56 137 4 809	PLN EUR	34 262 756	PLN
Total granted sureties	**56 137** **4 809**	**PLN** **EUR**	**96 662** **756**	**PLN**

The table below shows the total received sureties.

	30 June 2022 (not audited)	*Currency*	*31/12/2021*	*Currency*
Intra-group sureties	-	PLN	62 400	PLN
Sureties received from extra-Group entities	14 978	PLN	14 978	PLN
Total received sureties	**14 978**	**PLN**	**77 378**	**PLN**

(in PLN thousand)

28. Obtained guarantees and sureties

Guarantee type	*30 June 2022 (not audited)* *Security amount*	*Currency*	*31/12/2021* *Security amount*	*currency*
Performance bond	3 476	PLN	26 287	PLN
	84 738	EUR	33 683	EUR
Defect and failure removal guarantee	7 760	PLN	2 377	PLN
	-	EUR	-	EUR
Payment guarantees	-	PLN	-	PLN
	200	EUR	-	EUR
Advance payment guarantees	-	PLN	231	PLN
	-	EUR	-	EUR

29. Information on affiliates

The table below shows total amounts of transactions concluded with affiliates for the 6-month period ended on 30 June 2022 and 31 June 2021, as well as receivables and liabilities as at 30 June 2022 and 30 June 2021. Transactions with affiliated entities are implemented on an arm's length basis.

Affiliated entity		*Sale to affiliated entities*	*Purchase from affiliated entities*	*Receivables from affiliated entities*	*Liabilities to affiliated entities*
Megadex Development sp. z o.o.	H1 2022	44	-	-	2
	H1 2021	29	-	-	-
Megadex Expo sp. zo.o.	H1 2022	-	-	-	-
	H1 2021	294	-	-	-
Polkomtel sp. z o.o.	H1 2022	118 495	11 216	15 997	2 899
	H1 2021	44 796	1 191	9 616	371
Polkomtel Infrastruktura sp. z o.o.	H1 2022	-	-	-	-
	H1 2021	87	-	34	-
Laris Investments sp. z o.o.	H1 2022	625	-	261	-
	H1 2021	241	137	61	-
Laris Technologies sp. z o.o.	H1 2022	3 717	-	1 300	-
	H1 2021	1 231	-	-	-
CPE sp. z o.o.	H1 2022	-	267	-	74
	H1 2021	-	390	-	231
Plus Flota sp. z o.o.	H1 2022	-	1 007	-	284
	H1 2021	-	1 284	4	276
Cyfrowy Polsat	H1 2022	5 084	311	1 756	155
	H1 2021	1 697	4	701	-
Esoleo sp. z o.o.	H1 2022	-	650	-	1 330
	H1 2021	1 984	106 054	993	16 857
Netia S.A.	H1 2022	16 094	12	5 965	1

(in PLN thousand)

	H1 2021	-	-	-	-
TK Telekom sp. z o.o.	H1 2022	1 656	-	606	-
	H1 2021	-	-	-	-
Petrotel sp. z o.o.	H1 2022	172	-	69	-
	H1 2021	-	-	-	-
Maciej Nietopiel	H1 2022	-	120	-	25
	H1 2021	-	120	-	25
Tomasz Zadroga	H1 2022	-	-	-	-
	H1 2021	-	120	-	25
KD Management Krzysztof Dziaduszyński	H1 2022	-	30	-	6
	H1 2021	-	30	-	6
Doradztwo Strategiczne Maciej Koński	H1 2022	-	150	-	31
	H1 2021	-	150	-	31
Paweł Markowski	H1 2022	-	165	-	34
	H1 2021	-	165	-	34
Impact Paweł Lisowski	H1 2022	-	165	-	34
	H1 2021	-	165	-	34
Total	**H1 2022**	**145 887**	**14 093**	**25 954**	**4 875**
	H1 2021	**50 359**	**109 810**	**11 409**	**17 890**

29.1. Loan granted to a Management Board's member

Both in the 6-month period concluding on 30 June 2022, and in the one concluded on 30 June 2021, the Parent Company did not grant any loans and similar benefits to members of the management and supervisory authorities.

29.2. Other transactions with the participation of Management Board's members

Both in the 6-month period concluding on 30 June 2022, and in the one concluded on 30 June 2021, there were no transactions with members of the management and supervisory authorities.

29.3. Salary of the Group's senior management

29.3.1. Salary paid or payable to members of the Management Board and the Group's Supervisory Board

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Parent company management board		
Short-term employee benefits	1 586	1 408
Benefits on account of employment termination	-	1
Parent company Supervisory Board		
Short-term employee benefits	692	636
Management Boards of subsidiaries		
Short-term employee benefits	2 143	1 514
Post-employment benefits	160	-
Total	4 581	3 559

(in PLN thousand)

29.3.2. Salary paid or payable to other top management members

	6-month period ended on 30 June 2022 (not audited)	*6-month period ended on 30 June 2021 (not audited)*
Short-term employee benefits	5 953	5 803
Post-employment benefits	-	58
Benefits on account of employment termination	45	177
Total amount of remuneration paid to the top management members (except for members of the Management Board and the Supervisory Board)	5 998	6 038

30. Goals and rules of financial risk management

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

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

30.1. Interest rate risk

The Group's potential exposure to the risk caused by interest rate changes mainly concerns long-term financial liabilities.

Interest rate risk – sensitivity to changes

In the interest rate risk sensitivity analysis, the Group employs a parallel shift of the interest rate curve by a potential change of reference interest rates during the coming year. For the purposes of the interest rate risk sensitivity analysis, average reference interest rate levels in a given year were used. The scale of potential interest rate changes was estimated on the basis of implied volatilities of ATMF ("At-the-Money-Forward; forward option to determine the volatility of financial instruments) options for an interest rate quoted on the interbank market for currencies, for which the Group has the exposure to interest rate risk from the balance sheet date.

(in PLN thousand)

Financial instrument classes	*30 June 2022 (not audited)*		*Analysis of the interest rate risk sensitivity as at 30 June 2022*							
			WIBOR				*EURIBOR*			
			WIBOR + 31 bp		*WIBOR – 31 bp*		*EURIBOR +81.63 bp*		*EURIBOR -81.63 bp*	
	carrying amount	*value at risk*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	93 887	4 510	14	-	(14)	-	-	-	-	-
Trade and other receivables	909 594	-	-	-	-	-	-	-	-	-
Derivative financial instruments	25 885	25 885	(80)	-	80	-	-	-	-	-
Cash and cash equivalents	927 391	927 391	2 493	-	(2 493)	-	1 005	-	(1 005)	-
Interest-bearing loans and borrowings	(1 024 022)	(1 024 022)	(3 174)	-	3 174	-	-	-	-	-
Trade liabilities and other financial liabilities	(162 649)	-	-	-	-	-	-	-	-	-
Financial lease liabilities	(44 278)	(44 278)	(137)	-	137	-	-	-	-	-
Total	**725 808**	**(110 514)**	**(884)**	**-**	**884**	**-**	**1 005**	**-**	**(1 005)**	**-**

bp – base points

(in PLN thousand)

Financial instrument classes	***30 June 2021 (not audited)***		***Analysis of the interest rate risk sensitivity as at 30 June 2021***							
			WIBOR				***EURIBOR***			
			WIBOR + 394 bp		***WIBOR - 394 bp***		***EURIBOR + 18.8 bp***		***EURIBOR - 18.8 bp***	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	6 072	3 997	6	-	(6)	-	-	-	-	-
Trade and other receivables	572 666	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	84 997	84 997	97	-	(97)	-	27	-	(27)	-
Interest-bearing loans and borrowings	(259 944)	(259 944)	(389)	-	389	-	-	-	-	-
Trade liabilities and other financial liabilities	(335 475)	-	-	-	-	-	-	-	-	-
Financial lease liabilities	(47 126)	(47 126)								
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**21 190**	**(218 076)**	**(286)**	**-**	**286**	**-**	**27**	**-**	**(27)**	**-**

bp – base points

(in PLN thousand)

30.2. Currency risk

The Group is exposed to the currency risk due to concluded transactions. As at 30 June 2022, one of the Group's companies – ZE PAK SA had active instruments used to mitigate the foreign exchange risk (forward EUR/PLN transaction).

The potential possible changes of currency rates were calculated based on annual volatilities implied for currency options quoted on the interbank market for a given pair of currencies as at the balance sheet date.

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

Financial instrument classes	***30 June 2022 (not audited)***		***Analysis of the currency risk sensitivity as at 30 June 2022*** EUR/PLN			
			EUR/PLN exchange rate 8.87% 5.0958		**EUR/PLN exchange rate - 8.87% 4.2654**	
	carrying amount	***value at risk***	***Profit/loss***	***Other comprehensive income***	***Profit/loss***	***Other comprehensive income***
Other financial assets	93,887	-	-	-	-	-
Trade and other receivables	909,594	114	10	-	(10)	-
Derivative financial instruments	25,885	-	-	-	-	-
Cash and cash equivalents	927,391	123,062	10,916	-	(10,916)	-
Interest-bearing loans and borrowings	(1 024 022)	-	-	-	-	-
Trade liabilities and other financial liabilities	(162,649)	(7,444)	(660)	-	660	-
Lease liabilities	(44,278)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Total	**725,808**	**115,732**	**10,266**	**-**	**(10,266)**	**-**

(in PLN thousand)

Financial instrument classes	*30 June 2021 (not audited)*		*Analysis of the currency risk sensitivity as at 30 June 2021*			
			EUR/PLN			
			EUR/PLN exchange rate 5.125% **4.7525**		**EUR/PLN exchange rate - 5.125%** **4.2891**	
	carrying amount	*value at risk*	*Profit/loss*	*Other comprehensive income*	*Profit/loss*	*Other comprehensive income*
Other financial assets	6,072	-	-	-	-	-
Trade and other receivables	572,666	999	51	-	(51)	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	84,997	20,073	1,029	-	(1,029)	-
Interest-bearing loans and borrowings	(259,944)	-	-	-	-	-
Trade liabilities and other financial liabilities	(335,475)	(2,215)	(114)	-	114	-
Lease liabilities	(47,126)					
Derivative financial instruments	-	-	-	-	-	-
Total	**21,190**	**18,857**	**966**	**-**	**(966)**	**-**

(in PLN thousand)

30.3. Credit risk

The credit risk is a potential credit event, which may be materialised in the form of such factors as a counterparty's insolvency, partial repayment of receivables, significant delay in the repayment of receivables or another unforeseen derogation from contractual terms.

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

The main consumer of the Group's electricity is the Towarowa Giełda Energii SA. Transactions concluded on the exchange market are settled on a day-to-day basis, which minimises the credit risk. For this reason, the Group does not employ additional securities arising from the receivable concentration phenomenon.

In relation to other financial assets of the Group, such as cash and its equivalents, financial assets available for sale, and certain derivatives, the Group's credit risk arises as a result of the inability of payment by the other party to the agreement, and the maximum exposure to this risk is equal to the balance sheet value of these derivatives.

The Group analyses and mitigates the credit risk associated with cash through ongoing monitoring of financial institution ratings and mitigates the risk of concentrated surplus cash in a single financial institution, through its internal risk management rules.

Long-term ratings granted to banks where the Group holds cash:

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

Cash of the ZE PAK Capital Group as at 30 June 2022, broken down into individual bank credit ratings:

Rating level by individual rating agencies			*Cash amount as at 30 June 2022 (excl. cash in hand)* *(not audited)*
Moody's	*S&P*	*Fitch*	
Aaa	AAA	AAA	-
Aa1	AA+	AA+	-
Aa2	AA	AA	-
Aa3	AA-	AA-	-
A1	A+	A+	-
A2	A	A	123 676
A3	A-	A-	551 924
Baa1	BBB+	BBB+	122 746
Baa2	BBB	BBB	-
Baa3	BBB-	BBB-	128 968

Ba1	BB+	BB+	-
Ba2	BB	BB	77
Ba3	BB-	BB-	-
B1	B+	B+	-
B2	B	B	-
B3	B-	B-	-
Caa1	CCC+		-
Caa2	CCC		-
Caa3	CCC-	CCC	-
	CC		-
Ca	C		-
C		DDD	-
–	D	DD	-
–		D	-
TOTAL			927 391

30.4. Liquidity risk

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

The Group's objective is to maintain the balance between continuity and flexibility of financing through employing various financing sources, such as overdraft facilities, bank credits, bonds, priority shares and financial lease agreements.

The table below shows financial liabilities of the Group as at 30 June 2022 and 30 June 2021, according to the maturity date and based on contractual non-discounted payments.

(in PLN thousand)

30 June 2022 (not audited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	6,535	316,103	569,796	122,945	1,015,379
Trade liabilities and other financial liabilities	123,889	36,260	2,352	148	162,649
Lease liabilities	300	6,015	21,729	122,381	150,425
Derivative financial instruments	-	23,925	-	-	23,925
	130,724	**382,303**	**593,877**	**245,474**	**1,352 378**

30 June 2021 (not audited)	*Less than 3 months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	7,713	76,065	85,349	92,891	262,018
Trade liabilities and other financial liabilities	299,085	35,349	1,041	-	335,475
Lease liabilities	1,867	3,480	22,880	123,687	151,914
	310,715	**114,894**	**109,270**	**216,578**	**751,457**

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

(in PLN thousand)

31. Financial instruments

31.1. Balance sheet value of particular financial instrument classes

The table below shows a list of the Group's financial instruments, broken down into individual asset and liability classes and categories, pursuant to IFRS 9.

Financial assets	Category pursuant to IFRS 9	*30 June 2022 (not audited)*	*31 December 2021*
Other financial assets	FAaAC	93,887	22,772
Trade and other receivables	FAaAC	909,594	1,394 784
Derivative financial instruments	MaFVtFR	25,885	10,540
Cash and cash equivalents	FAaAC	927 391	506,669
Financial liabilities			
Interest-bearing bank credits and loans, including:		1,024 022	451,771
Long-term	OFLaAC	609,380	249,226
Short-term	OFLaAC	414,642	202,545
Trade liabilities and other financial liabilities	OFLaAC	162,649	252,354
Lease liabilities		44,278	47,830
Derivative financial instruments	MaFVtFR	-	3,606

Used abbreviations:

MaFVtFR – Financial assets/liabilities measured at fair value through financial result/capitals
OFLaAC – Other financial liabilities at amortised cost
FAaAC – Financial asset at amortised cost

As at 30 June 2022 and 31 December 2021, the Group held the following financial instruments measured at fair value:

	30 June 2022 (not audited)	*Level 1*	*Level 2*	*Level 3*
Asset-hedging derivatives	-	-	25,885	-
Liability-hedging derivatives	-	-	-	-
	31 *December 2021*	Level *1*	Level *2*	*Level 3*
Asset-hedging derivatives	-	-	10,540	-
Liability-hedging derivatives	-	-	3,606	-

As at 30 June 2022 and 31 December 2021, the fair value of financial instruments other than derivatives, did not significantly differ from balance sheet values, primarily due to the fact that in the case of short-term instruments, the discount effect was not significant and that related transactions are concluded under market terms; for this reason, the fair value of the said financial instruments has been presented as the balance sheet value.

The measurement of interest-bearing loans and borrowings after initial recognition is concluded pursuant to the amortized cost method, taking into account contractual costs associated with obtaining a given loan or borrowing, as well as the discount and obtained bonuses.

As at 30 June 2022, the derivatives, forward currency purchase transactions, were measured at fair value. The difference in discounted future cash flows between the forward price at the measurement date and the transaction price as per the quotations prepared by an appropriate bank, multiplied by the nominal foreign currency contract value is calculated for the purposes of measuring currency contracts. The measurement of these instruments was classified as level 2 in the fair value measurement hierarchy.

In the 6-month period concluded on 30 June 2022 and the one concluded on 31 December 2021, there we no shifts between the level 1 and the level 2 of the fair value hierarchy, and none of instruments was shifted to the level 3 of the fair value hierarchy.

31.2. Financial instrument interest rate risk

The table below shows the interest rate mismatch, which constitutes the Group's exposure to the interest rate risk and the concentration of this risk broken down into currencies and interest type.

	Interest type	*Balance sheet value on 30 June 2022 (not audited)*	*Balance sheet value on 31 December 2021*
Financial assets exposed to the interest rate risk - PLN	Fixed	-	-
	Variable	808,839	273,441
Financial assets exposed to the interest rate risk - other currencies	Fixed	-	-
	Variable	123,062	237,211
Financial liabilities exposed to the interest rate risk - PLN	Fixed	-	-
	Variable	1,024 022	451,771
Financial liabilities exposed to the interest rate risk - other currencies	Fixed	-	-
	Variable	-	-
Net exposure - PLN	Fixed	-	-
	Variable	(215,182)	(178,330)
Net exposure - other currencies	Fixed	-	-
	Variable	123,062	237,211

The interest rate of financial instruments with a variable interest rate is updated in periods shorter than one year. The interest on financial instruments with a fixed interest rate is constant throughout the entire period up to the maturity/due date of these instruments. Other financial instruments of the Group, not included in the tables above, do not bear interest and, thus, are not subject to an interest rate risk.

31.2.1. Securities

As at 30 June 2022, one of the Group's companies – ZE PAK SA had active instruments used to mitigate the foreign exchange rate change risk (forward EUR/PLN transactions).

Type of concluded transactions	*Currency pair*	*Transaction amount (face value in EUR thousand) 30 June 2022*	*Net market values (fair value in PLN thousand) 30 June 2022*	*Maturity date*

Forward transactions of EUR currency purchase (forward)	(EUR/PLN)	5 000	23 925	December 2022

The Group secures the risk of CO_2 emission allowance price changes using forward transactions to purchase the allowances for its own needs. The tables below show the summary of forward transactions active as at 30 June 2022 and 30 June 2021.

30 June 2022 (not audited)

Type of concluded transactions	*Number of purchased allowances*	*Total face value of transactions in EUR thousand*	*Transaction currency*	*Maturity date*
Forward transactions	4 428 000	307 463	EUR	Up to one year

30 June 2021 (not audited)

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

32. Capital management

The main goal of the Group’s capital management is to maintain a good credit rating and safe equity ratios, which would support the Group's operating activities and increase the value for its shareholders.

The Group manages the capital structure, and amends it due to changes in the economic conditions. In the 6-month period concluded on 30 June 2022 and the year concluded on 31 December 2021, there were no introduced amendments to goals, rules and processes applying in this area.

The Group monitors the balance of its capitals using the leverage ratio, which is calculated as a relation of net debt to the sum of capitals plus net debt. Expected leverage ratio for the Group should be a maximum of 50%. The Group’s net debts include interest-bearing credits and loans, trade and other liabilities, minus cash and cash equivalents. The capital includes equity minus the supplementary capitals on account of unrealised net profits.

	30 June 2022 (not audited)	*31 December 2021*
Interest-bearing loans and borrowings	1 024 022	55 003
Financial derivatives (liabilities)	-	-
Trade liabilities and other financial liabilities	162 649	193 509
Minus cash and cash equivalents	927 391	497 861
Net debt	**259 280**	**201 062**
Equity	1 123 615	524 232
Total capital	1 123 615	524 232
Net capital and debt	**1 382 895**	**725 294**
Leverage ratio	18.75%	27.72%

33. Events after the balance sheet date

Judgement by the Provincial Administrative Court in Warsaw – concession for lignite extraction

On 25 July 2022, PAK KWB Konin SA received the judgement of the Provincial Administrative Court ("WSA") in Warsaw dated 26 May 2022, which was passed in a closed session. The judgement of the WSA in Warsaw repeals the decision of the Minister of Climate and Environment dated 27 July 2020 amending the lignite extraction concession for one of the three deposits currently exploited by KWB Konin SA, i.e., Pątnów IV ("Jóźwin" open pit). The decision of the Minister of Climate and Environment which extends the concession validity date from 31 August 2020 to 31 August 2026 has been repealed in a non-binding manner.

The repealing judgement is not final. After studying the judgement statement of reasons, PAK KWB Konin SA shall develop and file a cassation appeal to the Supreme Administrative Court. The Decision repealed by way of the WSA judgement remains in legal circulation and PAK KWB Konin SA continues to extract lignite from the Pątnów IV deposit within the Jóźwin Open pit. The Pątnów IV deposit is in the final phase of exploitation, and in none of the scenario does PAK KWB Konin SA assume its exploitation until 2026.

Conclusion of a framework agreement and an annex to the shareholders' agreement with Ørsted Wind Power A/S

On 8 August 2022, the Company and Ørsted Wind Power A/S (ORS) concluded a framework agreement and an annex to a shareholders' agreement. Pursuant to the said documents, the Company and ORS decided, in particular, to make a series of share capital increases in seven project companies, leading to a change in the number of shares to which the parties in these companies will be entitled to, while still maintaining joint control of the parties over these project companies and their joint financing.

The change in share capitals covered: Orsted Polska OF SPV 1 sp. z o.o. ("SPV 1"), Orsted Polska OF SPV 2 sp. z o.o. ("SPV 2"), Orsted Polska OF SPV 3 sp. z o.o. ("SPV 3"), Orsted Polska OF SPV 4 sp. z o.o. ("SPV 4"), Orsted Polska OF SPV 5 sp. z o.o. ("SPV 5"), Orsted Polska OF SPV 6 sp. z o.o. ("SPV 6") and Orsted Polska OF SPV 7 sp. z o.o. ("SPV 7"), where the parties previously held 50% shares each. Pursuant to the Framework Agreement, due to the increased share capital of these entities, the Company will hold 60% of the shares in SPV 1 and SPV 6 ("ZE PAK Companies"), while ORS will hold 99% of the shares in SPV 2, SPV 3, SPV 4, SPV 5 and SPV 7 (jointly as "ORS Companies).

Pursuant to the framework agreement, in the case of any of ORS companies obtaining a permit to erect and utilize artificial islands, structures and equipment in offshore areas of the Republic of Poland for wind farm projects during the next settlement procedure conducted pursuant to Art. 27d et seq. the Act of 21 March 1991 on the maritime areas of the Republic of Poland, the Company shall be entitled to demand another increase in the share capital of a given ORS company, under which all new shares will be acquired by the Company. Due to the increase in the share capital of a given ORS company, the Company and ORS will each hold 50% shares in a given ORS company. In the event of a failure of the Company submitting a request to increase the share capital after a permit is obtained by a given ORS company, ORS shall be entitled to purchase all shares in a given ORS company held by the Company. Such a right to demand a further increase in the share capital has not been provided for in relation to ZE PAK Companies.

Acquisition of a wind project and conclusion of a loan agreement by PAK-Polska Czysta Energia sp. z o.o.

On 8 September 2022, PAK-Polska Czysta Energia sp. z o.o. with its seat in Konin purchased from Polish Wind Holdings B.V., a company established and operating under the laws of the Kingdom of the Netherlands, 100% shares in the share capital of Eviva Lębork sp. z o.o. with its seat in Warsaw.

The investment project provides for the construction of a wind farm consisting of 23 (twenty-three) wind turbines with a combined capacity of 50.6 MW within the Potęgowo commune, Słupski district, Pomorskie province. Wind conditions in this region enable estimating annual farm output at 170 GWh. The project has already been granted a set of administrative permits that enable commencing construction work on the wind turbines. The planned farm commissioning date is Q3 2024 at the latest. Due to the secured connection capacity, the design provides for the potential development of an additional PV or wind farm, with a maximum capacity of approx. 50 MW. The total estimated investment expenditure associated with purchasing and executing the farm amount to approx. PLN 600 MM.

In order to finance the wind farm construction, on 6 September 2022, PAK Polska Czysta Energia sp. z o.o. concluded a loan agreement with Cyfrowy Polsat S.A. with its seat in Warsaw, under which it will be granted a loan of PLN 160 million that can be paid in PLN or EUR. Pursuant to the provisions of the agreement, the loan repayment date has been set at 31 December 2025. The financial terms and other terms of the Agreement do not deviate from market terms.

Decision by ZE PAK S.A. on concluding further annexes to the preliminary sales contract covering shares in PAK-Polska Czysta Energia sp. z o.o. and the transfer of ownership of the organized part of the enterprise of the Konin Power Plant to PAK-PCE Biopaliwa i Wodór sp. z o.o.

On 20 December 2021, the Company and Cyfrowy Polsat SA concluded a preliminary contract for the sale of 67% of shares in PAK-Polska Czysta Energia sp. z o.o. On 30 March 2022, annex No. 1 to the aforementioned contract was concluded – it amended the end date (so-called long stop date) until which the parties assumed meeting all precedent conditions.

A number of legal actions took place in the period from April until May 2022, which resulted in Cyfrowy Polsat SA becoming the holder of 49% of the shares in the share capital of PAK-PCE Biopaliwa i Wodór sp. z o.o. ("PP BiW"), and the Company became the holder of 51% shares in the share capital of PP BiW. The change in the ownership structure of PP BiW entailed increasing its capital. The funds from increased capital were intended to acquire all energy activities from the Company implemented at the Konin Power Plant, involving in particular the generation of electricity from biomass, and constituting the organized part of the enterprise ("Konin Power Plant OPE").

On 16 May 2022, the Company and PP BiW concluded a contract, under which the ownership of the Konin Power Plant OPE will be transferred to PP BiW. The value of the Konin Power Plant OPE was determined based on the measurement developed by Deloitte Advisory sp. z o.o. and the working capital, i.e., under the same conditions and at a same level as provided for in the contract dated 20 December 2021.

On 29 June 2022, the Company and Cyfrowy Polsat SA concluded another annex ("Annex 2"), which shifts the long stop date and the date for completing one of the milestones the said contract, i.e., the transfer of the Konin Power Plant OPE. Annex 2 was also concluded in relation to the failure to meet one of the conditions precedent associated with the transfer to PAK-PCE of the receivables of PAK-PCE subsidiaries, i.e., PCE OZE 1-6, and a change in the manner and sequence of legal actions conducted under the contract.

The transfer of Konin Power Plant OPE ownership to PP BiW was completed on 1 July 2022.

On 27 July 2022, the contribution of all PP BiW share capital shares held by the Company and Cyfrowy Polsat SA as a contribution to cover the increased share capital of PAK-PCE.

On 26 September 2022, the Company and Cyfrowy Polsat SA concluded another annex ("Annex 3"), which amends the end date for obtaining the assumed share structure in PAK PCE. The concluded Annex 3 means that the final objective planned by the Company and Cyfrowy Polsat SA in the contract of 20 December 2021, regarding Cyfrowy Polsat SA disposing of 67% of the shares in PAK PCE remains unchanged and is to be achieved by 5 January 2023. Cyfrowy Polsat SA currently holds 40.4% of shares in PAK PCE, and the Company holds the remaining 59.6% shares in PAK PCE.

The total proceeds of the ZE PAK Capital Group related to the disposal of 67% of the PAK-PCE share capital and the transfer of the Konin Power Plant OPE ownerships to the PAK-PCE capital group (in the case of the absence of unauthorized outflows) will amount to PLN 807,625,246.00, taking into account the adjustment arising from the Konin Power Plant OPE share capital value.

Conclusions of a loan agreement with the Bank Gospodarstwa Krajowego by Farma Wiatrowa Kazimierz Biskupi sp. z o.o.

On 20 September 2022, Farma Wiatrowa Kazimierz Biskupi sp. z o.o. concluded a loan agreement with Bank Gospodarstwa Krajowego, under which the bank granted the Kazimierz Farm an investment loan up to PLN 135 million, and a VAT loan up to PLN 30 million. The loans are intended to finance and refinance the construction costs of a wind farm with a combined installed capacity of 17.5 MW in the Kazimierz Biskupi commune, Wielkopolskie province.

Pursuant to the agreement, the Kazimierz Farm, as the Debtor, undertook to make an own fund contribution in the amount of at least PLN 35.3 MM. The final repayment date for the investment loan is 20 December 2038, while the final repayment date for the VAT loan is 20 March 2024. The interest rate applicable to each loan use is equal to the annual interest rate, which is the total of the margin set out in the agreement and an appropriate WIBOR rate. The bank shall be entitled to commissions on behalf of granting the loans, the amount of which has been set at a level not different than market rates.

Other obligations of the debtor under the agreement do not differ from these commonly applied within similar loan transactions, in terms of maintaining selected financial indices at a level specified by the contract in particular.

It is planned to establish relevant collaterals in relation to the agreement. It is also planned to conclude a direct contract and a power purchase agreement (PPA) for the power generated at the Kazimierz Farm with Polkomtel sp. z o.o.

Konin, 29 September 2022